

ANITA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Notes to Basic Financial Statements		27-38
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		40
Notes to Required Supplementary Information - Budgetary Reporting		41
Schedule of Funding Progress for the Retiree Health Plan		42
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	45
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	46
Schedule of Changes in Fiduciary Assets and Liabilities Agency Fund	4	47
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	5	48
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 <u>Government Auditing Standards</u>		49-50
Schedule of Findings		51-54

Anita Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Board of Education (Before September 2009 Election)		
Randall Rabe	President	2011
Dr. Gerald Wessels	Vice President	2009
Phyllis Nichols	Board Member	2009
Jeff Gregersen	Board Member	2011
Julie Williamson	Board Member	2011
Board of Education (After September 2009 Election)		
Randall Rabe	President	2011
Julie Williamson	Vice President	2011
Jeff Gregersen	Board Member	2011
Chuck Kinzie	Board Member	2013
Nick Kauffman	Board Member	2013
School Officials		
John Brazell	Superintendent	2010
Linda Edwards	Board Secretary/ Board Treasurer	2010
Drew Bracken	Attorney	2010

ANITA COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Anita Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Anita Community School District, Anita, 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 Anita Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2011 on our consideration of Anita Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information required

Members American Institute & Iowa Society of Certified Public Accountants

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 Anita Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

March 3, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,905,858 in fiscal 2009 to \$3,007,073 in fiscal 2010, while General Fund expenditures increased from \$3,073,114 in fiscal 2009 to \$3,192,965 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from \$150,291 in fiscal 2009 to a deficit balance of \$35,601 in fiscal 2010, a 123.69% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and federal sources in fiscal 2010. The increase in expenditures was due primarily to an increase in the instruction function area.

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 Anita 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 Anita 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 Anita Community School District acts solely as an agent or custodial for the benefit of those outside of the District.

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
Anita Community School District Annual Financial Report

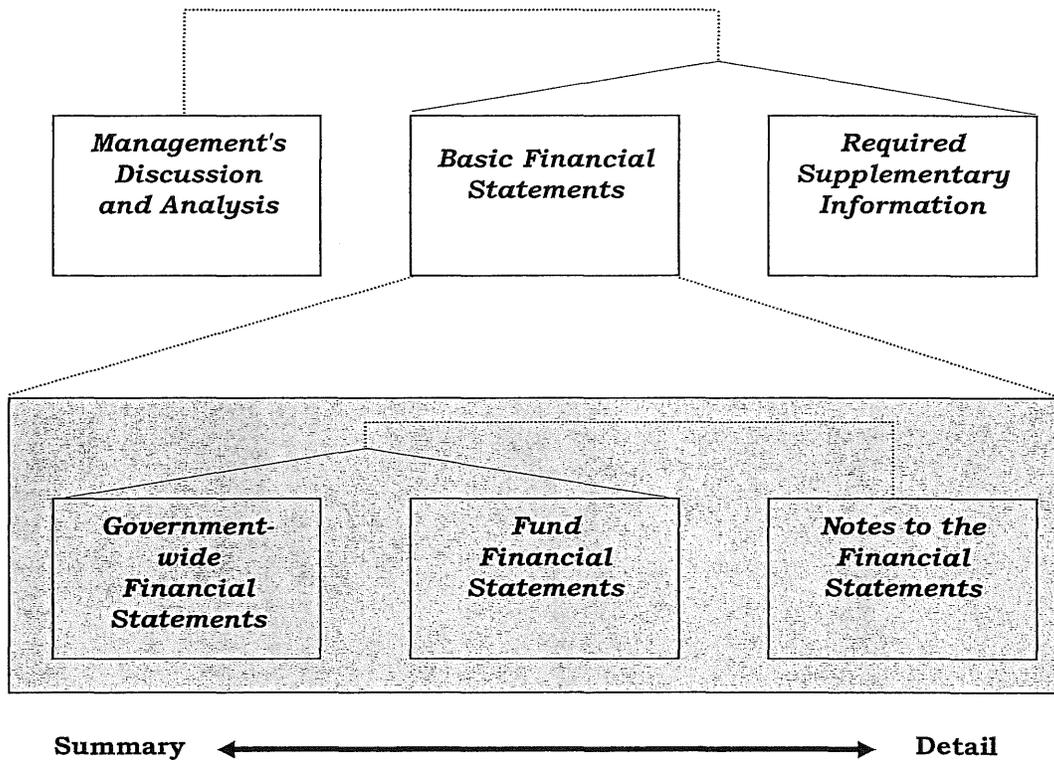


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 service	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 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 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 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 the Agency Fund.

Agency Funds - These are funds through which the District administers and accounts for an alternative school program.

