

**PRESCOTT COMMUNITY SCHOOL DISTRICT**

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

**June 30, 2010**



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**Prescott Community School District  
Board of Education and School District Officials  
Year Ended June 30, 2010**

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
(Before September, 2009 Election)		
Marnie Cline	President	2009
Doug Birt	Vice President	2010
Randy Cooper	Board Member	2009
Deana Bohn	Board Member	2010
Brian Fitzgerald	Board Member	2011 (a)
(After September, 2009 Election)		
Marnie Cline	President	2013
Doug Birt	Vice President	2010
Randy Cooper	Board Member	2013
Don Gee	Board Member	2011
Deana Bohn	Board Member	2010 (b)
<b>School District Officials</b>		
Steve Callison	Superintendent	2010
Steve Waterman	Interim Superintendent	2010
Linda Marley	District Secretary/Treasurer	2010 (c)
Julie Frederick	District Secretary/Treasurer	2010 (d)
Ahlers & Cooney, PC	Attorney	2010

- (a) Resigned August, 2009
- (b) Resigned September, 2009
- (c) Resigned February, 2010
- (d) Effective March 1, 2010



705 Main Street

Pella, IA 50219

641-628-3737

[www.vanmaanencpa.com](http://www.vanmaanencpa.com)

**Van Maanen, Sietstra & Meyer, PC**

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

To the Board of Education  
Prescott Community School District  
Prescott, Iowa

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

In accordance with *Governmental Auditing Standards*, we have also issued our reports dated April 11, 2011, on our consideration of the Prescott 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 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 and Budgetary Comparison Information on pages 5-13 and 33-34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Prescott Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the 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 financial statements taken as a whole.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

April 11, 2011

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

### **Financial Highlights**

- General Fund revenues decreased from \$1,176,517 in fiscal 2009 to \$1,166,029 in fiscal 2010, while General Fund expenditures decreased from \$1,109,861 in fiscal 2009 to \$965,294 in fiscal 2010. This resulted in an increase in the District's General Fund balance from \$146,149 in fiscal 2009 to \$346,884 in fiscal 2010, a 137.3 percent increase from the prior year.
- The decrease in General Fund revenues was attributable mainly to not levying additional cash reserve. The decrease in expenditures was due primarily to sharing administrative staff and business manager with other Districts and with the expenditure of ARRA funds following year end.
- The District began receiving local option sales tax money in fiscal 2004 and has continued updating the school and grounds. The district used this money in fiscal year 2010 for minor building repairs.

### **Overview of the Financial Statements**

This 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 views of the District:

- The first two statements are *Government-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 statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* 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 relate to one another.

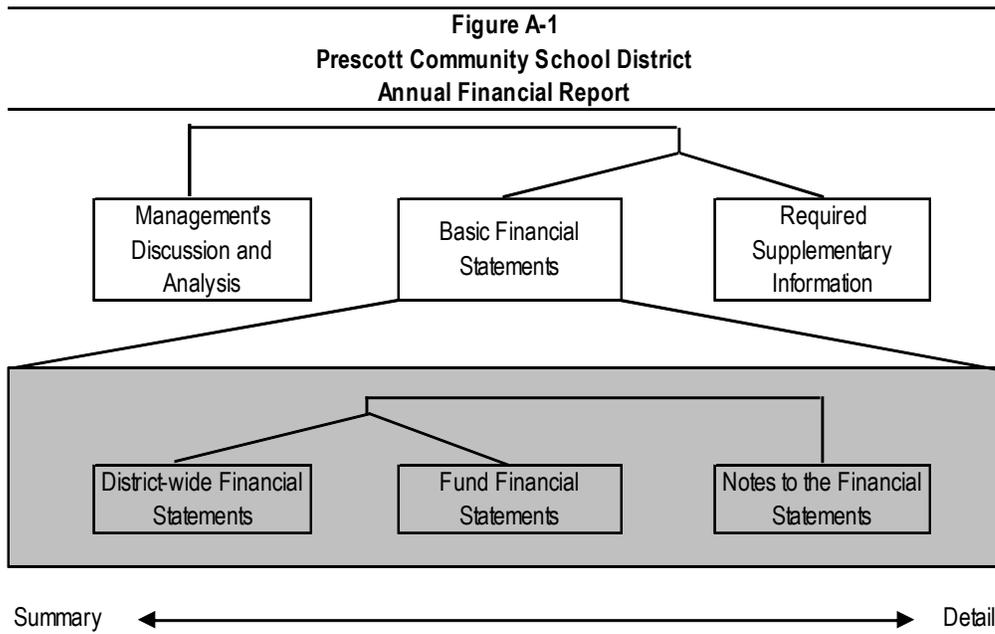


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents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

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

**Government-wide 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 two 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.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.

- 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 buildings 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 tax and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and Daycare are included here.

