

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

JUNE 30, 2010

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Ames Community School District

Officials

Name	Title	Term Expires
Board of Education (Before September 2009 Election)		
Gail Johnston	President	2009
Paul Sodders	Vice President	2011
Mary Jurenka	Board Member	2011
Dan Woodin	Board Member	2011
Roy Cakerice	Board Member	2009
Anita Rollins	Board Member	2009
Francis Today	Board Member	2011
Board of Education (After September 2009 Election)		
Mary Jurenka	President	2011
Dan Woodlin	Vice President	2011
Paul Sodders	Board Member	2011
Francis Today	Board Member	2011
John Hascall	Board Member	2013
William Talbot	Board Member	2013
David Putz	Board Member	2013
School Officials		
Dr. Linda Beyea	Superintendent(resigned)	2010
Dr. Tim Taylor	Superintendent (appointed)	2010
Karen Shimp	District Secretary/Treasurer and Chief Financial Officer	2010
Ahlers & Cooney, P.C.	Attorney	2010

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Ames 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 Ames Community School District, Ames, 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.

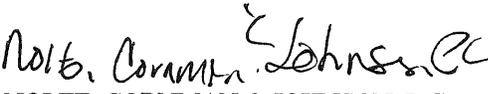
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ames Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2011 on our consideration of Ames Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, Schedule of Funding Progress for the Retiree Health Plan and Component Unit Financial Statements on pages 7 through 16 and 42 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ames Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial

statements for nine years ended June 30, 2009 (none of which are presented herein) and expressed an unqualified opinion on those 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.


NOLTE, CORNMAN & JOHNSON, P.C.

February 14, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Ames Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Fiscal 2010 General Fund revenues exceeded expenses by \$2.06 million. This resulted in an increase in the fund balance from \$3.7 million to \$5.8 million. Revenues were \$48.0 million vs. \$44.2 million in fiscal 2009, and expenditures were \$46.0 million vs. \$45.5 million in fiscal 2009.
- The District's October 2009 enrollment increased from the prior year. The certified enrollment was 4,358, a decrease of 18 students from the prior year.

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 Ames Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Ames Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Ames Community School District acts solely as an agent or custodial for the benefit of those outside of School 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 governmental 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-1
Ames Community School District Annual Financial Report

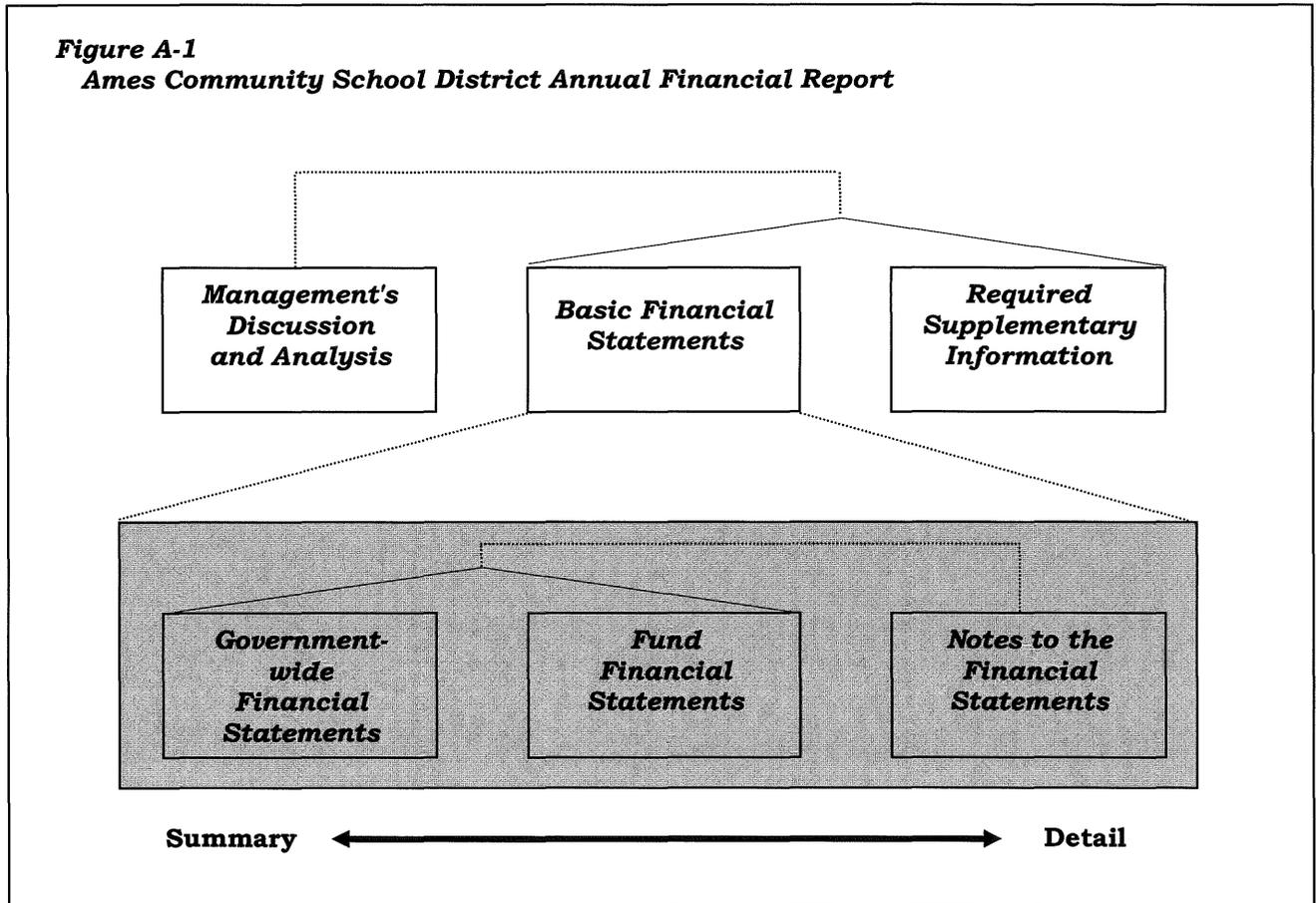


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, e.g., food services	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, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Agency Funds – These are funds through which the District administers and accounts for certain outside groups.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 58,349,599	53,642,776	(812,591)	(798,848)	57,537,008	52,843,928	8.88%
Capital assets	56,402,210	56,933,442	576,105	626,351	56,978,315	57,559,793	-1.01%
Total assets	114,751,809	110,576,218	(236,486)	(172,497)	114,515,323	110,403,721	3.72%
Long-term liabilities	16,658,494	19,685,837	1,481	907	16,659,975	19,686,744	-15.37%
Other liabilities	37,014,023	34,430,999	57,026	38,140	37,071,049	34,469,139	7.55%
Total liabilities	53,672,517	54,116,836	58,507	39,047	53,731,024	54,155,883	-0.78%
Net assets:							
Invested in capital assets, net of related debt	42,207,773	39,240,303	576,105	626,351	42,783,878	39,866,654	7.32%
Restricted	8,623,345	8,481,823	-	-	8,623,345	8,481,823	1.67%
Unrestricted	10,248,174	8,737,256	(871,098)	(837,895)	9,377,076	7,899,361	18.71%
Total net assets	\$ 61,079,292	56,459,382	(294,993)	(211,544)	60,784,299	56,247,838	8.07%

The District's combined net assets increased by 8.07%, or \$4,536,461, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$141,552, or 1.67% over the prior year. The increase was primarily a result the increase in the Management Levy Fund balance and Debt Service Fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$1,477,715, or 18.71%. This decrease is due to the decrease in fund balance in the General Fund.