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 includes 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 School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 2,512,897	2,555,882	25,762	15,092	2,538,659	2,570,974	-1.26%
Capital assets	1,983,275	1,989,636	9,501	10,181	1,992,776	1,999,817	-0.35%
Total assets	4,496,172	4,545,518	35,263	25,273	4,531,435	4,570,791	-0.86%
Long-term liabilities	76,320	96,154	0	0	76,320	96,154	-20.63%
Other liabilities	1,970,005	1,871,690	2,666	1,002	1,972,671	1,872,692	5.34%
Total liabilities	2,046,325	1,967,844	2,666	1,002	2,048,991	1,968,846	4.07%
Net assets:							
Invested in capital assets, net of related debt	1,936,205	1,895,495	9,501	10,181	1,945,706	1,905,676	2.10%
Restricted	498,344	476,226	0	0	498,344	476,226	4.64%
Unrestricted	15,298	205,953	23,096	14,090	38,394	220,043	-82.55%
Total net assets	\$ 2,449,847	2,577,674	32,597	24,271	2,482,444	2,601,945	-4.59%

The District's combined net assets decreased by 4.59%, or \$119,501, from the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$22,118, or 4.64% from the prior year. This increase was primarily due to the increase in fund balance in the Capital Projects Fund.

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 – decreased \$181,649, or 82.55%. This decrease was primarily due to the decrease in the fund balance in the General Fund.

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

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 376,458	506,776	85,217	88,185	461,675	594,961	-22.40%
Operating grants and contributions and restricted interest	598,934	502,649	71,176	61,126	670,110	563,775	18.86%
Capital grants and contributions	20,845	0	0	0	20,845	0	100.00%
General revenues:							
Property tax	1,256,548	1,167,592	0	0	1,256,548	1,167,592	7.62%
Statewide sales, services and use tax	190,162	192,835	0	0	190,162	192,835	-1.39%
Income surtax	118,014	111,158	0	0	118,014	111,158	6.17%
Unrestricted state grants	868,544	961,616	0	0	868,544	961,616	-9.68%
Unrestricted investment earnings	15,943	15,144	47	145	15,990	15,289	4.58%
Other	77,405	36,917	1,075	0	78,480	36,917	112.58%
Transfers	0	(1,798)	0	1,798	0	0	0.00%
Total revenues and transfers	3,522,853	3,492,889	157,515	151,254	3,680,368	3,644,143	0.99%
Program expenses:							
Governmental activities:							
Instructional	2,302,775	2,262,108	0	0	2,302,775	2,262,108	1.80%
Support services	1,067,964	1,007,086	0	765	1,067,964	1,007,851	5.96%
Non-instructional programs	0	0	149,189	152,875	149,189	152,875	-2.41%
Other expenses	279,942	160,936	0	0	279,942	160,936	73.95%
Total expenses	3,650,681	3,430,130	149,189	153,640	3,799,870	3,583,770	6.03%
Changes in net assets	(127,828)	62,759	8,326	(2,386)	(119,502)	60,373	-297.94%
Beginning net assets	2,577,675	2,514,915	24,271	26,657	2,601,946	2,541,572	2.38%
Ending net assets	\$ 2,449,847	2,577,674	32,597	24,271	2,482,444	2,601,945	-4.59%

In fiscal 2010, property tax, statewide sales, services and use tax, income surtax, and unrestricted state grants account for 69.07% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.29% of the revenue from business type activities.

The District's total revenues were approximately \$3.68 million of which \$3.52 million was for governmental activities and \$0.16 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase in revenues less than 1% and a 6.03% increase in expenses. Property tax increased by \$88,956 to fund increases in expenditures. The increases in expenses is related to increases in negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$3,522,853 and expenses were \$3,650,681 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 Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 2,302,775	2,262,108	1.80%	1,415,251	1,348,831	4.92%
Support services	1,067,964	1,007,086	6.04%	1,067,964	1,007,086	6.04%
Other expenses	279,942	160,936	73.95%	171,229	64,788	164.29%
Totals	<u>\$ 3,650,681</u>	<u>3,430,130</u>	<u>6.43%</u>	<u>2,654,444</u>	<u>2,420,705</u>	<u>9.66%</u>

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$376,458.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$619,779.
- The net cost of governmental activities was financed with \$1,256,548 in property tax, \$190,162 in statewide sales, services and use tax, \$118,014 in income surtax, \$868,544 in unrestricted state aid, \$15,943 in interest income and \$77,405 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$157,515 and expenses were \$149,189. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$443,299, below last year's ending fund balance of \$596,448. The primary reason for the decrease in combined fund balance in fiscal 2010 is due to the decrease in the General Fund balance.

