

**Fredericksburg Community School District**

**Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings**

**June 30, 2010**

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**Fredericksburg Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2009 Election)</b>		
Susan Underwood	President	2010
Richard Haugen	Vice President	2011
Mark Wendland	Board Member	2009
Brad Kerr	Board Member	2009
Candace Ackley	Board Member	2010
<b>Board of Education</b>		
<b>(After September 2009 Election)</b>		
Richard Haugen	President	2011
Susan Underwood	Vice President	2010
Mark Wendland	Board Member	2013
Brad Kerr	Board Member	2013
Candace Ackley	Board Member	2010
<b>School Officials</b>		
Rick Pederson	Superintendent	2010
Theresa Schulz	District Secretary/Treasurer	2010
John Tremaine	Attorney	2010

Independent Auditor's Report

To the Board of Education of  
Fredericksburg Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Fredericksburg Community School District, Fredericksburg, 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. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Fredericksburg 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, I have also issued my report dated February 9, 2011 on my consideration of the Fredericksburg Community School District's internal control over financial reporting and my 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 my 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 my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fredericksburg Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge  
Certified Public Accountant

February 9, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Fredericksburg 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. I encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,770,533 in fiscal 2009 to \$3,510,910 in fiscal 2010, while General Fund expenditures decreased from \$3,650,175 in fiscal 2009 to \$3,635,116 in fiscal 2010. The District's General Fund balance decreased from \$1,254,992 in fiscal 2009 to \$1,130,797 in fiscal 2010, a 10.9% decrease.
- The decrease in General Fund revenues was attributable to a decrease in revenues from state and local revenue sources. The decrease in expenditures was due to a cutback in overall expenditures.
- The District's solvency ratio has decreased from 32.3% at June 30, 2009 to 27.9% at June 30, 2010. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

### 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 Fredericksburg 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 Fredericksburg 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 Fredericksburg Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Other Supplementary Information provides detailed information about the non-major governmental funds.

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

**Figure A-1**  
**Fredericksburg Community School District Annual Financial Report**

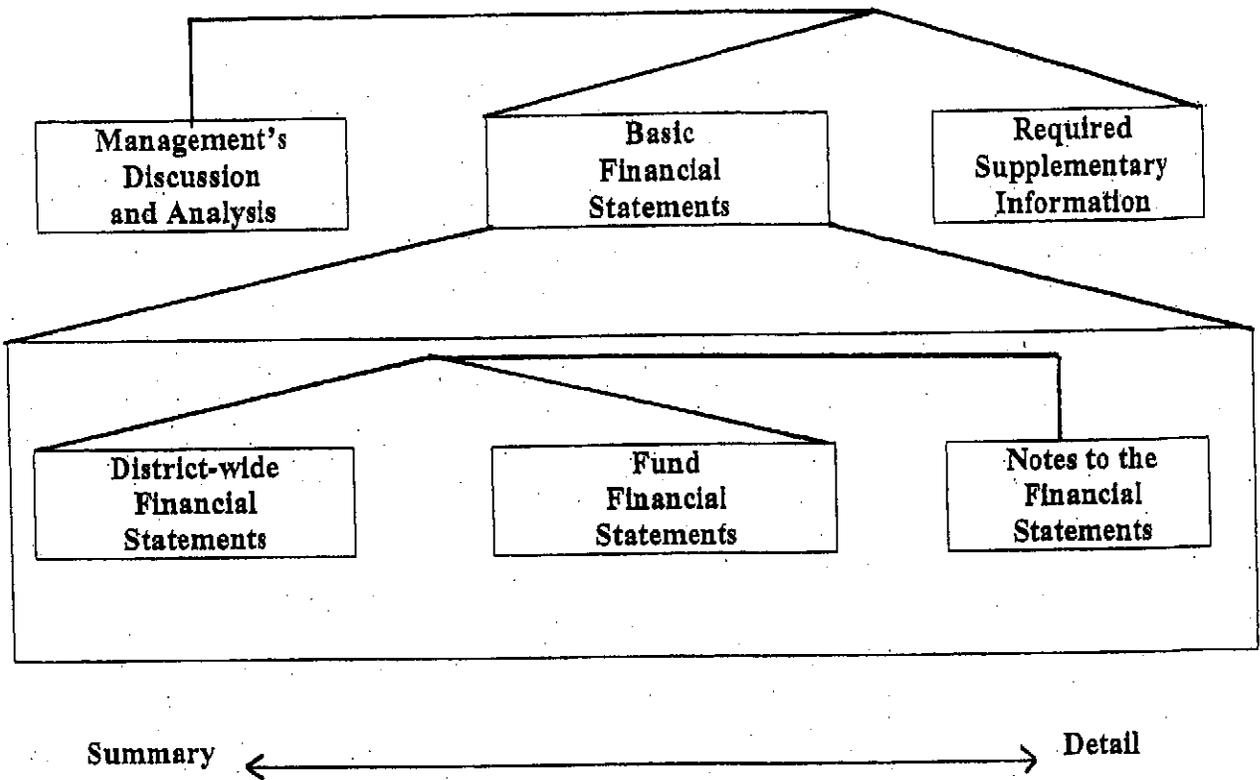


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets  Statement of activities	Balance sheet  Statement of revenues, expenditures and changes in fund balances	Statement of net assets  Statement of revenues, expenses and changes in fund net assets  Statement of cash flows	Statement of fiduciary net assets  Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

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

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

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 Funds – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

**Figure A-3**  
**Condensed Statement of Net Assets**  
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	\$8,211	\$3,973	\$35	\$34	\$8,246	\$4,007	205.8%
Capital assets	1,581	1,506	15	16	1,596	1,522	4.9%
Total assets	\$9,792	\$5,479	\$50	\$50	\$9,842	\$5,529	78.0%
Long-term liabilities	\$3,941	\$-	\$-	\$-	\$3,941	\$-	100.0%
Other liabilities	1,675	1,342	1	2	1,676	1,344	24.7%
Total liabilities	\$5,616	\$1,342	\$1	\$2	\$5,617	\$1,344	417.9%
Net assets:							
Invested in capital assets, net of related debt	\$1,581	\$1,506	\$16	\$16	\$1,597	\$1,522	4.5%
Restricted	4,899	755	-	-	4,899	755	648.9%
Unrestricted	-2,304	1,876	33	32	-2,271	1,908	-119.0%
Total net assets	\$4,176	\$4,137	\$49	\$48	\$4,225	\$4,185	0.1%

The District's combined net assets increased by nearly 1%, or approximately \$40,000, over the prior year. The largest portion of the District's net assets is 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 resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$4,144,000, or 648.9% over the prior year. The increase was primarily an increase in net assets restricted for capital construction of \$3,890,000

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$4,179,000, or 119.0% also due to the increase in net assets restricted for capital construction of \$3,890,000.

