

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

JUNE 30, 2010

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Glenwood Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2009 election)</b>		
Theresa Romens	President	2011
Linda Young	Vice President	2011
David Warren	Board Member	2009
Frank Overhue	Board Member	2009
Bill Agan	Board Member	2009
<b>Board of Education (After September 2009 election)</b>		
Theresa Romens	President	2011
Linda Young	Vice President	2011
David Warren	Board Member	2013
Henry Clark	Board Member	2013
Dave Blum	Board Member	2013
<b>School Officials</b>		
Dewitt Sibley	Superintendent	2010
Shirley Lundgren	District Secretary/Treasurer and Business Manager	2010
Rick Franck	Attorney	2010

**GLENWOOD COMMUNITY SCHOOL DISTRICT**

# NOLTE, CORNMAN & JOHNSON P.C.

## Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

### INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Glenwood Community School District, Glenwood, Iowa as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with Government Auditing Standards, we have also issued our report dated February 8, 2011 on our consideration of the Glenwood Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 46 through 48 are not required parts of

the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Glenwood Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for six years ended June 30, 2009 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 10, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 8, 2011

**GLENWOOD COMMUNITY SCHOOL DISTRICT**  
**Management Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**

The discussion and analysis of Glenwood Community School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Financial Highlights**

- General Fund revenues decreased from \$18,993,802 in fiscal 2009 to \$18,350,211 in fiscal 2010 and expenditures increased from \$18,032,688 in fiscal 2009 to \$19,026,789 in fiscal 2010.
- The district's unspent balance increased from \$1,672,207 to \$3,131,238.
- There was a 10% across-the-board state cut in revenues cost the District \$979,863.
- SBRC approved modified allowable growth in the amount of \$251,686 for costs associated with opening the new high school and modified allowable growth in the amount of \$741,607 to write off obsolete inventory.

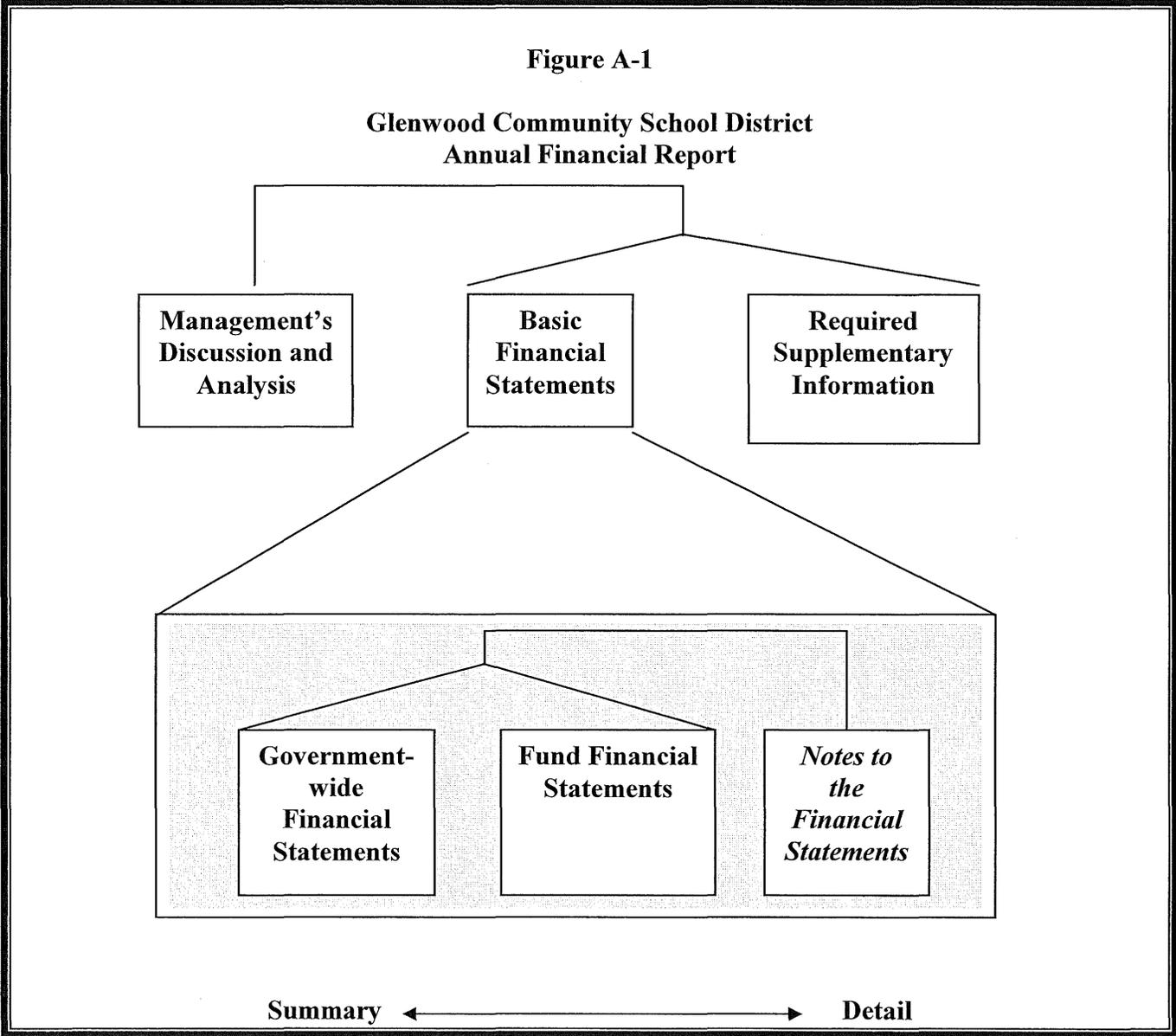
**Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different view of the district:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short and long term financial information about the activities the District operates like businesses, such as food service and day care.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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



**Figure A-2** summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

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

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Propriety 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 and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term’ funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	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

## **Government-wide Financial Statements**

The Government-wide 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 Government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities - are one way to measure the District's financial health or position.

- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building and other facilities.

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 taxes and state aid finance most of these areas.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service programs and day care would be 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 repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *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 funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *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

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. *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities.

- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these 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 School District as a Whole

*Net assets.* The District's combined net assets were as follows:

**Figure A-3  
Condensed Statement of Net Assets**

	Governmental Activities		Business type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 17,418,730	19,677,942	419,782	639,345	17,838,512	20,317,287	-12.20%
Capital assets	33,020,366	30,600,257	304,623	79,722	33,324,989	30,679,979	8.62%
Total assets	50,439,096	50,278,199	724,405	719,067	51,163,501	50,997,266	0.33%
Long-term obligations	20,455,442	21,207,777	8,590	5,285	20,464,032	21,213,062	-3.53%
Other liabilities	10,198,983	9,617,734	60,520	51,316	10,259,503	9,669,050	6.11%
Total liabilities	30,654,425	30,825,511	69,110	56,601	30,723,535	30,882,112	-0.51%
Net assets:							
Invested in capital assets, net of related debt	13,968,747	13,631,453	304,623	79,722	14,273,370	13,711,175	4.10%
Restricted	3,138,829	2,982,029	0	0	3,138,829	2,982,029	5.26%
Unrestricted	2,677,095	2,839,206	350,672	582,744	3,027,767	3,421,950	-11.52%
Total net assets	\$ 19,784,671	19,452,688	655,295	662,466	20,439,966	20,115,154	1.61%

The District's combined net assets increased by \$324,812, or 1.61% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$156,800, or 5.26% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$394,183, or 11.52%.