Governmental Fund Highlights

- The District's General Fund balance decreased from \$150,291 on June 30, 2009 to a deficit balance of \$35,601 on June 30, 2010. The District's General Fund financial position is the product of many factors. An increase in the local and federal sources during the year resulted in an increase in total revenues. The increase in expenditures was due to the increases in employee's salaries and benefits. Although revenues increased during the year, it was not enough to offset the increase in expenditures ensuring the decline in the District's financial position.

-
- The Special Revenue, Management Levy Fund balance increased during the current year from \$126,358 in 2009, to \$127,832 in 2010. This increase resulted from controlled spending during the year.
 - The Capital Projects Fund balance increased during the current year from \$108,018 in 2009 to \$178,429 in 2010. This increase resulted from a decrease in expenditures during the year.

Proprietary Fund Highlights

School Nutrition net assets increased from \$24,271 at June 30, 2009 to \$32,597 at June 30, 2010, representing an increase of 34.30%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$406,628 less than budgeted revenues, a variance of 9.98%. 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditure functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$1,992,776, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of less than 1% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$137,809.

The original cost of the District's capital assets was \$4,412,116. Governmental funds account for \$4,365,682 with the remainder of \$46,434 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$51,215 at June 30, 2009, compared to \$108,844 reported at June 30, 2010. This increase is due lighting improvement purchases during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 6,643	6,643	0	0	6,643	6,643	0.00%
Buildings	1,481,370	1,535,688	0	0	1,481,370	1,535,688	-3.54%
Land improvements	108,844	51,215	0	0	108,844	51,215	112.52%
Machinery and equipment	386,418	396,090	9,501	10,181	395,919	406,271	-2.55%
Total	\$ 1,983,275	1,989,636	9,501	10,181	1,992,776	1,999,817	-0.35%

Long-Term Debt

At June 30, 2010, the District had \$76,320 in total long-term debt outstanding. This represents a decrease of 20.63% 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 has early retirement payable of \$16,148 at June 30, 2010 payable from the Special Revenue, Management Levy Fund.

The District has a computer lease payable of \$47,070 at June 30, 2010 payable from the Capital Projects Fund.

The District has total outstanding net OPEB liability of \$13,102 at June 30, 2010.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2010	2009	2009-10
Computer lease	\$ 47,070	94,141	100.00%
Early Retirement	16,148	2,013	702.19%
Net OPEB liability	13,102	0	100.00%
Total	\$ 76,320	96,154	-20.63%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- With the District's current financial challenges, the FY 2010 state budget cut of 10% results in a significant decrease in General Fund revenue, shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues.
- Increased expenditures have been caused by the increased price of gasoline and heating costs. An increase in the security of the high school building has also caused expenditures to increase.
- Inflation and the cost of living increases continue to affect the residents of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Edwards, District Secretary, Anita Community School District, 1000 Victory Park Road, Anita, Iowa, 50020.

BASIC FINANCIAL STATEMENTS

ANITA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:	\$ 688,816	14,627	703,443
Receivables:			
Property tax:			
Delinquent	53,038	0	53,038
Succeeding year	1,608,799	0	1,608,799
Income surtax	99,593	0	99,593
Due from other governments	62,651	0	62,651
Inventories	0	11,135	11,135
Capital assets, net of accumulated depreciation	1,983,275	9,501	1,992,776
Total Assets	4,496,172	35,263	4,531,435
Liabilities			
Accounts payable	92,226	55	92,281
Salaries and benefits payable	245,912	1,682	247,594
Deferred revenue:			
Succeeding year property tax	1,608,799	0	1,608,799
Other	23,068	0	23,068
Unearned revenue	0	929	929
Long-term liabilities:			
Portion due within one year:			
Computer lease	47,070	0	47,070
Early retirement payable	8,074	0	8,074
Portion due after one year:			
Early retirement payable	8,074	0	8,074
Net OPEB liability	13,102	0	13,102
Total Liabilities	2,046,325	2,666	2,048,991
Net Assets			
Invested in capital assets, net of related debt	1,936,205	9,501	1,945,706
Restricted for:			
Categorical funding	35,592	0	35,592
Capital projects	178,429	0	178,429
Management levy	111,684	0	111,684
Physical plant and equipment levy	114,876	0	114,876
Public education and recreation levy	12,522	0	12,522
Other special revenue purposes	45,241	0	45,241
Unrestricted	15,298	23,096	38,394
Total Net Assets	\$ 2,449,847	32,597	2,482,444

