

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

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Independent Auditor's Report

To the Board of Education of
Anthon-Oto 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 Anthon-Oto Community School District, Anthon, 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 Anthon-Oto 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 April 25, 2011 on our consideration of Anthon-Oto Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 39 through 41 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 Anthon-Oto 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 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

April 25, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,414,792 in fiscal 2009 to \$3,400,533 in fiscal 2010, while General Fund expenditures decreased from \$3,578,615 in fiscal 2009 to \$3,504,402 in fiscal 2010. The District's General Fund balance decreased \$102,669, from \$580,400 in fiscal 2009 to \$477,731 in fiscal 2010. This calculates to an 18% decrease.
- The main decrease in revenues was in the State sources category. This would include our State Aid and other State funded grants. We had expected these funds to decrease this fiscal year, due to continued decreases in our enrollment along with the 10% across the board cut that occurred in FY2010. We were able to predict these decreased revenues so were able to decrease our expenses to help offset some of the effects. However, our General fund balance still decreased.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Anthon-Oto 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 the Anthon-Oto Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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 Special Revenue Funds.

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

Figure A-1
Anthony-Oto Community School District Annual Financial Report

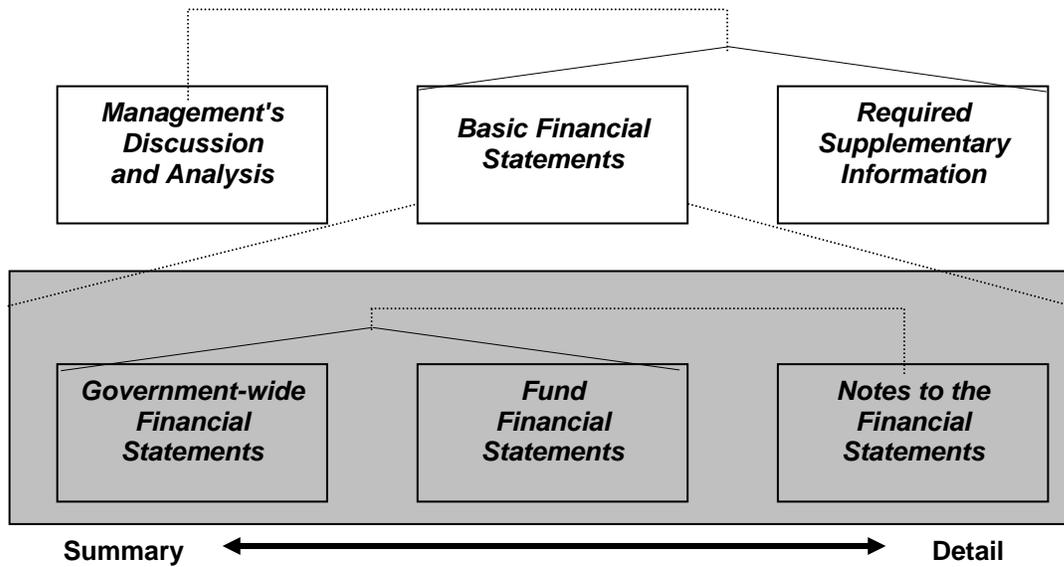


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2009-2010
	Governmental Activities		Business-type Activities		Total School District		
	2010	2009	2010	2009	2010	2009	
	\$	\$	\$	\$	\$	\$	
Current and other assets	3,146,756	3,519,778	20,833	5,612	3,167,589	3,525,390	-10%
Capital assets	1,932,946	2,106,858	3,218	5,848	1,936,164	2,112,706	-8%
Total assets	5,079,702	5,626,636	24,051	11,460	5,103,753	5,638,096	-9%
Long-term liabilities	770,337	770,000	-	-	770,337	770,000	<1%
Other liabilities	1,810,872	2,156,994	1,478	2,439	1,812,350	2,159,433	-16%
Total liabilities	2,581,209	2,926,994	1,478	2,439	2,582,687	2,929,433	-12%
Net Assets:							
Invested in capital assets, net of related debt	1,227,946	1,336,858	3,218	5,848	1,231,164	1,342,706	-8%
Restricted	871,592	797,186	-	-	871,592	797,186	9%
Unrestricted	398,955	565,598	19,355	3,173	418,310	568,771	-26%
TOTAL NET ASSETS	2,498,493	2,699,642	22,573	9,021	2,521,066	2,708,663	-7%

The District's combined net assets decreased by 7%, or approximately \$187,597, over the prior year.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$74,406 or 9% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$150,461, or 26%.