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
Changes of Net Assets

	Governmental		Business type		Total		Total Change
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for services	\$ 4,524,731	4,566,723	783,668	966,381	5,308,399	5,533,104	-4.06%
Operating grants and contributions and restricted interest	9,900,464	6,524,358	662,673	638,773	10,563,137	7,163,131	47.47%
General revenues:							
Property tax	26,377,664	25,403,746	-	-	26,377,664	25,403,746	3.83%
Income surtax	2,233,973	2,322,528	-	-	2,233,973	2,322,528	-3.81%
Statewide sales and services tax	4,004,506	4,424,603	-	-	4,004,506	4,424,603	-9.49%
Unrestricted state grants	9,454,166	13,065,278	-	-	9,454,166	13,065,278	-27.64%
Unrestricted investment earnings	106,557	266,678	302	-	106,859	266,678	-59.93%
Other	762,846	635,902	-	-	762,846	635,902	19.96%
Total revenues	57,364,907	57,209,816	1,446,643	1,605,154	58,811,550	58,814,970	-0.01%
Program expenses:							
Governmental activities:							
Instruction	33,294,763	34,298,679	-	-	33,294,763	34,298,679	-2.93%
Support services	12,371,541	12,278,035	74,575	90,902	12,446,116	12,368,937	0.62%
Non-instructional programs	-	-	1,455,517	1,544,263	1,455,517	1,544,263	-5.75%
Other expenses	7,078,693	5,140,395	-	-	7,078,693	5,140,395	37.71%
Total expenses	52,744,997	51,717,109	1,530,092	1,635,165	54,275,089	53,352,274	1.73%
Changes in net assets	4,619,910	5,492,707	(83,449)	(30,011)	4,536,461	5,462,696	-16.96%
Beginning Net Assets	56,459,382	50,966,675	(211,544)	(181,533)	56,247,838	50,785,142	10.76%
Ending Net Assets	\$ 61,079,292	56,459,382	(294,993)	(211,544)	60,784,299	56,247,838	8.07%

In fiscal 2010, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 73.34% of the revenue from governmental activities while charges for service and seals and operating grants and contributions account for 99.98% of the revenue from business type activities.

The District's total revenues were \$58,811,550 of which \$57,364,907 was for governmental activities and \$1,446,643 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a .01% decrease in revenues and a 1.73% increase in expenses. Operating grants and contributions and restricted interest increased by \$3,398,779 to cover the shortfall in the unrestricted state grants. The increases in expenses related to an increase in other expenses.

Governmental Activities

Revenues for governmental activities were \$57,364,907 and expenses were \$52,744,997 for the year ended June 30, 2010.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services and other expenses for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Service		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 33,294,763	34,298,679	-2.93%	20,707,306	24,900,918	-16.84%
Support services	12,371,541	12,278,035	0.76%	12,160,980	12,067,731	0.77%
Other expenses	7,078,693	5,140,395	37.71%	5,451,516	3,657,379	49.06%
Totals	\$ 52,744,997	51,717,109	1.99%	38,319,802	40,626,028	-5.68%

For the year ended June 30, 2010:

- The cost financed by users of the District’s programs was \$4,524,731.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$9,900,464.
- The net cost of governmental activities was financed with \$32,616,143 in local tax, \$9,454,166 in unrestricted state grants, \$106,557 in unrestricted investment earnings and \$762,846 in other general revenues.

Business Type Activities

Revenues of the District’s business type activities during the year ended June 30, 2010 were \$1,446,643 and expenses were \$1,530,092. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$14,469,449, above last year’s ending fund balances of \$12,952,306. However, the primary reason for the increase in the combined fund balances is the increase in the General Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in state and federal sources resulted in an increase in revenues. The increase in revenues was greater than the increase General Fund expenditures, resulting in a increase in fund balance from \$3,732,272 to \$5,796,545.
- The Management Levy Fund balance decreased from \$4,387,729 to \$3,171,284, due to the increase in early retirement payouts and the District's decrease in tax levy to fund future property insurance costs and early retirement incentives payments.
- The Special Revenue, Physical Plant and Equipment Levy Fund balance increased from \$508,454 to \$1,943,766 to the revenues being greater than the District's capital expenditures.
- The Capital Projects Fund balance increased from \$1,219,874 to \$363,004, due to the paying out for construction costs from the issuance of revenue bonds.
- The Debt Service Fund balance increased from \$2,633,997 to \$2,851,320, due to the increase in property tax received to be used for bond repayments. The District is required to place all statewide sales and services tax into the debt service to finance the outstanding revenue bonds.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from a deficit \$211,544 at June 30, 2009 to a deficit \$294,993 at June 30, 2010, representing a 39.45% decrease.

BUDGETARY HIGHLIGHTS

The District's revenues were \$6,150,421 less than budgeted revenues, a variance of 9.49%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$56.98 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.01% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,870,234.

The original cost of the District's capital assets was \$82,615,535. Governmental funds account for \$81,476,555 with the remainder of \$1,138,980 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$219,979 at June 30, 2010, compared to \$3,619,675 reported at June 30, 2009. This decrease resulted primarily from the Northwood construction project as well as various other construction projects being completed.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 4,981,652	4,981,652	-	-	4,981,652	4,981,652	0.00%
Construction in progress	219,979	3,619,675	-	-	219,979	3,619,675	-93.92%
Buildings	43,188,431	41,165,528	-	-	43,188,431	41,165,528	4.91%
Land improvements	5,094,618	5,251,317	-	-	5,094,618	5,251,317	-2.98%
Machinery and equipment	2,917,530	1,915,270	576,105	626,351	3,493,635	2,541,621	37.46%
Total	\$ 56,402,210	56,933,442	576,105	626,351	56,978,315	57,559,793	-1.01%

Long-Term Debt

At June 30, 2010, the District had \$16,659,975 in total long-term debt outstanding. This represents a decrease of 15.37% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding General Obligation Bonds payable of \$1,550,000 at June 30, 2010.

The District also had outstanding Revenue Bonds payable from the Capital Projects Fund of \$12,644,437 at June 30, 2010.

The District had outstanding early retirement payable from the Special Revenue, Management Fund of \$1,265,689 at June 30, 2010.

The District had outstanding termination benefits payable from the General Fund of \$14,741 at June 30, 2010.

The District had outstanding compensated absences payable from the General Fund of \$362,125 at June 30, 2010.

The District had a net opeb liability of \$822,983 at June 30, 2010.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
General obligation bonds	\$ 1,550,000	1,965,000	-	-	1,550,000	1,965,000	-21.12%
Revenue bonds	12,644,437	15,728,139	-	-	12,644,437	15,728,139	-19.61%
Early retirement	1,265,689	1,044,651	-	-	1,265,689	1,044,651	21.16%
Termination benefits	14,741	19,943	-	-	14,741	19,943	-26.08%
Compensated absences	362,125	425,011	-	-	362,125	425,011	-14.80%
Net OPEB liability	821,502	503,093	1,481	907	822,983	504,000	100.00%
Total	\$ 16,658,494	19,685,837	1,481	907	16,659,975	19,686,744	-15.37%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced declining enrollment in nine of the past ten years. The enrollment decreased 79 students in 2010. Despite growth in the city of Ames, there is little residential growth within the school district's boundaries.
- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District.
- The District has begun negotiating with the teachers for the FY 2011 school year and just completed negotiations with PPME for the 2010 school year. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Corresponding cost reductions may be necessary to offset the cost of negotiated settlements and other cost increases.

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 Karen Shimp, District Secretary/Treasurer and Chief Financial Officer, Ames Community School District, 415 Stanton Avenue, Ames, Iowa, 50014-7331.