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
  - The District's governmental funds include the General Fund, Special Revenue Funds, and Capital Projects Fund.
- *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. The District currently has two enterprise funds, the School Nutrition Fund and the Daycare Fund.
- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others, such as the Parent-Teacher Organization (PTO) Funds.
  - Parent-Teacher Organization (PTO) Funds – The District accounts for assets belonging to the Parent-Teacher Organization in this fund.
  - Employee Funds – The District accounts for assets belonging to the Employees of the school in this fund.

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

Financial Analysis of the District as a Whole

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

Figure A-3 Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	\$ 1,203,313	984,941	1,250	3,633	1,204,563	988,574	21.8%
Capital assets	304,110	310,193	457	702	304,567	310,895	-2.0%
<b>Total assets</b>	<b>1,507,423</b>	<b>1,295,134</b>	<b>1,707</b>	<b>4,335</b>	<b>1,509,130</b>	<b>1,299,469</b>	<b>16.1%</b>
Other liabilities	641,676	647,194	59,612	43,912	701,288	691,106	1.5%
<b>Total liabilities</b>	<b>641,676</b>	<b>647,194</b>	<b>59,612</b>	<b>43,912</b>	<b>701,288</b>	<b>691,106</b>	<b>1.5%</b>
Net assets							
Invested in capital assets, net of related debt	304,110	310,193	457	702	304,567	310,895	-2.0%
Restricted	2,779	9,078	-	-	2,779	9,078	-69.4%
Unrestricted	558,858	328,669	(58,362)	(40,279)	500,496	288,390	73.5%
<b>Total net assets</b>	<b>\$ 865,747</b>	<b>647,940</b>	<b>(57,905)</b>	<b>(39,577)</b>	<b>807,842</b>	<b>608,363</b>	<b>32.8%</b>

The District's combined net assets increased by 32.8% to \$807,842. Total assets for governmental activities increased by 16.4%. Total liabilities for governmental activities decreased by 0.9%. This was due to an increase in deferred property tax revenue for the succeeding year.

The net assets of the District's business type activities decreased to \$(57,905), which is due to an interfund payable to the Management Fund.

**Changes in net assets** – Figure A-4 shows the changes in net assets for the year ended June 30, 2010. The total revenue for the District's governmental activities decreased by 1.0%. The total expenditures for the District's governmental activities decreased by 13.6% due to sharing staff with other districts.

The total revenue for the District's business type activities decreased by 26.1%. Most of this decrease was attributable to reduction in the state grant for the Daycare. Total expenses for the District's business type activities decreased 17.4%. This decrease was attributable to payroll and supply cost reductions.

As shown in Figure A-4, property tax and unrestricted state grants account for 72.6% of the funding for governmental activities, while charges for services and operating grants and contributions make up 99.9% of the funding for business-type activities. The District's expenses primarily relate to instruction and support services, which account for 94.7% of the total expenses.

Prescott Community School District  
Management's Discussion and Analysis  
June 30, 2010

Figure A-4  
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	Year ended June 30, 2010	2009	Year ended June 30, 2010	2009	Year ended June 30, 2010	2009	June 30, 2009-2010
Revenues:							
Program revenues:							
Charges for service and sales	\$ 8,945	15,885	22,173	32,804	-	48,689	-100.0%
Operating grants, contributions and restricted interest	322,877	337,343	31,276	38,213	354,153	375,556	-5.7%
General revenues:							
Property tax	598,440	533,167	-	-	598,440	533,167	12.2%
Unrestricted states grants	299,251	349,832	-	-	299,251	349,832	-14.5%
Unrestricted investment earnings	1,315	3,505	-	-	1,315	3,505	-62.5%
Other	5,150	8,937	79	1,394	5,229	10,331	-49.4%
Total revenues	1,235,978	1,248,669	53,528	72,411	1,258,388	1,321,080	-4.7%
Program expenses:							
Governmental activities:							
Instruction	666,289	710,898	-	-	666,289	710,898	-6.3%
Support services	298,047	427,222	-	-	298,047	427,222	-30.2%
Non-instructional programs	-	-	71,856	86,998	71,856	86,998	-17.4%
Other expenses	53,835	40,173	-	-	53,835	40,173	34.0%
Total expenses	1,018,171	1,178,293	71,856	86,998	1,090,027	1,265,291	-13.9%
Change in net assets	\$ 217,807	70,376	(18,328)	(14,587)	168,361	55,789	201.8%

**Governmental Activities**

Revenues for governmental activities were \$1,235,978 while total expenses amounted to \$1,018,171.