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

Figure A-4

	Change in Net Assets						Percentage Change 2009-2010
	Governmental Activities		Business-type Activities		Total School District		
	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	
Revenues							
Program Revenues:							
Charges for services	897,911	884,179	66,812	55,367	964,723	939,546	3%
Operating grants & contributions	499,755	443,565	94,531	86,008	594,286	529,573	12%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	1,185,676	1,148,099	-	-	1,185,676	1,148,099	3%
Income Surtax	5,832	46,225	-	-	5,832	46,225	-87%
Statewide sales tax	216,924	210,095	-	-	216,924	210,095	3%
Unrestricted state grants	903,099	1,083,863	-	-	903,099	1,083,863	-17%
Unrestricted investment earnings	3,379	16,821	21	21	3,400	16,842	-80%
Other revenue	6,356	-	-	-	6,356	-	100%
Total Revenues	3,718,932	3,832,847	161,364	141,396	3,880,296	3,974,243	-2%
Expenses:							
Instruction	2,644,993	2,628,553	-	-	2,644,993	2,628,553	1%
Support services	944,806	978,975	-	-	944,806	978,975	-3%
Non-instructional programs	2,812	4,164	147,812	148,666	150,624	152,830	-1%
Other expenditures	327,470	331,432	-	-	327,470	331,432	-1%
Total expenses	3,920,081	3,943,124	147,812	148,666	4,067,893	4,091,790	-1%
CHANGE IN NET ASSETS	(201,149)	(110,277)	13,552	(7,270)	(187,597)	(117,547)	-59%
Net assets beginning of year	2,699,642	2,809,919	9,021	16,291	2,708,663	2,826,210	-4%
Net assets end of year	2,498,493	2,699,642	22,573	9,021	2,521,066	2,708,663	-7%

Property taxes and unrestricted state grants are the largest revenue categories, accounting for 56% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,718,932 and expenses were \$3,920,081. In a difficult budget year, the District tried to balance the budget by trimming expenses as much as possible to match available revenues.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2010	Net Cost of Services 2009
	\$	\$	\$	\$
Instruction	2,644,993	2,628,553	1,368,885	1,407,397
Support Services	944,806	978,975	934,209	970,152
Non-instructional Programs	2,812	4,164	2,812	4,164
Other Expenses	327,470	331,432	216,509	233,667
TOTAL	3,920,081	3,943,124	2,522,415	2,615,380

- The cost financed by users of the District’s programs was \$897,911;
- Federal and state governments subsidized certain programs with grants and contributions totaling \$499,755.
- The net cost of governmental activities was financed with \$1,408,432 in property and other taxes and \$903,099 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$161,364 and expenses were \$147,812. 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.

During the year ended June 30, 2010, the District had \$13,552 more revenue than expenses. The District has been addressing our shortage in the School Nutrition Fund for several years and our plan became successful this year. After raising lunch prices several times over the past few years and implementing a new system for collecting our past due lunch accounts, our district was able to close FY10 in the positive after paying all hot lunch expenses. We hope to continue this trend and make sure this Fund serves its purpose as a “break even” business type activity. We will continue to monitor this fund and either raise or decrease lunch prices accordingly.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,343,388, 1% above last year’s ending fund balances of \$1,332,737.

Governmental Fund Highlights

- The General Fund balance decreased from \$580,400 to \$477,731. This represents a decrease of \$102,669 or 18%.
- The Capital Projects Sales Tax Fund balance increased from \$348,483 in 2009 to \$390,574 in 2010, representing an increase of \$42,091, or 12%. We held off on large purchases from this Fund in FY10 in anticipation of replacing the gym bleachers, lights, and floor in FY11.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$9,021 at June 30, 2009 to \$22,573 at June 30, 2010, representing an increase of approximately 150%. This increase was due to the district raising hot lunch prices several times over the past few years in an attempt to help offset the increasing expenses. The district also implemented a new collection process for past due accounts and was able to collect a significant amount of those. As stated earlier, we want this fund to be a break even account so will continue to monitor it.

BUDGETARY HIGHLIGHTS

In Accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. This is referred to as the certified budget. The budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the general fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the district.

The District's actual revenues were \$495,906 less than budgeted receipts, a variance of 11%. This variance was mostly caused by the 10% across the board cut that the State implemented in FY10.