**Figure A-4**  
**Changes of Net Assets**

	Governmental Activities		Business type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for services	\$ 1,801,592	1,924,228	1,055,539	1,110,214	2,857,131	3,034,442	-5.84%
Operating grants and contributions and restricted interest	3,838,505	2,841,413	561,772	680,131	4,400,277	3,521,544	24.95%
Capital grants and contributions and restricted interest	594,740	534,266	0	0	594,740	534,266	11.32%
<b>General revenues:</b>							
Property tax	7,291,540	6,930,673	0	0	7,291,540	6,930,673	5.21%
Statewide sales, services and use tax	653,166	719,165	0	0	653,166	719,165	-9.18%
Unrestricted state grants	7,903,581	9,133,159	0	0	7,903,581	9,133,159	-13.46%
Unrestricted investment earnings	92,972	331,288	999	2,997	93,971	334,285	-71.89%
Other	563,233	206,184	7,307	0	570,540	206,184	176.71%
Transfers	(39,038)	0	39,038	0	0	0	100.00%
<b>Total revenues and transfers</b>	<b>22,700,291</b>	<b>22,620,376</b>	<b>1,664,655</b>	<b>1,793,342</b>	<b>24,364,946</b>	<b>24,413,718</b>	<b>-0.20%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instructional	13,437,826	12,793,021	0	0	13,437,826	12,793,021	5.04%
Support services	5,949,664	5,383,540	0	0	5,949,664	5,383,540	10.52%
Non-instructional programs	0	15,783	1,671,826	1,693,275	1,671,826	1,709,058	-2.18%
Other expenses	2,980,818	2,324,454	0	0	2,980,818	2,324,454	28.24%
<b>Total expenses</b>	<b>22,368,308</b>	<b>20,516,798</b>	<b>1,671,826</b>	<b>1,693,275</b>	<b>24,040,134</b>	<b>22,210,073</b>	<b>8.24%</b>
Changes in net assets	331,983	2,103,578	(7,171)	100,067	324,812	2,203,645	-85.26%
Beginning net assets	19,452,688	17,349,110	662,466	562,399	20,115,154	17,911,509	12.30%
Ending net assets	\$ 19,784,671	19,452,688	655,295	662,466	20,439,966	20,115,154	1.61%

In fiscal 2010, property tax and unrestricted state grants account for 66.94% of the revenue from governmental activities while charges for services and operating grants and contributions account for 97.16% of the revenue from business type activities.

The District's total revenues were approximately \$24.4 million of which \$22.7 million was for governmental activities and approximately \$1.7 million was for business type activities. As shown in Figure A-4, the District as a whole experienced a 0.20% decrease in revenues and an 8.24% increase in expenses. The increase in expenses was a result of the increase in the depreciation cost on the newly finished construction projects.

Figure A-5

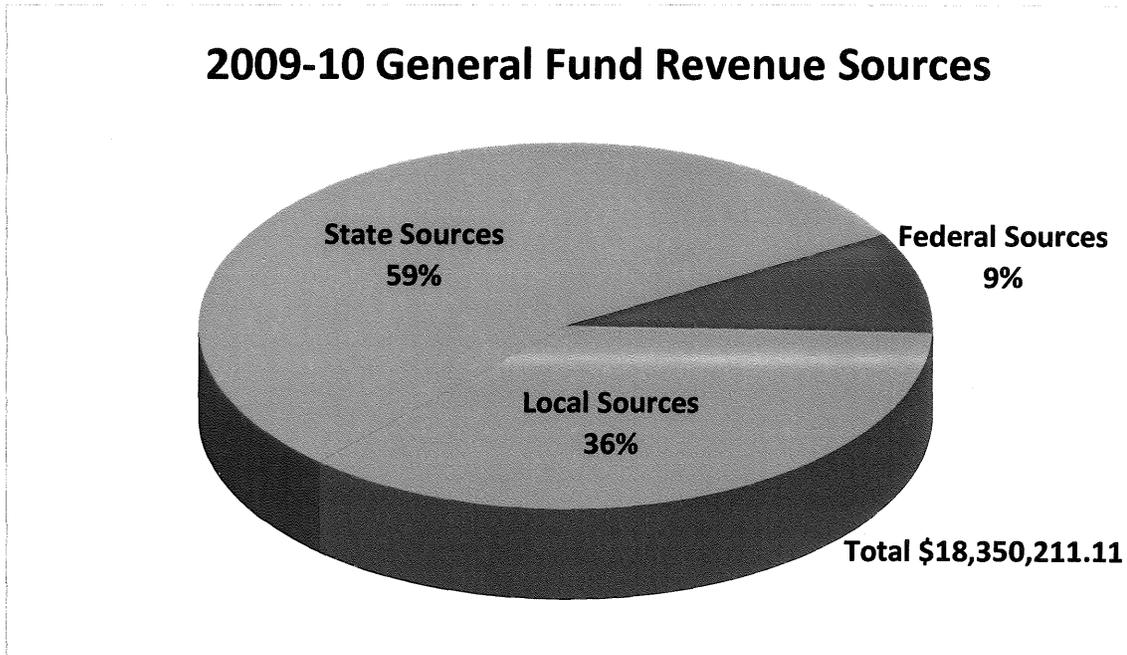
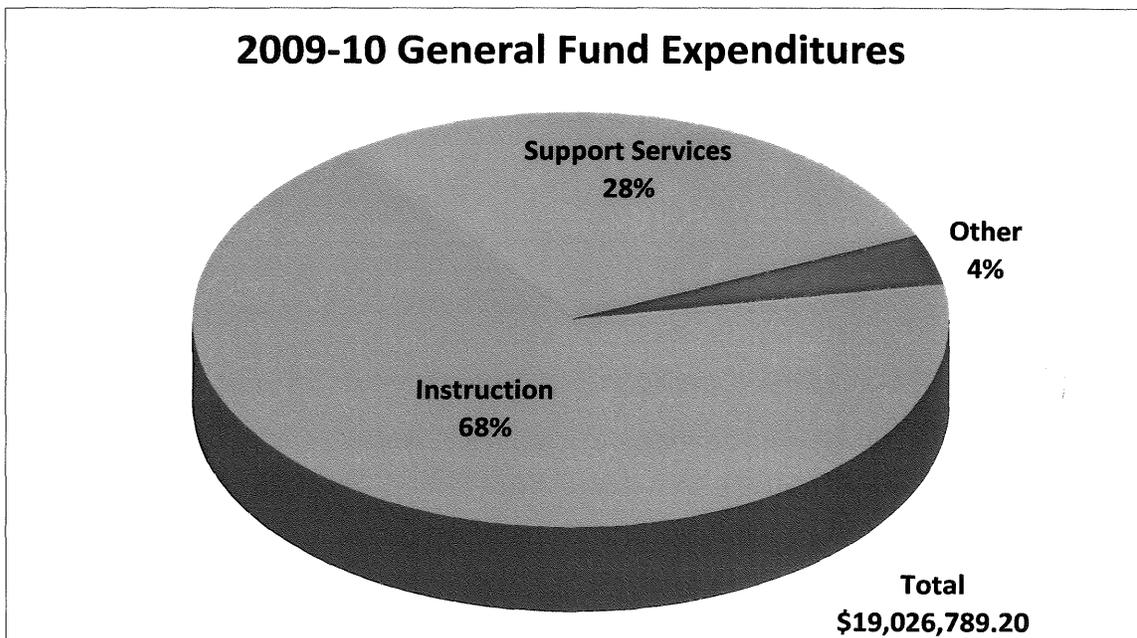


Figure A-6



## Governmental Activities

Revenues for governmental activities were \$22,700,291 while expenses amounted to \$22,368,308.

**Figure A-7** presents the total cost and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

**Figure A-7  
Total and Net Cost of Governmental Activities**

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 13,437,826	12,793,021	5.04%	8,703,214	8,841,396	-1.56%
Support services	5,949,664	5,383,540	10.52%	5,877,572	5,309,436	10.70%
Non-instructional	0	15,783	-100.00%	0	15,783	-100.00%
Other expenses	2,980,818	2,324,454	28.24%	1,552,685	1,050,276	47.84%
Totals	\$ 22,368,308	20,516,798	9.02%	16,133,471	15,216,891	6.02%

The cost financed by users of the District programs was \$1,801,592.

Federal and state governments subsidized certain programs with grants and contributions totaling \$3,838,505.

The net cost of governmental activities was financed with \$7,291,540 in property tax, \$653,166 in statewide sales and service tax, \$7,903,581 in unrestricted state grants and \$92,972 in interest income.

## Business Type Activities

Revenues of the District's business-type activities decreased from \$1,793,342 to \$1,664,655 while expenses decreased also from \$1,693,275, to \$1,671,826. The District's business type activities include the School Nutrition Fund and Day Care. Revenues of these activities were comprised of charges for services, federal and state reimbursements, grants and investment income.

## Financial Analysis of the District's Funds

As previously noted, the Glenwood 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 \$7,323,897 a decrease of \$2,850,784 below last year's ending fund balances of \$10,174,681.