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

**Figure A-4**  
**Changes in of Net Assets**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for service	\$1,114	\$1,211	\$77	\$83	\$1,191	\$1,294	-8.0%
Operating grants, contributions and restricted interest	572	443	73	78	645	521	23.8%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
<b>General revenues:</b>							
Property tax	1,261	1,388	-	-	1,261	1,388	-9.2%
Statewide sales, service and use tax	178	199	-	-	178	199	-10.6%
Unrestricted state grants	792	1,035	-	-	792	1,035	-23.5%
Unrestricted investment earnings	32	63	-	-	32	63	-49.2%
Other	49	44	-	-	49	44	11.4%
<b>Total revenues</b>	<b>\$3,998</b>	<b>\$4,383</b>	<b>\$150</b>	<b>\$161</b>	<b>\$4,148</b>	<b>\$4,544</b>	<b>-8.7%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instruction	\$2,684	\$2,691	\$-	\$-	\$2,684	\$2,691	-0.3%
Support services	1,076	1,102	-	-	1,076	1,102	-2.3%
Non-instructional programs	-	-	149	143	149	143	4.2%
Other expenses	200	128	-	-	200	128	56.3%
<b>Total expenses</b>	<b>3,960</b>	<b>\$3,921</b>	<b>\$149</b>	<b>\$143</b>	<b>\$4,109</b>	<b>\$4,064</b>	<b>1.1%</b>
<b>Increase (Decrease) in net assets</b>	<b>\$38</b>	<b>\$462</b>	<b>\$1</b>	<b>\$18</b>	<b>\$39</b>	<b>\$480</b>	<b>-91.9%</b>

In fiscal year 2010, property tax and unrestricted state grants account for 51.4% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue.

The District's total revenues were approximately \$4.1 million, of which approximately \$4 million was for governmental activities and less than \$0.1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 8.7% decrease in revenues and a 1.1% increase in expenses. Property tax decreased approximately \$127,000. The increase in expenses is related to increases in the negotiated salaries and benefits.

## Governmental Activities

Revenues for governmental activities were \$3,998,065 and expenses were \$3,959,675 for the year ended June 30, 2010. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$2,684	\$2,691	-0.3%	\$1,086	\$1,123	-3.3%
Support services	1,076	1,102	-2.4%	988	1,016	-2.8%
Non-instructional programs	-	-	-	-	-	-
Other expenses	200	128	56.3%	200	128	56.3%
<b>Totals</b>	<b>\$3,960</b>	<b>\$3,921</b>	<b>1.0%</b>	<b>\$2,274</b>	<b>\$2,267</b>	<b>0.3%</b>

- The cost financed by users of the District's programs was \$1,190,891.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$645,182.
- The net cost of governmental activities was financed with \$1,438,578 in property and other taxes and \$791,975 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities were \$150,280, representing a 6.6% decrease from the prior years, while expenses were \$149,037 a 3.9% increase from the prior year. 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, Fredericksburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,549,664, well above last year's ending fund balances of \$2,631,195. The primary reason for the increase in combined fund balances in fiscal 2010 is due to the bond proceeds of \$3,924,274 in both general obligation and revenue bonds.

## Governmental Fund Highlights

The District's General Fund financial position remains healthy even though local and state revenues decreased.

The General Fund balance decreased from \$1,254,992 to \$1,130,797, due to a decrease in local and state revenue sources.

The Capital Projects Fund balance increased from \$697,106 in 2009 to \$4,487,442 in 2010 due to the issuance of general obligation and revenue bonds.

## Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$47,493 at June 30, 2009 to \$48,736 at June 30, 2010, representing an increase of approximately 2.6%.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Fredericksburg Community School District amended its budget one time to reflect additional expenditures associated with the middle school building capital project activity.

The District's total revenues were \$269,659 less than total budgeted revenues, a variance of less than 6.2%. Even though federal revenue increased in fiscal 2010, a reduction in state resources caused the total amount received to be less 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. Also, the capital project did not progress as anticipated, so less was spent in fiscal year 2010 than was planned.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2010, the District had invested \$1,596,774, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 4.9% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$115,879.

The original cost of the District's capital assets was \$3,705,486. Governmental funds account for \$3,673,012, with the remainder of \$32,474 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in process category. The District has paid \$96,775 in architecture fees.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
(Expressed in thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$18	\$18	-\$	\$-	\$18	\$18	-
Construction in Process	97	-	-	-	97	-	100.0%
Buildings and improvements	1,250	1,277	-	-	1,250	1,277	-2.1%
Improvements other than buildings	26	30	-	-	26	30	-13.3%
Furniture and equipment	190	181	15	16	205	197	4.1%
<b>Totals</b>	<b>\$1,581</b>	<b>\$1,506</b>	<b>\$15</b>	<b>\$16</b>	<b>\$1,596</b>	<b>\$1,522</b>	<b>4.9%</b>

**Long-Term Debt**

At June 30, 2010, the District had \$3,890,000 in total long-term debt outstanding. This represents an increase of 100% from last year. (See Figure A-7) Additional information about the District’s long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District’s debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District’s outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$6 million.