Total actual expenditures were \$2,198,063 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested approximately \$1,936,164, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 8% from last year. Depreciation expense for the year was \$192,532.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2009-2010
	2010	2009	2010	2009	2010	2009	
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Buildings	1,614,585	1,737,559	-	-	1,614,585	1,737,559	-7%
Improvements	12,881	13,977	-	-	12,881	13,977	-8%
Equipment & Furniture	295,480	345,322	3,218	5,848	298,698	351,170	-15%
TOTAL	1,932,946	2,106,858	3,218	5,848	1,936,164	2,112,706	-8%

Long-Term Debt

At June 30, 2010, the District had \$770,337 in long-term debt outstanding.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2009-2010
	2010	2009	
	\$	\$	
Revenue bonds	705,000	770,000	-8%
Termination benefits	46,494	-	100%
Net OPEB liability	18,843	-	100%
	770,337	770,000	<1%

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:

- The District borrowed against our future one-cent sales tax revenue to help pay for the major HVAC renovation in the 2006-2007 school year. We started repaying those funds in 2006-2007, and this liability will continue through the 2019-2020 Fiscal Year.
- Legislation was passed allowing additional funding and property tax relief for Whole Grade Sharing Districts to entice them to consolidate. We have been receiving sharing dollars for researching these opportunities in the past few years. We will not receive any of these incentives in the FY11 fiscal year so our revenues are predicted to decrease. However, the district recently passed a consolidation vote, so the newly formed district will receive three more years of these sharing dollars. Our district patrons will also receive three years of property tax relief. Our consolidation will become effective on July 1, 2012, which is when these incentives will begin.

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 Shona Klingensmith, Board Secretary/Treasurer and Business Manager, Anthon-Oto Community School District, 110 W. Division St., Anthon, IA 51004.

BASIC FINANCIAL STATEMENTS

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,188,566	15,622	1,204,188
Receivables:			
Property tax:			
Delinquent	18,544	-	18,544
Succeeding year	1,260,575	-	1,260,575
Accounts	-	511	511
Due from other governments	679,071	223	679,294
Inventories	-	4,477	4,477
Capital assets, net of accumulated depreciation	1,932,946	3,218	1,936,164
Total assets	5,079,702	24,051	5,103,753
Liabilities			
Accounts payable	392,601	-	392,601
Salaries and benefits payable	24,913	-	24,913
Accrued interest payable	7,504	-	7,504
Deferred revenue:			
Succeeding year property tax	1,260,575	-	1,260,575
Other	125,279	1,478	126,757
Long-term liabilities :			
Portion due within one year:			
Revenue bonds payable	65,000	-	65,000
Termination benefits	5,787	-	5,787
Portion due after one year:			
Revenue bonds payable	640,000	-	640,000
Termination benefits	40,707	-	40,707
Net OPEB liability	18,843	-	18,843
Total liabilities	2,581,209	1,478	2,582,687