Figure A-5 presents the cost of four major District activities: instruction, support services, 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-5  
Total and Net Cost of Governmental Activities  
(Expressed in Thousands)

	Total Cost of Services		Change	Net Cost of Services		Change
	2010	2009	2009-2010	2010	2009	2009-2010
Instruction	\$ 666,289	710,898	-6.3%	356,993	397,261	-10.1%
Support services	298,047	427,222	-30.2%	297,273	423,973	-29.9%
Other expenses	53,835	40,173	34.0%	32,083	3,831	737.5%
Totals	\$ 1,018,171	1,178,293	-13.6%	686,349	825,065	-16.8%

- The cost of all governmental activities this year was \$1, 018,171.
- Total costs of services were decreased by the following revenues: Federal and state government grants and contributions totaling \$322,877 and \$8,945 from charges from services.

- The net cost of governmental activities of \$686,349 was financed with \$598,440 in property tax and local option sales tax, \$299,251 in unrestricted state grants, and \$1,315 in interest income.

### **Business Type Activities**

Revenues of the District's business type activities were \$53,528 and expenses were \$71,998. The District's business type activities include the School Nutrition Fund and the Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income, and interfund transfers. (See Figure A-4)

Charges for services were \$22,173 or 41.4% of revenue. This represents the amount paid by students/staff for daily food service and daycare services. Federal and state reimbursement for meals, including payments for free and reduced lunches and federal and state reimbursement for daycare was \$31,276 or 58.4% of revenue.

### **Financial Analysis of the District's Funds**

As previously noted, the Prescott 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 \$561,637, above last year's ending fund balances of \$337,747.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$146,149 in fiscal 2009 to \$346,884 in fiscal 2010. The District had a decrease in revenues of over \$12,000 and expenditures decreased by almost \$160,000.
- The Physical Plant and Equipment Levy (PEEL) Fund balance decreased from \$332 in fiscal 2009 to (\$11,932) in fiscal 2010. Expenditures were almost \$11,000.
- The Capital Projects Fund balance increased from \$131,690 in fiscal 2009 to \$183,205 in fiscal 2010. This was the District's sixth year to receive Local Option Sales Tax money.
- The Management Fund balance decreased from \$59,065 in fiscal 2009 to \$43,077 in fiscal 2010. The District's revenues decreased by approximately \$600. Expenditures decreased by approximately \$400.

### **Proprietary Fund Highlights**

The School Nutrition Fund balance decreased from \$1,134 to (\$10,428). Revenues decreased by \$2,300. Expenditures increased by almost \$5,268, due to increased supply costs.

The Daycare Fund balance was \$(47,478) at the end of the year. The district is looking at ways to increase revenues and decrease expenditures in the Daycare.

### **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. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on the cash basis.

The District's total actual receipts were \$167,592 less than the total budgeted receipts, a variance of 11.5%. The most significant change resulted in the District receiving less in various components of state and local revenues than originally anticipated.

Total expenditures were less than budgeted.

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

**Capital Asset and Debt Administration**

**Capital Assets**

At June 30, 2010, the District had invested \$304,567, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, and equipment and furniture. (See Figure A-6) This amount represents a net decrease of 2.0% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was approximately \$1,600.

**Figure A-6  
 Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 20,000	20,000	-	-	20,000	20,000	0.0%
Buildings	225,224	241,472	-	-	225,224	241,472	-6.7%
Equipment and furniture	58,886	48,721	457	702	59,343	49,423	20.1%
<b>Total</b>	<b>\$ 304,110</b>	<b>310,193</b>	<b>457</b>	<b>702</b>	<b>304,567</b>	<b>310,895</b>	<b>-2.0%</b>

There was a decrease in capital assets during the year in the buildings category. The District's buildings and improvements totaled \$241,472 at June 30, 2009, compared to \$225,224 at June 30, 2010.

**Long-Term Debt**

At June 30, 2010, the District had no general obligation or other long-term debt outstanding.

**Factors Bearing on the District's Future**

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

- The district is operating an Early Childhood Education Center to serve families of the district. It offers all day preschool or day care services. The Center has already provided some new open-enrolled students to the district this year because of the convenience it offers to parents. Participation by community families would indicate an increase in K-6 enrollment over current levels. The District is implementing changes to the daycare services offered for the 2010-11 school year.
- The district is continuing its tuition sharing agreement with a neighboring school to provide more options to 7<sup>th</sup> – 12<sup>th</sup> grade students, and also increase revenue.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Roy Stroud, District Secretary/Treasurer and Business Manager, Prescott Community School District, 813 1<sup>st</sup> Street, Prescott, Iowa, 50859.

