

SOUTHEAST WARREN 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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Southeast Warren Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Paul Mead	President	2009
Larrie Williams	Vice President	2011
Ron Miller	Board Member	2009
Marianne Lester	Board Member	2011
Jennifer Mihalovich	Board Member	2011

Board of Education (After September 2009 Election)		
Paul Mead	President	2013
Larrie Williams	Vice President	2011
Ron Miller	Board Member	2013
Marianne Lester	Board Member	2011
Jennifer Mihalovich	Board Member	2011

School Officials

Delane Galvin	Superintendent	2010
Julie Wilson	Board Secretary and Business Manager	2010
Ahlers & Cooney Law Firm	Attorney	2010

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3060

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Southeast Warren 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 Southeast Warren Community School District, Liberty Center, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated February 1, 2011 on our consideration of Southeast Warren 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 and Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southeast Warren Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

February 1, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,487,638 in fiscal 2009 to \$5,392,578 in fiscal 2010, while General Fund expenditures decreased from \$5,252,408 in fiscal 2009 to \$5,155,275 in fiscal 2010. This resulted in an increase in the District's General Fund balance from \$324,737 in fiscal 2009 to a balance of \$562,040 in fiscal 2010, a 73.08% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state source revenue in fiscal 2010. The decrease in expenditures was due primarily to the District's diligent efforts to control costs.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) increased from 2.79% for fiscal year 2009 to 6.43% for fiscal year 2010. The School Budget Review Committee recommends a solvency ratio between 5% and 10%.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Southeast Warren Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Southeast Warren Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Southeast Warren Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