In May 2010, the District’s voters authorized the issuance of \$2,190,000 in general obligation bonds to pay for a middle school renovation project. In May 2010 the District issued \$1,700,000 of Statewide Sales, Services and Use Tax revenue bonds for the project. The District had total outstanding bonded indebtedness at June 30, 2010 of \$3,890,000.

**Figure A-7**  
**Outstanding Long-term Obligations**  
(Expressed in thousands)

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-2010
General obligation bonds	\$2,190	\$-	100%
Revenue bonds	1,700	-	100%
<b>Total</b>	<b>\$3,890</b>	<b>\$-</b>	<b>100%</b>

**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 is continuing a whole grade sharing agreement with Sumner Community School District that began with the 2005-2006 school year to help deal with declining enrollment.

As the community’s economy stabilizes, it is anticipated that the District’s tax base and enrollment will remain steady.

**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 Theresa Schulz, District Secretary, Fredericksburg Community School District, Fredericksburg IA 50630.

## **Basic Financial Statements**

## Fredericksburg Community School District

## Statement of Net Assets

June 30, 2010

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 6,816,524	\$ 28,108	\$ 6,844,632
Receivables:			
Property tax:			
Delinquent	12,472	-	12,472
Succeeding year	1,198,251	-	1,198,251
Accounts	3,355	726	4,081
Due from other governments	180,133	-	180,133
Inventories	-	5,674	5,674
Capital assets, net of accumulated depreciation	1,581,313	15,461	1,596,774
<b>Total Assets</b>	<b>\$ 9,792,048</b>	<b>\$ 49,969</b>	<b>\$ 9,842,017</b>
<b>Liabilities</b>			
Accounts payable	\$ 90,735	\$ 94	\$ 90,829
Salaries and benefits payable	240,950	-	240,950
Deferred revenue-succeeding year property tax	1,198,251	-	1,198,251
Deferred revenue-other	131,135	1,139	132,274
Accrued interest	14,008	-	14,008
Long-term liabilities:			
Portion due within one year:			
Early retirement	39,219	-	39,219
Portion due after one year:			
General obligation bonds	2,190,000	-	2,190,000
Revenue bonds	1,700,000	-	1,700,000
Net OPEB liability	11,992	-	11,992
<b>Total Liabilities</b>	<b>\$ 5,616,290</b>	<b>\$ 1,233</b>	<b>\$ 5,617,523</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 1,581,313	\$ 15,461	\$ 1,596,774
Restricted for:			
Categorical funding	117,125	-	117,125
Management levy	247,366	-	247,366
Physical plant and equipment levy	407,074	-	407,074
Other special revenue purposes	98,042	-	98,042
Capital projects – construction	3,890,000	-	3,890,000
Debt service	139,724	-	139,724
Unrestricted	-2,304,886	33,275	-2,271,611
<b>Total Net Assets</b>	<b>\$ 4,175,758</b>	<b>\$ 48,736</b>	<b>\$ 4,224,494</b>

See notes to financial statements.

**Fredericksburg Community School District**

**Statement of Activities**

**Year Ended June 30, 2010**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs</b>				
<b>Governmental Activities:</b>				
Instruction:				
Regular instruction	\$ 2,009,435	\$ 819,841	\$ 490,471	\$ -
Special instruction	408,980	144,757	78,810	-
Other instruction	265,198	63,856	-	-
	<u>\$ 2,683,613</u>	<u>\$ 1,028,454</u>	<u>\$ 569,281</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 82,125	\$ -	\$ 2,061	\$ -
Instructional staff services	105,328	-	-	-
Administration services	414,727	63,435	-	-
Operation and maintenance of plant services	248,044	850	-	-
Transportation services	226,206	21,023	976	-
	<u>\$ 1,076,430</u>	<u>\$ 85,308</u>	<u>\$ 3,037</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 10,370	\$ -	\$ -	\$ -
Long-term debt interest	72,901	-	-	-
AEA flow-through	116,361	-	-	-
	<u>\$ 199,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Governmental Activities</b>	<b>\$ 3,959,675</b>	<b>\$ 1,113,762</b>	<b>\$ 572,318</b>	<b>\$ -</b>
<b>Business Type Activities:</b>				
Non-Instructional Programs:				
Food service operations	149,037	77,129	72,864	-
<b>Total</b>	<b>\$ 4,108,712</b>	<b>\$ 1,190,891</b>	<b>\$ 645,182</b>	<b>\$ -</b>

Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ -699,123	\$ -	\$ -699,123
-185,413	-	-185,413
-201,342	-	-201,342
<u>\$ -1,085,878</u>	<u>\$ -</u>	<u>\$ -1,085,878</u>
\$ -80,064	\$ -	\$ -80,064
-105,328	-	-105,328
-351,292	-	-351,292
-247,194	-	-247,194
-204,207	-	-204,207
<u>\$ -988,085</u>	<u>\$ -</u>	<u>\$ -988,085</u>
\$ -10,370	\$ -	\$ -10,370
-72,901	-	-72,901
-116,361	-	-116,361
<u>\$ -199,632</u>	<u>\$ -</u>	<u>\$ -199,632</u>
\$ -2,273,595	\$ -	\$ -2,273,595
-	956	956
<u>\$ -2,273,595</u>	<u>\$ 956</u>	<u>\$ -2,272,639</u>

Fredericksburg Community School District

Statement of Activities

Year Ended June 30, 2010

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest

**General Revenues:**

- Property Tax Levied For:
  - General purposes
  - Capital outlay
- Statewide sales, service and use tax
- Unrestricted state grants
- Unrestricted investment earnings
- Other

Total General Revenues

Change in net assets before other sources

Other Sources:

- Sale of assets

Change in net assets

Net assets beginning of year

Prior period adjustment

Adjusted beginning of year

Net Assets End of Year

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Assets

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	Governmental Activities	Business Type Activities		Total
\$	1,128,891	-	\$	1,128,891
	131,861	-		131,861
	177,826	-		177,826
	791,975	-		791,975
	32,572	287		32,859
	48,860	-		48,860
<hr/>				
\$	2,311,985	287	\$	2,312,272
<hr/>				
\$	38,390	1,243	\$	39,633
	5	-		5
<hr/>				
\$	38,395	1,243	\$	39,638
\$	4,137,357	47,493	\$	4,184,850
	6	-		6
<hr/>				
\$	4,137,363	47,493	\$	4,184,856
<hr/>				
\$	4,175,758	48,736	\$	4,224,494