## **Basic Financial Statements**

Exhibit A

**Prescott Community School District  
Statement of Net Assets  
June 30, 2010**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 605,181	-	605,181
Receivables:			
Property tax:			
Delinquent	8,087	-	8,087
Succeeding year	576,358	-	576,358
Local option sales and services tax	6,445	-	6,445
Interfund receivable	5,000	-	5,000
Inventories	-	1,250	1,250
Due from other governments	2,242	-	2,242
Capital assets, net of accumulated depreciation	304,110	457	304,567
<b>Total assets</b>	<b>1,507,423</b>	<b>1,707</b>	<b>1,509,130</b>
<b>Liabilities</b>			
Warrants in excess of cash	-	51,193	51,193
Accounts payable	13,184	-	13,184
Salaries and benefits payable	52,134	3,419	55,553
Interfund payable	-	5,000	5,000
Unearned revenue:			
Succeeding year property tax	576,358	-	576,358
<b>Total liabilities</b>	<b>641,676</b>	<b>59,612</b>	<b>701,288</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	304,110	457	304,567
Restricted	2,779	-	2,779
Unrestricted	558,858	(58,362)	500,496
<b>Total net assets</b>	<b>\$ 865,747</b>	<b>(57,905)</b>	<b>807,842</b>

See notes to financial statements.

**Prescott Community School District**  
**Statement of Activities**  
**Year ended June 30, 2010**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Governmental activities:</b>						
Instruction:						
Regular	\$ 472,352	8,945	256,272	(207,135)	-	(207,135)
Special	193,220	-	44,079	(149,141)	-	(149,141)
Other	717	-	-	(717)	-	(717)
	<u>666,289</u>	<u>8,945</u>	<u>300,351</u>	<u>(356,993)</u>	<u>-</u>	<u>(356,993)</u>
Support Service:						
Student	359	-	-	(359)	-	(359)
Instructional staff	53,119	-	-	(53,119)	-	(53,119)
Administration	105,299	-	-	(105,299)	-	(105,299)
Operating and maintenance of plant	74,725	-	-	(74,725)	-	(74,725)
Transportation	64,545	-	774	(63,771)	-	(63,771)
	<u>298,047</u>	<u>-</u>	<u>774</u>	<u>(297,273)</u>	<u>-</u>	<u>(297,273)</u>
Other expenditures:						
Facilities acquisition	13,219	-	-	(13,219)	-	(13,219)
AEA flowthrough	40,616	-	21,752	(18,864)	-	(18,864)
	<u>53,835</u>	<u>-</u>	<u>21,752</u>	<u>(32,083)</u>	<u>-</u>	<u>(32,083)</u>
Total governmental activities	1,018,171	8,945	322,877	(686,349)	-	(686,349)
<b>Business type activities:</b>						
Non-instructional programs:						
Nutrition services	37,186	9,270	16,276	-	(11,640)	(11,640)
Daycare Services	34,670	12,903	15,000	-	(6,767)	(6,767)
Total	<u>\$ 1,090,027</u>	<u>31,118</u>	<u>354,153</u>	<u>(686,349)</u>	<u>(18,407)</u>	<u>(704,756)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				544,902	-	544,902
Statewide sales and service tax				53,538	-	53,538
Unrestricted state grants				299,251	-	299,251
Unrestricted investment earnings				1,315	-	1,315
Other				5,150	79	5,229
Total general revenues				<u>904,156</u>	<u>79</u>	<u>904,235</u>
Change in net assets				217,807	(18,328)	199,479
Net assets beginning of year				<u>647,940</u>	<u>(39,577)</u>	<u>608,363</u>
Net assets end of year				<u>\$ 865,747</u>	<u>(57,905)</u>	<u>807,842</u>

See notes to financial statements.

**Prescott Community School District  
Balance Sheet  
Governmental Funds  
June 30, 2010**

	General	Capital Projects	Manage- ment	PPEL	Non-major Governmental	Total
<b>Assets</b>						
Cash and pooled investments	\$ 388,892	176,760	38,077	1,049	403	605,181
Receivables:						
Property tax:						
Delinquent	7,884	-	-	203	-	8,087
Succeeding year	562,380	-	-	13,978	-	576,358
Local option sales and services tax	-	6,445	-	-	-	6,445
Due from other funds	-	-	5,000	-	-	5,000
Intergovernmental receivable	2,242	-	-	-	-	2,242
<b>Total assets</b>	<b>\$ 961,398</b>	<b>183,205</b>	<b>43,077</b>	<b>15,230</b>	<b>403</b>	<b>1,203,313</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Salaries and benefits payable	\$ 52,134	-	-	-	-	52,134
Accounts payable	-	-	-	13,184	-	13,184
Deferred revenue:						
Succeeding year property tax	562,380	-	-	13,978	-	576,358
Other	-	-	-	-	-	-
Total liabilities	614,514	-	-	27,162	-	641,676
Fund balances:						
Fund balance:						
Reserved:						
State grants	2,779	-	-	-	-	2,779
Other	-	-	-	-	-	-
Unreserved:						
Undesignated	344,105	183,205	43,077	(11,932)	403	558,858
Total fund balances	346,884	183,205	43,077	(11,932)	403	561,637
<b>Total liabilities and fund balances</b>	<b>\$ 961,398</b>	<b>183,205</b>	<b>43,077</b>	<b>15,230</b>	<b>403</b>	<b>1,203,313</b>

See notes to financial statements.