The primary reason for the decrease in combined fund balances in fiscal 2010 was due to the expenditures of the building project and technology purchases from the Statewide Sales, Services and Use Tax funds.

## **Governmental Fund Highlights**

- The General Fund balance decreased from \$3,880,931 to \$3,204,353 due to state 10% across the board cut.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$128,749 to \$265,385 due to the re-statement of the 33 cent PPEL Levy.
- The Capital Projects Fund balance decreased from \$5,254,846 to \$2,994,070 because of the completion of the high school building project.

## **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$649,991 in fiscal 2009 to \$656,408 in fiscal 2010, representing an increase of approximately 0.99% percent. The District belongs to the Iowa Consortium for purchasing food supplies which helped with the savings increase. A large amount of new equipment was purchased for use in the new high school.

Kids Place Day Care program continues to be a challenge to operate as a self sufficient program.

## **Budgetary Highlights**

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

## **General Fund Budgetary Highlights**

- The District's General Fund actual revenues and related instruction expenditures vary from the adopted budget because the District uses the procedure of adopting the maximum authorized budget and pertains to the General Fund of the district. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash." It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.
- The School District uses a site-based budget. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.
- General Fund expenditures and other financing uses were more than revenues and other financing sources by approximately \$676,578. The solvency ratio position of the School District is 16.00% which is over the targeted solvency position recommended by the state of 5% to 10%.

## Capital Assets and Debt Administration

### Capital Assets

By the end of fiscal 2010, the District had invested \$33,324,989, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, equipment and transportation equipment. This amount represents an increase from last year. Depreciation expense for the year was \$1,018,913.

The original cost of the District's capital assets was \$41.75 million. Governmental funds account for \$41.16 million with the remainder of \$0.59 million in the Proprietary, School Nutrition Fund and Day Care.

**Figure A-8  
Capital Assets, Net of Depreciation**

	Governmental Activities		Business type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 605,599	605,599	0	0	605,599	605,599	0.00%
Construction in progress	0	19,147,538	0	0	0	19,147,538	-100.00%
Buildings	31,882,190	10,272,436	0	0	31,882,190	10,272,436	210.37%
Land improvements	29,954	38,878	0	0	29,954	38,878	-22.95%
Machinery and equipment	502,623	535,806	304,623	79,722	807,246	615,528	31.15%
<b>Total</b>	<b>\$ 33,020,366</b>	<b>30,600,257</b>	<b>304,623</b>	<b>79,722</b>	<b>33,324,989</b>	<b>30,679,979</b>	<b>8.62%</b>

### Long-Term Debt

At year-end, the District had \$20,464,032 in general obligation debt and other long-term debt outstanding. This represents a decrease of approximately 3.53% percent from last year.

**Figure A-9  
Outstanding Long-Term Obligations**

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30, 2010	2009	June 30, 2010	2009	June 30, 2010	2009	2009-10
General obligation bonds	\$ 20,150,000	20,980,000	0	0	20,150,000	20,980,000	-3.96%
Early retirement	127,798	106,856	0	0	127,798	106,856	19.60%
Compensated absences	36,067	39,675	5,765	4,531	41,832	44,206	-5.37%
Net OPEB liability	141,577	81,246	2,825	754	144,402	82,000	76.10%
<b>Totals</b>	<b>\$ 20,455,442</b>	<b>21,207,777</b>	<b>8,590</b>	<b>5,285</b>	<b>20,464,032</b>	<b>21,213,062</b>	<b>-3.53%</b>

### **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 10% State Across the Board cut for the fiscal year 2010.
- Loss of 52.5 students for fiscal year 2010 with forecasts of continued declining enrollments for the next two to three years.
- Eligible for the budget guarantee in fiscal year 2011.
- Categorical funds roll into the state funding formula without the state fully funding them.
- Salary and benefit settlements that exceed the District's new money.
- Health insurance and IPERS costs continue to rise.
- The state aid funding of 2% Allowable Growth will allow the district additional state funding but is too low for the education needs of our district.
- More students are open enrolled out than open enrolled in.
- Critical need for new curriculum materials and advanced technology.
- The need to pass the Instructional Support Levy.
- Mandates of Iowa Core Curriculum.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and 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 Shirley Lundgren, District Secretary/Treasurer and Business Manager, Glenwood Community School District, 103 Central, Suite 300, Glenwood, Iowa 51534.

**GLENWOOD COMMUNITY SCHOOL DISTRICT**

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 7,832,496	369,049	8,201,545
Receivables:			
Property tax:			
Delinquent	69,969	0	69,969
Succeeding year	7,862,067	0	7,862,067
Accounts	20,226	10,251	30,477
Due from other governments	1,633,797	20,892	1,654,689
Prepays	175	0	175
Inventories	0	19,590	19,590
Capital assets, net of accumulated depreciation	33,020,366	304,623	33,324,989
<b>TOTAL ASSETS</b>	<b>50,439,096</b>	<b>724,405</b>	<b>51,163,501</b>
<b>LIABILITIES</b>			
Accounts payable	612,777	10,926	623,703
Salaries and benefits payable	1,547,203	23,794	1,570,997
Accrued interest payable	108,705	0	108,705
Deferred revenue:			
Succeeding year property tax	7,862,067	0	7,862,067
Other	68,231	0	68,231
Unearned revenue	0	25,800	25,800
Long-term liabilities:			
Portion due within one year:			
Bonds payable	860,000	0	860,000
Early retirement payable	127,798	0	127,798
Compensated absences payable	36,067	5,765	41,832
Portion due after one year:			
Bonds payable	19,290,000	0	19,290,000
Net OPEB liability	141,577	2,825	144,402
<b>TOTAL LIABILITIES</b>	<b>30,654,425</b>	<b>69,110</b>	<b>30,723,535</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	13,968,747	304,623	14,273,370
Restricted for:			
Categorical funding	245,464	0	245,464
Management levy	269,034	0	269,034
Physical plant and equipment levy	265,385	0	265,385
Capital projects	1,895,689	0	1,895,689
Debt service	327,558	0	327,558
Other special revenue purposes	135,699	0	135,699
Unrestricted	2,677,095	350,672	3,027,767
<b>TOTAL NET ASSETS</b>	<b>\$ 19,784,671</b>	<b>655,295</b>	<b>20,439,966</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges	Contributions	Capital Grants,	Govern- mental Activities	Business Type Activities	Total
		for Services	and Interest	Contributions and Restricted Interest			
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 8,893,109	476,523	2,395,571	0	(6,021,015)	0	(6,021,015)
Special	2,415,897	801,510	354,957	0	(1,259,430)	0	(1,259,430)
Other	2,128,820	460,343	245,708	0	(1,422,769)	0	(1,422,769)
	<u>13,437,826</u>	<u>1,738,376</u>	<u>2,996,236</u>	<u>0</u>	<u>(8,703,214)</u>	<u>0</u>	<u>(8,703,214)</u>
Support services:							
Student	550,366	0	0	0	(550,366)	0	(550,366)
Instructional staff	703,441	0	0	0	(703,441)	0	(703,441)
Administration	2,090,930	0	0	0	(2,090,930)	0	(2,090,930)
Operation and maintenance of plant	1,616,543	0	0	0	(1,616,543)	0	(1,616,543)
Transportation	988,384	63,216	8,876	0	(916,292)	0	(916,292)
	<u>5,949,664</u>	<u>63,216</u>	<u>8,876</u>	<u>0</u>	<u>(5,877,572)</u>	<u>0</u>	<u>(5,877,572)</u>
Other expenditures:							
Facilities acquisitions	554,230	0	0	594,740	40,510	0	40,510
Long-term debt interest	850,554	0	0	0	(850,554)	0	(850,554)
AEA flowthrough	833,393	0	833,393	0	0	0	0
Depreciation(unallocated)*	742,641	0	0	0	(742,641)	0	(742,641)
	<u>2,980,818</u>	<u>0</u>	<u>833,393</u>	<u>594,740</u>	<u>(1,552,685)</u>	<u>0</u>	<u>(1,552,685)</u>
Total governmental activities	22,368,308	1,801,592	3,838,505	594,740	(16,133,471)	0	(16,133,471)
Business Type activities:							
Non-instructional programs:							
Nutrition services	1,105,013	621,110	463,046	0	0	(20,857)	(20,857)
Daycare services	566,813	434,429	98,726	0	0	(33,658)	(33,658)
Total business type activities	<u>1,671,826</u>	<u>1,055,539</u>	<u>561,772</u>	<u>0</u>	<u>0</u>	<u>(54,515)</u>	<u>(54,515)</u>
Total	\$ 24,040,134	2,857,131	4,400,277	594,740	(16,133,471)	(54,515)	(16,187,986)
<b>General Revenues &amp; Transfers:</b>							
Property tax levied for:							
General purposes					\$ 5,569,836	0	5,569,836
Debt service					1,585,269	0	1,585,269
Capital outlay					136,435	0	136,435
Statewide sales, services and use tax					653,166	0	653,166
Unrestricted state grants					7,903,581	0	7,903,581
Unrestricted investment earnings					92,972	999	93,971
Other					563,233	7,307	570,540
Transfers					(39,038)	39,038	0
Total general revenues and transfers					<u>16,465,454</u>	<u>47,344</u>	<u>16,512,798</u>
Change in net assets					331,983	(7,171)	324,812
Net assets beginning of year					<u>19,452,688</u>	<u>662,466</u>	<u>20,115,154</u>
Net assets end of year					\$ <u>19,784,671</u>	<u>655,295</u>	<u>20,439,966</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs  
SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
<b>Assets</b>					
Cash and pooled investments	\$ 3,890,679	2,827,390	312,499	797,373	7,827,941
Receivables:					
Property tax:					
Delinquent	49,781	0	15,059	5,129	69,969
Succeeding year	5,622,971	0	1,593,732	645,364	7,862,067
Accounts	19,445	0	0	781	20,226
Due from other governments	951,731	682,066	0	0	1,633,797
Prepays	175	0	0	0	175
<b>Total assets</b>	<b>\$ 10,534,782</b>	<b>3,509,456</b>	<b>1,921,290</b>	<b>1,448,647</b>	<b>17,414,175</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 92,024	515,386	0	5,367	612,777
Salaries and benefits payable	1,547,203	0	0	0	1,547,203
Deferred revenue:					
Succeeding year property tax	5,622,971	0	1,593,732	645,364	7,862,067
Other	68,231	0	0	0	68,231
<b>Total liabilities</b>	<b>7,330,429</b>	<b>515,386</b>	<b>1,593,732</b>	<b>650,731</b>	<b>10,090,278</b>
Fund balances:					
Reserved for:					
Categorical funding	245,464	0	0	0	245,464
Debt service	0	0	327,558	0	327,558
Construction	0	1,098,381	0	0	1,098,381
Designated for special purposes by board	22,781	0	0	0	22,781
Unreserved	2,936,108	1,895,689	0	797,916	5,629,713
<b>Total fund balances</b>	<b>3,204,353</b>	<b>2,994,070</b>	<b>327,558</b>	<b>797,916</b>	<b>7,323,897</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,534,782</b>	<b>3,509,456</b>	<b>1,921,290</b>	<b>1,448,647</b>	<b>17,414,175</b>