## Fredericksburg Community School District

**Balance Sheet**  
**Governmental Funds**

**June 30, 2010**

	General	Capital Projects	Non-major	Total
<b>Assets</b>				
Cash and Pooled Investments	\$ 1,430,246	\$ 4,455,998	\$ 930,280	\$ 6,816,524
Receivables:				
Property Tax:				
Delinquent	10,751	-	1,721	12,472
Succeeding year	961,190	-	237,061	1,198,251
Accounts	3,355	-	-	3,355
Due from other governments	82,036	43,182	54,915	180,133
<b>Total Assets</b>	<b>\$ 2,487,578</b>	<b>\$ 4,499,180</b>	<b>\$ 1,223,977</b>	<b>\$ 8,210,735</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 78,421	\$ 11,738	\$ 576	\$ 90,735
Salaries and benefits payable	240,950	-	-	240,950
Deferred Revenue:				
Succeeding year property tax	961,190	-	237,061	1,198,251
Other	76,220	-	54,915	131,135
<b>Total Liabilities</b>	<b>\$ 1,356,781</b>	<b>\$ 11,738</b>	<b>\$ 292,552</b>	<b>\$ 1,661,071</b>
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Categorical funding	\$ 117,125	\$ -	\$ -	\$ 117,125
Debt service sinking	-	-	137,645	137,645
Debt service	-	-	2,079	2,079
Unreserved	1,013,672	4,487,442	791,701	6,292,815
<b>Total Fund Balances</b>	<b>\$ 1,130,797</b>	<b>\$ 4,487,442</b>	<b>\$ 931,425</b>	<b>\$ 6,549,664</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,487,578</b>	<b>\$ 4,499,180</b>	<b>\$ 1,223,977</b>	<b>\$ 8,210,735</b>

**Fredericksburg Community School District**  
**Reconciliation of the Balance Sheet – Governmental Funds**  
**To the Statement of Net Assets**

**June 30, 2010**

<b>Total fund balances of governmental funds (page 16)</b>	<b>\$ 6,549,664</b>
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	1,581,313
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-14,008
Long-term liabilities, including bonds and notes payable, compensated absences and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	-3,941,211
	-3,941,211
<b>Net assets of governmental activities (page 13)</b>	<b>\$ 4,175,758</b>

## Fredericksburg Community School District

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

Year Ended June 30, 2010

	General	Capital Projects	Non-Major	Total
Revenues:				
Local Sources:				
Local tax	\$ 1,039,945	\$ 177,826	\$ 220,807	\$ 1,438,578
Tuition	621,334	-	-	621,334
Other	485,452	8,617	79,791	573,860
Intermediate sources	-	-	-	-
State sources	1,089,747	-	114	1,089,861
Federal sources	274,432	-	-	274,432
Total Revenues	\$ 3,510,910	\$ 186,443	\$ 300,712	\$ 3,998,065
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,923,719	\$ -	\$ -	\$ 1,923,719
Special instruction	408,098	-	-	408,098
Other instruction	212,158	-	52,240	264,398
Support Services:				
Student services	\$ 82,125	\$ -	\$ -	\$ 82,125
Instructional staff services	99,667	-	4,662	104,329
Administration services	406,659	-	6,069	412,728
Operation and maintenance of plant services	208,722	-	18,848	227,570
Transportation services	177,607	-	29,776	207,383
Other Expenditures:				
Facilities acquisition	\$ -	\$ 128,522	\$ 35,481	\$ 164,002
Long-Term Debt:				
Interest and fiscal charges	-	93,167	-	93,167
AEA flow-through	116,361	-	-	116,361
Total Expenditures	\$ 3,635,116	\$ 221,689	\$ 147,076	\$ 4,003,881
Excess (deficiency) of revenue over (under) expenditures	\$ -124,206	\$ -35,246	\$ 153,636	\$ -5,816
Other financing sources (uses);				
Operating transfers in (out)	\$ -	\$ -95,021	\$ 95,021	\$ -
Sales of assets	5	-	-	5
Bond proceeds and premiums	-	3,920,603	3,671	3,924,274
Total other financing sources (uses)	\$ 5	\$ 3,825,582	\$ 98,692	\$ 3,924,279
Net change in fund balances	\$ -124,201	\$ 3,790,336	\$ 252,328	\$ 3,918,463
Fund balances beginning of year	\$ 1,254,992	\$ 697,106	\$ 679,097	\$ 2,631,195
Prior period adjustment	6	-	-	6
Adjusted beginning of year	\$ 1,254,998	\$ 697,106	\$ 679,097	\$ 2,631,201
Fund balances end of year	\$ 1,130,797	\$ 4,487,442	\$ 931,425	\$ 6,549,664

See notes to financial statements.

Fredericksburg 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 18) \$ 3,918,463

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation/amortization expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 188,357	
Depreciation/amortization expense	-113,206	75,151

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of 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		-3,890,000
--------	--	------------

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

-14,008

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

Early retirement	\$ -39,219	
Other postemployment benefits	-11,992	-51,211

Change in Net Assets of Governmental Activities (page 15) \$ 38,395

## Fredericksburg Community School District

Statement of Net Assets  
Proprietary Fund

June 30, 2010

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and investments	\$ 28,108
Receivables	726
Inventories	5,674
Capital assets, net of accumulated depreciation	15,461
<b>Total Assets</b>	<u>\$ 49,969</u>
<b>Liabilities</b>	
Accounts payable	\$ 94
Deferred revenue	1,139
<b>Total Liabilities</b>	<u>\$ 1,233</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 15,461
Unrestricted	33,275
<b>Total Net Assets</b>	<u>\$ 48,736</u>

See notes to financial statements.