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	1,227,946	3,218	1,231,164
Restricted for:			
Categorical funding	59,933	-	59,933
Management levy	354,566	-	354,566
Physical plant and equipment levy	70,195	-	70,195
Other special revenue purposes	3,828	-	3,828
Debt service	161,188	-	161,188
Sales tax capital projects	221,882	-	221,882
Unrestricted	398,955	19,355	418,310
Total net assets	<u>2,498,493</u>	<u>22,573</u>	<u>2,521,066</u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ending June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular instruction	1,773,539	681,871	262,997	-
Special instruction	554,084	179,840	50,258	-
Other instruction	317,370	25,932	75,210	-
	<u>2,644,993</u>	<u>887,643</u>	<u>388,465</u>	<u>-</u>
Support services:				
Student services	4,961	-	-	-
Instructional staff services	40,285	-	-	-
Administration services	348,034	-	-	-
Operation and maintenance of plant services	262,909	300	-	-
Transportation services	288,617	9,968	329	-
	<u>944,806</u>	<u>10,268</u>	<u>329</u>	<u>-</u>
Non-instructional programs	<u>2,812</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	61,774	-	-	-
Long-term debt interest	30,665	-	-	-
AEA flowthrough	110,961	-	110,961	-
Depreciation (unallocated)*	124,070	-	-	-
	<u>327,470</u>	<u>-</u>	<u>110,961</u>	<u>-</u>
Total governmental activities	<u>3,920,081</u>	<u>897,911</u>	<u>499,755</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	<u>147,812</u>	<u>66,812</u>	<u>94,531</u>	<u>-</u>
Total	<u>4,067,893</u>	<u>964,723</u>	<u>594,286</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(828,671)	-	(828,671)
(323,986)	-	(323,986)
(216,228)	-	(216,228)
<u>(1,368,885)</u>	<u>-</u>	<u>(1,368,885)</u>
(4,961)	-	(4,961)
(40,285)	-	(40,285)
(348,034)	-	(348,034)
(262,609)	-	(262,609)
(278,320)	-	(278,320)
<u>(934,209)</u>	<u>-</u>	<u>(934,209)</u>
(2,812)	-	(2,812)
(61,774)	-	(61,774)
(30,665)	-	(30,665)
-	-	-
<u>(124,070)</u>	<u>-</u>	<u>(124,070)</u>
<u>(216,509)</u>	<u>-</u>	<u>(216,509)</u>
(2,522,415)	-	(2,522,415)
-	13,531	13,531
<u>(2,522,415)</u>	<u>13,531</u>	<u>(2,508,884)</u>
1,157,821	-	1,157,821
27,855	-	27,855
5,832	-	5,832
216,924	-	216,924
903,099	-	903,099
3,379	21	3,400
6,356	-	6,356
<u>2,321,266</u>	<u>21</u>	<u>2,321,287</u>
(201,149)	13,552	(187,597)
<u>2,699,642</u>	<u>9,021</u>	<u>2,708,663</u>
<u>2,498,493</u>	<u>22,573</u>	<u>2,521,066</u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Capital Projects Sales Tax	Management Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	359,055	356,110	399,814	73,587	1,188,566
Receivables:					
Property tax:					
Delinquent	16,862	-	1,246	436	18,544
Succeeding year	1,231,594	-	-	28,981	1,260,575
Due from other governments	644,607	34,464	-	-	679,071
Total assets	2,252,118	390,574	401,060	103,004	3,146,756
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	392,601	-	-	-	392,601
Salaries and benefits payable	24,913	-	-	-	24,913
Deferred revenue:					
Succeeding year property tax	1,231,594	-	-	28,981	1,260,575
Other	125,279	-	-	-	125,279
Total liabilities	1,774,387	-	-	28,981	1,803,368
Fund balances:					
Reserved for:					
Debt service	-	168,692	-	-	168,692
Categorical funding	59,933	-	-	-	59,933
Unreserved, reported in:					
General fund	417,798	-	-	-	417,798
Special revenue funds	-	-	401,060	74,023	475,083
Capital project funds	-	221,882	-	-	221,882
Total fund balances	477,731	390,574	401,060	74,023	1,343,388
Total liabilities and fund balances	2,252,118	390,574	401,060	103,004	3,146,756

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

	\$
Total fund balances of governmental funds (Exhibit C)	1,343,388
<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.	1,932,946
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.	(7,504)
Long-term liabilities for revenue bonds, termination benefits and other postemployment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(770,337)</u>
Net assets of governmental activities (Exhibit A)	<u><u>2,498,493</u></u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Capital Projects Sales Tax	Management Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,122,191	216,924	79,663	27,855	1,446,633
Tuition	780,857	-	-	-	780,857
Other	94,631	361	5,582	25,015	125,589
State sources	1,182,339	-	-	-	1,182,339
Federal sources	220,515	-	-	-	220,515
Total revenues	<u>3,400,533</u>	<u>217,285</u>	<u>85,245</u>	<u>52,870</u>	<u>3,755,933</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,692,750	-	7,294	-	1,700,044
Special	552,135	-	-	-	552,135
Other	289,162	-	-	26,908	316,070
	<u>2,534,047</u>		<u>7,294</u>	<u>26,908</u>	<u>2,568,249</u>
Support services:					
Student	4,111	-	200	-	4,311
Instructional staff	39,458	-	177	-	39,635
Administration	341,828	-	4,257	-	346,085
Operation and maintenance of plant	226,035	17,105	15,992	-	259,132
Transportation	247,962	-	9,246	-	257,208
	<u>859,394</u>	<u>17,105</u>	<u>29,872</u>	<u>-</u>	<u>906,371</u>
Non-instructional programs	-	-	2,812	-	2,812
Other expenditures:					
Facilities acquisition	-	61,774	-	-	61,774
Long-term debt:					
Principal	-	-	-	65,000	65,000
Interest and fiscal charges	-	-	-	31,315	31,315
AEA flowthrough	110,961	-	-	-	110,961
	<u>110,961</u>	<u>61,774</u>	<u>-</u>	<u>96,315</u>	<u>269,050</u>
Total expenditures	<u>3,504,402</u>	<u>78,879</u>	<u>39,978</u>	<u>123,223</u>	<u>3,746,482</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(103,869)</u>	<u>138,406</u>	<u>45,267</u>	<u>(70,353)</u>	<u>9,451</u>

See notes to financial statements.