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD 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 22)</b>	\$	7,323,897
 <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.		33,020,366
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		4,555
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.		(108,705)
Long-term liabilities, including bonds payable, early retirement payable, compensated absences, and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(20,455,442)</u>
<b>Net assets of governmental activities (page 20)</b>	<b>\$</b>	<b><u>19,784,671</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Total Special Revenue	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 5,171,687	653,166	1,585,269	534,584	7,944,706
Tuition	1,220,845	0	0	0	1,220,845
Other	245,880	550,827	962	502,393	1,300,062
State sources	10,098,107	562,319	1,039	354	10,661,819
Federal sources	1,611,897	0	0	0	1,611,897
Total revenues	18,348,416	1,766,312	1,587,270	1,037,331	22,739,329
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	8,773,484	0	0	203,756	8,977,240
Special	2,415,897	0	0	0	2,415,897
Other	1,660,247	0	0	468,573	2,128,820
	12,849,628	0	0	672,329	13,521,957
Support services:					
Student	547,965	0	0	0	547,965
Instructional staff	564,234	142,804	0	8,574	715,612
Administration	1,987,088	29,163	1,950	70,075	2,088,276
Operation and maintenance of plant	1,398,482	0	0	134,551	1,533,033
Transportation	825,961	0	0	47,014	872,975
	5,323,730	171,967	1,950	260,214	5,757,861
Other expenditures:					
Facilities acquisitions	0	3,769,121	0	287	3,769,408
Long-term debt:					
Principal	0	0	830,000	0	830,000
Interest and fiscal charges	0	0	857,701	0	857,701
AEA flowthrough	833,393	0	0	0	833,393
	833,393	3,769,121	1,687,701	287	6,290,502
Total expenditures	19,006,751	3,941,088	1,689,651	932,830	25,570,320
Excess (deficiency) of revenues over (under) expenditures	(658,335)	(2,174,776)	(102,381)	104,501	(2,830,991)
Other financing sources (uses):					
Proceeds from the sale of assets	245	0	0	0	245
Transfers in	1,550	0	86,000	0	87,550
Transfers out	(20,038)	(86,000)	0	(1,550)	(107,588)
Total other financing sources (uses)	(18,243)	(86,000)	86,000	(1,550)	(19,793)
Net change in fund balances	(676,578)	(2,260,776)	(16,381)	102,951	(2,850,784)
Fund balances beginning of year	3,880,931	5,254,846	343,939	694,965	10,174,681
Fund balances end of year	\$ 3,204,353	2,994,070	327,558	797,916	7,323,897

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds (page 19) \$ (2,850,784)

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

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

Capital outlays	\$ 3,524,177	
Depreciation expense	(962,513)	
Loss on disposal of assets	<u>(141,555)</u>	2,420,109

Net change in Internal Service Funds charged back against expenditures made for the flex benefit program at an entity-wide basis. 3,176

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

Repaid 830,000

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 funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 7,147

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

Early retirement	(20,942)	
Compensated absences	3,608	
Other postemployment benefits	<u>(60,331)</u>	<u>(77,665)</u>

Changes in net assets of governmental activities (page 16) \$ 331,983

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	School Nutrition	Day Care	Total	
	<b>Assets</b>			
Current assets:				
Cash and pooled investments	\$ 344,244	24,805	369,049	4,555
Receivables:				
Accounts	6,147	4,104	10,251	0
Due from other governments	14,041	6,851	20,892	0
Inventories	19,590	0	19,590	0
Total current assets	384,022	35,760	419,782	4,555
Non-current assets:				
Capital assets:				
Capital assets, net of accumulated depreciation	301,077	3,546	304,623	0
<b>Total assets</b>	685,099	39,306	724,405	4,555
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	1,812	9,114	10,926	0
Salaries and benefits payable	4,867	18,927	23,794	0
Unearned revenue	18,341	7,459	25,800	0
Long-term liabilities:				
Compensated absences	2,026	3,739	5,765	0
Net OPEB liability	1,645	1,180	2,825	0
<b>Total liabilities</b>	28,691	40,419	69,110	0
<b>Net assets</b>				
Invested in capital assets	301,077	3,546	304,623	0
Unrestricted	355,331	(4,659)	350,672	4,555
<b>Total net assets</b>	\$ 656,408	(1,113)	655,295	4,555