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

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

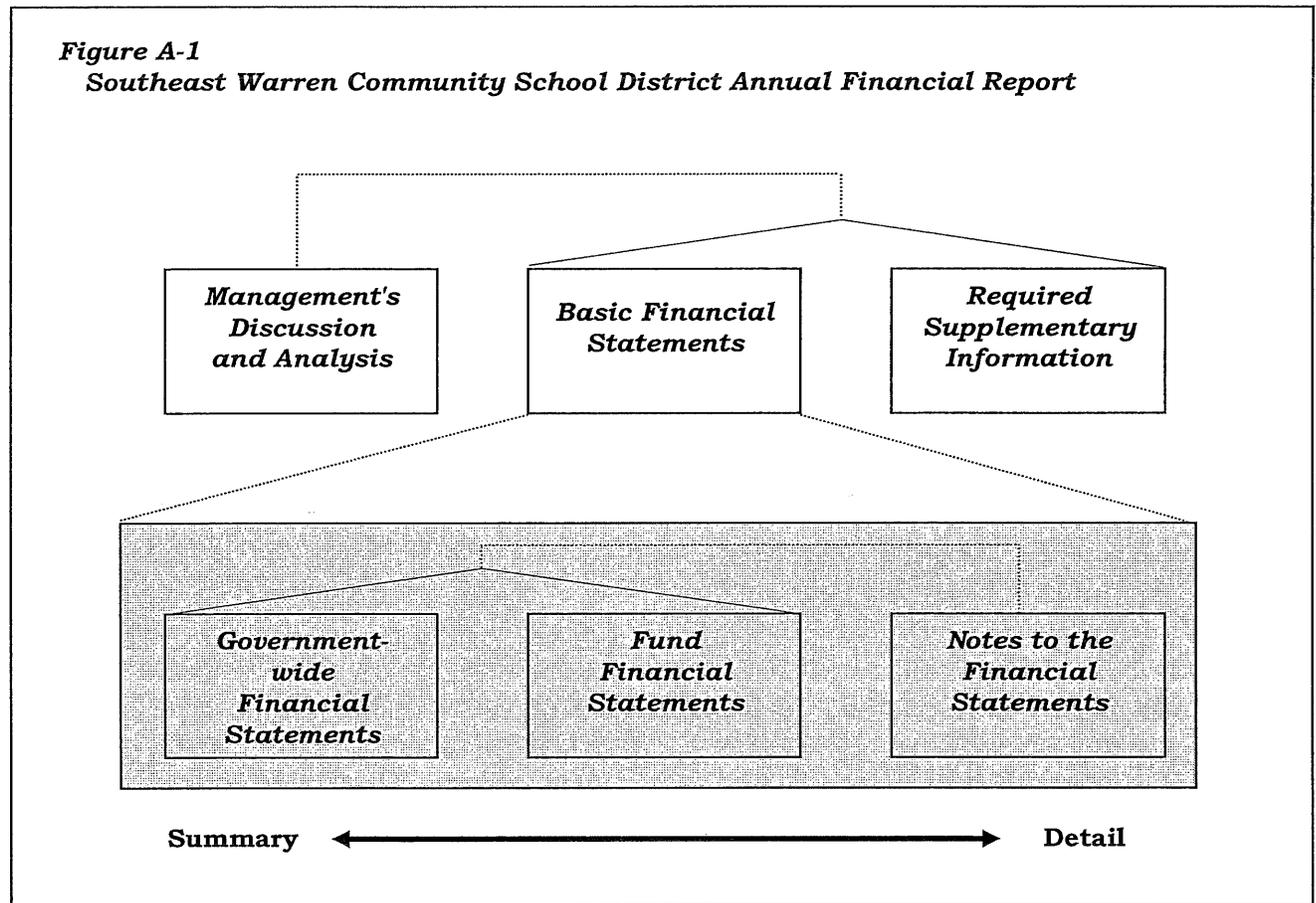


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency Fund.

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 4,671,196	4,960,333	136,431	146,678	4,807,627	5,107,011	-5.86%
Capital assets	4,484,127	4,528,420	73,944	88,741	4,558,071	4,617,161	-1.28%
Total assets	<u>9,155,323</u>	<u>9,488,753</u>	<u>210,375</u>	<u>235,419</u>	<u>9,365,698</u>	<u>9,724,172</u>	<u>-3.69%</u>
Long-term obligations	2,410,242	2,581,303	1,098	0	2,411,340	2,581,303	-6.58%
Other liabilities	2,985,400	3,602,036	35,021	47,682	3,020,421	3,649,718	-17.24%
Total liabilities	<u>5,395,642</u>	<u>6,183,339</u>	<u>36,119</u>	<u>47,682</u>	<u>5,431,761</u>	<u>6,231,021</u>	<u>-12.83%</u>
Net assets:							
Invested in capital assets, net of related debt	2,209,127	2,013,420	73,944	88,741	2,283,071	2,102,161	8.61%
Restricted	1,052,678	983,418	0	0	1,052,678	983,418	7.04%
Unrestricted	497,876	308,576	100,312	98,996	598,188	407,572	46.77%
Total net assets	<u>\$ 3,759,681</u>	<u>3,305,414</u>	<u>174,256</u>	<u>187,737</u>	<u>3,933,937</u>	<u>3,493,151</u>	<u>12.62%</u>

The District's combined net assets increased by 12.62% or \$440,786 compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, 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 \$69,260 or 7.04% over the prior year. The increase in restricted net assets is attributable in part to the increase in fund balance for the Capital Projects Fund and the increase in carryover balances for categorical state funding.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - increased \$190,616 or 46.77%. The increase in unrestricted net assets is attributable to the increase in fund balance for the General Fund.

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

Figure A-4 Changes of Net Assets								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2010	2009	2010	2009	2010	2009	2009-10	
Revenues:								
Program revenues:								
Charges for services	\$ 490,969	386,026	239,795	224,530	730,764	610,556		19.69%
Operating grants and contributions and restricted interest	1,081,926	858,571	106,364	102,480	1,188,290	961,051		23.64%
General revenues:								
Property tax	2,043,540	1,869,842	0	0	2,043,540	1,869,842		9.29%
Income surtax	235,726	214,579	0	0	235,726	214,579		9.86%
Statewide sales, services and use tax	326,928	329,371	0	0	326,928	329,371		-0.74%
Unrestricted state grants	2,175,564	2,601,061	0	0	2,175,564	2,601,061		-16.36%
Other	26,239	170,241	2,017	2,022	28,256	172,263		-83.60%
Total revenues	<u>6,380,892</u>	<u>6,429,691</u>	<u>348,176</u>	<u>329,032</u>	<u>6,729,068</u>	<u>6,758,723</u>		-0.44%
Program expenses:								
Governmental activities:								
Instruction	3,826,567	3,762,303	0	0	3,826,567	3,762,303		1.71%
Support services	1,560,622	1,627,004	16,050	20,262	1,576,672	1,647,266		-4.29%
Non-instructional programs	7,713	0	345,607	338,133	353,320	338,133		4.49%
Other expenses	531,723	549,660	0	0	531,723	549,660		-3.26%
Total expenses	<u>5,926,625</u>	<u>5,938,967</u>	<u>361,657</u>	<u>358,395</u>	<u>6,288,282</u>	<u>6,297,362</u>		-0.14%
Changes in net assets	454,267	490,724	(13,481)	(29,363)	440,786	461,361		-4.46%
Net assets beginning of year	<u>3,305,414</u>	<u>2,814,690</u>	<u>187,737</u>	<u>217,100</u>	<u>3,493,151</u>	<u>3,031,790</u>		15.22%
Net assets end of year	<u>\$ 3,759,681</u>	<u>3,305,414</u>	<u>174,256</u>	<u>187,737</u>	<u>3,933,937</u>	<u>3,493,151</u>		12.62%

In fiscal 2010, local tax (property tax, income surtax and statewide sales, services and use tax) and unrestricted state grants account for 74.94% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.42% of the revenue from business type activities.