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Capital Projects Sales Tax	Management Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Sales of materials and equipment	1,200	-	-	-	1,200
Operating transfers in	-	-	-	96,315	96,315
Operating transfers out	-	(96,315)	-	-	(96,315)
Total other financing sources (uses)	<u>1,200</u>	<u>(96,315)</u>	<u>-</u>	<u>96,315</u>	<u>1,200</u>
Net change in fund balances	(102,669)	42,091	45,267	25,962	10,651
Fund balances beginning of year	<u>580,400</u>	<u>348,483</u>	<u>355,793</u>	<u>48,061</u>	<u>1,332,737</u>
Fund balances end of year	<u><u>477,731</u></u>	<u><u>390,574</u></u>	<u><u>401,060</u></u>	<u><u>74,023</u></u>	<u><u>1,343,388</u></u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		10,651
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Expenditures for capital assets	15,990	
Depreciation expense	<u>(189,902)</u>	(173,912)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		(38,201)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		65,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		650
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(46,494)	
Other post employment benefits	<u>(18,843)</u>	<u>(65,337)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>(201,149)</u></u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	15,622
Accounts receivable	511
Due from other governments	223
Inventories	4,477
Capital assets, net of accumulated depreciation	<u>3,218</u>
Total assets	<u>24,051</u>
Liabilities	
Deferred revenue	<u>1,478</u>
Net assets	
Invested in capital assets	3,218
Unrestricted	<u>19,355</u>
Total net assets	<u><u>22,573</u></u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>66,812</u>
Operating expenses:	
Non-instructional programs:	
Salaries	53,006
Benefits	7,546
Purchased services	3,691
Supplies	80,939
Depreciation	2,630
Total operating expenses	<u>147,812</u>
Operating gain (loss)	<u>(81,000)</u>
Non-operating revenues:	
State sources	1,491
Federal sources	93,040
Interest income	21
Total non-operating revenues	<u>94,552</u>
Change in net assets	13,552
Net assets beginning of year	<u>9,021</u>
Net assets end of year	<u><u>22,573</u></u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	65,690
Cash payments to employees for services	(60,552)
Cash payments to suppliers for goods or services	(74,443)
Net cash used by operating activities	<u>(69,305)</u>
Cash flows from non-capital financing activities:	
State grants received	1,491
Federal grants received	83,218
Net cash provided by non-capital financing activities	<u>84,709</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>21</u>
Net increase (decrease) in cash and cash equivalents	15,425
Cash and cash equivalents at beginning of year	<u>197</u>
Cash and cash equivalents at end of year	<u><u>15,622</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating gain (loss)	(81,000)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	9,599
Depreciation	2,630
Decrease (increase) in inventories	588
Decrease (increase) in accounts receivable	(161)
(Decrease) increase in deferred revenue	(961)
Net cash used by operating activities	<u><u>(69,305)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$9,599 of federal commodities.

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Year ended June 30, 2010

1. Summary of Significant Accounting Policies

Anthon-Oto Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Anthon and Oto, Iowa and the predominately agricultural territory in a portion of Woodbury County. 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, Anthon-Oto 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 Anthon-Oto Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the 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 attributable to the acquisition, construction, or improvement of those assets.

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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 judgements, and compensated

absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	5,000
Improvements other than buildings	3,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

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

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

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

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

2. Cash and Pooled Investments

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

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

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

	Amortized Cost
	<hr/>
	\$
Diversified Portfolio	926,034

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

Credit risk: The investments in the Iowa Schools Joint Investment Trust and Goldman Sachs Financial Square Treasury Obligation Fund were 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:

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental – Debt Service Fund	Capital Projects Fund	96,315

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

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 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 that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.5%. 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 4.5% A summary of the District's ISCAP activity for the year ended June 30, 2010, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
			\$	\$	\$	\$
2009-10A	6/25/09	6/23/10	-	-	-	-
2009-10B	2/1/10	1/21/11	-	-	-	-
			-	-	-	-

During the year ended June 30, 2010, the District paid \$2,224 of interest on the ISCAP warrants.