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	School Nutrition	Day Care	Total	
	<hr/>			
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 621,110	434,429	1,055,539	16,500
Miscellaneous	7,307	0	7,307	0
TOTAL OPERATING REVENUES	<hr/> 628,417	<hr/> 434,429	<hr/> 1,062,846	<hr/> 16,500
<hr/>				
OPERATING EXPENSES:				
Instruction:				
Support services:				
Services	579	0	579	0
Supplies	2,571	0	2,571	0
	<hr/> 3,150	<hr/> 0	<hr/> 3,150	<hr/> 0
Non-instructional programs:				
Salaries	375,490	416,435	791,925	0
Benefits	81,394	92,782	174,176	13,324
Services	2,184	1,302	3,486	0
Supplies	583,540	55,765	639,305	0
Depreciation	55,871	529	56,400	0
	<hr/> 1,098,479	<hr/> 566,813	<hr/> 1,665,292	<hr/> 13,324
TOTAL OPERATING EXPENSES	<hr/> 1,101,629	<hr/> 566,813	<hr/> 1,668,442	<hr/> 13,324
<hr/>				
OPERATING INCOME (LOSS)	(473,212)	(132,384)	(605,596)	3,176
<hr/>				
NON-OPERATING REVENUES (EXPENSES):				
State sources	9,077	0	9,077	0
Federal sources	453,969	98,726	552,695	0
Interest on investments	967	32	999	0
Transfer from General fund	0	20,038	20,038	0
Loss on asset disposal	(3,384)	0	(3,384)	0
TOTAL NON-OPERATING REVENUES (EXPENSES)	<hr/> 460,629	<hr/> 118,796	<hr/> 579,425	<hr/> 0
<hr/>				
Excess (deficiency) of revenues over (under) expenditures	(12,583)	(13,588)	(26,171)	3,176
<hr/>				
Other financing uses:				
Capital contributions	19,000	0	19,000	0
<hr/>				
Changes in net assets	6,417	(13,588)	(7,171)	3,176
<hr/>				
Net assets beginning of year	649,991	12,475	662,466	1,379
<hr/>				
Net assets end of year	\$ 656,408	(1,113)	655,295	4,555

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business type Activities - Enterprise Funds			Governmental Activities -
	School Nutrition	Day Care	Total	Internal Service Fund
	Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 615,177	0	615,177	0
Cash received from miscellaneous operating activities	7,307	443,539	450,846	16,500
Cash payments to employees for services	(456,036)	(507,051)	(963,087)	(13,532)
Cash payments to suppliers for goods or services	(342,550)	(48,933)	(391,483)	0
Net cash provided by (used in) operating activities	(176,102)	(112,445)	(288,547)	2,968
Cash flows from non-capital financing activities:				
State grants received	9,077	0	9,077	0
Federal grants received	394,561	98,726	493,287	0
Transfer from General fund	0	20,038	20,038	0
Net cash provided by non-capital financing activities	403,638	118,764	522,402	0
Cash flows from capital and related financing activities:				
Purchase of capital assets	(265,685)	0	(265,685)	0
Cash flows from investing activities:				
Interest on investments	967	32	999	0
Net increase (decrease) in cash and cash equivalents	(37,182)	6,351	(30,831)	2,968
Cash and cash equivalents at beginning of year	381,426	18,454	399,880	1,587
Cash and cash equivalents at end of year	\$ 344,244	24,805	369,049	4,555
Reconciliation of operating loss to net cash used in operating activities:				
Operating income (loss)	\$ (473,212)	(132,384)	(605,596)	3,176
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities consumed	70,850	0	70,850	0
Depreciation	55,871	529	56,400	0
Increase in inventories	(3,361)	0	(3,361)	0
(Increase) Decrease in accounts receivable	(6,147)	6,328	181	0
Decrease in prepaid expenses	177,317	3,153	180,470	0
Increase (Decrease) in accounts payable	1,518	8,134	9,652	(208)
Decrease in salary and benefits payable	(250)	(41)	(291)	0
Increase in compensated absences	207	1,027	1,234	0
Increase in other postemployment benefits	891	1,180	2,071	0
Increase (Decrease) in unearned revenue	214	(371)	(157)	0
Net cash used in operating activities	\$ (176,102)	(112,445)	(288,547)	2,968

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$70,850.

During the year ended June 30, 2010, the School Nutrition Fund received contributed capital from the General Fund of \$19,000.

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2010

	Private Purpose Trust	
	Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 2,893	31,866
LIABILITIES		
Accounts payable	0	1,030
Due to other groups	0	30,836
Total liabilities	0	31,866
NET ASSETS		
Reserved for scholarships	\$ 2,893	0

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Contributions	\$ 1,000
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	5,055
Change in net assets	(4,055)
Net assets beginning of year	6,948
Net assets end of year	\$ 2,893

SEE NOTES TO FINANCIAL STATEMENTS.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund, the Enterprise, Day Care Fund and the Internal Service Fund.

The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for the child care operations of the District. The Internal Service Fund is used to account for the District's flex benefit programs.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are

incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangibles	150,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

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

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

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

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

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

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

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

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

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits 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) **Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects - Statewide Sales and Services Tax	Debt Service	\$ 86,000
Management Levy	General	1,550
General	Day Care	20,038
Total		<u>\$ 107,588</u>

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 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 605,599	0	0	605,599
Construction in progress	19,147,538	3,302,941	22,450,479	0
Total capital assets not being depreciated	19,753,137	3,302,941	22,450,479	605,599
Capital assets being depreciated:				
Buildings	14,913,400	22,484,471	150,000	37,247,871
Land improvements	264,816	0	0	264,816
Machinery and equipment	2,892,322	187,244	39,032	3,040,534
Total capital assets being depreciated	18,070,538	22,671,715	189,032	40,553,221
Less accumulated depreciation for:				
Buildings	4,640,964	733,717	9,000	5,365,681
Land improvements	225,938	8,924	0	234,862
Machinery and equipment	2,356,516	219,872	38,477	2,537,911
Total accumulated depreciation	7,223,418	962,513	47,477	8,138,454
Total capital assets being depreciated, net	10,847,120	21,709,202	141,555	32,414,767
Governmental activities capital assets, net	\$ 30,600,257	25,012,143	22,592,034	33,020,366

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 344,038	284,685	33,997	594,726
Less accumulated depreciation	264,316	56,400	30,613	290,103
Business type activities capital assets, net	\$ 79,722	228,285	3,384	304,623

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 29,800
Support services:		
Instructional staff		3,383
Administration		3,335
Operation and maintenance of plant		69,521
Transportation		113,833
		219,872
Unallocated depreciation		742,641
Total governmental activities depreciation expense		\$ 962,513
Business type activities:		
Food services		\$ 55,871
Day care		529
Total business type activities depreciation expense		\$ 56,400

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 20,980,000	0	830,000	20,150,000	860,000
Early Retirement	106,856	127,798	106,856	127,798	127,798
Compensated Absences	39,675	36,067	39,675	36,067	36,067
Net OPEB liability	81,246	60,331	0	141,577	0
<b>Total</b>	<b>\$ 21,207,777</b>	<b>224,196</b>	<b>976,531</b>	<b>20,455,442</b>	<b>1,023,865</b>

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Compensated Absences	\$ 4,531	5,765	4,531	5,765	5,765
Net OPEB liability	754	2,071	0	2,825	0
<b>Total</b>	<b>\$ 5,285</b>	<b>7,836</b>	<b>4,531</b>	<b>8,590</b>	<b>5,765</b>

Bonds Payable

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

Year Ending June 30,	Bond Issue of May 1, 2006			Bond Issue of June 15, 2006		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2011	4.50	365,000	44,519	4.00	130,000	391,757
2012	3.625	380,000	28,094	4.00	135,000	386,558
2013	3.625	395,000	14,319	4.00	140,000	381,158
2014	-	-	-	4.00	555,000	375,558
2015	-	-	-	4.00	575,000	353,358
2016-2020	-	-	-	4.00-4.05	3,250,000	1,401,450
2021-2025	-	-	-	4.05-4.10	3,970,000	686,135
2026-2027	-	-	-	4.10	900,000	36,900
<b>Total</b>		<b>\$ 1,140,000</b>	<b>86,932</b>		<b>\$ 9,655,000</b>	<b>4,012,874</b>

Bond Issue of June 1, 2007			Bond Issue of March 16, 2009		
Interest			Interest		
Rates	Principal	Interest	Rates	Principal	Interest
4.00	305,000	319,600	4.40	60,000	62,253
4.00	310,000	307,400	4.40	65,000	59,612
4.00	325,000	295,000	4.40	60,000	56,752
4.00	345,000	282,000	4.40	60,000	52,113
4.00	355,000	268,200	4.40	70,000	51,473
4.00	2,000,000	1,116,600	4.40	380,000	209,623
4.00	2,345,000	686,600	4.50-4.80	545,000	113,645
4.00	2,005,000	139,000	4.90	125,000	6,125
	<u>\$ 7,990,000</u>	<u>3,414,400</u>		<u>\$ 1,365,000</u>	<u>611,596</u>

Total	
Principal	Interest
860,000	818,129
890,000	781,664
920,000	747,229
960,000	709,671
1,000,000	673,031
5,630,000	2,727,675
6,860,000	1,486,381
3,030,000	182,025
<u>\$ 20,150,000</u>	<u>8,125,805</u>

#### Early Retirement

The District offers a voluntary early retirement plan to all full-time 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 employee is equal to the difference between whatever teaching salary is received in the year in which the employee retires and the beginning BA salary upon leaving the employer multiplied by a percentage based on the employee's age. The cost of early retirement benefits paid during the year ended June 30, 2010, totaled \$106,856.