Exhibit D

**Prescott Community School District  
Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Assets  
June 30, 2010**

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**Total fund balances of governmental funds (Exhibit C)** \$ 561,637

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

Capital assets used in governmental activities are not financial resources and,  
therefore, are not reported as assets in the governmental funds.

304,110

**Net assets of governmental activities (Exhibit A)** \$ 865,747

See notes to financial statements.

Exhibit E

**Prescott Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**Year ended June 30, 2010**

	General	Capital Projects	Manage- ment	PPEL	Non-major Governmental	Total
<b>Revenues:</b>						
Local sources:						
Local tax	\$ 531,244	53,538	-	13,659	-	598,441
Tuition	8,163	-	-	-	-	8,163
Other	4,493	87	2,415	1	249	7,245
State sources	467,984	-	-	-	-	467,984
Federal sources	154,145	-	-	-	-	154,145
Total revenues	<u>1,166,029</u>	<u>53,625</u>	<u>2,415</u>	<u>13,660</u>	<u>249</u>	<u>1,235,978</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	478,164	-	7,218	-	-	485,382
Special	192,750	-	-	-	-	192,750
Other	-	-	-	-	357	357
	<u>670,914</u>	<u>-</u>	<u>7,218</u>	<u>-</u>	<u>357</u>	<u>678,489</u>
Support services:						
Instructional staff	42,207	-	-	10,553	-	52,760
Administration	95,003	-	4,322	4,262	-	103,587
Operation and maintenance of plant	69,919	-	4,447	-	-	74,366
Transportation	46,635	-	2,416	-	-	49,051
	<u>253,764</u>	<u>-</u>	<u>11,185</u>	<u>14,815</u>	<u>-</u>	<u>279,764</u>
Other expenditures:						
Facilities acquisition	-	2,110	-	11,109	-	13,219
AEA flowthrough	40,616	-	-	-	-	40,616
	<u>40,616</u>	<u>2,110</u>	<u>-</u>	<u>11,109</u>	<u>-</u>	<u>53,835</u>
Total expenditures	<u>965,294</u>	<u>2,110</u>	<u>18,403</u>	<u>25,924</u>	<u>357</u>	<u>1,012,088</u>
Excess (deficiency) of revenues over (under) expenditures	<u>200,735</u>	<u>51,515</u>	<u>(15,988)</u>	<u>(12,264)</u>	<u>(108)</u>	<u>223,890</u>
Fund balances beginning of year	<u>146,149</u>	<u>131,690</u>	<u>59,065</u>	<u>332</u>	<u>511</u>	<u>337,747</u>
Fund balances end of year	<u>\$ 346,884</u>	<u>183,205</u>	<u>43,077</u>	<u>(11,932)</u>	<u>403</u>	<u>561,637</u>

See notes to financial statements.

Exhibit F

**Prescott Community School District  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds to the Statement of Activities  
Year ended June 30, 2010**

---

**Net change in fund balances - total governmental funds (Exhibit E)** \$ 223,890

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

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

Capital outlays	\$ 37,324	
Depreciation expense	(43,407)	(6,083)

**Change in net assets of governmental activities (Exhibit B)** \$ 217,807

See notes to financial statements.

Exhibit G

**Prescott Community School District  
Statement of Net Assets  
Proprietary Funds  
June 30, 2010**

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	<u>Enterprise Funds</u>
<b>Assets</b>	
Inventories	\$ 1,250
Capital assets, net of accumulated depreciation	457
<b>Total assets</b>	<u>1,707</u>
<b>Liabilities</b>	
Warrants in excess of cash	51,193
Salaries and benefits payable	3,419
Interfund payable	5,000
<b>Total liabilities</b>	<u>59,612</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	457
Unrestricted	<u>(58,362)</u>
 <b>Total net assets</b>	 <u>\$ (57,905)</u>

See notes to financial statements.

Exhibit H

**Prescott Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year ended June 30, 2010**

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	<u>Enterprise Funds</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 22,173</u>
Operating expenses:	
Non-instructional programs:	
Daycare operations:	
Other	34,670
Food service operations:	
Other	36,941
Depreciation	245
Total operating expenses	<u>71,856</u>
Operating loss	<u>(49,683)</u>
Non-operating revenue:	
Local sources	79
State sources	284
Federal sources	30,992
Total non-operating revenue	<u>31,355</u>
Change in net assets	(18,328)
Net assets beginning of year	<u>(39,577)</u>
Net assets end of year	<u>\$ (57,905)</u>

See notes to financial statements.