SEE NOTES TO BASIC FINANCIAL STATEMENTS

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
			Interest	Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 1,177,846	201,314	374,247	0	(602,285)	0	(602,285)
Special	311,278	38,716	51,161	0	(221,401)	0	(221,401)
Other	813,651	136,428	64,813	20,845	(591,565)	0	(591,565)
	<u>2,302,775</u>	<u>376,458</u>	<u>490,221</u>	<u>20,845</u>	<u>(1,415,251)</u>	<u>0</u>	<u>(1,415,251)</u>
Support services:							
Student	16,332	0	0	0	(16,332)	0	(16,332)
Instructional staff	110,551	0	0	0	(110,551)	0	(110,551)
Administration	455,453	0	0	0	(455,453)	0	(455,453)
Operation and maintenance of plant	293,874	0	0	0	(293,874)	0	(293,874)
Transportation	191,754	0	0	0	(191,754)	0	(191,754)
	<u>1,067,964</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,067,964)</u>	<u>0</u>	<u>(1,067,964)</u>
Other expenditures:							
Facilities acquisitions	110,960	0	0	0	(110,960)	0	(110,960)
AEA flowthrough	108,713	0	108,713	0	0	0	0
Depreciation(unallocated)*	60,269	0	0	0	(60,269)	0	(60,269)
	<u>279,942</u>	<u>0</u>	<u>108,713</u>	<u>0</u>	<u>(171,229)</u>	<u>0</u>	<u>(171,229)</u>
Total governmental activities	3,650,681	376,458	598,934	20,845	(2,654,444)	0	(2,654,444)
Non-instructional programs:							
Food service operations	149,189	85,217	71,176	0	0	7,204	7,204
Total business type activities	149,189	85,217	71,176	0	0	7,204	7,204
Total	<u>\$ 3,799,870</u>	<u>461,675</u>	<u>670,110</u>	<u>20,845</u>	<u>(2,654,444)</u>	<u>7,204</u>	<u>(2,647,240)</u>
General revenues and transfers							
General Revenues:							
Local tax for:							
General purposes					\$ 1,159,039	0	1,159,039
Capital outlay					97,509	0	97,509
Statewide sales, services and use tax					190,162	0	190,162
Income surtax					118,014	0	118,014
Unrestricted state grants					868,544	0	868,544
Unrestricted investment earnings					15,943	47	15,990
Other					77,405	1,075	78,480
Total general revenues					<u>2,526,616</u>	<u>1,122</u>	<u>2,527,738</u>
Changes in net assets					(127,828)	8,326	(119,502)
Net assets beginning of year					2,577,675	24,271	2,601,946
Net assets end of year					<u>\$ 2,449,847</u>	<u>32,597</u>	<u>2,482,444</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANITA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Other Nonmajor Governmental Funds	Total
Assets			
Cash and pooled investments:	\$ 245,211	443,605	688,816
Receivables:			
Property tax:			
Delinquent	16,439	36,599	53,038
Succeeding year	1,469,265	139,534	1,608,799
Income surtax	99,593	0	99,593
Due from other governments	62,651	0	62,651
Total Assets	\$ 1,893,159	619,738	2,512,897
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 90,922	1,304	92,226
Salaries and benefits payable	245,912	0	245,912
Deferred revenue:			
Succeeding year property tax	1,469,265	139,534	1,608,799
Income surtax	99,593	0	99,593
Other	23,068	0	23,068
Total liabilities	1,928,760	140,838	2,069,598
Fund balances:			
Reserved for:			
Categorical funding	35,592	0	35,592
Unreserved, reported in:			
General fund	(71,193)	0	(71,193)
Special revenue funds	0	300,471	300,471
Capital projects fund	0	178,429	178,429
Total fund balances	(35,601)	478,900	443,299
Total Liabilities and Fund Balances	\$ 1,893,159	619,738	2,512,897

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANITA 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)	\$	443,299
 <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.		1,983,275
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		99,593
Long-term liabilities, including computer lease payable and early retirement payable, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(76,320)
		<hr style="width: 100%;"/>
Net assets of governmental activites (page 18)	\$	<u><u>2,449,847</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

