

AUDUBON COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

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Audubon Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education
(Before September 2009 Election)**

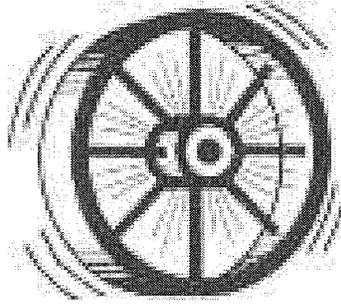
Doug Olson	President	2011
Douglas Olsen	Vice President	2011
John Henriksen	Board Member	2011
Tim Andersen	Board Member	2009
Mary Jo Krauel	Board Member	2009

**Board of Education
(After September 2009 Election)**

Doug Olson	President	2011
Douglas Olsen	Vice President	2011
John Henriksen	Board Member	2011
Trish Nelson	Board Member	2013
Mary Jo Krauel	Board Member	2013

School Officials

Brett Gibbs	Superintendent	2010
John Roberts	Board Secretary/Treasurer	2010
Natalie Lange	Business Manager	2010
Rick Engel	Attorney	2010



AUDUBON
COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Audubon 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 Audubon Community School District, Audubon 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 that 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 Audubon 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 March 8, 2011 on our consideration of Audubon 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 7 through 15 and 42 through 44 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 Audubon 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 an unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,569,790 in fiscal 2009 to \$5,612,236 in fiscal 2010, and General Fund expenditures decreased from \$5,722,926 in fiscal 2009 to \$5,543,392 in fiscal 2010. This resulted in an increase in the District's General Fund balance from \$221,190 in fiscal 2009 to a balance of \$290,034 in fiscal 2010, an increase of 31.12% from the prior year.
- The increase in General Fund revenues was attributable to increases in local and federal source revenues in fiscal 2010. The decrease in expenditures is largely attributable to reductions in the support services expenditures.
- The District's solvency ratio for the year ended June 30, 2010 is a negative .25% as compared to a negative .49% for the year ended June 30, 2009.

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 Audubon 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 Audubon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Audubon Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