Exhibit I

**Prescott Community School District  
Statement of Cash Flows  
Proprietary Funds  
June 30, 2010**

	Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 9,270
Cash received from community service activities	13,010
Cash paid to employees for services	(54,646)
Cash paid to suppliers for goods or services	(16,958)
Net cash used by operating activities	(49,324)
Cash flows from non-capital financing activities:	
Other local sources	79
State grants received	284
Federal grants received	29,907
Net cash provided by non-capital financing activities	30,270
Net decrease in cash and cash equivalents	(19,054)
Cash and cash equivalents at beginning of year	(32,139)
Cash and cash equivalents at end of year	\$ (51,193)
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (49,683)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	1,085
Depreciation	245
Decrease in inventories	807
(Increase) in accounts receivables	(10)
(Decrease) in salaries and benefits payable	(1,875)
Increase in accounts payable	107
Net cash used by operating activities	\$ (49,324)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Warrants in excess of cash	\$ (51,193)
Cash and cash equivalents at year end	\$ (51,193)

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

During the year ended June 30, 2010, the District received \$1,085 of federal commodities.

See notes to financial statements.

Exhibit J

**Prescott Community School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2010**

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	<u>Agency Fund</u>
<b>Assets</b>	
Cash and pooled investments	\$ 4,358
<b>Total assets</b>	<u>4,358</u>
<b>Liabilities</b>	
Other payables	<u>4,358</u>
<b>Total liabilities</b>	<u>4,358</u>
<b>Net assets</b>	<u><u>\$ -</u></u>

See notes to financial statements

(1) Summary of Significant Accounting Policies

Prescott Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve and special education. The geographic area served includes the City of Prescott, Iowa and the predominately agricultural territory in Adams County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The Management Fund is a Special Revenue Fund used to account for revenues derived from specific services which are usually required by law or regulation to be accounted for in a separate fund.

The PPEL Fund is a Special Revenue Fund used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in a separate fund.

The District reports the following major proprietary funds:

The District's proprietary funds consist of the Enterprise, Daycare Fund and the Enterprise, School Nutrition Fund. These funds are used to account for the child daycare operations and the food service operations of the District.

The District also reports a fiduciary fund whose focus is on net assets. The District's fiduciary fund is:

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Currently the district has not established a written capitalization threshold policy. The general policy is to capitalize assets with an initial individual cost in excess of \$500 and estimated useful life in excess of two years. The district is currently in the process of establishing a written policy as such.

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and improvements	20-40 years
Furniture and equipment	5-20 years

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

Deferred and Unearned 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 the succeeding year's property tax receivable.

Unearned revenue on the Statement of Net Assets consists of unspent grant proceeds as well as the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees do not accumulate earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement.

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

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

E. Budgets and Budgetary Accounting

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

(2) **Cash and Pooled Investments**

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

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

**Prescott Community School District  
Notes to Financial Statements  
June 30, 2010**

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

Diversified Portfolio	<u>Amortized Cost</u> \$312,446
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The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Management Levy	Proprietary: Daycare Fund	\$ 5,000

The District approved the loan in March, 2007. Principle and interest of 4% will be paid from outside contributions on an annual basis.

Prescott Community School District  
Notes to Financial Statements  
June 30, 2010

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 20,000	-	-	20,000
Total capital assets not being depreciated	20,000	-	-	20,000
Capital assets being depreciated:				
Buildings and improvements	559,106	-	-	559,106
Furniture and equipment	316,143	37,324	-	353,467
Total capital assets being depreciated	875,249	37,324	-	912,573
Less accumulated depreciation for:				
Buildings and improvements	317,634	16,248	-	333,882
Furniture and equipment	267,422	27,159	-	294,581
Total accumulated depreciation	585,056	43,407	-	628,463
Total capital assets being depreciated, net	290,193	(6,083)	-	284,110
Governmental activities capital assets, net	\$ 310,193	(6,083)	-	304,110
<b>Business type activities:</b>				
Furniture and equipment	\$ 7,432	-	-	7,432
Less accumulated depreciation	6,730	245	-	6,975
Business type activities capital assets, net	\$ 702	(245)	-	457

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 24,294
Special	470
Other	359

Support services:

Student Support	359
Instructional Staff Support	359
Administration	1,712
Operation and Maintenance	359
Transportation	15,494

Total governmental activities depreciation expense	\$ 43,406
----------------------------------------------------	-----------

Business type activities:

Food services	\$ 245
---------------	--------

**(5) Pension and Retirement Benefits**

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$21,845, \$22,744, and \$21,028, respectively, equal to the required contributions for each year.

**(6) Risk Management**

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

**(7) 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 \$40,616 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.