5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	3,073,837	-	-	3,073,837
Improvements other than buildings	188,232	-	-	188,232
Furniture and equipment	915,227	15,990	-	931,217
Total capital assets being deprec.	<u>4,177,296</u>	<u>15,990</u>	-	<u>4,193,286</u>
Less accumulated depreciation for:				
Buildings	1,336,278	122,974	-	1,459,252
Improvements other than buildings	174,255	1,096	-	175,351
Furniture and equipment	569,905	65,832	-	635,737
Total accumulated depreciation	<u>2,080,438</u>	<u>189,902</u>	-	<u>2,270,340</u>
Total capital assets being depreciated, net	<u>2,096,858</u>	<u>(173,912)</u>	-	<u>1,992,946</u>
Governmental activities capital assets, net	<u>2,106,858</u>	<u>(173,912)</u>	-	<u>1,932,946</u>
Business type activities:				
Furniture and equipment	77,608	-	-	77,608
Less accumulated depreciation	<u>71,760</u>	<u>2,630</u>	-	<u>74,390</u>
Business type activities capital assets, net	<u>5,848</u>	<u>(2,630)</u>	-	<u>3,218</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	15,306
Support services:	
Operation and maintenance of plant services	3,127
Transportation	<u>47,399</u>
	65,832
Unallocated depreciation	<u>124,070</u>
Total governmental activities depreciation expense	<u>189,902</u>
Business type activities:	
Food services operations	<u>2,630</u>

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	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Revenue bonds	770,000	-	65,000	705,000	65,000
Termination benefits	-	46,494	-	46,494	5,787
Net OPEB liability	-	18,843	-	18,843	-
	<u>770,000</u>	<u>65,337</u>	<u>65,000</u>	<u>770,337</u>	<u>70,787</u>

Termination Benefits

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

At June 30, 2010, the District has an obligation to one participant with a total liability of \$46,494.

Revenue Bonds

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

Year Ending June 30,	Bond Issue of July, 2006			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	4.05	65,000	28,699	93,699
2012	4.10	70,000	25,947	95,947
2013	4.15	70,000	23,060	93,060
2014	4.20	75,000	20,033	95,033
2015	4.25	80,000	16,758	96,758
2016-2019	4.30-4.40	<u>345,000</u>	<u>31,027</u>	<u>376,027</u>
		<u>705,000</u>	<u>145,524</u>	<u>850,524</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$900,000 bonds issued in July 2006. The bonds were issued for the purpose of financing a portion of the costs of a new HVAC system. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2019. 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 nearly 50 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$850,524. For the current year, \$65,000 of principal and \$31,316 of interest were paid on the bonds and total statewide sales, services and use tax revenues were \$216,924.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- The bonds will only be redeemed from the future earnings of the statewide sales, services and use tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- \$90,000 of the proceeds from the bond issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the local option sales and services tax shall be placed in a revenue account with a trustee. The trustee will make monthly transfers from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund at the end of a quarter may be used for any lawful purpose for which the local option (statewide) sales tax may be used or may be used to redeem the bonds in accordance with their terms. The sinking fund is part of the Capital Projects Fund.

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 salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$111,650, \$98,634, and \$93,618 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 and prescription drug benefits for retirees and their spouses. There are 28 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

	\$
Annual required contribution	24,522
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>24,522</u>
Contributions made	<u>5,679</u>
Increase in net OPEB obligation	18,843
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>18,843</u>

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

For the year ended June 30, 2010, the District contributed \$5,679 to the medical plan. Plan members eligible for benefits contributed \$31,737, or 85% of the premium costs.

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
June 30, 2010	24,522	23%	18,843

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 \$224,492, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$224,492. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,220,000, and the ratio of the UAAL to covered payroll was 18.4%. As of June 30, 2010, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to

reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

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

The UAAL is being amortized over 30 years.