**Fredericksburg Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**

**Year Ended June 30, 2010**

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 77,129
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 60,199
Benefits	8,582
Purchased services	3,736
Supplies	73,847
Depreciation	2,673
Total operating expenses	<u>\$ 149,037</u>
Operating loss	<u>\$ -71,908</u>
Non-operating revenues:	
State sources	\$ 1,660
Federal sources	71,204
Interest Income	287
Total non-operating revenues	<u>\$ 73,151</u>
Net Income	\$ 1,243
Net assets beginning of year	<u>47,493</u>
Net assets end of year	<u>\$ 48,736</u>

## Fredericksburg Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2010

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 75,547
Cash paid to employees for services	-68,781
Cash paid to suppliers for goods or services	-60,778
Net cash used by operating activities	<u>\$ -54,012</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 1,660
Federal grants received	55,822
Net cash provided by non-capital financing activities	<u>\$ 57,482</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -2,307</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 287</u>
Net increase in cash and cash equivalents	\$ 1,450
Cash and cash equivalents beginning of year	<u>26,658</u>
Cash and Cash Equivalents End of Year	<u>\$ 28,108</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -71,908
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	15,382
Depreciation	2,673
Decrease in inventories	1,298
(Increase) in accounts receivable	-639
(Decrease) in deferred revenue	-912
Increase in accounts payable	94
Net Cash Used by Operating Activities	<u>\$ -54,012</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2010, the District received \$15,382 of federal commodities.

Fredericksburg Community School District

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2010

	Private Purpose Trust
	<u>Scholarship</u>
<b>Assets</b>	
Cash and investments	<u>\$ 12,526</u>
<b>Liabilities</b>	
None	<u>\$ -</u>
<b>Net assets</b>	
Reserved for scholarships	<u>\$ 12,526</u>

**Fredericksburg Community School District**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**

**Year Ended June 30, 2010**

		Private Purpose Trust
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	300
Interest income		281
Total additions	<u>\$</u>	<u>581</u>
Deductions:		
Support services:		
Scholarships awarded	<u>\$</u>	<u>8,150</u>
Change in net assets	\$	-7,569
Net assets beginning of year		<u>20,095</u>
Net Assets End of Year	<u>\$</u>	<u>12,526</u>

See notes to financial statements.

# Fredericksburg Community School District

## Notes to Financial Statements

June 30, 2010

### (1) Summary of Significant Accounting Policies

The Fredericksburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. 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 Fredericksburg, Iowa and portions of the predominately agricultural territories in Chickasaw, Bremer and Fayette Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

Effective July 1, 2004, the Fredericksburg Community School District and the Sumner Community School District have entered into a whole grade sharing agreement.

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, Fredericksburg 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. Fredericksburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

#### B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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

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

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

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

Asset Class	Amount
Land	\$ 2000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

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
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for support staff corresponding to the current school year, which were paid in July, have been accrued as liabilities.

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

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

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

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

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

E. Budgets and Budgetary Accounting

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

During the year ended June 30, 2010, expenditures in the other expenditures functional area exceed the amount budgeted.

(2) **Cash and Pooled Investments**

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

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

(3) **Inter-fund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 95,021

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

(4) **Capital Assets**

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

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 18,501	\$ -	\$ -	\$ 18,501
Construction in process	-	96,775	-	96,775
Total capital assets not being depreciated	18501	96,775	-	115,276
Capital assets being depreciated:				
Buildings and improvements	\$ 2,514,373	\$ 19,282	\$ -	\$ 2,533,655
Improvements other than buildings	73,726	-	-	73,726
Furniture and equipment	878,055	72,300	-	950,355
Total capital assets being depreciated	\$ 3,466,154	\$ 91,582	\$ -	\$ 3,557,736
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,237,785	\$ 46,007	\$ -	\$ 1,283,792
Improvements other than buildings	43,426	4,750	-	48,176
Furniture and equipment	697,282	62,449	-	759,731
Total accumulated depreciation	\$ 1,978,493	\$ 113,206	\$ -	\$ 2,091,699
Total capital assets being depreciated, net	\$ 1,487,661	\$ -21,624	\$ -	\$ 1,466,037
Governmental activities capital assets, net	\$ 1,506,162	\$ 75,151	\$ -	\$ 1,581,313

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 36,892	\$ 2,307	\$ 6,725	\$ 32,474
Less accumulated depreciation	21,065	2,673	6,725	17,013
Business type activities capital assets, net	\$ 15,827	\$ -366	\$ -	\$ 15,461

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 73,226
Special	882
Other	800

Support services:

Operation and maintenance of plant	19,475
Transportation	18,823

Total Depreciation Expense -- governmental activities

\$ 113,206

Business type activities:

Food service operations	\$ 2,673
-------------------------	----------

(5) Long-term Liabilities

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

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ -	\$ 2,190,000	\$ -	\$ 2,190,000	\$ -
Revenue bonds	-	1,700,000	-	1,700,000	-
Early retirement	-	39,219	-	39,219	39,219
Net OPEB liability	-	11,992	-	11,992	-
Total	\$ -	\$ 3,941,211	\$ -	\$ 3,941,211	\$ 39,219

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employees is equal to the employee's base salary calculated by using the current year regular salary schedule, less the BA base of the salary schedule. The early retirement expenditures for the year ended June 30, 2010 were \$0.