#### **(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 salary and the District is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$783,050, \$752,472, and \$708,808 respectively, equal to the required contributions for each year.

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

Plan Description - The District operates a single-employer retiree benefit plan which provides medical, prescription drug and dental benefits for retirees and their spouses. There are 203 active and 16 retired members in the plan. Participants must be age 55 or older at retirement.

The medical, prescription drug, and dental coverage is provided through a fully insured plan with ISEBA. Retirees under age 65 pay the same premium for the medical, prescription drug, and dental benefit as active employees, which results in an implicit and explicit 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 is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 163,000
Interest on net OPEB obligation	3,690
Adjustment to annual required contribution	(3,288)
Annual OPEB cost	<u>163,402</u>
Contributions made	<u>(101,000)</u>
Increase in net OPEB obligation	62,402
Net OPEB obligation beginning of year	<u>82,000</u>
Net OPEB obligation end of year	<u><u>\$ 144,402</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$81,000 to the medical and dental plan. Plan members eligible for benefits contributed \$120,000, or 60.0% 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	\$ 163,402	61.8%	\$ 144,402

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$1.297 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.297 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9,429,128 and the ratio of the UAAL to covered payroll was 13.76%. 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 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 the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

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

Projected claim costs of the medical plan are \$829 per month for retirees less than age 60. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental and vision.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2010 were \$1,770,107.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw.

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

**(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 \$833,393 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) Categorical Funding**

The District's ending balances for categorical funding by project as of June 30, 2010 are as follows:

<u>Project</u>	<u>Amount</u>
Dropout and Dropout Prevention	\$ 35,036
Salary improvement program	100,381
Professional development, educator quality	35,629
Beginning administrator mentoring	1,500
Market factor	13,871
Iowa core curriculum	59,047
Total	<u>\$ 245,464</u>

**GLENWOOD COMMUNITY SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
<b>Revenues:</b>						
Local sources	\$ 10,465,613	1,063,845	11,529,458	11,898,135	11,898,135	(368,677)
State sources	10,661,819	9,077	10,670,896	12,472,553	12,472,553	(1,801,657)
Federal sources	1,611,897	552,695	2,164,592	1,320,000	1,320,000	844,592
Total revenues	<u>22,739,329</u>	<u>1,625,617</u>	<u>24,364,946</u>	<u>25,690,688</u>	<u>25,690,688</u>	<u>(1,325,742)</u>
<b>Expenditures/Expenses:</b>						
Instruction	13,521,957	0	13,521,957	14,213,674	14,213,674	691,717
Support services	5,757,861	3,150	5,761,011	7,480,000	7,480,000	1,718,989
Non-instructional programs	0	1,649,676	1,649,676	2,145,799	2,145,799	496,123
Other expenditures	6,290,502	0	6,290,502	7,500,480	7,500,480	1,209,978
Total expenditures/expenses	<u>25,570,320</u>	<u>1,652,826</u>	<u>27,223,146</u>	<u>31,339,953</u>	<u>31,339,953</u>	<u>4,116,807</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(2,830,991)	(27,209)	(2,858,200)	(5,649,265)	(5,649,265)	2,791,065
Other financing sources(uses), net	(19,793)	20,038	245	1,000	1,000	(755)
Excess(deficiency) of revenues over(under) expenditures/expenses	(2,850,784)	(7,171)	(2,857,955)	(5,648,265)	(5,648,265)	2,790,310
Balance beginning of year	10,174,681	662,466	10,837,147	8,733,456	8,733,456	2,103,691
Balance end of year	<u>\$ 7,323,897</u>	<u>655,295</u>	<u>7,979,192</u>	<u>3,085,191</u>	<u>3,085,191</u>	<u>4,894,001</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GLENWOOD 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 the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2009	July 1, 2008	\$ 0	\$ 1,297,000	\$ 1,297,000	0.00%	\$ 7,440,833	17.43%
2010	July 1, 2008	0	1,297,000	1,297,000	0.00%	9,429,189	13.76%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

GLENWOOD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 SPECIAL REVENUE FUNDS  
 JUNE 30, 2010

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
<b>Assets</b>				
Cash and pooled investments	\$ 396,491	136,793	264,089	797,373
Receivables:				
Property tax:				
Delinquent	3,833	0	1,296	5,129
Succeeding year	500,002	0	145,362	645,364
Accounts	0	781	0	781
<b>Total assets</b>	<b>\$ 900,326</b>	<b>137,574</b>	<b>410,747</b>	<b>1,448,647</b>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable	\$ 3,492	1,875	0	5,367
Deferred revenue:				
Succeeding year property tax	500,002	0	145,362	645,364
<b>Total liabilities</b>	<b>503,494</b>	<b>1,875</b>	<b>145,362</b>	<b>650,731</b>
Fund balances:				
Unreserved:				
Special revenue purposes	396,832	135,699	265,385	797,916
<b>Total fund balances</b>	<b>396,832</b>	<b>135,699</b>	<b>265,385</b>	<b>797,916</b>
<b>Total liabilities and fund balances</b>	<b>\$ 900,326</b>	<b>137,574</b>	<b>410,747</b>	<b>1,448,647</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 398,149	0	136,435	534,584
Other	40,902	461,092	399	502,393
State sources	265	0	89	354
<b>TOTAL REVENUES</b>	<b>439,316</b>	<b>461,092</b>	<b>136,923</b>	<b>1,037,331</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	203,756	0	0	203,756
Other	0	468,573	0	468,573
Support services:				
Instructional staff	8,574	0	0	8,574
Administration	70,075	0	0	70,075
Operation and maintenance of plant	134,551	0	0	134,551
Student transportation	47,014	0	0	47,014
Other expenditures:				
Facilities acquisitions	0	0	287	287
<b>TOTAL EXPENDITURES</b>	<b>463,970</b>	<b>468,573</b>	<b>287</b>	<b>932,830</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(24,654)</b>	<b>(7,481)</b>	<b>136,636</b>	<b>104,501</b>
<b>OTHER FINANCING USES:</b>				
Transfer out	(1,550)	0	0	(1,550)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>(26,204)</b>	<b>(7,481)</b>	<b>136,636</b>	<b>102,951</b>
<b>FUND BALANCES BEGINNING OF YEAR</b>	<b>423,036</b>	<b>143,180</b>	<b>128,749</b>	<b>694,965</b>
<b>FUND BALANCES END OF YEAR</b>	<b>\$ 396,832</b>	<b>135,699</b>	<b>265,385</b>	<b>797,916</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance Change	Balance End of Year
Speech MS	\$ 2,453	1,159	732	0	2,880
Speech HS	0	10,436	8,877	0	1,559
Music MS	1,306	694	514	0	1,486
Musical HS	599	4,971	4,706	0	864
Vocal Music HS	19,233	23,193	28,534	(4,595)	9,297
Show Choir	2,579	2,500	1,871	0	3,208
Band MS	13	0	16	3	0
Band Trip	10,622	56,280	67,592	4,595	3,905
Band HS	5,604	19,446	20,948	(310)	3,792
Athletics	182	174,076	180,097	6,671	832
MS Athletics	0	11,245	5,221	(6,089)	(65)
Cross County - Boys	255	6,402	5,416	(336)	905
Cross County - Girls	10	438	113	0	335
Basketball - Boys	32	0	32	0	0
Football	736	2,050	1,915	0	871
Soccer - Boys	3,098	1,210	1,332	0	2,976
Baseball	0	0	200	200	0
Track - Boys	1,288	925	1,618	0	595
Tennis - Boys	255	200	0	0	455
Wrestling	2,096	2,215	4,228	(3)	80
Basketball - Girls	0	6,247	6,115	0	132
Volleyball	2,024	0	58	0	1,966
Soccer - Girls	261	273	329	0	205
Softball	1,292	0	700	0	592
Softball Complex	971	0	0	0	971
Track - Girls	50	911	50	0	911
Annual HS	7,935	12,209	9,480	0	10,664
Annual MS	3,375	7,922	8,432	0	2,865
National Art	943	596	113	0	1,426
HS Newspaper	1,573	3,474	967	0	4,080
Black and Gold	2,629	2,709	2,143	0	3,195
Building Bridges	230	0	0	0	230
Cheerleaders HS	4,912	8,402	9,103	(32)	4,179
Dance Team	87	787	868	0	6
Chess Club HS	324	0	0	0	324
Class of 2010	1,209	627	1,033	(803)	0
Class of 2011	0	12,213	11,866	1,547	1,894
Class of 2012	30	0	0	0	30
Class of 2013	0	30	0	0	30
FBLA	65	0	0	0	65
FFA	4,648	12,147	10,534	0	6,261
FCA	89	0	0	0	89
Fragments	56	0	0	0	56