BASIC FINANCIAL STATEMENTS

**AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Primary Government		Total	Component Unit
	Governmental Activities	Business Type Activities		Athletic Booster Club
ASSETS				
Cash and pooled investments	\$ 22,984,815	75,302	23,060,117	149,795
Receivables:				
Property tax:				
Delinquent	153,180	-	153,180	-
Succeeding year	29,584,606	-	29,584,606	-
Income surtax	2,153,191	-	2,153,191	-
Interfund	934,857	(934,857)	-	-
Accounts	76,290	35,429	111,719	-
Due from other governments	2,442,555	-	2,442,555	-
Prepaid items	-	-	-	-
Inventories	20,105	11,535	31,640	-
Capital assets, net of accumulated depreciation	56,402,210	576,105	56,978,315	-
TOTAL ASSETS	114,751,809	(236,486)	114,515,323	149,795
LIABILITIES				
Excess of warrants issued over bank balance	227,827	-	227,827	-
Interfund payable	-	-	-	-
Accounts payable	975,731	24,049	999,780	-
Salaries and benefits payable	5,053,197	2,829	5,056,026	-
Incurred but not reported claims	715,013	-	715,013	-
Interest payable	69,538	-	69,538	-
Deferred revenue:				
Succeeding year property tax	29,584,606	-	29,584,606	-
Other	345,190	-	345,190	-
Unearned revenue	42,921	30,148	73,069	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds	430,000	-	430,000	-
Revenue bonds	3,230,537	-	3,230,537	-
Early retirement	402,697	-	402,697	-
Termination benefits	5,202	-	5,202	-
Compensated absences	362,125	-	362,125	-
Portion due after one year:				
General obligation bonds	1,120,000	-	1,120,000	-
Revenue bonds	9,413,900	-	9,413,900	-
Early retirement	862,992	-	862,992	-
Termination benefits	9,539	-	9,539	-
Net OPEB liability	821,502	1,481	822,983	-
TOTAL LIABILITIES	53,672,517	58,507	53,731,024	-
NET ASSETS				
Invested in capital assets, net of related debt	42,207,773	576,105	42,783,878	-
Restricted for:				
Categorical funding	1,216,130	-	1,216,130	-
Management levy	1,905,595	-	1,905,595	-
Physical plant and equipment levy	1,943,766	-	1,943,766	-
Other special revenue purposes	343,530	-	343,530	-
Debt service	2,851,320	-	2,851,320	-
Capital projects	363,004	-	363,004	-
Unrestricted	10,248,174	(871,098)	9,377,076	149,795
TOTAL NET ASSETS	\$ 61,079,292	(294,993)	60,784,299	149,795

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Athletic Booster Club
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Primary Government		Total	
				Governmental Activities	Business Type Activities		
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 19,418,408	2,113,295	7,394,946	(9,910,167)	-	(9,910,167)	-
Special	8,080,727	1,308,168	842,725	(5,929,834)	-	(5,929,834)	-
Other	5,795,628	928,323	-	(4,867,305)	-	(4,867,305)	-
	<u>33,294,763</u>	<u>4,349,786</u>	<u>8,237,671</u>	<u>(20,707,306)</u>	<u>-</u>	<u>(20,707,306)</u>	<u>-</u>
Support services:							
Student	1,097,192	-	-	(1,097,192)	-	(1,097,192)	-
Instructional staff	851,320	-	-	(851,320)	-	(851,320)	-
Administration	5,157,990	-	-	(5,157,990)	-	(5,157,990)	-
Operation and maintenance of plant	3,640,971	-	-	(3,640,971)	-	(3,640,971)	-
Transportation	1,624,068	174,945	35,616	(1,413,507)	-	(1,413,507)	-
	<u>12,371,541</u>	<u>174,945</u>	<u>35,616</u>	<u>(12,160,980)</u>	<u>-</u>	<u>(12,160,980)</u>	<u>-</u>
Other expenditures:							
Facilities acquisitions	2,985,497	-	-	(2,985,497)	-	(2,985,497)	-
Long-term debt interest	945,581	-	-	(945,581)	-	(945,581)	-
AEA flowthrough	1,627,177	-	1,627,177	-	-	-	-
Depreciation(unallocated)*	1,520,438	-	-	(1,520,438)	-	(1,520,438)	-
	<u>7,078,693</u>	<u>-</u>	<u>1,627,177</u>	<u>(5,451,516)</u>	<u>-</u>	<u>(5,451,516)</u>	<u>-</u>
Total governmental activities	52,744,997	4,524,731	9,900,464	(38,319,802)	-	(38,319,802)	-
Business Type activities:							
Support services							
Administration	62,475	-	-	-	(62,475)	(62,475)	-
Operation and maintenance of plant	12,100	-	-	-	(12,100)	(12,100)	-
	<u>74,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(74,575)</u>	<u>(74,575)</u>	<u>-</u>
Non-instructional programs:							
Nutrition services	1,455,517	783,668	662,673	-	(9,176)	(9,176)	-
Total business type activities	1,530,092	783,668	662,673	-	(83,751)	(83,751)	-
Total Primary Government	\$ 54,275,089	5,308,399	10,563,137	(38,319,802)	(83,751)	(38,403,553)	-
Total Component Unit	\$ 387,261	-	476,814	-	-	-	89,553
General Revenues:							
Property tax levied for:							
General purposes				\$ 22,437,235	-	22,437,235	-
Debt service				698,478	-	698,478	-
Capital outlay				3,241,951	-	3,241,951	-
Income surtax				2,233,973	-	2,233,973	-
Local option sales and services tax				4,004,506	-	4,004,506	-
Unrestricted state grants				9,454,166	-	9,454,166	-
Unrestricted investment earnings				106,557	302	106,859	1,259
Other				762,846	-	762,846	-
Total general revenues				<u>42,939,712</u>	<u>302</u>	<u>42,940,014</u>	<u>1,259</u>
Changes in net assets				4,619,910	(83,449)	4,536,461	90,812
Net assets beginning of year				56,459,382	(211,544)	56,247,838	58,983
Net assets end of year				<u>\$ 61,079,292</u>	<u>(294,993)</u>	<u>60,784,299</u>	<u>149,795</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**AMES COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General	Physical Plant and Equipment Levy	Nonmajor Special Revenue Funds	Total
ASSETS				
Cash and pooled investments	\$ 8,933,192	2,142,356	6,412,011	17,487,559
Receivables:				
Property tax				
Delinquent	130,297	18,827	4,056	153,180
Succeeding year	25,014,657	3,371,674	1,198,275	29,584,606
Income surtax	2,153,191	-	-	2,153,191
Interfund	934,857	-	-	934,857
Accounts	44,121	11,176	20,762	76,059
Due from other governments	1,754,950	-	687,605	2,442,555
Inventories	20,105	-	-	20,105
TOTAL ASSETS	\$ 38,985,370	5,544,033	8,322,709	52,852,112
LIABILITIES AND FUND BALANCES				
Liabilities:				
Excess of warrants issued over bank balance	\$ -	-	227,827	227,827
Accounts payable	623,366	228,593	123,772	975,731
Salaries and benefits payable	5,052,421	-	776	5,053,197
Deferred revenue:				
Succeeding year property tax	25,014,657	3,371,674	1,198,275	29,584,606
Income surtax	2,153,191	-	-	2,153,191
Other	345,190	-	-	345,190
Unearned revenue	-	-	42,921	42,921
Total liabilities	33,188,825	3,600,267	1,593,571	38,382,663
Fund balances:				
Reserved for:				
Debt service	-	-	2,851,320	2,851,320
Inventories	20,105	-	-	20,105
Categorical funding	1,216,130	-	-	1,216,130
Unreserved:	4,560,310	1,943,766	3,877,818	10,381,894
Total fund balances	5,796,545	1,943,766	6,729,138	14,469,449
TOTAL LIABILITIES AND FUND BALANCES	\$ 38,985,370	5,544,033	8,322,709	52,852,112