General Obligation Capital Note

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

Year Ending June 30,	Bond Issued May 1, 2010			
	Interest Rate	Principal	Interest	Total
2011	3.0%	\$-	83,170	\$83,170
2012	3.0%	85,000	83,170	168,170
2013	3.0%	85,000	80,620	165,620
2014	3.0%	90,000	78,070	168,070
2015	3.0%	90,000	75,370	165,370
2016	3.0%	95,000	72,670	167,670
2017	3.0%	95,000	69,820	164,820
2018	3.5%	100,000	66,970	166,970
2019	4.0%	105,000	63,470	168,470
2020	4.0%	110,000	59,270	169,270
2021	4.0%	110,000	54,870	164,870
2022	4.0%	115,000	50,470	165,470
2023	4.0%	120,000	45,870	165,870
2024	4.0%	125,000	41,070	166,070
2025	4.0%	130,000	36,070	166,070
2026	4.125%	135,000	30,870	165,870
2027	4.125%	140,000	25,302	165,302
2028	4.125%	145,000	19,526	164,526
2029	4.3%	155,000	13,546	168,546
2030	4.3%	160,000	6,880	166,880
<b>Total</b>		<b>\$2,190,000</b>	<b>\$1,057,074</b>	<b>\$3,247,074</b>

Revenue Bonds

Details of the District's June 30, 2010 Statewide Sales, Services and Use Tax Revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issued May 1, 2010			
	Interest Rate	Principal	Interest	Total
2011	2.0%	\$-	\$42,460	\$42,460
2012	2.0%	50,000	63,190	113,190
2013	2.0%	50,000	62,190	112,190
2014	2.0%	70,000	60,990	130,990
2015	2.25%	75,000	59,446	134,446
2016	2.5%	75,000	57,665	132,665
2017	3.0%	75,000	55,603	130,603
2018	3.25%	80,000	53,177	133,177
2019	3.5%	80,000	50,478	130,478
2020	3.8%	85,000	47,462	132,462
2021	4.1%	90,000	44,048	134,048
2022	4.1%	90,000	40,402	130,402
2023	4.1%	95,000	36,610	131,610
2024	4.1%	100,000	32,612	132,612
2025	4.25%	105,000	28,331	133,331
2026	4.25%	105,000	23,869	128,869
2027	4.45%	110,000	19,190	129,190
2028	4.45%	115,000	14,184	129,184
2029	4.65%	120,000	8,835	128,835
2030	4.65%	130,000	3,023	133,023
<b>Total</b>		<b>\$1,700,000</b>	<b>\$803,765</b>	<b>\$2,503,765</b>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,700,000 of bonds issued in May 2010. The bonds were issued for the purpose of financing a portion of the costs of the middle school addition project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 70 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,503,765. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$177,826.

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

- a) \$137,637 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purposes.

The District did comply with all of the revenue bonds provisions during the year ended June 30, 2010.

During the year ended June 30, 2010, the District made no principal or interest payments under the agreements.

#### **(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the years ended June 30, 2010, 2009 and 2008. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$124,629, \$102,782, and \$111,815, respectively, equal to the required contributions for each year.

(7) **Other Postemployment Benefits (OPEB)**

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

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 34 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

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

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 obligations:

Annual required contribution	\$	14,573
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost	\$	14,573
Contributions made		2,581
Increase in net OPEB obligation	\$	11,992
Net OPEB obligation beginning of year		-
Net OPEB obligation end of year	\$	11,992

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 \$214,695 to the medical plan. Plan members eligible for benefits contributed \$2,888, or 1.3% 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	\$14,573	17.7%	\$11,992

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 \$126,485, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$126,485. The covered payroll (annual payroll of active employees covered by the plan) was \$1,410,046 and the ratio of the UAAL to covered payroll was 8.9%. As of June 30, 2010, there were no trust fund assets.

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

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

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

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$248.44 per month for retirees less than age 65 and \$248.44 per month for retirees who have attained age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Risk Management**

Fredericksburg 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.

**(9) 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 \$116,361 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.

**(10) Construction Commitments**

At June 30, 2010 the District has a total of \$96,775 in construction in process in architecture fees. On July 29, 2010 the middle school project bid notice was published in connection with the architecture fees (see Note 13).

**(11) Categorical Funding**

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

<u>Program</u>	<u>Amount</u>
Limited English Proficiency	\$ 6,160
Gifted and Talented Programs	3,404
Dropout Prevention	66,750
Beginning Teacher Mentoring	672
Teacher Salary Supplement	14,589
Core Curriculum	9,536
Professional Development	11,034
Market Factor (08)	907
Foster Care	1,250
Phase II	289
Non Public Transportation	456
Market Factor (09)	2,078
Total	<u>\$ 117,124</u>

**(12) Subsequent Events**

The District approved a contract for \$4,198,975 for a middle school construction project at the September 20, 2010 school board meeting. The project is being financed by the \$2,190,000 General Obligation Bond and the \$1,700,000 Statewide Sales, Services and Use Tax Revenue Bonds.

The District has evaluated subsequent events through February 9, 2011 which is the date that the financial statements were available to be issued.

**(13) Prior Period Adjustment**

The General Fund had a prior period adjustment of \$6.

**Required Supplementary Information**

**Fredericksburg Community School District**

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

**Required Supplementary Information**

**Year Ended June 30, 2010**

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
<b>Revenues:</b>			
Local sources	\$ 2,633,772	\$ 77,416	\$ 2,711,188
Intermediate sources	-	-	-
State sources	1,089,861	1,660	1,091,521
Federal sources	274,432	71,204	345,636
<b>Total Revenues</b>	<b>\$ 3,998,065</b>	<b>\$ 150,280</b>	<b>\$ 4,148,345</b>
<b>Expenditures:</b>			
Instruction	\$ 2,596,215	\$ -	\$ 2,596,215
Support services	1,034,135	-	1,034,135
Non-instructional programs	-	149,037	149,037
Other expenditures	373,531	-	373,531
<b>Total Expenditures</b>	<b>\$ 4,003,881</b>	<b>\$ 149,037</b>	<b>\$ 4,152,918</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	\$ -5,816	\$ 1,243	\$ -4,573
Other financing sources-Net	3,924,285	-	3,924,285
Excess (deficiency) of revenue and other financing sources over (under) expenditures/expenses and other financing uses	\$ 3,918,469	\$ 1,243	\$ 3,919,712
Balance Beginning of Year	2,631,195	47,493	2,678,688
Balances End of Year	<b>\$ 6,549,664</b>	<b>\$ 48,736</b>	<b>\$ 6,598,400</b>

See accompanying independent auditor's report.