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance Change	Balance End of Year
Foreign Language	222	734	211	0	745
FCCLA	2,413	16,954	15,750	0	3,617
MS FCCLA	379	0	0	0	379
Book Fair	687	7,049	7,032	0	704
Peer Tutoring	2	0	0	0	2
REACH	168	264	408	0	24
Builders Club	91	1,664	278	0	1,477
SW Honor Band	44	0	0	0	44
Comm Prev Group	17	0	0	0	17
Student Council MS	1,726	2,652	3,432	0	946
Media Book Club	473	0	0	0	473
Key Club	1,317	748	1,136	0	929
Student Council HS	2,041	6,964	6,197	0	2,808
Special 21	21,902	750	0	(1,001)	21,651
NE Elementary	10,238	13,660	14,590	0	9,308
Ram Shack	920	0	(1)	0	921
Uniform Clean MS	325	218	209	0	334
Uniform Clean HS	2,800	1,483	585	0	3,698
Vending Trans	1	0	0	0	1
Vending MS	267	814	1,618	984	447
Vending HS	141	2,306	2,172	156	431
Weight Room	24	0	0	0	24
Vocal Robe Clean	6,795	1,079	905	0	6,969
Vending Bldg Brdg	1,433	95	179	0	1,349
West Elementary	5,690	17,671	18,119	(987)	4,255
<b>Total</b>	<b>\$ 143,180</b>	<b>461,092</b>	<b>468,573</b>	<b>0</b>	<b>135,699</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET FOR CAPITAL PROJECT FUND  
 JUNE 30, 2010

	Capital Projects Fund			
	Middle	Statewide		
	School	Building	Sales &	
	Remodel	Projects	Services Tax	Total
<b>Assets</b>				
Cash and pooled investments	\$ 0	1,542,071	1,285,319	2,827,390
Due from other governments	0	0	682,066	682,066
<b>Total assets</b>	<b>\$ 0</b>	<b>1,542,071</b>	<b>1,967,385</b>	<b>3,509,456</b>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable	\$ 3,285	505,562	6,539	515,386
Total liabilities	3,285	505,562	6,539	515,386
Fund balances:				
Reserved for construction	0	1,036,509	61,872	1,098,381
Unreserved fund balance	(3,285)	0	1,898,974	1,895,689
Total fund balances	(3,285)	1,036,509	1,960,846	2,994,070
<b>Total liabilities and fund balances</b>	<b>\$ 0</b>	<b>1,542,071</b>	<b>1,967,385</b>	<b>3,509,456</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 CAPITAL PROJECT FUND  
 YEAR ENDED JUNE 30, 2010

	Capital Project Fund			
	Middle	Statewide		Total
	School	Building	Sales &	
	Remodel	Projects	Services Tax	
REVENUES:				
Local sources:				
Local tax	\$ 0	0	653,166	653,166
Other	0	548,669	2,158	550,827
State sources	0	0	562,319	562,319
TOTAL REVENUES	0	548,669	1,217,643	1,766,312
EXPENDITURES:				
Current:				
Instruction:				
Support services:				
Instructional staff	0	0	142,804	142,804
Administration services	0	29,163	0	29,163
Other expenditures:				
Facilities acquisitions	3,285	3,494,193	271,643	3,769,121
TOTAL EXPENDITURES	3,285	3,523,356	414,447	3,941,088
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,285)	(2,974,687)	803,196	(2,174,776)
OTHER FINANCING USES:				
Transfers out	0	0	(86,000)	(86,000)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(3,285)	(2,974,687)	717,196	(2,260,776)
FUND BALANCES BEGINNING OF YEAR	0	4,011,196	1,243,650	5,254,846
FUND BALANCES END OF YEAR	\$ (3,285)	1,036,509	1,960,846	2,994,070

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>ASSETS</b>				
Cash and pooled investments	\$ 24,241	115,649	108,024	31,866
<b>LIABILITIES</b>				
Accounts payable	\$ 244	1,030	244	1,030
Due to other groups	23,997	114,619	107,780	30,836
<b>TOTAL LIABILITIES</b>	<b>\$ 24,241</b>	<b>115,649</b>	<b>108,024</b>	<b>31,866</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 JUNE 30, 2010

	Private Purpose Trust - Scholarship Fund					Total
	Edmundson Scholarship	Buffington Scholarship	Pepsi Scholarship	Freedom Scholarship	Superintendent Scholarship	
ASSETS						
Cash and pooled investments	\$ 886	200	159	525	1,123	2,893
LIABILITIES						
	0	0	0	0	0	0
NET ASSETS						
Reserved for scholarships	\$ 886	200	159	525	1,123	2,893

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GLENWOOD COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust - Scholarship Fund						Total
	Edmundson Scholarship	Buffington Scholarship	Pepsi Scholarship	Freedom Scholarship	Martha Winum Memorial	Superintendent Scholarship	
ADDITIONS:							
Local sources:							
Contributions	\$ 0	1,000	0	0	0	0	1,000
DEDUCTIONS:							
Instruction:							
Regular:							
Scholarships awarded	0	1,000	0	0	4,055	0	5,055
Changes in net assets	0	0	0	0	(4,055)	0	(4,055)
Net assets beginning of year	886	200	159	525	4,055	1,123	6,948
Net assets end of year	\$ 886	200	159	525	0	1,123	2,893

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SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>							
Local sources:							
Local tax	\$ 7,944,706	7,649,838	7,513,581	7,006,981	6,362,743	6,689,807	5,942,689
Tuition	1,220,846	1,449,357	1,562,124	1,390,963	1,241,834	1,220,022	1,279,884
Other	1,300,061	1,113,740	1,511,760	1,219,101	738,487	599,906	495,963
Intermediate sources	0	800	3,730	907	0	3,340	0
State sources	10,661,819	11,763,418	11,060,116	10,662,945	9,365,348	8,794,897	8,398,795
Federal sources	1,611,897	643,223	395,323	402,579	508,779	886,886	834,825
<b>Total</b>	<b>\$ 22,739,329</b>	<b>22,620,376</b>	<b>22,046,634</b>	<b>20,683,476</b>	<b>18,217,191</b>	<b>18,194,858</b>	<b>16,952,156</b>
<b>Expenditures:</b>							
Instruction:							
Regular	\$ 8,977,240	8,423,213	7,249,940	6,547,023	6,331,639	6,149,662	5,808,253
Special	2,415,897	2,336,725	3,362,616	3,018,858	2,753,613	2,677,056	2,974,237
Other	2,128,820	2,046,901	1,725,849	1,662,938	1,763,825	1,767,899	987,870
Support services:							
Student	547,965	519,312	471,484	456,478	427,469	253,499	590,896
Instructional staff	715,612	395,714	408,062	442,057	377,647	470,012	423,069
Administration	2,088,276	2,082,389	2,161,814	2,124,577	1,814,010	1,502,756	1,399,672
Operation and maintenance of plant	1,533,033	1,385,545	1,472,334	1,542,272	1,347,271	1,296,220	1,593,281
Transportation	872,975	875,816	868,971	995,306	932,399	821,126	836,311
Central support	0	0	0	0	0	0	18,293
Non-instructional programs	0	15,783	0	0	0	193	2,100
Other expenditures:							
Facilities acquisitions	3,769,408	9,183,106	8,798,874	2,102,068	825,452	758,985	476,431
Long-term debt:							
Principal	830,000	745,000	1,091,140	848,978	806,900	730,000	695,000
Interest and other charges	857,701	817,501	860,050	532,392	327,949	221,687	248,611
AEA flow-through	833,393	739,912	684,987	621,697	580,112	551,814	547,349
<b>Total</b>	<b>\$ 25,570,320</b>	<b>29,566,917</b>	<b>29,156,121</b>	<b>20,894,644</b>	<b>18,288,286</b>	<b>17,200,909</b>	<b>16,601,373</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	\$ 55,480
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	373,593 *
SUMMER FOOD PROGRAM FOR CHILDREN	10.559	FY 10	24,896
			<u>453,969</u>
CHILD AND ADULT CARE FOOD PROGRAM	10.558	FY 10	<u>18,306</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	2511-G	179,591
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	60,306
TITLE I PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN	84.013	FY 10	5,811
			<u>245,708</u>
SAFE AND DRUG - FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	<u>5,393</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 10	<u>62,328</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 10	<u>13,813</u>
ARRA - STATE FISCAL STABILIZATION FUND (SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>877,125</u>
IOWA WESTERN COMMUNITY COLLEGE:			
CAREER AND TECHNICAL - BASIC GRANTS TO STATES	84.048	FY 10	<u>9,939</u>
LOESS HILLS AEA 13:			
SPECIAL EDUCATION CLUSTER PROGRAM:			
SPECIAL EDUCATION - GRANTS TO STATE (PART B)	84.027	FY 10	111,359
SPECIAL EDUCATION - GRANTS TO STATE (PART B) - HIGH COST CLAIM	84.027	FY 10	42,634
ARRA - SPECIAL EDUCATION - GRANTS TO STATE (PART B), RECOVERY ACT	84.391	FY 10	243,598
			<u>397,591</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
CHILD CARE AND DEVELOPMENT BLOCK			
GRANT - WRAP AROUND GRANT	93.575	FY 10	<u>70,880</u>
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES GRANT	93.558	FY 10	<u>9,540</u>
TOTAL			<u>\$ 2,164,592</u>