9. Risk Management

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

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 \$110,961 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. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
	\$
Gifted and talented	1,754
Returning dropout and dropout prevention program	7,172
Core curriculum	8,536
Math grant	34,397
Educator quality, professional development	3,427
Market factor	4,647
	<u>59,933</u>

REQUIRED SUPPLEMENTARY INFORMATION

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,353,079	66,833	2,419,912	2,508,091	2,508,091	(88,179)
State sources	1,182,339	1,491	1,183,830	1,637,612	1,637,612	(453,782)
Federal sources	220,515	93,040	313,555	267,500	267,500	46,055
Total revenues	<u>3,755,933</u>	<u>161,364</u>	<u>3,917,297</u>	<u>4,413,203</u>	<u>4,413,203</u>	<u>(495,906)</u>
Expenditures/Expenses:						
Instruction	2,568,249	-	2,568,249	2,853,650	2,853,650	285,401
Support services	906,371	-	906,371	2,150,000	2,150,000	1,243,629
Non-instructional programs	2,812	147,812	150,624	343,991	343,991	193,367
Other expenditures	269,050	-	269,050	744,716	744,716	475,666
Total expenditures/expenses	<u>3,746,482</u>	<u>147,812</u>	<u>3,894,294</u>	<u>6,092,357</u>	<u>6,092,357</u>	<u>2,198,063</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	9,451	13,552	23,003	(1,679,154)	(1,679,154)	1,702,157
Other financing sources, net	<u>1,200</u>	<u>-</u>	<u>1,200</u>	<u>-</u>	<u>-</u>	<u>1,200</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	10,651	13,552	24,203	(1,679,154)	(1,679,154)	1,703,357
Balance beginning of year	<u>1,332,737</u>	<u>9,021</u>	<u>1,341,758</u>	<u>1,679,154</u>	<u>1,679,154</u>	<u>(337,396)</u>
Balance end of year	<u><u>1,343,388</u></u>	<u><u>22,573</u></u>	<u><u>1,365,961</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>1,365,961</u></u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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

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

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

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
July 1, 2009	-	224,492	224,492	0.0%	1,220,000	18.4%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

	<u>Special Revenue Funds</u>		
	Student Activity Fund	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash and pooled investments	3,828	69,759	73,587
Receivables:			
Property tax:			
Delinquent	-	436	436
Succeeding year	-	28,981	28,981
	<u>3,828</u>	<u>99,176</u>	<u>103,004</u>
	<u><u>3,828</u></u>	<u><u>99,176</u></u>	<u><u>103,004</u></u>
Liabilities & Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	-	28,981	28,981
Fund balances:			
Unreserved fund balance reported in:			
Special revenue funds	3,828	70,195	74,023
	<u>3,828</u>	<u>99,176</u>	<u>103,004</u>
	<u><u>3,828</u></u>	<u><u>99,176</u></u>	<u><u>103,004</u></u>

ANTHON-OTO 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
	Student Activity Fund	Physical Plant and Equipment Levy	Debt Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	27,855	-	27,855
Other	24,921	94	-	25,015
Total revenues	<u>24,921</u>	<u>27,949</u>	<u>-</u>	<u>52,870</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	26,908	-	-	26,908
Other expenditures:				
Long-term debt:				
Principal	-	-	65,000	65,000
Interest and fiscal charges	-	-	31,315	31,315
Total expenditures	<u>26,908</u>	<u>-</u>	<u>96,315</u>	<u>123,223</u>
Excess (deficiency) of revenues over (under) expenditures	(1,987)	27,949	(96,315)	(70,353)
Other financing sources (uses):				
Operating transfers in	<u>-</u>	<u>-</u>	<u>96,315</u>	<u>96,315</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,987)	27,949	-	25,962
Fund balances beginning of year	<u>5,815</u>	<u>42,246</u>	<u>-</u>	<u>48,061</u>
Fund balances end of year	<u><u>3,828</u></u>	<u><u>70,195</u></u>	<u><u>-</u></u>	<u><u>74,023</u></u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Swing choir	107	165	155	117
Instrumental	135	5,244	4,591	788
Junior high activity	(2)	19,505	22,162	(2,659)
Activity athletic director	2,009	-	-	2,009
Student council	201	-	-	201
Interest	-	7	-	7
Elementary activities	3,365	-	-	3,365
	<u>5,815</u>	<u>24,921</u>	<u>26,908</u>	<u>3,828</u>
Totals	<u>5,815</u>	<u>24,921</u>	<u>26,908</u>	<u>3,828</u>