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES 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(page 20)	\$	14,469,449
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		56,402,210
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		2,153,191
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		4,782,474
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.		(69,538)
Long-term liabilities, including bonds payable, compensated absences, and other postemployment benefits payable, are not due and payable in the current period and, therefore are not reported in governmental funds.		<u>(16,658,494)</u>
 Net assets of governmental activities(page 18)	 \$	 <u><u>61,079,292</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Physical Plant and Equipment Levy	Total Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 24,471,040	3,241,951	4,702,984	32,415,975
Tuition	2,967,606	-	-	2,967,606
Other	1,247,922	208,940	978,189	2,435,051
State sources	14,701,042	985	212	14,702,239
Federal sources	4,651,164	-	-	4,651,164
Total revenues	<u>48,038,774</u>	<u>3,451,876</u>	<u>5,681,385</u>	<u>57,172,035</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	19,535,115	-	779,200	20,314,315
Special	7,982,672	-	-	7,982,672
Other	4,866,397	-	933,480	5,799,877
	<u>32,384,184</u>	<u>-</u>	<u>1,712,680</u>	<u>34,096,864</u>
Support services:				
Student	1,105,029	-	-	1,105,029
Instructional staff	881,864	-	-	881,864
Administration	5,216,520	192	32,813	5,249,525
Operation and maintenance of plant	3,222,475	-	451,190	3,673,665
Transportation	1,537,252	-	52,305	1,589,557
	<u>11,963,140</u>	<u>192</u>	<u>536,308</u>	<u>12,499,640</u>
Other expenditures:				
Facilities acquisitions	-	2,088,372	884,071	2,972,443
Long-term debt:				
Principal	-	-	3,498,702	3,498,702
Interest and fiscal charges	-	-	960,066	960,066
AEA flowthrough	1,627,177	-	-	1,627,177
	<u>1,627,177</u>	<u>2,088,372</u>	<u>5,342,839</u>	<u>9,058,388</u>
Total expenditures	<u>45,974,501</u>	<u>2,088,564</u>	<u>7,591,827</u>	<u>55,654,892</u>
Excess(deficiency)of revenues over(under) expenditures	2,064,273	1,363,312	(1,910,442)	1,517,143
Other financing sources(uses):				
Transfer in	-	-	3,977,305	3,977,305
Transfer out	-	-	(3,977,305)	(3,977,305)
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,064,273	1,363,312	(1,910,442)	1,517,143
Fund balance beginning of year	<u>3,732,272</u>	<u>580,454</u>	<u>8,639,580</u>	<u>12,952,306</u>
Fund balance end of year	<u>\$ 5,796,545</u>	<u>1,943,766</u>	<u>6,729,138</u>	<u>14,469,449</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2010

Net change in fund balances - total governmental funds(page 22) \$ 1,517,143

Amounts reported for governmental activities in the statement of activities are different because:

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

Expenditures for capital assets	\$ 1,267,764	
Depreciation expense	(1,791,700)	
Gain on disposal of capital assets	<u>(7,296)</u>	(531,232)

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. 3,498,702

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 14,485

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 200,168

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

Early Retirement	\$ (221,038)	
Other Termination Benefit	5,202	
Compensated Absences	62,886	
Other postemployment benefits	<u>(318,409)</u>	(471,359)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 392,003

Changes in net assets of governmental activities(page 19) \$ 4,619,910

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business Type Activities - Enterprise Fund School Nutrition	Governmental Activities - Internal Service Fund
ASSETS		
Cash and pooled investments	\$ 75,302	5,497,256
Accounts receivable	35,429	231
Inventories	11,535	-
Capital assets, net of accumulated depreciation	576,105	-
TOTAL ASSETS	698,371	5,497,487
LIABILITIES		
Interfund payable	934,857	-
Accounts payable	24,049	-
Salaries and benefits payable	2,829	-
Net OPEB liability	1,481	-
Incurred but not reported claims	-	715,013
Unearned revenues	30,148	-
TOTAL LIABILITIES	993,364	715,013
NET ASSETS		
Invested in capital assets	576,105	-
Unrestricted	(871,098)	4,782,474
TOTAL NET ASSETS	\$ (294,993)	4,782,474

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Business Type Activities - Enterprise Fund School Nutrition	Governmental Activities - Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 783,668	5,707,370
OPERATING EXPENSES:		
Support services:		
Administration:		
Services	2,497	-
Other	59,978	-
Operation and maintenance of plant:		
Services	12,100	-
	<u>74,575</u>	<u>-</u>
Non-instructional programs:		
Salaries	22,182	-
Benefits	13,064	5,306,877
Services	696,582	-
Supplies	645,155	8,490
Depreciation	78,534	-
	<u>1,455,517</u>	<u>5,315,367</u>
TOTAL OPERATING EXPENSES	<u>1,530,092</u>	<u>5,315,367</u>
OPERATING INCOME (LOSS)	<u>(746,424)</u>	<u>392,003</u>
NON-OPERATING REVENUES:		
State sources	12,677	-
Federal sources	649,996	-
Interest income	302	-
TOTAL NON-OPERATING REVENUES	<u>662,975</u>	<u>-</u>
Changes in net assets	(83,449)	392,003
Net assets beginning of year	<u>(211,544)</u>	<u>4,390,471</u>
Net assets end of year	<u>\$ (294,993)</u>	<u>4,782,474</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Business Type Activities - Enterprise Fund <u>School Nutrition</u>	Governmental Activities - Internal Service Fund <u> </u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 776,625	-
Cash received from miscellaneous operating activities	-	5,707,139
Cash payments to employees for services	(34,544)	(5,306,877)
Cash payments to suppliers for goods or services	(1,303,597)	(52,597)
Net cash used in operating activities	<u>(561,516)</u>	<u>347,665</u>
Cash flows from non-capital financing activities:		
State grants received	12,677	-
Federal grants received	556,758	-
Net cash provided by non-capital financing activities	<u>569,435</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(28,288)	-
Cash flows from investing activities:		
Interest on investments	302	-
Net increase(decrease)in cash and cash equivalents	(20,067)	347,665
Cash and cash equivalents at beginning of year	95,369	5,149,591
Cash and cash equivalents at end of year	<u>\$ 75,302</u>	<u>5,497,256</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating income (loss)	\$ (746,424)	392,003
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	93,238	-
Depreciation	78,534	-
Decrease in inventories	9,238	-
Increase in accounts receivable	(15,573)	(231)
Increase in accounts payable	10,239	-
Increase in salaries and benefits payable	128	-
Decrease in incurred but not reported claims	-	(44,107)
Increase in unearned revenue	8,530	-
Increase in other postemployment benefits payable	574	-
Net cash used in operating activities	<u>\$ (561,516)</u>	<u>347,665</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	<u>\$ 75,302</u>	<u>5,497,256</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$93,238.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 JUNE 30, 2010

	Agency
ASSETS	
Cash and pooled investments	\$ 32,138
Due from other governments	29,572
Due from other groups	204,546
TOTAL ASSETS	\$ 266,256
 LIABILITIES	
Excess of warrants issued over bank balance	\$ 212,846
Accounts payable	23,562
Due to other groups	29,848
TOTAL LIABILITIES	\$ 266,256

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies

The Ames Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served primarily includes the City of Ames, Iowa. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Ames Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Ames Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Discretely Presented Component Unit – The Ames Athletic Booster Club is a legally separate not-for-profit foundation. The Booster Club was established for the purpose of giving financial assistance to the Ames Community School District's Student Activity Fund.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Special Revenue, Physical Plant and Equipment Levy Fund is utilized to account for major equipment purchases and capital improvements.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund, Health Insurance Fund. The Nutrition Fund is used to account for the food service operations of the District. The Health Insurance Fund is used to account for the self-funded health insurance 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 Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal

year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

Interfund Receivables and Payables – During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2010 balances of interfund accounts receivable or payable have been recorded.

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.

Prepaid Items – The District prepaid items from the General Fund. Items prepaid include life insurance purchased for the 2009-10 year.

Capital Assets – Capital assets, which include property, machinery 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.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangible assets	125,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangible assets	5-12 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July, 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 sixty days after year end. Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue – Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund. The student fees are fees for the next year. The student fee balances are reflected on the balance sheet in the General Fund and Special Revenue Fund, Student Activity Fund.

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

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

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

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

E. Budgeting and Budgetary Control

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

Note 2. Cash and Pooled Investments

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

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

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$3,084,938 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Note 3. Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 3,977,305</u>

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

Note 4. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise, School Nutrition	<u>\$ 934,857</u>

The Enterprise, School Nutrition Fund is repaying the General fund for salaries and benefits. The balance will be repaid by June 30, 2010.