**Required Supplementary Information**

**Prescott Community School District**  
**Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances**  
**Budget and Actual - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year ended June 30, 2010**

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts (Original & Final)	Final to Actual Variance- Positive (Negative)
<b>Revenues:</b>					
Local sources	\$ 613,849	22,252	636,101	779,495	(143,394)
State sources	467,984	284	468,268	624,603	(156,335)
Federal sources	154,145	30,992	185,137	53,000	132,137
Total revenues	1,235,978	53,528	1,289,506	1,457,098	(167,592)
<b>Expenditures:</b>					
Instruction	678,489	-	678,489	1,082,717	404,228
Support services	279,764	-	279,764	544,330	264,566
Noninstructional programs	-	71,856	71,856	85,179	13,323
Other expenditures	53,835	-	53,835	212,067	158,232
Total expenditures	1,012,088	71,856	1,083,944	1,924,293	840,349
Excess (deficiency) of revenues over (under) expenditures	223,890	(18,328)	205,562	(467,195)	672,757
Balances beginning of year	337,747	(39,577)	298,170	101,881	196,289
Balances end of year	\$ 561,637	(57,905)	503,732	(365,314)	869,046

See accompanying independent auditor's report.

**Prescott Community School District**  
**Notes to Required Supplementary Information - Budgetary Reporting**  
**Year Ended June 30, 2010**

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

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

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

During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

**Other Supplementary Information**

Schedule 1

**Prescott 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	\$ 4,440	5,252	5,334	4,358
<b>Total assets</b>	<b>\$ 4,440</b>	<b>5,252</b>	<b>5,334</b>	<b>4,358</b>
<b>Liabilities</b>				
Liabilities:				
Other payables	\$ 4,440	5,252	5,334	4,358
<b>Total liabilities</b>	<b>\$ 4,440</b>	<b>5,252</b>	<b>5,334</b>	<b>4,358</b>

See accompanying independent auditor's report.

**Prescott Community School District**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Nine Years**

	Modified Accrual Basis								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:									
Local sources:									
Local tax	\$ 598,441	533,168	511,927	476,570	444,195	396,154	426,058	511,255	477,271
Tuition	8,163	11,966	42,939	30,453	28,604	15,304	37,595	41,294	26,207
Other	7,245	14,089	57,658	32,657	29,227	56,148	16,046	11,616	51,574
Intermediate sources	-	-	-	-	-	-	150	-	-
State sources	467,984	549,505	519,182	508,711	522,902	512,440	467,726	463,612	449,117
Federal sources	154,145	139,941	93,730	108,413	66,904	47,684	79,663	67,230	23,225
Total	<u>1,235,978</u>	<u>1,248,669</u>	<u>1,225,436</u>	<u>1,156,804</u>	<u>1,091,832</u>	<u>1,027,730</u>	<u>1,027,238</u>	<u>1,095,007</u>	<u>1,027,394</u>
Expenditures:									
Instruction:									
Regular	485,382	556,951	559,500	560,175	467,916	475,073	453,652	512,219	418,379
Special	192,750	127,556	124,912	122,440	129,482	140,840	129,003	118,326	97,333
Other	357	17,749	5,451	2,135	8,524	45,329	62,309	57,289	57,418
Support services:									
Student	-	-	-	-	-	-	-	-	7,211
Instructional staff	52,760	157,589	127,546	115,130	67,490	26,287	5,171	3,142	1,636
Administration	103,587	120,462	189,028	167,701	163,985	152,885	140,753	138,267	140,972
Operation and maintenance of plant	74,366	74,034	71,335	72,489	68,192	58,444	58,242	57,708	48,723
Transportation	49,051	57,339	64,349	64,050	74,337	55,631	52,619	118,351	96,985
Central support	-	-	-	-	-	-	-	-	88
Non-instructional programs	-	-	-	-	-	288	236	359	-
Other expenditures:									
Facilities acquisition	13,219	28,831	83,286	43,236	73,489	40,522	101,136	18,467	41,067
AEA flowthrough	40,616	36,342	35,544	34,871	34,117	33,187	32,909	35,085	34,449
Total	<u>\$ 1,012,088</u>	<u>1,176,853</u>	<u>1,260,951</u>	<u>1,182,227</u>	<u>1,087,532</u>	<u>1,028,486</u>	<u>1,036,030</u>	<u>1,059,213</u>	<u>944,261</u>

See accompanying independent auditor's report.

Schedule 3

**Prescott Community School District**  
**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**  
**Year ended June 30, 2010**

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Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Pre-school	\$ 126	249	217	158
Student accounts	234	-	140	94
Band	151	-	-	151
Total	<u>\$ 511</u>	<u>249</u>	<u>357</u>	<u>403</u>

See accompanying independent auditor's report.

Schedule 4

**Prescott Community School District  
Combining Statement of Net Assets  
Proprietary Funds  
June 30, 2010**

	Enterprise Funds		
	Daycare	Food Service	Total
<b>Assets</b>			
Inventories	\$ -	1,250	1,250
Fixed assets:			
Equipment	-	7,432	7,432
Accumulated depreciation	-	(6,975)	(6,975)
<b>Total assets</b>	-	1,707	1,707
<b>Liabilities</b>			
Warrants in excess of cash	42,478	8,715	51,193
Salaries and benefits payable	-	3,419	3,419
Interfund payable	5,000	-	5,000
<b>Total liabilities</b>	47,478	12,134	59,612
<b>Net assets</b>			
Invested in capital assets, net of related debt	-	457	457
Unrestricted	(47,478)	(10,884)	(58,362)
<b>Total net assets</b>	\$ (47,478)	(10,427)	(57,905)

See accompanying independent auditor's report.