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	1,446,633	1,417,834	1,370,491	1,408,422	1,279,473	1,227,086	1,317,439
Tuition	780,857	735,915	735,991	855,075	1,299,271	702,991	643,481
Other	125,589	165,085	181,079	201,345	152,339	123,932	79,597
State sources	1,182,339	1,384,967	1,440,753	1,343,195	1,390,175	1,228,711	1,163,985
Federal sources	220,515	142,461	117,796	141,296	128,848	130,233	147,489
Total revenues	<u>3,755,933</u>	<u>3,846,262</u>	<u>3,846,110</u>	<u>3,949,333</u>	<u>4,250,106</u>	<u>3,412,953</u>	<u>3,351,991</u>
Expenditures:							
Instruction:							
Regular instruction	1,700,044	1,949,227	1,696,666	1,789,081	2,071,862	1,648,378	1,610,368
Special instruction	552,135	511,442	596,685	524,570	434,832	510,793	461,575
Other instruction	316,070	163,889	196,826	170,018	184,081	66,749	67,291
Support services:							
Student services	4,311	53,438	49,544	46,774	33,804	30,824	42,480
Instructional staff services	39,635	79,448	48,156	45,514	313,912	98,295	112,507
Administration services	346,085	359,457	329,864	358,870	312,796	320,174	262,634
Operation and maintenance	259,132	258,043	317,861	283,389	241,076	206,743	184,564
Transportation services	257,208	292,448	324,606	285,770	225,938	173,016	222,870
Non-instructional programs	2,812	4,164	39,755	2,921	885	3,348	6,525
Other expenditures:							
Facilities acquisition	61,774	79,415	111,029	1,431,902	146,444	27,695	11,746
Long-term debt:							
Principal	65,000	75,000	55,000	-	-	-	-
Interest and other charges	31,315	34,077	36,585	28,223	-	-	-
AEA flowthrough	110,961	97,765	96,973	93,813	91,809	87,133	88,773
Total expenditures	<u>3,746,482</u>	<u>3,957,813</u>	<u>3,899,550</u>	<u>5,060,845</u>	<u>4,057,439</u>	<u>3,173,148</u>	<u>3,071,333</u>

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
Anthon-Oto 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 Anthon-Oto 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 April 25, 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 Anthon-Oto 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 Anthon-Oto Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Anthon-Oto Community School District's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anthon-Oto 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 and Responses.

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.

Anthon-Oto Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Anthon-Oto 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 Anthon-Oto Community School District and other parties to whom Anthon-Oto Community School District may report, and is not intended to be and should not be used by anyone other than these specified parties.

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

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

April 25, 2011

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

10-I-C Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The board secretary, the other co-signer or the checks has access to the stamp. This practice negates the internal control procedure established by requiring two signatures on a check.

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

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

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

Part II: Other Findings Related to Required Statutory Reporting:

- 10-II-A Certified Budget: Expenditures for the year ended June 30, 2010, did not exceed the amount budgeted.
- 10-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 10-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 10-II-D Business Transactions: We noted no transactions between the District and District officials or employees.
- 10-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 10-II-F Board Minutes: We noted no transactions requiring board approval that had not been approved by the board.
- 10-II-G Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.
- 10-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 10-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 10-II-J Certified Annual Report (CAR): The Certified Annual Report was certified timely to the Department of Education.
- 10-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, and then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

District Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts.

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

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

Conclusion: Response accepted.

10-II-L Statewide Sales, Services and Use Tax: Sales tax proceeds may be spent to purchase or lease a single unit of equipment or technology exceeding \$500 in value per unit. We noted that \$1,471 of sales tax proceeds were used to purchase 48 chairs. This does not appear to be an allowable use.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from the sales tax. The General Fund should reimburse the Sales Tax Capital Projects Fund for these expenditures.

District Response: We will monitor expenditures from sales tax and make the reimbursement.

Conclusion: Response accepted.

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

	\$	\$
Beginning balance		348,483
Statewide sales, services and use tax	216,924	
Interest	<u>361</u>	217,285
Expenditures/transfers out:		
School infrastructure:		
Land improvements	16,683	
Buildings and building improvements	45,894	
Equipment	14,802	
Debt service for school infrastructure:		
Bond transfer agent fees	1,500	
Revenue debt	<u>96,315</u>	<u>175,194</u>
Ending balance		<u><u>390,574</u></u>

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

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	\$	\$
Debt service levy	1.15392	97,815
Physical plant and equipment levy	1.40513	119,109

ANTHON-OTO COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

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

10-II-M Deficit Balances: The Student Activity Fund has one account with a deficit balance at June 30, 2010.

Recommendation: The District should monitor this account and investigate alternatives to eliminate the deficit.

District Response: We are working on ways to eliminate the deficit.

Conclusion: Response accepted.