\* - Includes \$70,850 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

(a professional corporation)

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

Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Glenwood Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 8, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Glenwood Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Glenwood Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Glenwood Community School District's internal control over financial reporting.

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

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

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

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### Compliance and Other Matters

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

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

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

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

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 8, 2011

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

(a professional corporation)

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

To the Board of Education of  
Glenwood Community School District

Compliance

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

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

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

Internal Control Over Compliance

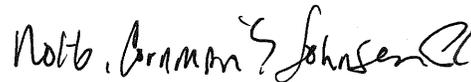
The management of Glenwood Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Glenwood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

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

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

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

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 8, 2011

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

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Funds (SFSF) - Education State Grants, Recovery Act
  - Clustered Programs:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.559 - Summer Food Program for Children
    - CFDA Number 84.027 - Special Education Grants to State (Part B)
    - CFDA Number 84.027 - Special Education Grants to State (Part B) - High Cost Claim
    - CFDA Number 84.391 - ARRA Special Education Grants to State (Part B), Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Glenwood Community School District did not qualify as a low-risk auditee.

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

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

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

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

Conclusion - Response accepted.

II-B-10 Agency Funds - We noted during our audit that the District utilizes an Agency Fund. According to Chapter 9 of the LEA Administrative Manual, "Agency funds are used to account for assets received and held as an agent for individuals, private organizations, or other governments. Agency Funds could include money collected for another government, a grant consortium when the district serves as fiscal agent for the other districts but has no managerial responsibilities, and funds for a teacher or parent-teacher organization which has its own Federal Identification Number. The District acts as a custodian of the assets and not an owner. Agency Funds may be created when an organization which is related to the operation of the District place certain assets into custody of the District. The District renders a service, as custodian, for the organization providing the assets. Agency funds typically involve only the receipt, temporary investment and remittance of assets to their rightful owners. Moneys owned by the District would not be accounted for in the Agency Fund."

The District appears to be improperly accounting for agency accounts. We noted marketing class supplies, books, shop class materials, faculty vending, drivers ed, and music fees are reported in the Agency Fund. Agency funds are to account for non-district revenue. Many of these accounts should be reported in the General Fund.

Recommendation - The District should review Chapter 9 of the LEA Administrative manual which identifies funds and allowable revenues and expenses. The District should review each agency account for propriety and make the necessary transfers to the proper fund where monies can be appropriately be received and expensed.

Response - The agency fund as been transferred to the appropriate funds.

Conclusion - Response accepted.

II-C-10 Gate Admissions - It was noted that the District utilizes pre-numbered tickets for event admissions and a reconciliation is performed after the event. However, through discussion with personnel, it was discovered that the ticket takers are not counting the funds before turning the money over for depositing. In addition it was noted that the reconciliation is not being signed off by the ticket takers after the event. This procedure significantly impacts the intended controls of using the pre-numbered tickets.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District has talked to the Athletic Director about the importance of internal control procedures for handling cash at all events.

Conclusion - Response accepted.

II-D-10 Timely Deposits - We noted during our audit that money is not always being turned into the office by sponsors until after an event is over.

Recommendation - All money should be receipted and subsequently deposited when received. The District should review procedures to ensure that the money is turned in to the office in timely fashion.

Response – The District has reviewed the procedures to ensure money is turned in timely.

Conclusion - Response accepted.

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

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 84.394 - ARRA - State Fiscal Stabilization Funds (SFSF) - Education State Grants, Recovery Act

Federal Award Year: 2010

U.S. Department of Education

Passed through the Iowa Department of Education

CFDA Number 10.553: School Breakfast Program

CFDA Number 10.555: National School Lunch Program

CFDA Number 10.559: Summer Food Program for Children

Federal Award Year: 2010

U.S. Department of Agriculture

Passed through the Iowa Department of Education

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

CFDA Number 84.027 - Special Education Grants to State (Part B) - High Cost Claim

CFDA Number 84.391 - ARRA Special Education Grants to State (Part B), Recovery Act

Federal Award Year: 2010

U.S. Department of Education

Passed through the Iowa Department of Education

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

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

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

Conclusion - Response accepted.

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

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amount budgeted.
- IV-B-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-10 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Aaron Aistroppe, Bus Driver Son of owner of Aistroppe Agency Inc.	Property Insurance	\$345,148
Nancy Lincoln, Coach Owner of Lincoln Farm & Home Service	Fuel	\$97,049

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

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with employees do not appear to represent a conflict of interest.

- IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-10 Certified Enrollment - We noted that the number of basic resident student reported to the Iowa Department of Education on line 1 of the Certified Enrollment Certification Form for October 2009 was understated. The District's certified enrollment count on line 1 was understated by 2.0 students.

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

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

Conclusion - Response accepted.

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

IV-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

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

IV-K-09 Financial Condition - The District had a deficit unreserved retained earnings of \$4,659 in the Enterprise- Day Care fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - The District will monitor this fund to eliminate the deficit.

Conclusion - Response accepted.

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

IV-M-10 Statewide Sales, Services and Use Tax – We noted during our audit instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted. The District purchased a mower and various pieces of furniture which were below the single unit price of \$500.

Recommendation - The District should make a corrective transfer from the General Fund to the Capital Projects Fund for \$4,259.70 for the unallowable cost of equipment.

Response - The District has made a corrective transfer from the General Fund to the Capital Projects Fund for the unallowable cost of equipment.

Conclusion - Response accepted.

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

Beginning balance		\$	0
Statewide sales and services tax revenue			1,215,485
Expenditures/transfers out:			
School infrastructure:			
Equipment	215,163		
Other improvements	199,284		
Debt service for school infrastructure:			
General obligation debt	86,000		500,447
			<u>500,447</u>
Ending balance		\$	<u>715,038</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 levy:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	<u>\$ 0.19524</u>	<u>\$ 86,000</u>

IV-N-10 PPEL Expenditures - We noted that the District is currently making purchases from Special Revenue, Physical Plant and Equipment Levy(PPEL) Fund which do not appear to be in compliance with Chapter 423 and 298 of the Code of Iowa. The District purchased a roof repair which is not allowable from the PPEL fund. Repairs should be paid from the General Fund.

Recommendation - The District should make a corrective transfer from the General Fund to the PPEL Fund for \$287.17 for the unallowable cost of repairs.

Response - The District has made a corrective transfer from the General Fund to the PPEL Fund for the unallowable cost of repairs.

Conclusion - Response accepted.