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,981,652	-	-	4,981,652
Construction in progress	3,619,675	1,112,380	4,512,076	219,979
Total capital assets not being depreciated	<u>8,601,327</u>	<u>1,112,380</u>	<u>4,512,076</u>	<u>5,201,631</u>
Capital assets being depreciated:				
Buildings	60,249,786	3,195,040	-	63,444,826
Land improvements	7,780,520	191,602	-	7,972,122
Machinery and equipment	3,622,312	1,280,818	45,154	4,857,976
Total capital assets being depreciated	<u>71,652,618</u>	<u>4,667,460</u>	<u>45,154</u>	<u>76,274,924</u>
Less accumulated depreciation for:				
Buildings	19,084,258	1,172,137	-	20,256,395
Land improvements	2,529,203	348,301	-	2,877,504
Machinery and equipment	1,707,042	271,262	37,858	1,940,446
Total accumulated depreciation	<u>23,320,503</u>	<u>1,791,700</u>	<u>37,858</u>	<u>25,074,345</u>
Total capital assets being depreciated, net	<u>48,332,115</u>	<u>2,875,760</u>	<u>7,296</u>	<u>51,200,579</u>
Governmental activities capital assets, net	<u>\$ 56,933,442</u>	<u>3,988,140</u>	<u>4,519,372</u>	<u>56,402,210</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 1,135,118	28,288	24,426	1,138,980
Less accumulated depreciation	508,767	78,534	24,426	562,875
Business-type activities capital assets, net	<u>\$ 626,351</u>	<u>(50,246)</u>	<u>-</u>	<u>576,105</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 145,063
Support services:		
Administration		9,648
Operation and maintenance		82,040
Transportation		34,511
		<u>271,262</u>
Unallocated depreciation		<u>1,520,438</u>
Total governmental activities depreciation expense		<u>\$ 1,791,700</u>
Business type activities:		
Food services		<u>\$ 78,534</u>

Note 6. Long-Term Debt

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 1,965,000	-	415,000	1,550,000	430,000
Revenue Bonds	15,728,139	-	3,083,702	12,644,437	3,230,537
Early Retirement	1,044,651	516,508	295,470	1,265,689	402,697
Other Termination Benefit	19,943	-	5,202	14,741	5,202
Compensated Absences	425,011	362,125	425,011	362,125	362,125
Net OPEB liability	503,093	318,409	-	821,502	-
Total	<u>\$ 19,685,837</u>	<u>1,197,042</u>	<u>4,224,385</u>	<u>16,658,494</u>	<u>4,430,561</u>
Business type activities:					
Net OPEB liability	\$ 907	574	-	1,481	-

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of March 1, 2004				
	Interest Rates	Principal	Interest	Total	
2011	3.50 %	\$ 430,000	268,272	698,272	
2012	3.05	450,000	253,223	703,223	
2013	3.25	465,000	239,498	704,498	
2014	3.45	205,000	224,385	429,385	
Total		\$ 1,550,000	985,378	2,535,378	

Revenue Bonds Payable

Details of the District's June 30, 2010 local option (statewide) sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	2006 Series A		2006 Series B	
		Principal	Interest	Principal	Interest
2011	4.65 %	\$ 1,499,395	194,108	1,499,395	194,108
2012	4.65	1,570,622	122,881	1,570,622	122,881
2013	4.65	1,645,232	48,270	1,645,232	48,270
2014	4.65	140,581	545	140,581	545
Total		\$ 4,855,830	365,804	4,855,830	365,804

Year Ending June 30,	Issue Dated January 14, 2009				Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total	
2011	4.80 %	\$ 231,747	135,719	3,230,537	388,216	3,618,753	
2012	4.80	243,120	124,347	3,384,364	245,762	3,630,126	
2013	4.80	255,049	112,417	3,545,513	96,540	3,642,053	
2014	4.80	267,565	99,902	548,727	1,090	549,817	
2015	4.80	280,694	86,772	280,694	86,772	367,466	
2016-2020	4.80	1,624,102	213,232	1,624,102	213,232	1,837,334	
2021	4.80	30,500	122	30,500	122	30,622	
Total		\$ 2,932,777	772,511	12,644,437	1,031,734	13,676,171	

The District has pledged future local option (statewide) sales and services tax revenues to repay the \$20,000,000 bonds issued in March 2006 and the \$3,225,000 bonds issued in January 2009. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure and are payable through 2014 and 2021 respectively. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require a high percentage of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$17,284,083. For the current year, \$2,804,283 in principal and \$712,520 in interest was paid on the bonds and total statewide sales and services tax revenues were \$4,424,603.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

All proceeds from the local option (statewide) sales and services tax shall be placed in a revenue account.

Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

In each month commencing October 1, 2007 receipts of the local option (statewide) sales and services tax after deposits to the sinking fund shall be deposited in the reserve fund until there is on deposit in the reserve fund the amount of \$1,000,000.

Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Note 7. Termination Benefits

Early Retirement

The District offers a voluntary early retirement plan to its certified and support staff employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

Early retirement incentive for each eligible employee approved by the Board will be based on the number of days of accumulated sick leave (maximum of 165 days) times 15% of the employee's per diem salary. For this purpose, per diem salary is defined as base salary plus longevity pay. The employee will receive an additional \$15 for each day of accumulated sick leave (maximum of 165 days).

The District shall contribute the lump sum amount of the employee's retirement compensation directly in an account for the employee under the District's Employer Sponsored 403(b) Special Pay Deferral Plan, as a non-elective employer contribution, within 60 days of the employee's retirement effective date; provided, however, that the amount of such contribution shall not exceed the application limitations under section 403(b) and other applicable provisions of the Internal Revenue Code of 1986, as amended.

As part of the early retirement incentive, the District will pay a fixed dollar amount per month for single medical insurance coverage until the retiree reaches age 65. The dollar amount (currently \$411.86) will be the single premium for plan 4 (\$1,000 deductible). The rate in effect at the retirement effective date will be the rate provided by the District. The District's contribution toward medical insurance will not increase after established at the retirement effective date.

Early retirement benefits paid during the year ended June 30, 2010, totaled \$295,470. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

Other Termination Benefit

The District offered a special termination benefit for an employee that resigned during the year ended June 30, 2007. The District agreed to pay a fixed amount per month for single medical insurance coverage until the employee reaches age 65. Health and dental insurance will be paid until April 2013 at the rate of \$433.54. The District also agreed to pay life insurance for one year at the rate of \$65.

A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

Note 8 . Bond Defeasement

On June 1, 2007, the District advance refunded \$2,000,000 of outstanding general obligation bonds. The proceeds of the refunding issued have been placed in an irrevocable escrow account. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunded bonds. The bonds are callable on June 1, 2011. At June 30, 2010, \$2,000,000 of such bonds are outstanding. Repayment of principal and interest for the year was \$0 and \$0. On June 1, 2008, the District advance refunded \$2,050,000 of outstanding general obligation bonds. The proceeds of the refunding issued have been placed in an irrevocable escrow account. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunded bonds. The bonds are callable on June 1, 2011. At June 30, 2010, \$2,050,000 of such bonds are outstanding. Repayment of principal and interest for the year was \$0 and \$0. On June 1, 2009, the District advance refunded \$1,500,000 of outstanding general obligation bonds. The proceeds of the refunding issued have been placed in an irrevocable escrow account. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunded bonds. The bonds are callable on June 1, 2011. At June 30, 2010, \$1,500,000 of such bonds are outstanding. Repayment of principal and interest for the year was \$0 and \$0.

Note 9. Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Plan members were required to contribute 4.1% of their annual salary and the District was required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Plan members were required to contribute 3.90% of their annual salary and the District was required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$1,945,836, \$1,794,217 and \$1,457,827 respectively, equal to the required contributions for each year.

Note 10. Other Postemployment Benefits (OPEB)

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

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 509 active and 60 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with First Administrators. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an

ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 1,259,000
Interest on net OPEB obligation	25,200
Adjustment to annual required contribution	<u>(20,217)</u>
Annual OPEB cost	1,263,983
Contributions made	<u>(944,000)</u>
Increase in net OPEB obligation	319,983
Net OPEB obligation beginning of year	<u>504,000</u>
Net OPEB obligation end of year	<u>\$ 823,983</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2010, the District contributed \$755,000 to the medical plan. Plan members eligible for benefits contributed \$469,000, or 38.32% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 1,263,983	74.68%	\$ 823,983

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2010, the actuarial accrued liability was \$10,919,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,919,000. The covered payroll (annual payroll of active employees covered by the plan was \$27,365,886, and the ratio of the UAAL to covered payroll was 39.90%. As of June 30, 2010, there were no trust fund assets.