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

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,220,684	332,191	1,552,875
Tuition	232,886	0	232,886
Other	88,434	150,895	239,329
Intermediate sources	15,123	0	15,123
State sources	1,162,643	0	1,162,643
Federal sources	286,991	20,845	307,836
Total revenues	<u>3,006,761</u>	<u>503,931</u>	<u>3,510,692</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	1,166,392	1,900	1,168,292
Special	300,854	8,625	309,479
Other	656,387	159,734	816,121
	<u>2,123,633</u>	<u>170,259</u>	<u>2,293,892</u>
Support services:			
Student	15,416	835	16,251
Instructional staff	81,353	8,475	89,828
Administration	418,427	32,599	451,026
Operation and maintenance of plant	286,002	29,180	315,182
Transportation	159,421	8,230	167,651
	<u>960,619</u>	<u>79,319</u>	<u>1,039,938</u>
Other expenditures:			
Facilities acquisitions	0	174,540	174,540
Long-term debt:			
Principal	0	47,070	47,070
AEA flowthrough	108,713	0	108,713
	<u>108,713</u>	<u>221,610</u>	<u>330,323</u>
Total expenditures	<u>3,192,965</u>	<u>471,188</u>	<u>3,664,153</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(186,204)	32,743	(153,461)
OTHER FINANCING SOURCES:			
Proceeds from disposal of assets	312	0	312
Net change in fund balances	(185,892)	32,743	(153,149)
Fund balance beginning of year	150,291	446,157	596,448
Fund balance end of year	<u>\$ (35,601)</u>	<u>478,900</u>	<u>443,299</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANITA 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) \$ (153,149)

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

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

Expenditures for capital assets	\$ 117,367	
Depreciation expense	(123,728)	(6,361)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 47,070

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 11,849

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

Early retirement	(14,135)	
Other postemployment benefits	(13,102)	(27,237)

Changes in net assets of governmental activities (page 19) \$ (127,828)

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANITA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 14,627
Inventories	11,135
Capital assets, net of accumulated depreciation	9,501
Total Assets	<u>35,263</u>
Liabilities	
Accounts payable	55
Salaries and benefits payable	1,682
Unearned revenue	929
Total Liabilities	<u>2,666</u>
Net Assets	
Invested in capital assets	9,501
Unrestricted	23,096
Total Net Assets	<u>\$ 32,597</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 85,217
Miscellaneous	1,075
TOTAL OPERATING REVENUES	86,292
Non-instructional programs:	
Food service operations:	
Salaries	60,802
Benefits	8,565
Services	2,894
Supplies	75,647
Depreciation	1,281
	149,189
TOTAL OPERATING EXPENSES	149,189
OPERATING LOSS	(62,897)
NON-OPERATING REVENUES:	
State sources	1,313
Federal sources	69,863
Interest on investments	47
TOTAL NON-OPERATING REVENUES	71,223
Change in net assets	8,326
Net assets beginning of year	24,271
Net assets end of year	\$ 32,597

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANITA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 85,227
Cash received from miscellaneous sources	1,075
Cash payments to employees for services	(67,685)
Cash payments to suppliers for goods or services	(64,469)
Net cash used in operating activities	(45,852)
Cash flows from non-capital financing activities:	
State grants received	1,313
Federal grants received	54,680
Net cash provided by non-capital financing activities	55,993
Cash flows from investing activities:	
Interest on investments	47
Cash flows from capital financing activities:	
Purchase of assets	(601)
Net decrease in cash and cash equivalents	9,587
Cash and cash equivalents at beginning of year	5,040
Cash and cash equivalents at end of year	\$ 14,627
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (62,897)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	15,183
Depreciation	1,281
Decrease in accounts receivable	83
Increase in accounts payable	55
Increase in salaries and benefits payable	1,682
Decrease in inventories	(1,166)
Decrease in unearned revenue	(73)
Net cash used in operating activities	\$ (45,852)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$15,183.

SEE NOTES TO BASIC FINANCIAL STATEMENTS

ANITA COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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

The Anita 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 includes the city of Anita, Iowa, and the predominate agricultural territory in Cass, Adair and Audubon Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Anita 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 Anita Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, 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 revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District reports the following proprietary fund:

The District's proprietary fund is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is the Agency Fund.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

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

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

Capital Assets - Capital assets, which include property, machinery and equipment, 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of one reporting year.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

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 receivables 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.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures in the other expenditures functional area exceeded the amounts budgeted.

(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 \$201,827 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 47,070</u>

Transfers from the Capital Projects fund to the Debt Service fund were for payments of a computer lease.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2009-10B	1/21/2010	2/1/2011	\$ 0	100,000	100,000	0

During the year ended June 30, 2010, the District paid \$14,301 of interest on the ISCAP warrants

(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	\$ 6,643	0	0	6,643
Total capital assets not being depreciated	6,643	0	0	6,643
Capital assets being depreciated:				
Buildings	3,104,869	0	0	3,104,869
Land improvements	68,449	63,580	0	132,029
Machinery and equipment	1,068,354	66,587	12,800	1,122,141
Total capital assets being depreciated	4,241,672	130,167	12,800	4,359,039
Less accumulated depreciation for:				
Buildings	1,569,181	54,318	0	1,623,499
Land improvements	17,234	5,951	0	23,185
Machinery and equipment	672,264	76,259	12,800	735,723
Total accumulated depreciation	2,258,679	136,528	12,800	2,382,407
Total capital assets being depreciated, net	1,982,993	(6,361)	0	1,976,632
Governmental activities capital assets, net	\$ 1,989,636	(6,361)	0	1,983,275
Business Type activities:				
Machinery and equipment	\$ 45,833	601	0	46,434
Less accumulated depreciation	35,652	1,281	0	36,933
Business Type activities capital assets, net	\$ 10,181	(680)	0	9,501