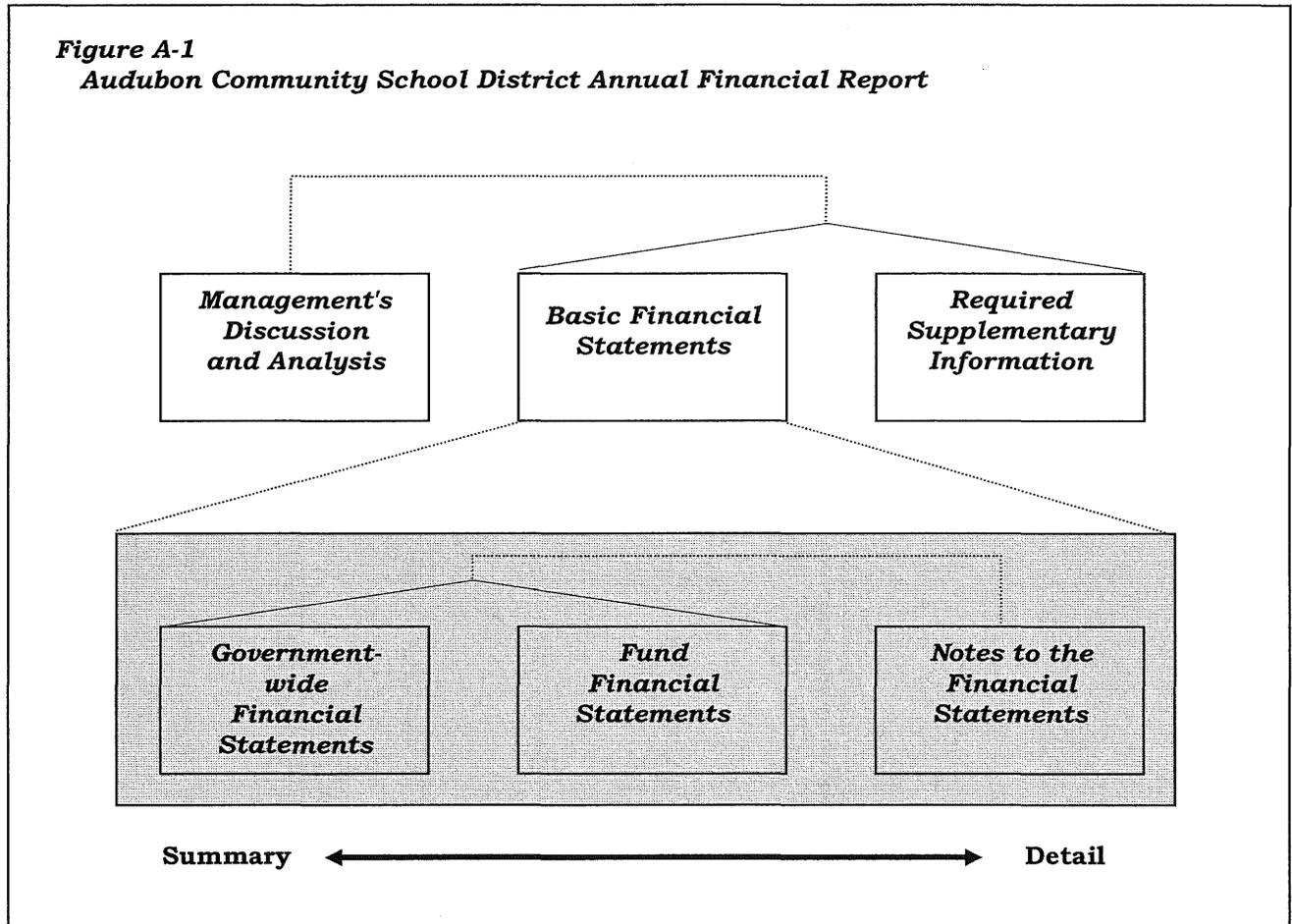


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 3,951,447	4,464,293	96,309	55,229	4,047,756	4,519,522	-10.44%
Capital assets	7,908,405	7,939,852	76,392	73,018	7,984,797	8,012,870	-0.35%
Total assets	11,859,852	12,404,145	172,701	128,247	12,032,553	12,532,392	-3.99%
Long-term obligations	4,347,110	4,476,605	-	-	4,347,110	4,476,605	-2.89%
Other liabilities	3,194,181	3,739,195	4,142	4,788	3,198,323	3,743,983	-14.57%
Total liabilities	7,541,291	8,215,800	4,142	4,788	7,545,433	8,220,588	-8.21%
Net assets:							
Invested in capital assets, net of related debt	3,661,237	3,555,482	76,392	73,018	3,737,629	3,628,500	3.01%
Restricted	523,032	507,225	-	-	523,032	507,225	3.12%
Unrestricted	134,292	125,638	92,167	50,441	226,459	176,079	28.61%
Total net assets	\$ 4,318,561	4,188,345	168,559	123,459	4,487,120	4,311,804	4.07%

The District's combined net assets increased by 4.07%, or \$175,316 from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$15,807 or 3.12% over the prior year.

Unrestricted net assets – are 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 \$50,380, or 28.61%.

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

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 506,432	505,704	201,180	209,056	707,612	714,760	-1.00%
Operating grants and contributions and restricted interest	1,226,561	815,639	140,521	138,076	1,367,082	953,715	43.34%
Capital grants and contributions and restricted interest	18,360	-	-	-	18,360	-	100.00%
General revenues:							
Local tax	2,463,426	2,272,124	-	-	2,463,426	2,272,124	8.42%
Statewide sales, services and use tax	358,081	366,553	-	-	358,081	366,553	-2.31%
Unrestricted state grants	1,955,193	2,520,297	-	-	1,955,193	2,520,297	-22.42%
Other	102,361	89,837	12,074	7	114,435	89,844	27.37%
Transfers	(8,222)	63,220	8,222	(63,220)	-	-	0.00%
Total revenues and transfers	6,622,192	6,633,374	361,997	283,919	6,984,189	6,917,293	0.97%
Program expenses:							
Governmental activities:							
Instructional	3,915,982	4,051,273	-	-	3,915,982	4,051,273	-3.34%
Support services	1,806,299	1,906,701	3,716	3,665	1,810,015	1,910,366	-5.25%
Non-instructional programs	-	-	313,181	311,310	313,181	311,310	0.60%
Other expenditures	769,695	832,265	-	-	769,695	832,265	-7.52%
Total expenses	6,491,976	6,790,239	316,897	314,975	6,808,873	7,105,214	-4.17%
Change in net assets	130,216	(156,865)	45,100	(31,056)	175,316	(187,921)	-193.29%
Net assets beginning of year	4,188,345	4,345,210	123,459	154,515	4,311,804	4,499,725	-4.18%
Net assets end of year	\$ 4,318,561	4,188,345	168,559	123,459	4,487,120	4,311,804	4.07%

In fiscal 2010, local tax and unrestricted state grants account for 66.72% of the revenue from governmental activities while charges for services and operating grants and contributions account for 94.39% of the revenue from business type activities.

The District's total revenues were \$6,984,189, of which \$6,622,192 was for governmental activities and \$361,997 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 0.97% in revenues and a 4.17% decrease in expenses. The decrease in expenses was related to decreases in expenditures in the instructional and support services functions.

Governmental Activities

Revenues for governmental activities were \$6,622,192 and expenses were \$6,491,976.

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

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 3,915,982	4,051,273	-3.34%	2,411,914	2,944,504	-18.09%
Support services	1,806,299	1,906,701	-5.27%	1,806,109	1,906,621	-5.27%
Other expenses	769,695	832,265	-7.52%	522,600	617,771	-15.41%
Totals	<u>\$ 6,491,976</u>	<u>6,790,239</u>	<u>-4.39%</u>	<u>4,740,623</u>	<u>5,468,896</u>	<u>-13.32%</u>

The cost financed by users of the District's programs was \$506,432.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,244,921.
- The net cost of governmental activities was financed with \$2,463,426 in local tax, \$358,081 in statewide sales, services and use tax, \$1,955,193 in unrestricted state grants, \$5,013 in interest income, and \$97,348 in other general revenue.

Business type Activities

Revenues of the District's business type activities were \$361,997 and expenses were \$316,897. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$573,118, above last year's ending fund balances of \$542,887.

Governmental Fund Highlights

- The General Fund's improving financial position from \$221,190 to \$290,034 is the product of many factors. The District was able to decrease expenditures during the year, while revenues increased during the year. However, the General Fund has a deficit unreserved fund balance of \$13,897.
- The Physical Plant and Equipment Levy Fund balance decreased from \$17,281 in fiscal 2009 to \$2,245 in fiscal 2010.
- The Debt Service Fund improved from a deficit fund balance of \$14,421 in 2009 to \$995 in 2010.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$123,459 at June 30, 2009 to \$168,559 at June 30, 2010, representing an increase of 36.53%. During the year ended June 30, 2010, the Nutrition Fund received an \$8,222 capital contribution from the Capital Projects Fund for a kitchen hood.

BUDGETARY HIGHLIGHTS

The District's revenues were \$173,895 less than budgeted revenues, a variance of 2.43%. The most significant variance resulted from the District receiving less in state source revenues than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$7,984,797, 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) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$460,818.