Budgeted Amounts		Final	Final to Actual Variance
Original			
\$ 2,786,576	\$ 2,786,576	\$ -75,388	
-	-	-	
1,465,464	1,465,464	-373,943	
166,000	166,000	179,636	
<u>\$ 4,418,040</u>	<u>\$ 4,418,040</u>	<u>\$ -269,695</u>	
\$ 2,850,000	\$ 2,750,000	\$ 153,785	
1,199,650	1,199,650	165,515	
160,000	160,000	10,963	
193,967	293,967	-79,564	
<u>\$ 4,403,617</u>	<u>\$ 4,403,617</u>	<u>\$ 250,699</u>	
\$ 14,423	\$ 14,423	\$ -18,996	
-	-	3,924,285	
\$ 14,423	\$ 14,423	\$ 3,905,289	
2,181,403	2,181,403	497,285	
<u>\$ 2,195,826</u>	<u>\$ 2,195,826</u>	<u>\$ 4,402,574</u>	

**Fredericksburg 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 comparisons for the General Fund and each major Special Revenue Fund.

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

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

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

**Fredericksburg Community School District**

**Schedule of Funding Progress for the  
Retiree Health Plan**

**Required Supplementary Information**

**June 30, 2010**

<b>Year Ended June 30,</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
2010	July 1, 2009	-	\$126,485	\$126,485	0.0%	\$1,410,046	8.9%

See Note 7 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**

## Fredericksburg Community School District

Combining Balance Sheet  
Non-Major Funds

June 30, 2010

	Special Revenue				Total
	Management Levy	Physical Plant and Equipment Levy	Student Activity	Debt Service	
<b>Assets</b>					
Cash and pooled investments	\$ 285,616	\$ 406,333	\$ 98,607	\$ 139,724	\$ 930,280
Receivables:					
Property Tax:					
Delinquent	980	741	-	-	1,721
Succeeding year	90,000	63,891	-	83,170	237,061
Due from other governments	-	54,915	-	-	54,915
<b>Total Assets</b>	<b>\$ 376,596</b>	<b>\$ 525,880</b>	<b>\$ 98,607</b>	<b>\$ 222,894</b>	<b>\$ 1,223,977</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 11	\$ -	\$ 565	\$ -	\$ 576
Deferred revenue:					
Succeeding year property tax	90,000	63,891	-	83,170	237,061
Other	-	54,915	-	-	54,915
Total Liabilities	\$ 90,011	\$ 118,806	\$ 565	\$ 83,170	\$ 292,552
Fund Equity:					
Restricted:					
Debt service sinking	\$ -	\$ -	\$ -	\$ 137,645	\$ 137,645
Debt service	-	-	-	2,079	2,079
Unreserved fund balances	286,585	407,074	98,042	-	791,701
Total Fund Equity	\$ 286,585	\$ 407,074	\$ 98,042	\$ 139,724	\$ 931,425
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 376,596</b>	<b>\$ 525,880</b>	<b>\$ 98,607</b>	<b>\$ 222,894</b>	<b>\$ 1,223,977</b>

**Fredericksburg Community School District**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Non-Major Funds**

Year Ended June 30, 2010

	Special Revenue				Total
	Management Levy	Physical Plant and Equipment Levy	Student Activity	Debt Service	
<b>Revenues:</b>					
Local Sources:					
Local tax	\$ 88,946	\$ 131,861	\$ -	\$ -	\$ 220,807
Other	9,114	5,364	64,948	365	79,791
State sources	65	49	-	-	114
Total Revenues	<u>\$ 98,125</u>	<u>\$ 137,274</u>	<u>\$ 64,948</u>	<u>\$ 365</u>	<u>\$ 300,712</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Other instruction	\$ -	\$ -	\$ 52,240	\$ -	\$ 52,240
Support Services:					
Instructional staff services	-	-	4,662	-	4,662
Administration	6,069	-	-	-	6,069
Operation and maintenance of plant	18,848	-	-	-	18,848
Transportation	29,776	-	-	-	29,776
Other Expenditures:					
Faculty acquisition	-	35,481	-	-	35,481
Total Expenditures	<u>\$ 54,693</u>	<u>\$ 35,481</u>	<u>\$ 56,902</u>	<u>\$ -</u>	<u>\$ 147,076</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 43,432</u>	<u>\$ 101,793</u>	<u>\$ 8,046</u>	<u>\$ 365</u>	<u>\$ 153,636</u>
Other financing sources (uses):					
Operating transfer in	\$ -	\$ -	\$ -	\$ 136,045	\$ 136,045
Operating transfer out	-	-	-	-41,024	-41,024
Bond proceeds	-	-	-	3,671	3,671
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,692</u>	<u>\$ 98,692</u>
Net change in fund balance	\$ 43,432	\$ 101,793	\$ 8,046	\$ 99,057	\$ 252,328
Fund balances beginning of year	243,153	305,281	89,996	40,667	679,097
Fund Balances end of year	<u>\$ 286,585</u>	<u>\$ 407,074</u>	<u>\$ 98,042</u>	<u>\$ 139,724</u>	<u>\$ 931,425</u>

See accompanying independent auditor's report.

## Fredericksburg Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Book orders	\$ -	\$ 633	\$ 633	\$ -
Athletics	47,904	21,497	20,127	49,274
Cheerleaders	627	-	-	627
Music	5,573	4,511	3,452	6,632
Student Council	370	-	36	334
FHA – HERO Club	388	-	-	388
Art Club	139	-	-	139
Science Club	490	-	-	490
Drama Club	64	-	-	64
Snack – activity	3,456	9,029	9,133	3,352
School annual	637	-	-	637
Pictures	1,513	1,275	-	2,788
Flowers and pop	1,954	1,196	1,523	1,627
Book Fair	429	3,107	3,486	50
Resale computer supplies	68	-	-	68
Interest	3,958	-2,437	-	1,521
Gym rent	-	525	850	-325
Jump Rope for Heart	42	1,443	1,443	42
Miscellaneous – juice machine	6,104	1,398	851	6,651
Falcon Friends	95	10	-	105
Field trip	1,854	-	-	1,854
Elementary	2,411	727	1,007	2,131
Friends of the Falcon Nest	9,885	20,403	12,627	17,661
School store – ELP	202	1,631	1,734	99
Milk machine	918	-	-	918
OM Team	879	-	-	879
RIF - Activity	36	-	-	36
<b>Total</b>	<b>\$ 89,996</b>	<b>\$ 64,948</b>	<b>\$ 56,902</b>	<b>\$ 98,042</b>

See accompanying independent auditor's report.