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 25,220
Special		0
Other		2,537
Support services:		
Instructional staff		20,536
Administration		2,058
Operation and maintenance		2,177
Transportation		23,731
Unallocated depreciation		60,269
Total governmental activities depreciation expense		\$ 136,528
Business Type activities:		
Food service operations		\$ 1,281

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Computer lease	\$ 94,140	0	47,070	47,070	47,070
Early Retirement	2,013	16,148	2,013	16,148	8,074
Net OPEB liability	0	13,102	0	13,102	0
	\$ 96,153	29,250	49,083	76,320	55,144

Computer Lease

Details of the District's June 30, 2010 computer lease indebtedness are as follows:

Year Ending June 30,	Computer Lease Issue of July 23, 2008			
	Interest Rate	Principal	Interest	Total
2011	0.0%	\$ 47,070	0	47,070

Early Retirement

The District offered a voluntary early retirement plan to its certified employees that are at least 55 years of age. Employees must complete an application which is required to be approved by the Board of Education. Early retirement incentives are based on the employee's remaining sick leave days multiplied by a dollar amount based on the date of resignation. The liability will be paid out of the Special Revenue, Management Levy Fund. During the year ended June 30, 2010, the District paid early retirement benefits of \$2,013.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the years ended June 30, 2010, 2009 and 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 \$97,002, \$102,985, \$98,217, respectively, equal to the required contributions for each year.

(8) 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 benefits for retirees and their spouses. There are 35 active and 1 retired member in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

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	\$ 14,283
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>14,283</u>
Contributions made	<u>(1,181)</u>
Increase in net OPEB obligation	13,102
Net OPEB obligation beginning of year	0
Net OPEB obligation end of year	<u>\$ 13,102</u>

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

For the year ended June 30, 2010, the District contributed \$1,181 to the medical plan.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 14,283	8.27%	\$ 13,102

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$130,137, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$130,137. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1.33 million and the ratio of the UAAL to covered payroll was 9.78%. 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the Districts funding policy. The projected annual medical trend rate is 6%.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$108,713 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.

(11) Certified Budget

During the year ended June 30, 2010, expenditures in the other expenditures function exceeded the amounts budgeted.

(12) Deficit Fund Balance

The General Fund had a deficit unreserved fund balance of \$71,193 at June 30, 2010.

(13) Categorical Funding

The District's categorical funding balances for the year ended June 30, 2010 are as follows:

<u>Project</u>	<u>Amount</u>
Beginning Teacher Mentoring	\$ 14
Professional Development	22,226
Model Core Curriculum	7,440
Salary Improvement	2,739
Home School Assistance Program (HSAP)	<u>3,173</u>
Total	<u>\$ 35,592</u>

REQUIRED SUPPLEMENTARY INFORMATION

ANITA 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	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,025,090	86,339	2,111,429	2,230,373	2,230,373	(118,944)
Intermediate sources	15,123	0	15,123	6,000	6,000	9,123
State sources	1,162,643	1,313	1,163,956	1,566,462	1,566,462	(402,506)
Federal sources	307,836	69,863	377,699	272,000	272,000	105,699
Total revenues	3,510,692	157,515	3,668,207	4,074,835	4,074,835	(406,628)
Expenditures/Expenses:						
Instruction	2,293,892	0	2,293,892	2,974,817	2,974,817	680,925
Support services	1,039,938	0	1,039,938	1,492,231	1,492,231	452,293
Non-instructional programs	0	149,189	149,189	206,447	206,447	57,258
Other expenditures	330,323	0	330,323	287,970	287,970	(42,353)
Total expenditures/expenses	3,664,153	149,189	3,813,342	4,961,465	4,961,465	1,148,123
Excess(deficiency) of revenues over(under) expenditures/expenses	(153,461)	8,326	(145,135)	(886,630)	(886,630)	741,495
Other financing sources, net	312	0	312	4,000	4,000	(3,688)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(153,149)	8,326	(144,823)	(882,630)	(882,630)	737,807
Balance beginning of year	596,448	24,271	620,719	944,907	944,907	(324,188)
Balance end of year	\$ 443,299	32,597	475,896	62,277	62,277	413,619

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANITA 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2010, expenditures in the other expenditures function exceeded the amounts budgeted.