The original cost of the District's capital assets was \$16,461,632. Governmental funds account for \$16,250,931 with the remainder of \$210,701 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's reported machinery and equipment at June 30, 2010 was \$635,208, as compared to \$555,568 for June 30, 2009. The increase in machinery and equipment is attributable to the acquisition of additional assets including two new busses.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	2009-10
Land	\$ 3,200	3,200	-	-	3,200	3,200	0.00%
Buildings	7,035,711	7,140,080	-	-	7,035,711	7,140,080	-1.46%
Land improvements	310,678	314,022	-	-	310,678	314,022	-1.06%
Machinery and equipment	558,816	482,550	76,392	73,018	635,208	555,568	14.33%
Total	\$ 7,908,405	7,939,852	76,392	73,018	7,984,797	8,012,870	-0.35%

Long-Term Debt

At June 30, 2010, the District had \$4,347,110 in other long-term debt outstanding. This represents a decrease of 2.89%. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements. The District had outstanding general obligation bonds of \$4,130,000 at June 30, 2010.

During fiscal 2010, the District entered into a bus lease for two new buses. At June 30, 2010, the District still owed \$117,168.

The District had outstanding early retirement payable of \$77,508 at June 30, 2010.

The District had total outstanding compensated absences payable from the General Fund of \$9,275 at June 30, 2010.

During its initial year of recording net OPEB liability in accordance with GASB Statement No. 45, the District disclosed a balance of \$13,159 at June 30, 2010.

Figure A-7			
Outstanding Long-Term Obligations			
	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-10
General obligation bonds	\$ 4,130,000	4,325,000	-4.51%
Bus leases	117,168	59,370	97.35%
Early retirement	77,508	86,120	-10.00%
Compensated absences	9,275	6,115	51.68%
Net OPEB liability	13,159	-	100.00%
Total	<u>\$ 4,347,110</u>	<u>4,476,605</u>	<u>-2.89%</u>

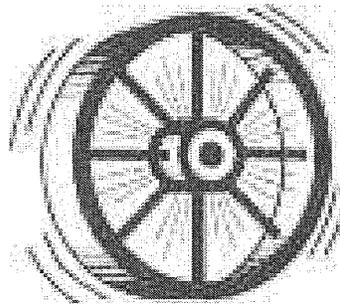
ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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 projects a declining enrollment trend of approximately 10 students per year. We are anticipating the declining enrollment will be offset by the projected increase in our state statewide sales, services and use tax dollars per student.
- The FY 2010 state budget cut of 10% resulted in a significant decrease in General Fund revenue, shifting funding requirements onto property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues

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 Natalie Lange, Business Manager, Audubon Community School District, 800 Third Avenue, Audubon, Iowa, 50025.



AUDUBON
COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 920,625	90,208	1,010,833
Receivables:			
Property tax:			
Delinquent	22,123	-	22,123
Succeeding year	2,618,033	-	2,618,033
Income surtax	202,383	-	202,383
Accounts	27,107	1,368	28,475
Due from other governments	161,176	-	161,176
Inventories	-	4,733	4,733
Capital assets, net of accumulated depreciation	7,908,405	76,392	7,984,797
Total assets	11,859,852	172,701	12,032,553
Liabilities			
Accounts payable	34,538	120	34,658
Salaries and benefits payable	523,375	150	523,525
Accrued interest payable	18,235	-	18,235
Deferred revenue:			
Succeeding year property tax	2,618,033	-	2,618,033
Unearned revenue	-	3,872	3,872
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	200,000	-	200,000
Bus lease	57,337	-	57,337
Compensated absences	9,275	-	9,275
Early retirement payable	60,284	-	60,284
Portion due after one year:			
General obligation bonds payable	3,930,000	-	3,930,000
Bus lease	59,831	-	59,831
Early retirement payable	17,224	-	17,224
Net OPEB liability	13,159	-	13,159
Total liabilities	7,541,291	4,142	7,545,433
Net Assets			
Invested in capital assets, net of related debt	3,661,237	76,392	3,737,629
Restricted for:			
Categorical funding	303,931	-	303,931
Debt service	995	-	995
Capital projects	130,036	-	130,036
Physical plant and equipment levy	2,245	-	2,245
Other special revenue purposes	85,825	-	85,825
Unrestricted	134,292	92,167	226,459
Total net assets	\$ 4,318,561	168,559	4,487,120