## Schedule 5

**Prescott Community School District**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year ended June 30, 2010**

	Enterprise Funds		
	Daycare	Food Service	Total
Operating revenue:			
Local sources:			
Other local sources:			
Sale of lunches and breakfasts	\$ -	9,270	9,270
Sale of services	12,903	-	12,903
Total operating revenue	12,903	9,270	22,173
Operating expenses:			
Non-instructional programs:			
Daycare operations:			
Salaries	27,369	-	27,369
Benefits	4,862	-	4,862
Services	343	-	343
Supplies	2,096	-	2,096
	34,670	-	34,670
Food services operations:			
Salaries	-	15,236	15,236
Benefits	-	5,304	5,304
Supplies	-	16,401	16,401
Depreciation	-	245	245
	-	37,186	37,186
Total operating expenses	34,670	37,186	71,856
Operating loss	(21,767)	(27,916)	(49,683)
Non-operating revenue:			
Local sources	-	79	79
State sources	-	284	284
Federal sources	15,000	15,992	30,992
Total non-operating revenue	15,000	16,355	31,355
Changes in net assets	(6,767)	(11,561)	(18,328)
Net assets beginning of year	(40,711)	1,134	(39,577)
Net assets end of year	\$ (47,478)	(10,427)	(57,905)

See accompanying independent auditor's report.

**Prescott Community School District  
Combining Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2010**

	Enterprise Funds		
	Daycare	Food Service	Total
<b>Cash flows from operating activities:</b>			
Cash received from sale of lunches and breakfasts	\$ -	9,270	9,270
Cash received from miscellaneous operating activities	13,010		13,010
Cash payments to employees for services	(37,277)	(17,369)	(54,646)
Cash payments to suppliers for goods or services	(2,439)	(14,519)	(16,958)
Net cash used by operating activities	(26,706)	(22,618)	(49,324)
<b>Cash flows from non-capital financing activities:</b>			
Other local sources	-	79	79
State grants received	-	284	284
Federal grants received	15,000	14,907	29,907
Net cash provided by non-capital financing activities	15,000	15,270	30,270
Net decrease in cash and cash equivalents	(11,706)	(7,348)	(19,054)
Cash and cash equivalents at beginning of year	(30,772)	(1,367)	(32,139)
Cash and cash equivalents at end of year	\$ (42,478)	(8,715)	(51,193)
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (21,767)	(27,916)	(49,683)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	-	1,085	1,085
Depreciation	-	245	245
Decrease in inventories	-	807	807
(Decrease) in accounts payable	-	(10)	(10)
Increase (decrease) in salaries and benefits payable	(5,046)	3,171	(1,875)
Decrease in accounts receivable	107	-	107
Net cash used by operating activities	\$ (26,706)	(22,618)	(49,324)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>			
<b>Current assets:</b>			
Cash and investments	\$ 1,469	-	1,469
Warrants in excess of cash	(32,241)	(1,367)	(33,608)
	\$ (30,772)	(1,367)	(32,139)

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

During the year ended June 30, 2010, the District received federal commodities valued at \$1,085.

See accompanying independent auditor's report.



705 Main Street  
Pella, IA 50219  
641-628-3737

[www.vanmaanenepa.com](http://www.vanmaanenepa.com)

**Van Maanen, Sietstra & Meyer, PC**

CERTIFIED PUBLIC ACCOUNTANTS

**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 Prescott 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 Prescott Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated April 11, 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 Prescott 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 Prescott Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Prescott Community School District's internal control over financial reporting.

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Prescott 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 the accompanying Schedule of Findings.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Prescott 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.



Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

April 11, 2011

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

- A. Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were 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 procedures to obtain the maximum internal control possible under the circumstances.

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

Conclusion - Response accepted.

**Other Findings Related to Required Statutory Reporting:**

1. Certified Budget - Expenditures for the year ended June 30, 2010, did not exceed the certified budget amounts.
2. Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. 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.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. 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 ensure that coverage is adequate for current operations.
6. Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
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.
11. Deficit Balances - The Daycare, Food Service and PPEL funds had deficit balances at June 30, 2010.

Recommendation - The District should continue to investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate the deficits in the Daycare, Food Service and PPEL funds at the end of the fiscal year.

Conclusion - Response accepted.

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

Prescott Community School District  
 Schedule of Findings  
 Year ended June 30, 2010

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

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

Beginning balance	\$ 38,363
Statewide sales, services and use tax revenue	53,538
Expenditures/transfers out	
School infrastructure:	
Facilities acquisition and construction	(2,110)
	<u>\$ 89,791</u>

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

	Per \$1000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.77540	\$ 53,538