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

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

As of July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 5% discount rate based on the District's funding policy. The projected

annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2006 and applying termination factors used in the IPERS Actuarial Report as of June 30, 2006.

Projected claim costs of the medical plan for retirees less than age 65 are \$1098.75 per month under the Basic Plan, \$899.61 per month under Plan A, \$846.47 per month under Plan B, and \$780.17 per month under Plan C. Projected claim costs of the medical plan for retirees who have attained age 65 is \$880.81 for all plans. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 11. Risk Management

The District has a self-funded health and dental insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess \$75,000 in insured claims for any one covered individual. Settled aggregate stop-loss claims have not exceeded the commercial coverage in any of the past two years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$4,782,474 at April 30, 2009, the last date for which information is available. The incurred but not recorded and unpaid claims liability of \$715,013 reported in the plan at April 30, 2010, is based on the requirements of GASB Statement Number 10, is included as a liability on the Statement of Net Assets.

In addition, the District is exposed to various risks to 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

Note 12. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,627,177 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 13. Construction Commitment

The District has entered into contracts for a variety of projects including: a turf replacement project at the high school, the Northwood renovation project, a sprinkler line system at the high school, and a new doors project. As of June 30, 2010, costs of \$219,979 had been incurred against the contracts. The balance remaining on these contracts at June 30, 2010 will be paid as work on the project progresses and will be capitalized upon completion.

Note 14. Deficit Net Assets

The Enterprise Fund, Nutrition Fund had deficit unrestricted, undesignated net assets of \$871,098 at June 30, 2010.

Note 15. Categorical Funding

Categorical funding balances for the District as of June 30, 2010 were as follows:

<u>Project</u>	<u>Amount</u>
Statewide Voluntary Preschool	\$ 558,106
LEP Weighting	12,116
Salary Improvement Program	224,141
Professional Development	144,991
Beginning Teacher Mentoring	16,221
Market Factor Incentives	29,851
Market Factor	30,437
State Decategorization Grant	17,585
Early Childhood Programs Grant	32,479
Model Core Curriculum	150,203
Total	<u>\$ 1,216,130</u>

REQUIRED SUPPLEMENTARY INFORMATION

AMES COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2010

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 37,818,632	783,970	38,602,602	44,358,571	44,358,571	(5,755,969)
State sources	14,702,239	12,677	14,714,916	18,780,528	18,780,528	(4,065,612)
Federal sources	4,651,164	649,996	5,301,160	1,630,000	1,630,000	3,671,160
Total revenues	<u>57,172,035</u>	<u>1,446,643</u>	<u>58,618,678</u>	<u>64,769,099</u>	<u>64,769,099</u>	<u>(6,150,421)</u>
Expenditures:						
Instruction	34,096,864	-	34,096,864	35,572,973	35,572,973	1,476,109
Support services	12,499,640	74,575	12,574,215	14,085,935	14,085,935	1,511,720
Non-instructional programs	-	1,455,517	1,455,517	1,600,000	1,800,965	345,448
Other expenditures	9,058,388	-	9,058,388	12,458,924	14,183,524	5,125,136
Total expenditures	<u>55,654,892</u>	<u>1,530,092</u>	<u>57,184,984</u>	<u>63,717,832</u>	<u>65,643,397</u>	<u>8,458,413</u>
Excess(deficiency) of revenues over(under) expenditures	1,517,143	(83,449)	1,433,694	1,051,267	(874,298)	2,307,992
Balance beginning of year	<u>12,952,306</u>	<u>(211,544)</u>	<u>12,740,762</u>	<u>11,390,419</u>	<u>11,390,419</u>	<u>(1,350,343)</u>
Balance end of year	<u>\$ 14,469,449</u>	<u>(294,993)</u>	<u>14,174,456</u>	<u>12,441,686</u>	<u>10,516,121</u>	<u>957,649</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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

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

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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one amendment increasing budgeted expenditures by \$1,925,565.

**AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION**

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 10,919,000	\$ 10,919,000	0.00%	\$ 27,365,886	39.90%
2010	July 1, 2008	-	10,919,000	10,919,000	0.00%	29,361,984	37.19%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

AMES COMMUNITY SCHOOL DISTRICT
 STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS – CASH BASIS
 COMPONENT UNIT
 JUNE 30, 2010

	Ames CSD Athletic Boosters Club
Assets	
Cash and cash equivalents	\$ 149,795
Total Assets	\$ 149,795
Liabilities:	
Total Liabilities	\$ -
Net Assets	
Unreserved net assets	149,795
Total net assets	149,795
Total Liabilities Net Assets	\$ 149,795

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND
CHANGES IN NET ASSETS – CASH BASIS
COMPONENT UNIT
YEAR ENDED JUNE 30, 2010

	Ames Athletic Booster Club
Support and Revenue:	
Interest	\$ 1,259
Alumin Newsletter	575
Business membership/advertising income	26,500
Camp fee	60,480
Clothing sales	16,398
Donations	16,286
Gyn scroll sign	33,378
Membership dues	39,755
Special events	122,172
Team banquet	15,523
Team fees/donations	145,747
Total support and revenue	478,073
Expenses:	
Athletic trainers	1,047
Awards, letters. Certificates	2,446
Bank charges	104
Business membership/ advertising	1,251
Camp	22,657
Clothing sales	21,709
Donation	1,185
Fees, contracts for sports programs	2,000
Hall of Fame/Wall of Fame	1,475
Insurance	300
Legal and professional fees	275
Office, newsletter, misc.	2,952
Return deposit item	554
Special events	17,374
Subsidies	52,415
Team banquet	13,988
Team	243,385
Travel, meals for camps, clinics	297
Treasurer's assist, web	1,613
Other misc expense	234
Total expenses	387,261
Excess of support and revenue over expenses	90,812
Net assets beginning of year	58,983
Net assets end of year	\$ 149,795

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

**AMES COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010**

	Nonmajor Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 3,172,549	392,198	3,564,747	-	2,847,264	6,412,011
Receivables:						
Property tax:						
Delinquent	-	-	-	-	4,056	4,056
Succeeding year	499,995	-	499,995	-	698,280	1,198,275
Accounts	-	20,762	20,762	-	-	20,762
Due from other governments	-	-	-	687,605	-	687,605
TOTAL ASSETS	\$ 3,672,544	412,960	4,085,504	687,605	3,549,600	8,322,709
LIABILITIES AND FUND BALANCES						
Liabilities:						
Excess of warrants issued over bank balance	\$ -	-	-	227,827	-	227,827
Accounts payable	489	26,509	26,998	96,774	-	123,772
Salaries and benefits payable	776	-	776	-	-	776
Deferred revenue:						
Succeeding year property tax	499,995	-	499,995	-	698,280	1,198,275
Unearned revenue	-	42,921	42,921	-	-	42,921
	501,260	69,430	570,690	324,601	698,280	1,593,571
Fund balances:						
Reserved for debt service	-	-	-	-	2,851,320	2,851,320
Unreserved	3,171,284	343,530	3,514,814	363,004	-	3,877,818
	3,171,284	343,530	3,514,814	363,004	2,851,320	6,729,138
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,672,544	412,960	4,085,504	687,605	3,549,600	8,322,709

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**AMES COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010**