SEE NOTES TO FINANCIAL STATEMENTS

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest		Gov- ern- mental Activities	Busi- ness Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,605,219	233,699	755,487	-	(1,616,033)	-	(1,616,033)
Special	496,146	29,541	149,409	-	(317,196)	-	(317,196)
Other	814,617	243,002	92,930	-	(478,685)	-	(478,685)
	<u>3,915,982</u>	<u>506,242</u>	<u>997,826</u>	<u>-</u>	<u>(2,411,914)</u>	<u>-</u>	<u>(2,411,914)</u>
Support services:							
Student	173,835	-	-	-	(173,835)	-	(173,835)
Instructional staff	275,406	-	-	-	(275,406)	-	(275,406)
Administration	581,654	-	-	-	(581,654)	-	(581,654)
Operation and maintenance of plant	494,660	-	-	-	(494,660)	-	(494,660)
Transportation	280,744	190	-	-	(280,554)	-	(280,554)
	<u>1,806,299</u>	<u>190</u>	<u>-</u>	<u>-</u>	<u>(1,806,109)</u>	<u>-</u>	<u>(1,806,109)</u>
Other expenditures:							
Facilities acquisitions	41,110	-	-	18,360	(22,750)	-	(22,750)
Interest and fiscal charges	181,775	-	-	-	(181,775)	-	(181,775)
AEA flowthrough	228,735	-	228,735	-	-	-	-
Depreciation(unallocated)*	318,075	-	-	-	(318,075)	-	(318,075)
	<u>769,695</u>	<u>-</u>	<u>228,735</u>	<u>18,360</u>	<u>(522,600)</u>	<u>-</u>	<u>(522,600)</u>
Total governmental activities	6,491,976	506,432	1,226,561	18,360	(4,740,623)	-	(4,740,623)
Business Type activities:							
Support services:							
Operations and maintenance plant	3,716	-	-	-	-	(3,716)	(3,716)
Non-instructional programs:							
Nutrition services	313,181	201,180	140,521	-	-	28,520	28,520
Total business type activities	<u>316,897</u>	<u>201,180</u>	<u>140,521</u>	<u>-</u>	<u>-</u>	<u>24,804</u>	<u>24,804</u>
Total	\$ 6,808,873	707,612	1,367,082	18,360	(4,740,623)	24,804	(4,715,819)
General Revenues and Transfers:							
Local tax for:							
General purposes					\$ 1,967,202	-	1,967,202
Capital outlay					170,203	-	170,203
Debt service					99,369	-	99,369
Statewide sales, services and use tax					358,081	-	358,081
Income surtax					226,652	-	226,652
Unrestricted state grants					1,955,193	-	1,955,193
Unrestricted investment earnings					5,013	71	5,084
Other					97,348	12,003	109,351
Transfers					(8,222)	8,222	-
Total general revenues and transfers					<u>4,870,839</u>	<u>20,296</u>	<u>4,891,135</u>
Net change in fund balances					130,216	45,100	175,316
Net assets beginning of year					<u>4,188,345</u>	<u>123,459</u>	<u>4,311,804</u>
Net assets end of year					\$ <u>4,318,561</u>	<u>168,559</u>	<u>4,487,120</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Other Nonmajor Governmental Funds	Total
Assets			
Cash and pooled investments	\$ 767,931	152,694	920,625
Receivables:			
Property tax:			
Delinquent	18,294	3,829	22,123
Succeeding year	2,179,078	438,955	2,618,033
Income surtax	202,383	-	202,383
Accounts	26,463	644	27,107
Due from other governments	26,427	134,749	161,176
Total assets	\$ 3,220,576	730,871	3,951,447
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 25,706	8,832	34,538
Salaries and benefits payable	523,375	-	523,375
Deferred revenue:			
Succeeding year property tax	2,179,078	438,955	2,618,033
Income surtax	202,383	-	202,383
Total liabilities	2,930,542	447,787	3,378,329
Fund balances:			
Reserved for:			
Categorical funding	303,931	-	303,931
Debt service	-	995	995
Unreserved	(13,897)	282,089	268,192
Total fund balances	290,034	283,084	573,118
Total liabilities and fund balances	\$ 3,220,576	730,871	3,951,447

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total fund balances of governmental funds (page 20)	\$	573,118
 <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.		7,908,405
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		202,383
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(18,235)
Long-term liabilities, including general obligation bonds payable, leases payable, early retirement, compensated absences and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(4,347,110)</u>
Net assets of governmental activities (page 18)	\$	<u>4,318,561</u>

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

	General	Other Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 2,076,038	741,982	2,818,020
Tuition	236,256	-	236,256
Other	115,721	275,176	390,897
State sources	2,585,015	228	2,585,243
Federal sources	596,511	-	596,511
Total revenues	<u>5,609,541</u>	<u>1,017,386</u>	<u>6,626,927</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,597,835	43,060	2,640,895
Special	494,804	-	494,804
Other	564,222	257,770	821,992
	<u>3,656,861</u>	<u>300,830</u>	<u>3,957,691</u>
Support services:			
Student	173,376	-	173,376
Instructional staff	249,460	-	249,460
Administration	525,699	41,927	567,626
Operation and maintenance of plant	440,845	54,320	495,165
Transportation	206,049	144,168	350,217
	<u>1,595,429</u>	<u>240,415</u>	<u>1,835,844</u>
Other expenditures:			
Facilities acquisitions	-	308,183	308,183
Long term debt:			
Principal	-	254,370	254,370
Interest	-	180,225	180,225
AEA flowthrough	228,735	-	228,735
	<u>228,735</u>	<u>742,778</u>	<u>971,513</u>
Total expenditures	<u>5,481,025</u>	<u>1,284,023</u>	<u>6,765,048</u>
Excess (deficiency) of revenues over (under) expenditures	128,516	(266,637)	(138,121)
Other financing sources (uses):			
Compensation for loss of capital assets	-	48,489	48,489
Proceeds from lease	-	117,168	117,168
Sale of equipment	2,695	-	2,695
Transfer in	-	350,583	350,583
Transfer out	(62,367)	(288,216)	(350,583)
Total other financing sources (uses)	<u>(59,672)</u>	<u>228,024</u>	<u>168,352</u>
Net change in fund balances	68,844	(38,613)	30,231
Fund balances beginning of year	<u>221,190</u>	<u>321,697</u>	<u>542,887</u>
Fund balances end of year	<u>\$ 290,034</u>	<u>283,084</u>	<u>573,118</u>

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON 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 (page 22) \$ 30,231

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

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

Expenditures for capital assets	\$ 441,480	
Depreciation expense	(447,573)	
Loss on asset disposal	(25,354)	(31,447)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues as follows:

Issued	(117,168)	
Repaid	254,370	137,202

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it was due. (1,550)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 3,487

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.