ANITA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 (IN THOUSANDS)
 REQUIRED SUPPLEMENTARY INFORMATION

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)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 130	130	0.0%	\$ 1,330	9.8%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

ANITA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Public Education and Recreation Levy	Total Special Revenue Funds	Capital Projects	
Assets							
Cash and pooled investments	\$ 128,479	45,241	113,609	12,351	299,680	143,925	443,605
Receivables:							
Property tax:							
Delinquent		657	0	1,267	171	2,095	34,504
Succeeding year	30,000	0	96,506	13,028	139,534	0	139,534
Total Assets	\$ 159,136	45,241	211,382	25,550	441,309	178,429	619,738
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 1,304	0	0	0	1,304	0	1,304
Deferred revenue:							
Succeeding year property tax	30,000	0	96,506	13,028	139,534	0	139,534
Total liabilities	31,304	0	96,506	13,028	140,838	0	140,838
Fund balances:							
Unreserved	127,832	45,241	114,876	12,522	300,471	178,429	478,900
Total fund balances	127,832	45,241	114,876	12,522	300,471	178,429	478,900
Total Liabilities and Fund Balances	\$ 159,136	45,241	211,382	25,550	441,309	178,429	619,738

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANITA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

	Special Revenue Funds								Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Public Education and Recreation Levy	Trust	Total Special Revenue Funds	Capital Projects	Debt Service	
REVENUES:									
Local sources:									
Local tax	\$ 44,520	0	85,911	11,598	0	142,029	190,162	0	332,191
Other	5,709	137,438	1,885	689	400	146,121	4,774	0	150,895
Federal sources	0	0	20,845	0	0	20,845	0	0	20,845
TOTAL REVENUES	50,229	137,438	108,641	12,287	400	308,995	194,936	0	503,931
EXPENDITURES:									
Current:									
Instruction:									
Regular	1,900	0	0	0	0	1,900	0	0	1,900
Special	8,625	0	0	0	0	8,625	0	0	8,625
Other	0	142,254	0	16,580	400	159,234	500	0	159,734
Support services:									
Student	835	0	0	0	0	835	0	0	835
Instructional staff	308	0	0	0	0	308	8,167	0	8,475
Administration	12,266	0	20,333	0	0	32,599	0	0	32,599
Operation and maintenance									
of plant	16,591	0	3,698	8,356	0	28,645	535	0	29,180
Student transportation	8,230	0	0	0	0	8,230	0	0	8,230
Other expenditures:									
Facilities acquisitions	0	0	94,771	11,516	0	106,287	68,253	0	174,540
Long-term debt:									
Principal	0	0	0	0	0	0	0	47,070	47,070
TOTAL EXPENDITURES	48,755	142,254	118,802	36,452	400	346,663	77,455	47,070	471,188
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES									
	1,474	(4,816)	(10,161)	(24,165)	0	(37,668)	117,481	(47,070)	32,743
OTHER FINANCING SOURCES (USES):									
Transfers in	0	0	0	0	0	0	0	47,070	47,070
Transfers out	0	0	0	0	0	0	(47,070)	0	(47,070)
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0	0	0	(47,070)	47,070	0
Net change in fund balances	1,474	(4,816)	(10,161)	(24,165)	0	(37,668)	70,411	0	32,743
Fund balance beginning of year	126,358	50,057	125,037	36,687	0	338,139	108,018	0	446,157
Fund balance end of year	\$ 127,832	45,241	114,876	12,522	0	300,471	178,429	0	478,900

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANITA 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
Athletics	\$ 14,212	46,256	46,118	14,350
Athletic Students	1,240	727	595	1,372
Cheerleaders	491	1,958	2,028	421
NFL/Q & S	4,103	4,561	4,449	4,215
FFA	(117)	30,979	30,060	802
Graduating Classes	13,909	22,860	23,578	13,191
Yearbook	10,290	8,340	14,075	4,555
Interest/Inactive Accounts	489	1,873	1,974	388
Juice/Pop Account	698	6,121	5,664	1,155
NHS/Student Council	336	1,698	1,435	599
Music	288	352	640	0
Academic Clubs	2,508	2,649	3,659	1,498
Track Club Concessions	15	0	0	15
Elementary Accounts	1,595	9,064	7,979	2,680
 Total	 \$ 50,057	 137,438	 142,254	 45,241

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 0	9,283	9,283	0
Liabilities				
Due to other groups	\$ 0	9,283	9,283	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ANITA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST SEVEN YEARS