	Nonmajor Special Revenue Funds					Total
	Management Levy	Student Activity	Total Special Revenue Funds	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ -	-	-	4,004,506	698,478	4,702,984
Other	46,758	931,335	978,093	-	96	978,189
State sources	-	-	-	-	212	212
TOTAL REVENUES	46,758	931,335	978,093	4,004,506	698,786	5,681,385
EXPENDITURES:						
Current:						
Instruction:						
Regular	779,200	-	779,200	-	-	779,200
Other	-	933,480	933,480	-	-	933,480
Support services:						
Administration	32,813	-	32,813	-	-	32,813
Operation and maintenance of plant	451,190	-	451,190	-	-	451,190
Transportation	-	52,305	52,305	-	-	52,305
Other expenditures:						
Facilities acquisition	-	-	-	884,071	-	884,071
Long-term debt:						
Principal	-	-	-	-	3,498,702	3,498,702
Interest and fiscal charges	-	-	-	-	960,066	960,066
TOTAL EXPENDITURES	1,263,203	985,785	2,248,988	884,071	4,458,768	7,591,827
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,216,445)	(54,450)	(1,270,895)	3,120,435	(3,759,982)	(1,910,442)
OTHER FINANCING USES:						
Transfers in	-	-	-	-	3,977,305	3,977,305
Transfers out	-	-	-	(3,977,305)	-	(3,977,305)
TOTAL OTHER FINANCING USES	-	-	-	(3,977,305)	3,977,305	-
Net change in fund balances	(1,216,445)	(54,450)	(1,270,895)	(856,870)	217,323	(1,910,442)
FUND BALANCE BEGINNING OF YEAR	4,387,729	397,980	4,785,709	1,219,874	2,633,997	8,639,580
FUND BALANCE END OF YEAR	\$ 3,171,284	343,530	3,514,814	363,004	2,851,320	6,729,138

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
District-wide	\$ 1,422	-	-	1,422
Edwards	-	8	8	-
Fellows	1,068	-	-	1,068
Meeke	2,169	9	21	2,157
Mitchell	668	406	409	665
Sawyer	2,709	1,778	977	3,510
Wilson-Beardshear	2,533	16	13	2,536
Middle School	151,841	177,093	185,775	143,159
High School	235,570	752,025	798,582	189,013
Total	<u>\$ 397,980</u>	<u>931,335</u>	<u>985,785</u>	<u>343,530</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUND
YEAR ENDED JUNE 30, 2010

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>AMES EDUCATION FOUNDATION</u>				
ASSETS				
Due from other governments	\$ 90,388	-	90,388	-
Due from other groups	44,399	65,189	44,398	65,190
	<u>\$ 134,787</u>	<u>65,189</u>	<u>134,786</u>	<u>65,190</u>
LIABILITIES				
Excess of warrants issued over bank balance	\$ 96,888	53,560	96,887	53,561
Accounts payable	37,899	11,629	37,899	11,629
	<u>\$ 134,787</u>	<u>65,189</u>	<u>134,786</u>	<u>65,190</u>
<u>VOCATIONAL CONSORTIUM</u>				
Cash and pooled investments	\$ -	-	-	-
Due from other governments	-	29,572	-	29,572
Due from other groups	28,883	139,356	28,883	139,356
	<u>\$ 28,883</u>	<u>168,928</u>	<u>28,883</u>	<u>168,928</u>
LIABILITIES				
Excess of warrants issued over bank balance	\$ 12,368	159,285	12,368	159,285
Accounts payable	4,808	4,886	4,808	4,886
Due to other groups	11,707	4,757	11,707	4,757
	<u>\$ 28,883</u>	<u>168,928</u>	<u>28,883</u>	<u>168,928</u>
<u>HS/MS/ELEMENTARY AGENCY</u>				
ASSETS				
Cash and pooled investments	\$ 37,987	32,138	37,987	32,138
	<u>\$ 37,987</u>	<u>32,138</u>	<u>37,987</u>	<u>32,138</u>
LIABILITIES				
Excess of warrants issued over bank balance	\$ -	-	-	-
Accounts payable	9,905	7,047	9,905	7,047
Due to other groups	28,082	25,091	28,082	25,091
	<u>\$ 37,987</u>	<u>32,138</u>	<u>37,987</u>	<u>32,138</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 37,987	32,138	37,987	32,138
Due from other governments	90,388	29,572	90,388	29,572
Due from other groups	73,282	204,545	73,281	204,546
	<u>\$ 201,657</u>	<u>266,255</u>	<u>201,656</u>	<u>266,256</u>
LIABILITIES				
Excess of warrants issued over bank balance	\$ 109,256	212,845	109,255	212,846
Accounts payable	52,612	23,562	52,612	23,562
Due to other groups	39,789	29,848	39,789	29,848
	<u>\$ 201,657</u>	<u>266,255</u>	<u>201,656</u>	<u>266,256</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

**AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN YEARS**

	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	\$ 32,415,975	31,983,458	30,691,122	31,123,168
Tuition	2,967,606	3,082,361	3,238,431	3,432,356
Other	2,435,051	2,696,854	2,558,348	2,720,224
Intermediate sources	-	-	-	38,904
State sources	14,702,239	17,541,260	16,307,190	14,731,416
Federal sources	4,651,164	2,044,097	1,393,518	1,101,449
Total	\$ 57,172,035	57,348,030	54,188,609	53,147,517
Expenditures:				
Instruction:				
Regular	\$ 20,314,315	21,849,730	19,410,797	17,926,058
Special	7,982,672	9,528,999	7,956,259	7,275,595
Other	5,799,877	2,360,789	4,792,984	4,539,801
Support services:				
Student	1,105,029	994,130	939,490	824,229
Instructional staff	881,864	777,760	784,867	812,896
Administration	5,249,525	5,266,640	5,356,752	4,814,437
Operation and maintenance of plant	3,673,665	3,827,315	3,855,316	3,791,228
Transportation	1,589,557	1,571,046	1,473,055	1,387,985
Central support	-	-	-	-
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisitions	2,972,443	5,254,515	3,242,708	2,975,650
Long-term debt:				
Principal	3,498,702	4,699,283	5,459,028	5,028,550
Interest and other charges	960,066	1,013,940	1,113,059	1,265,962
AEA flow-through	1,627,177	1,483,016	1,382,303	1,296,411
Total	\$ 55,654,892	58,627,163	55,766,618	51,938,802

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

Modified Accrual Basis					
Years Ended June 30,					
2006	2005	2004	2003	2002	2001
29,817,748	29,875,333	28,146,387	24,485,168	21,956,153	20,912,758
2,881,124	2,674,002	2,084,827	1,888,407	1,957,873	2,024,685
2,648,452	1,830,736	1,540,697	1,667,320	2,003,493	2,327,363
-	-	-	-	-	-
14,017,998	14,134,624	13,937,110	14,218,846	15,067,261	15,790,359
1,182,298	1,455,320	966,725	963,395	1,144,545	847,647
50,547,620	49,970,015	46,675,746	43,223,136	42,129,325	41,902,812
16,760,663	17,174,548	17,607,918	17,352,060	17,575,379	16,805,036
6,915,251	6,378,855	7,348,660	6,676,468	6,145,957	5,911,673
4,528,819	3,909,347	2,234,282	2,407,881	2,875,534	3,057,757
745,104	797,409	1,745,654	1,603,668	1,951,005	1,876,573
781,440	1,365,352	1,398,942	1,449,101	1,706,715	1,263,996
5,552,988	3,647,865	2,486,807	2,402,344	2,493,396	2,377,041
3,569,330	3,258,440	3,113,517	2,988,780	2,787,963	5,671,413
1,387,587	1,170,207	795,050	739,955	772,605	717,582
-	-	289,631	264,321	316,337	799,853
-	-	2,400	24,839	25,887	-
13,249,013	25,733,717	9,000,261	2,469,179	2,009,980	1,896,486
905,000	865,000	1,170,000	1,700,000	1,750,000	1,835,000
550,218	512,918	222,796	154,894	282,740	321,543
1,221,693	1,217,993	1,235,782	1,315,387	1,318,239	1,355,796
56,167,106	66,031,651	48,651,700	41,548,877	42,011,737	43,889,749

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	\$ 107,380
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	542,616 *
			649,996
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	41,994
ENHANCING EDUCATION THROUGH TECHNOLOGY (TITLE II D)(E2T2)	84.151	FY 09	600
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	10,523
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	FY 09	2,426
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	FY 10	22,670
ARRA, EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.387	FY 10	23,349
			48,445
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 10	2,885
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 10	172,085
ADVANCED PLACEMENT PROGRAM	84.330	FY 10	1,400
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 10	22,363
TITLE I CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 09	20,336
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0225-G	306,422
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0225-D	32,379
ARRA- TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	19,866
ARRA- TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	146,067
			525,070
ARRA - STATE FISCAL STABILIZATION FUNDS (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	1,843,822
SPECIAL EDUCATION CLUSTER:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 10	226,958
ARRA- SPECIAL EDUCATION - GRANTS TO STATES, RECOVERY ACT	84.391	FY 09	121,211
ARRA- SPECIAL EDUCATION - GRANTS TO STATES, RECOVERY ACT	84.391	FY 10	495,156
			843,325
TOTAL			\$ 4,162,508

* Includes \$93,238 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

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

To the Board of Education of the
Ames 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 Ames Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated 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 Ames Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ames Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ames Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We considered the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 through II-E-10 to be a significant deficiency.