Compensated absences	(3,160)	
Early retirement	8,612	
Other postemployment benefits	(13,159)	(7,707)

Changes in net assets of governmental activities (page 19) \$ 130,216

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

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 90,208
Receivables:	
Accounts	1,368
Inventories	4,733
Capital assets, net of accumulated depreciation	<u>76,392</u>
Total assets	<u><u>172,701</u></u>
Liabilities	
Accounts payable	120
Salaries and benefits payable	150
Unearned revenue	<u>3,872</u>
Total liabilities	<u><u>4,142</u></u>
Net Assets	
Invested in capital assets	76,392
Unrestricted	<u>92,167</u>
Total net assets	<u><u>\$ 168,559</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 201,180
Miscellaneous	12,003
Total operating revenues	213,183
Operating Expenses:	
Support services:	
Operation and maintenance of plant:	
Services	489
Supplies	3,227
	3,716
Non-instructional programs:	
Food service operations:	
Salaries	113,652
Benefits	16,067
Supplies	170,217
Depreciation	13,245
	313,181
Total operating expenses	316,897
Operating loss	(103,714)
Non-operating revenues:	
State sources	3,104
Federal sources	137,417
Interest income	71
Total non-operating revenues	140,592
Change in net assets before other financing sources	36,878
Other financing sources:	
Capital contribution	8,222
Change in net assets	45,100
Net assets beginning of year	123,459
Net assets end of year	\$ 168,559

SEE NOTES TO FINANCIAL STATEMENTS

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

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 210,066
Cash received from miscellaneous sources	12,003
Cash payments to employees for services	(129,569)
Cash payments to suppliers for goods or services	(147,992)
Net cash used in operating activities	(55,492)
Cash flows from non-capital financing activities:	
State grants received	3,104
Federal grants received	113,933
Net cash provided by non-capital financing activities	117,037
Cash flows from capital and related financing activities:	
Purchase of capital assets	(8,397)
Cash flows from investing activities:	
Interest on investments	71
Net increase in cash and cash equivalents	53,219
Cash and cash equivalents at beginning of year	36,989
Cash and cash equivalents at end of year	\$ 90,208
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (103,714)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities consumed	23,484
Depreciation	13,245
Decrease in inventories	2,712
Decrease in accounts receivable	9,427
Decrease in accounts payable	(255)
Increase in salaries and benefits payable	150
Decrease in unearned revenue	(541)
Net cash used in operating activities	\$ (55,492)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2010, the District received \$23,484 of federal commodities.

During the year ended June 30, 2010, the Nutrition Fund received contributed capital of \$8,222 from the Special Revenue: Physical Plant and Equipment Levy.

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2010

	Private Purpose Trust Scholarship
Assets	
Cash and pooled investments	\$ 185,467
Interest receivable	600
Total assets	<u>186,067</u>
Liabilities	
Scholarships payable	<u>1,380</u>
Net Assets	
Reserved for scholarships	168,968
Unreserved	15,719
Total net assets	<u>\$ 184,687</u>

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2010

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest	\$ 7,081
Contributions	5,379
Total additions	<u>12,460</u>
Deductions:	
Scholarships awarded	<u>11,402</u>
Change in net assets	1,058
Net assets beginning of year	<u>183,629</u>
Net assets end of year	<u>\$ 184,687</u>

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

The Audubon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Audubon, Iowa, and the predominate agricultural territory in Audubon and Guthrie Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The District reports the following proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

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

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

Asset Class	Amount
Land	\$ 400
Buildings	500
Land improvements	500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

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

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

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

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

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

(2) Cash and Pooled Investments

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

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

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$845,267 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) 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 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. No ISCAP advance activity was noted for the year ended June 30, 2010.

During the year ended June 30, 2010, the District paid \$20,547 of interest on the ISCAP warrants.

(4) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 230,216
Debt Service	General	62,367
Debt Service	Special Revenue: Physical Plant and Equipment Levy	58,000
Total		<u>\$ 350,583</u>

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

The Capital Projects and Special Revenue, Physical Plant and Equipment Levy Funds transferred monies to the Debt Service Fund for the payment of principal and interest on general obligation bonds.

The General Fund transferred monies to the Debt Service Fund for the payment of principal and interest on existing bus leases.

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,200	-	-	3,200
Total capital assets not being depreciated	<u>3,200</u>	<u>-</u>	<u>-</u>	<u>3,200</u>
Capital assets being depreciated:				
Buildings	13,474,456	170,437	-	13,644,893
Land improvements	785,517	39,925	-	825,442
Machinery and equipment	1,578,197	231,118	31,919	1,777,396
Total capital assets being depreciated	<u>15,838,170</u>	<u>441,480</u>	<u>31,919</u>	<u>16,247,731</u>
Less accumulated depreciation for:				
Buildings	6,334,376	274,806	-	6,609,182
Land improvements	471,495	43,269	-	514,764
Machinery and equipment	1,095,647	129,498	6,565	1,218,580
Total accumulated depreciation	<u>7,901,518</u>	<u>447,573</u>	<u>6,565</u>	<u>8,342,526</u>
Total capital assets being depreciated, net	<u>7,936,652</u>	<u>(6,093)</u>	<u>25,354</u>	<u>7,905,205</u>
Governmental activities capital assets, net	<u>\$ 7,939,852</u>	<u>(6,093)</u>	<u>25,354</u>	<u>7,908,405</u>
Business type activities:				
Machinery and equipment	\$ 212,038	16,619	17,956	210,701
Less accumulated depreciation	139,020	13,245	17,956	134,309
Business type activities capital assets, net	<u>\$ 73,018</u>	<u>3,374</u>	<u>-</u>	<u>76,392</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 19,662
Other	6,627
Support services:	
Instructional staff	25,237
Administration	319
Operation and maintenance of plant	7,892
Transportation	69,761
Unallocated depreciation	<u>318,075</u>
Total governmental activities depreciation expense	<u>\$ 447,573</u>
Business type activities:	
Food services	<u>\$ 13,245</u>