**Fredericksburg Community School District**

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

**For the Last Seven Years**

	Modified Accrual Basis			
	2010	2009	2008	2007
<b>Revenues:</b>				
<b>Local Sources:</b>				
Local tax	\$ 1,438,578	\$ 1,588,031	\$ 1,543,440	\$ 1,491,417
Tuition	621,334	654,237	749,798	752,551
Other	573,860	663,199	627,353	702,997
State sources	1,089,861	1,342,794	1,299,832	1,212,974
Federal sources	274,432	134,950	102,689	115,484
<b>Total</b>	<b>\$ 3,998,065</b>	<b>\$ 4,383,211</b>	<b>\$ 4,323,112</b>	<b>\$ 4,275,423</b>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 1,923,719	\$ 1,900,282	\$ 1,945,079	\$ 1,947,026
Special instruction	408,098	444,464	353,162	369,818
Other instruction	264,398	285,705	268,159	285,298
<b>Support services:</b>				
Student services	82,125	79,767	91,705	94,978
Instructional staff services	104,329	105,262	97,112	45,177
Administrative services	412,728	413,037	396,572	432,958
Operation and maintenance of plant services	227,570	259,067	249,156	239,558
Transportation services	207,383	210,953	184,771	238,656
Central support services	-	-	-	-
<b>Other expenditures:</b>				
Facilities acquisition	164,002	53,591	69,356	149,204
<b>Long-term debt:</b>				
Principal	-	105,000	105,000	100,000
Interest and other charges	93,167	4,075	7,225	10,225
AEA flow-through	116,361	107,518	106,867	104,285
<b>Total</b>	<b>\$ 4,003,881</b>	<b>\$ 3,968,721</b>	<b>\$ 3,874,164</b>	<b>\$ 4,017,183</b>

See accompanying independent auditor's report.

Modified Accrual Basis		
2006	2005	2004
\$ 1,483,959	\$ 1,432,914	\$ 1,391,507
1,103,150	977,609	151,500
166,874	252,730	182,412
1,169,719	1,208,715	1,227,694
82,295	131,631	54,895
<b>\$ 4,005,997</b>	<b>\$ 4,003,599</b>	<b>\$ 3,008,008</b>

\$ 1,893,862	\$ 1,872,978	\$ 1,146,872
327,348	395,636	305,979
204,123	223,023	265,840
64,465	58,176	78,900
49,158	57,276	54,419
525,125	380,874	391,050
307,109	329,201	224,243
107,322	94,491	71,067
18,366	17,820	16,362
96,390	25,344	107,757
100,000	100,000	590,000
12,725	14,725	36,006
100,271	101,118	103,540
<b>\$ 3,806,264</b>	<b>\$ 3,670,662</b>	<b>\$ 3,392,035</b>

**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**

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  
Fredericksburg Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Fredericksburg 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 my report thereon dated February 9, 2011. I conducted my 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 my audit, I considered Fredericksburg Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fredericksburg Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Fredericksburg Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily 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, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I 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 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. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as item I-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. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-10 to be a significant deficiency.

## Compliance and Other Matters

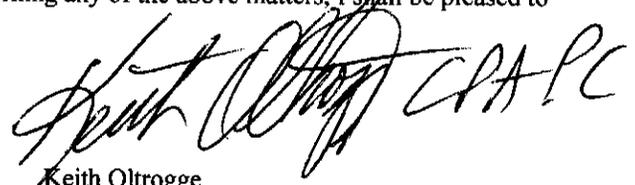
As part of obtaining reasonable assurance about whether Fredericksburg Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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.

Fredericksburg Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Fredericksburg Community School District's responses, and, accordingly, I 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 Fredericksburg Community School District and other parties to whom Fredericksburg 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.

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



Keith Oltrogge  
Certified Public Accountant

February 9, 2011

Fredericksburg Community School District

Schedule of Findings

Year Ended June 30, 2010

**Part I – Findings Related to the General Purpose Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, posting of the cash receipts and disbursements, and preparation of the bank reconciliation are all done by the same person.

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

Response – We will continue to review our procedures and make changes to improve internal control where possible.

Conclusion – Response accepted.

I-B-10 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District's financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is common control deficiency of most small Districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

Fredericksburg Community School District

Schedule of Findings

Year Ended June 30, 2010

**Part II - Other Findings Related to Statutory Reporting:**

II-A-10 Certified Budget – Expenditures for the year ended June 30, 2010 exceeded the amended certified budget amounts in the other expenditures function.

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

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-10 Questionable Expenditures – No expenditures, I believe, may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

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

II-D-10 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title &amp; Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
NE Iowa Roof Consulting Steven Crawford – employee	Consulting	\$800

In accordance with an Attorney General’s opinion dated November 9, 1976, the above transaction does not appear to represent a conflict of interest.

II-E-10 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-F-10 Board Minutes – No transactions requiring Board approval, which had not been approved by the Board were noted.

II-G-10 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-10 Deposits and Investments – 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 were noted.

II-J-10 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

**Fredericksburg Community School District**

**Schedule of Findings**

**Year Ended June 30, 2010**

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

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

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and service 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	\$	191,477
Statewide sales and services tax revenue		177,826
Expenditures/transfers out:		
School infrastructure:		
Other improvement		<u>54,288</u>
Ending balance	\$	<u>315,015</u>

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

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 2.54344	\$ 315,015
Physical plant and equipment levy	-	-
Public educational and recreational levy	-	-