Compliance and Other Matters

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

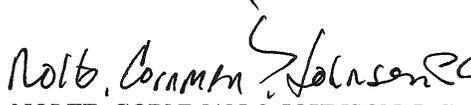
immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Ames Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

February 14, 2011

NOLTE, CORNMAN & JOHNSON P.C.

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(a professional corporation)

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

To the Board of Education of
Ames Community School District

Compliance

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

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

In our opinion, Ames Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A 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.

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

Ames Community Scholl District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Ames Community School District's responses and, accordingly, we express no opinion on them.

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


NOLTE, CORNMAN & JOHNSON, P.C.

February 14, 2011

AMES 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) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:

CFDA Number 84.394 - State Fiscal Stabilization Fund - Grants to States

Clustered Programs:

Nutrition Cluster

CFDA Number 10.553 - School Breakfast Program

CFDA Number 10.555 - National School Lunch Program

Title I Cluster

CFDA Number 84.010 - Title I Grants to Local Educational Agencies

CFDA Number 84.389 - ARRA - Title I Grants to Local Educational Agencies

Special Education Cluster

CFDA Number 84.027 - Special Education - Grants to States (Part B)

CFDA Number 84.391 - Special Education - Grants to States

- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Ames Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

- II-A-10 General Fund Invoices - We noted an instance where a payment was made with a vendor statement used as supporting documentation rather than an invoice detailing what was purchased. We also noted some instances of checks being written to vendors without an invoice or statement for supporting documentation.

Recommendation - The District should present the bills for payment to the Board for proper approval in accordance with the District's policy of payment of goods. The District should also, review their procedures that are in place to ensure that all bills are supported, approved, and paid from an invoice with a purchase order. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or support documentation other than the invoice.

Response - The District will educate staff on the requirement for an invoice with a purchase order to document every payment made, and will implement procedures to properly document and authorize instances where an invoice may not be available.

Conclusion - Response accepted.

II-B-10 Purchase Orders - We noted during our audit that several purchase orders were dated after the invoice date.

Recommendation - Better internal control is achieved when pre-numbered purchase orders are used and the sequence is monitored. The District should review the purchase order system in place. Purchase orders provide approval to order, therefore, pre-numbered purchase orders should be approved by the administrator before the ordering of supplies takes place.

Response - The District will step up staff education of approved purchasing process including the use of pre-numbered purchase orders approved by the administrator before ordering supplies, and will require proper procedures be followed for all purchases.

Conclusion - Response accepted.

II-C-10 Prior Year Accruals - We noted that prior year accounts receivable and accounts payable were still on the balance sheet at June 30 requiring upward and downward adjustments to remove.

Recommendation - The District should reconcile the accounts receivable and accounts payable to ensure that the accruals are properly reverse before posting new accruals.

Response - The District will provide additional training to staff on accrual and reversal procedures at year end, and will ensure this is completed in the future.

Conclusion - Response accepted.

II-D-10 Deferred Revenues - We noted that fees were collected for the FY 2011 school year. However, the balance on Infinite Campus software that the district utilizes does not agree with the balance sheet amount the district reported as deferred revenue.

Recommendation - The Infinite Campus would serve as a the subsidiary ledger for the individual balances and should agree to the general ledger.

Response - The District has researched the usage of Infinite Campus for recording fee receipts and determined that fee waivers have not been applied where applicable and that one school is not using Infinite Campus to record receipt of fees. This has been addressed and reconciliations will be completed going forward.

Conclusion - Response accepted.

II-E-10 Student Activity Fund - Fundraisers - We noted that the Student Activity Fund, Student Council Account donated excess funds from a fundraiser to the General Fund.

Recommendation - All fundraisers within the Student Activity Fund must have a stated purpose. The money raised from that fundraiser must be used for that purpose. If the fundraiser was for instructional supplies then the money should be recorded into the General Fund were it can be legally expended from.

Response - The Board has adopted a revised Fundraising Policy requiring a stated purpose and specific procedures for any District fundraiser. Administrators have been educated on the policy, and the policy implemented. Staff has been educated on the proper handling and recording of Student Activity funds. The District will oversee compliance with these requirements.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District expenditures/expenses for the year ended June 30, 2010, did not exceed the amount budgeted.

IV-B-10 Questionable Disbursements - We noted that the District paid out cash and gift cards for teacher appreciation. These disbursements may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to refrain from purchasing gift cards and giving cash for teacher appreciation. Gift cards given to employees are compensation and should be added to the employee's W-2 and recognized as payroll.

Response - The District will provide further education to all staff that gift cards may not be purchased for awards or recognition as part of our regular communications on the appropriate use of public funds.

Conclusion - Response accepted.

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 were noted.

IV-D-10 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Cris Berger, Activities Accountant Spouse of owner of Benchmark USA	Popcorn	\$174

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

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 - We noted no transactions requiring Board approval which have not been approved by the Board, however, we noted that board minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The Board met 54 times in FY10 requiring formal minutes. We will continue to make every effort to publish minutes within the two weeks of the Board meeting as required by the Code of Iowa.

Conclusion - Response accepted.

IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

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 - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

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

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

Beginning Balance		\$	-
Statewide sales and services tax revenue			4,004,506
Expenditures/transfers out:			
Debt service for school infrastructure:			
Buildings	\$	27,201	
Revenue debt		3,977,305	
			<u>4,004,506</u>
Ending balance		\$	<u>-</u>

The District did not reduce any tax levies as a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010.

IV-M-10 Financial Condition - The Enterprise Fund - Nutrition Fund had deficit unrestricted, net assets of \$871,098 at June 30, 2010.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit. The District may want to do a five-year workout plan for the Enterprise Fund - Nutrition Fund to improve the balance to a solvent position.

Response - The District will explore additional options to eliminate the Nutrition Fund deficit, including an increase in meal prices for the next fiscal year, and development of a workout plan to address the deficit.

Conclusion - Response accepted.

IV-N-10 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2010, the Enterprise, School Nutrition Fund owes the General fund \$934,857.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's yearend financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - Although the District has a plan for repayment, it appears that to comply with the declaratory ruling that the District should issue anticipatory warrants to repay the interfund loans.

Response - The District has developed a plan to repay the interfund loan. The plan will minimize the interest cost to the Nutrition Fund, and ultimately the taxpayers of the District, by repayment of the loan internally based on the cash flow generated by the Nutrition Fund. The District will continue to review the plan on an annual basis to make the adjustments necessary to maintain the repayment of the debt while rebuilding the solvency of the Nutrition Fund. The District will explore additional options to resolve the issue by issuing anticipatory warrants to repay the loan or seeking authority for a one-time transfer.

Conclusion - Response accepted.

IV-O-10 Officials Contracts - We noted during our audit that the Board President was not signing athletic officials contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into to comply with Chapter 291.1 of the Code of Iowa.

Response - The District has revised the process for signature on athletic officials contracts, requiring the signature of the Board President, to assure compliance with State law and Board policy.

Conclusion - Response accepted.