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 1,552,875	1,460,467	1,237,083	1,211,430	1,181,277	1,083,074	1,019,143
Tuition	232,886	282,046	324,134	168,781	154,186	234,501	228,444
Other	239,329	277,400	231,172	280,183	246,391	267,982	259,823
Intermediate sources	15,123	34,997	5,687	8,149	9,152	8,336	8,501
State sources	1,162,643	1,288,532	1,333,013	1,525,542	1,441,469	1,413,456	1,243,062
Federal sources	307,836	140,127	110,494	198,448	123,564	166,590	226,247
Total	<u>\$ 3,510,692</u>	<u>3,483,569</u>	<u>3,241,583</u>	<u>3,392,533</u>	<u>3,156,039</u>	<u>3,173,939</u>	<u>2,985,220</u>
Expenditures:							
Current:							
Instruction:							
Regular	\$ 1,292,153	1,347,397	1,295,420	1,107,877	1,067,190	1,250,804	1,332,693
Special	590,370	396,935	363,302	462,615	407,609	321,014	360,844
Other	411,369	543,237	448,041	526,610	492,865	564,976	358,266
Support services:							
Student	16,251	42,481	43,735	64,431	68,305	53,601	41,595
Instructional staff	89,828	228,994	111,006	186,025	67,102	96,163	59,972
Administration	451,026	389,122	385,952	311,326	276,408	287,390	281,365
Operation and maintenance of plant	315,182	289,612	304,436	266,717	252,971	239,164	214,094
Transportation	167,651	174,049	245,942	269,909	170,033	181,682	108,074
Central	0	0	0	0	0	0	954
Non-instructional programs	0	0	0	0	288	9,951	3,425
Other expenditures:							
Facilities acquisitions	174,540	265,973	32,019	61,650	165,748	47,563	63,857
Long-term debt:							
Principal	47,070	0	0	0	0	0	0
AEA flow-through	108,713	96,148	93,124	91,765	89,801	89,219	90,188
Total	<u>\$ 3,664,153</u>	<u>3,773,948</u>	<u>3,322,977</u>	<u>3,348,925</u>	<u>3,058,320</u>	<u>3,141,527</u>	<u>2,915,327</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
Anita 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 Anita 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 March 3, 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 Anita Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Anita Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Anita Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-10 to be a material weakness.

Compliance and Other Matters

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

that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 3, 2011

ANITA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will continue to review our procedures and segregate duties where possible.

Conclusion - Response accepted.

ANITA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part II: Other Findings Related to Required Statutory Reporting

II-A-10 Certified Budget - During the year ended June 30, 2010, expenditures in the other expenditures function exceeded the budgeted amount.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - In the future, the District will amend the budget before actual expenditures exceed budgeted expenditures.

Conclusion - Response accepted.

II-B-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-10 Travel Expense - No travel advances to District officials or employees were noted; however, we noted non-itemized meal receipts being approved for reimbursement and that the Superintendent approves his own travel reimbursements.

Recommendation - The District should review their policy on credit cards and travel expenses to ensure that reimbursements are being properly approved.

Response - The District will review their policy on reimbursement. The Business Manager will verify the Superintendent's travel expenses.

Conclusion - Response accepted.

II-D-10 Business Transactions - No business transactions between the District and District officials were noted.

II-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.

II-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-10 Certified Enrollment - We noted that the number of basic resident student reported to the Iowa Department of Education on line 3 of the Certified Enrollment Certification Form for October 2009 was understated by 1.0 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter

Conclusion - Response accepted.

- II-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-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.
- II-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely. We noted no significant deficiencies in the amounts reported.
- II-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales 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		\$	0
Statewide sales, services and use tax revenue			190,162
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$	28,267	
Other improvements		49,188	
Debt service for school infrastructure:			
Computer Lease		47,070	124,525
Ending balance		\$	<u>65,637</u>

As a result of the statewide sales, services and use tax revenue received during year ended June 30, 2010 the District reduced the following levy:

	Per \$1000 of Taxable Valuation	Property Tax Dollars
Physical plant and equipment levy	\$ 0.67000	\$ 58,048

- II-M-10 Student Activity Fund - We noted, during the audit, inappropriate expenditures in the Student Activity Fund. Inappropriate expenditures would include any expenditures would include any expenditure more appropriate to other funds. The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extra-curricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1).

Recommendation - The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be received and expended.

Response - The District will move the appropriate accounts to the General Fund and work toward making the appropriate transactions in the future.

Conclusion - Response accepted.

II-N-10 Deficit Fund Balance - We noted, during the audit, the General Fund had a deficit fund balance of \$71,193 at June 30, 2010.

Recommendation - The District should continue to monitor the General Fund balance and should investigate alternatives to eliminate the deficit balance.

Response - The Administration will work closely to resolve the current situation or develop a plan towards resolution.

Conclusion - Response accepted.