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 4,325,000	-	195,000	4,130,000	200,000
Bus leases	59,370	117,168	59,370	117,168	57,337
Early retirement	86,120	34,448	43,060	77,508	60,284
Compensated absences	6,115	9,275	6,115	9,275	9,275
Net OPEB liability	-	13,159	-	13,159	-
Total	\$ 4,476,605	174,050	303,545	4,347,110	326,896

General Obligation Bonds Payable

Details of the District's June 30, 2010 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rates	Bond issue dated July 1, 2005		
		Principal	Interest	Total
2011	4.250	% \$ 200,000	167,858	367,858
2012	4.150	210,000	159,358	369,358
2013	4.125	220,000	150,642	370,642
2014	4.125	230,000	141,568	371,568
2015	4.125	240,000	132,080	372,080
2016-2020	3.700-4.000	1,355,000	512,136	1,867,136
2021-2025	4.050-4.250	1,675,000	216,664	1,891,664
Total		\$ 4,130,000	1,480,306	5,610,306

Bus Lease Payable

During the year ended June 30, 2010, the District entered into a lease for two new buses payable from the Special Revenue, Physical Plant and Equipment Levy Fund. The lease bears an interest rate of 4.35%. Details of the District's June 30, 2010 bus lease indebtedness are as follows:

Year Ending June 30,	Bus lease dated September 4, 2009		
	Principal	Interest	Total
2011	\$ 57,337	5,097	62,434
2012	59,831	2,603	62,434
Total	\$ 117,168	7,700	124,868

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. During the year ended June 30, 2010, the District paid \$43,060 of early retirement benefit payments.

(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 \$237,748, \$233,612, and \$209,204, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 49 active and 8 members in the plan. Participants must be age 55 or older at age of retirement.

The medical benefits are provided through a fully-insured plan with Principal. Retirees under age 65 pay the same premium for the medical benefit as active employees, which result in an implicit rate 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 which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 25,195
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>25,195</u>
Contributions made	<u>(12,036)</u>
Increase in net OPEB obligation	13,159
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>\$ 13,159</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 \$12,036 to the medical plan. Plan members eligible for the plan contributed \$59,323 or 83.13% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$25,195	47.77%	\$13,159

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 \$208,214 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$208,214. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,267,295 and the ratio of the UAAL to covered payroll was 9.18%. 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. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the Frozen Entry Age Actuarial Cost Method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual health cost trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$502 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: dental and life. District contributions to ISEBA for the year ended June 30, 2010 were \$25,730.

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$228,735 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) Financial Condition

The District had a deficit unreserved fund balance of \$13,897 in the General Fund as of June 30, 2010.

(12) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

Project	Amount
Gifted and Talented Programs	\$ 203,269
Returning Dropouts and Dropout Prevention Programs	32,007
Beginning Teacher Mentoring and Induction Program	314
Teacher Salary Supplement	32,875
Market Factor	588
Iowa Early Intervention Block Grant	14,293
Professional Development for Model Core Curriculum	18,873
Professional Development	1,235
Market Factor Incentives	477
Total	<u>\$ 303,931</u>

(13) Capital Asset Impairment

During the year ended June 30, 2010, the District received compensation for loss of capital assets due to a fire in the bus barn resulting in the need to replace various damaged equipment.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,445,173	213,254	3,658,427	3,523,808	3,523,808	134,619
State sources	2,585,243	3,104	2,588,347	3,256,789	3,256,789	(668,442)
Federal sources	596,511	137,417	733,928	374,000	374,000	359,928
Total revenues	<u>6,626,927</u>	<u>353,775</u>	<u>6,980,702</u>	<u>7,154,597</u>	<u>7,154,597</u>	<u>(173,895)</u>
Expenditures/Expenses:						
Instruction	3,957,691	-	3,957,691	4,602,623	4,602,623	644,932
Support services	1,835,844	3,716	1,839,560	2,075,632	2,075,632	236,072
Non-instructional programs	-	313,181	313,181	433,715	433,715	120,534
Other expenditures	971,513	-	971,513	1,070,334	1,070,334	98,821
Total expenditures/expenses	<u>6,765,048</u>	<u>316,897</u>	<u>7,081,945</u>	<u>8,182,304</u>	<u>8,182,304</u>	<u>1,100,359</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(138,121)	36,878	(101,243)	(1,027,707)	(1,027,707)	926,464
Other financing sources, net	168,352	8,222	176,574	-	-	176,574
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	30,231	45,100	75,331	(1,027,707)	(1,027,707)	1,103,038
Balances beginning of year	542,887	123,459	666,346	1,028,012	1,028,012	(361,666)
Balances end of year	<u>\$ 573,118</u>	<u>168,559</u>	<u>741,677</u>	<u>305</u>	<u>305</u>	<u>741,372</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 208,214	208,214	0.00%	\$ 2,267,295	9.18%

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

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue						Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
Assets							
Cash and pooled investments	\$ 62,854	87,096	540	150,490	2,204	-	152,694
Receivables:							
Property tax:							
Current year delinquent	1,129	-	1,705	2,834	-	995	3,829
Succeeding year	150,001	-	188,954	338,955	-	100,000	438,955
Accounts	-	644	-	644	-	-	644
Due from other governments	-	-	-	-	134,749	-	134,749
Total assets	\$ 213,984	87,740	191,199	492,923	136,953	100,995	730,871
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ -	1,915	-	1,915	6,917	-	8,832
Deferred revenue:							
Succeeding year property tax	150,001	-	188,954	338,955	-	100,000	438,955
Total liabilities	150,001	1,915	188,954	340,870	6,917	100,000	447,787
Fund balances:							
Reserved for:							
Debt service	-	-	-	-	-	995	995
Unreserved	63,983	85,825	2,245	152,053	130,036	-	282,089
Total fund balances	63,983	85,825	2,245	152,053	130,036	995	283,084
Total liabilities and fund balances	\$ 213,984	87,740	191,199	492,923	136,953	100,995	730,871

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Special Revenue						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
Revenues:							
Local sources:							
Local tax	\$ 114,329	-	170,203	284,532	358,081	99,369	741,982
Other	11,259	239,142	24,639	275,040	136	-	275,176
State sources	68	-	101	169	-	59	228
Total revenues	125,656	239,142	194,943	559,741	358,217	99,428	1,017,386
Expenditures:							
Current:							
Instruction:							
Regular	43,060	-	-	43,060	-	-	43,060
Other	-	257,770	-	257,770	-	-	257,770
Support services:							
Administration	41,927	-	-	41,927	-	-	41,927
Operation and maintenance of plant	54,320	-	-	54,320	-	-	54,320
Transportation	-	-	144,168	144,168	-	-	144,168
Other expenditures:							
Facilities Acquisition	-	-	173,468	173,468	134,715	-	308,183
Long term debt:							
Principal	-	-	-	-	-	254,370	254,370
Interest and fiscal charges	-	-	-	-	-	180,225	180,225
Total expenditures	139,307	257,770	317,636	714,713	134,715	434,595	1,284,023
Excess(Deficiency) of revenues over(under) expenditures	(13,651)	(18,628)	(122,693)	(154,972)	223,502	(335,167)	(266,637)
Other financing sources(uses):							
Compensation for loss of capital assets	-	-	48,489	48,489	-	-	48,489
Proceeds from lease	-	-	117,168	117,168	-	-	117,168
Transfer in	-	-	-	-	-	350,583	350,583
Transfer out	-	-	(58,000)	(58,000)	(230,216)	-	(288,216)
Total other financing sources(uses)	-	-	107,657	107,657	(230,216)	350,583	228,024
Net change in fund balances	(13,651)	(18,628)	(15,036)	(47,315)	(6,714)	15,416	(38,613)
Fund balances beginning of year	77,634	104,453	17,281	199,368	136,750	(14,421)	321,697
Fund balances end of year	\$ 63,983	85,825	2,245	152,053	130,036	995	283,084

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Unreserved Fund Balance Expenditure	\$ 80	-	-	(80)	-
Drama	6,235	3,660	5,054	-	4,841
Journalism	340	-	-	-	340
Speech	823	2,058	1,282	-	1,599
Instrumental Music	641	-	566	-	75
Cross Country	-	252	250	-	2
Athletics	34,751	81,089	104,721	-	11,119
Boys Basketball	65	10,150	9,746	-	469
Football	1,267	974	670	-	1,571
Youth Wrestling	2,921	1,423	1,315	-	3,029
Baseball	35	568	657	-	(54)
Boys Track	471	50	-	-	521
Boys Tennis	320	50	-	-	370
Boys Golf	(66)	345	127	-	152
Weight Room	44	300	23	-	321
Wrestling	35	1,491	1,405	-	121
Girls Basketball	921	5,017	4,404	-	1,534
Volleyball	1,509	3,236	2,208	-	2,537
Softball	410	100	-	-	510
Girls Track	313	526	457	-	382
Girls Tennis	659	50	709	-	-
Girls Golf	1	-	-	-	1
Greenhouse	(280)	3,488	2,569	-	639
High School	18	-	-	-	18
Elementary Music	33	-	-	-	33
Annual	4,033	14,323	12,213	-	6,143
Concessions	945	27,600	28,466	-	79
Show and Jazz Choir	5,234	10,377	9,474	-	6,137
Class of 2009	5,623	-	5,623	-	-
Class of 2010	5,383	443	5,826	-	-
Class of 2011	494	18,855	14,166	123	5,306
Class of 2012	200	55	-	-	255
Class of 2013	-	55	-	-	55
Class of 2014	-	30	-	-	30
AFS Club	737	-	540	-	197
Art Club	309	41	-	-	350
Future Homemakers of America	5	-	-	-	5
Future Farmers of America	22,135	36,139	29,228	-	29,046
National Honor Society	838	626	891	-	573
Peer Helpers	13	-	-	-	13
Cheerleaders - Pep Club	231	3,509	3,324	-	416
Spanish Club	125	-	-	-	125
Drill Team	3,746	7,249	6,453	-	4,542
IT Club	-	192	-	-	192
Student Senate	1,784	4,644	5,059	-	1,369
JH Student Senate	1,029	177	344	-	862
Interest earned	43	-	-	(43)	-
Total	\$ 104,453	239,142	257,770	-	85,825

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 2,818,020	2,610,627	2,464,714	2,458,077	2,332,913	2,284,320	1,966,025
Tuition	236,256	228,352	172,064	186,940	159,658	167,763	177,860
Other	390,897	359,020	361,219	490,793	647,225	349,229	319,657
State sources	2,585,243	3,180,560	2,916,835	2,997,279	2,839,688	2,913,855	2,662,840
Federal sources	596,511	155,376	160,938	171,087	196,279	244,165	176,032
Total	\$ 6,626,927	6,533,935	6,075,770	6,304,176	6,175,763	5,959,332	5,302,414
Expenditures:							
Current:							
Instruction:							
Regular	\$ 2,640,895	2,704,056	2,708,685	2,613,509	2,499,319	2,246,222	2,274,590
Special	494,804	554,424	457,369	358,343	407,126	344,316	530,756
Other	821,992	685,901	666,897	643,154	756,460	704,122	591,971
Support services:							
Student	173,376	227,786	171,316	211,402	186,747	186,202	133,657
Instructional staff	249,460	311,173	155,948	193,497	203,637	226,682	208,977
Administration	567,626	563,775	606,942	616,883	659,114	651,970	569,298
Operation and maintenance of plant	495,165	537,212	539,784	528,328	464,780	492,329	496,297
Transportation	350,217	195,892	187,056	412,105	164,608	193,742	220,793
Central support	-	-	-	-	-	2,237	1,490
Non-instructional programs	-	-	-	-	-	-	3,923
Other expenditures:							
Facilities acquisitions	308,183	129,277	1,302,050	4,044,670	1,061,501	347,370	134,213
AEA flow-through	228,735	214,494	199,275	196,875	188,080	188,181	191,517
Long term debt:							
Principal	254,370	241,515	228,799	232,368	125,000	-	-
Interest	180,225	192,330	203,796	203,727	190,794	-	-
Total	\$ 6,765,048	6,557,835	7,427,917	10,254,861	6,907,166	5,583,373	5,357,482

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 10	\$ 18,158
National School Lunch Program	10.555	FY 10	119,259 *
			<u>137,417</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY 10	66,391
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 09	7,327
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	14,654
			<u>88,372</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 10	1,738
			<u>1,738</u>
Improving Teacher Quality State Grants	84.367	FY 09	3,207
Improving Teacher Quality State Grants	84.367	FY 10	20,732
			<u>23,939</u>
Grants for State Assessments and Related Activities	84.369	FY 10	4,069
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY 09	51,623
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY 10	272,804
			<u>324,427</u>
Area Education Agency:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY 10	32,929
ARRA - Special Education Grants to States, Recovery Act	84.391	FY 09	13,284
ARRA - Special Education Grants to States, Recovery Act	84.391	FY 10	72,033
			<u>118,246</u>
Career and Technical Education - Basic Grants to States	84.048	FY 10	4,558
Total			<u>\$ 702,766</u>

* -Includes \$23,484 in non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of
Audubon 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 Audubon Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 8, 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 Audubon Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Audubon Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Audubon Community School District's internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

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

Audubon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Audubon 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 Audubon Community School District and other parties to whom Audubon Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2011

NOLTE, CORNMAN & JOHNSON P.C.

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

To the Board of Education of
Audubon Community School District:

Compliance

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

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

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

Internal Control Over Compliance

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

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

Audubon Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Audubon 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 Audubon Community School District and other parties to whom Audubon Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2011

AUDUBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major Programs were as follows:
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act.
 - Clustered programs:
 - CFDA Number 10.553 - School Breakfast Program.
 - CFDA Number 10.555 - National School Lunch Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Audubon Community School District did not qualify as a low-risk auditee.

AUDUBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Basic Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

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

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

II-B-10 Board Policies - We noted during our audit the District has not updated their Board policies as required by the Department of Education. The policies are to be reviewed and updated every 5 years.

Recommendation - The District should review their Board policies in place and update or implement the necessary policies as needed.

Response - These policies have been reviewed and updated.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

AUDUBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

**CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2010
U.S. Department of Agriculture
Passed through the Iowa Department of Education**

**CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants,
Recovery Act
Federal Award Year: 2009-2010
U.S. Department of Education
Passed through the Iowa Department of Education**

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

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

AUDUBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amount budgeted.
- IV-B-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-10 Business Transactions - No business transactions between the District and District officials were noted.
- IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-10 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.
- IV-H-10 Supplemental Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-10 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$ 136,750
Statewide sales, services and use tax revenue		358,081
Other		136
Expenditures/transfers out:		
School Infrastructure:		
Buildings	\$ 93,638	
Equipment	41,077	
Debt service for school infrastructure:		
General obligation debt	<u>230,216</u>	<u>364,931</u>
Ending Balance		<u>\$ 130,036</u>

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

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$ 1.34410	\$ 230,216
Physical plant and equipment levy	\$ 0.34000	\$ 58,235

IV-M10 Financial Condition - The District had a deficit unreserved fund balance of \$13,897 in the General Fund at June 30, 2010.

Recommendation - The District should investigate alternatives to eliminate the deficit balance in the General Fund.

Response - We will investigate alternatives to eliminate the deficit.

Conclusion - Response accepted.

II-N-10 Payments to Officials - We noted during our audit that checks for officiating crews were made out to one official. According to 279.30 of the Code of Iowa, "Each payment must be made payable to the person entitled to receive the money."

Recommendation - The District should make payments to each individual (athletic) official rather than one payment to the entire officiating crew.

Response - We will take steps to make sure we pay each individual (athletic) official from now on.

Conclusion - Response accepted.

IV-O-10 Checks Payable to Activity Fund - The District writes various checks throughout the year for meal money for students that participate at state events. It was noted that checks were being written to "Activity Fund" instead of the custodian/sponsor for these events. Checks made out to "Activity Fund" are barer paper and in the event the check would be lost or stolen anyone could cash the check.

Recommendation - A better practice would be to write the check to the bank and the custodian/sponsor of the event. The District should refrain from writing checks payable just to "cash" or "Activity Fund."

Response - We will write the check to the bank and the custodian/sponsor from now on.

Conclusion - Response accepted.