The District's total revenues were approximately \$6.73 million of which approximately \$6.38 million was for governmental activities and approximately \$0.35 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 0.44% in revenues and a 0.14% decrease in expenses. The decrease in revenues can be attributable to the decrease in state sources of revenues during fiscal 2010.

Governmental Activities

Revenues for governmental activities were \$6,380,892 and expenses were \$5,926,625. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 3,826,567	3,762,303	1.71%	2,474,148	2,734,574	-9.52%
Support services	1,560,622	1,627,004	-4.08%	1,558,570	1,612,953	-3.37%
Non-instructional programs	7,713	0	100.00%	7,713	0	100.00%
Other expenses	531,723	549,660	-3.26%	313,299	346,843	-9.67%
Totals	\$ 5,926,625	5,938,967	-0.21%	4,353,730	4,694,370	-7.26%

- The cost financed by users of the District's programs was \$490,969.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,081,926.
- The net cost of governmental activities was financed with \$2,043,540 in property tax, \$235,726 in income surtax, \$326,928 in statewide sales, services and use tax, \$2,175,564 in unrestricted state grants, \$9,146 in interest income and \$17,093 of other revenues.

Business type Activities

Revenues of the District's business type activities were \$348,176 and expenses were \$361,657. The District's business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Southeast Warren 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 net assets of \$1,494,765, above last year's ending net assets of \$1,185,197. This increase was primarily the result of the increase in the General Fund net assets.

Governmental Fund Highlights

- The General Fund net assets increased from \$324,137 to \$562,040. The District's improved General Fund financial position is the product of many factors. The decrease in revenues was due in part to the decrease in state source revenues due to the 10% across the board budget cut by the state. The decrease in expenses was due to the decrease in the support service functional area expenditures as compared to the prior year.
- The Capital Projects net assets increased from \$457,694 in 2009, to \$528,366 in 2010 as a result of controlling expenses and not allowing expenditures to exceed statewide sales, services and use tax revenue. This represents a 15.44% increase over the fiscal 2009 ending net assets.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$168,565 at June 30, 2009 to \$150,854 at June 30, 2010, representing a decrease of approximately 10.51%. The Day Care Fund net assets increased from \$19,172 in 2009, to \$23,402 in 2010, representing an increase of 22.06%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$390,930 less than budgeted revenues, a variance of 5.52%. The most significant dollar variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$4.56 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.28% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$247,082.

The original cost of the District's capital assets was \$7,807,335. Governmental funds account for \$7,591,639 with the remainder of \$215,696 in the Proprietary, School Nutrition Fund and the Proprietary, Day Care Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$374,089 at June 30, 2009 compared to \$446,295 at June 30, 2010, due in part to the District's purchase of a new Thomas bus, two John Deere lawn mowers, three Ford Expeditions, and two 2005 Ford 500's.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	2009-10
Land	\$ 15,174	15,174	0	0	15,174	15,174	0.00%
Buildings	3,813,194	3,927,435	0	0	3,813,194	3,927,435	-2.91%
Land improvements	283,408	300,463	0	0	283,408	300,463	-5.68%
Machinery and equipment	372,351	285,348	73,944	88,741	446,295	374,089	19.30%
Total	\$ 4,484,127	4,528,420	73,944	88,741	4,558,071	4,617,161	-1.28%

Long-Term Debt

At June 30, 2010, the District had long-term debt outstanding of \$2,411,340 in general obligation bonds, early retirement, compensated absences, and other post employment benefits. This represents a decrease of approximately 7.27% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding general obligation bonds payable of \$2,275,000 at June 30, 2010.

The District had total outstanding Early Retirement payable from the Special Revenue – Management Levy Fund of \$95,144 at June 30, 2010.

The District also had total outstanding compensated absences of \$23,415 at June 30, 2010.

The District had a net OPEB liability of \$16,683 in the governmental activities and \$1,098 in the business type activities.

	Governmental Activities June 30,		Business type Activities June 30,		Total School District June 30,		Total Change June 30, 2009-10
	2010	2009	2010	2009	2010	2009	
General obligation bonds	\$ 2,275,000	2,515,000	0	0	2,275,000	2,515,000	-9.54%
Early retirement	95,144	48,443	0	0	95,144	48,443	96.40%
Compensated absences	23,415	17,860	0	0	23,415	17,860	31.10%
Net OPEB obligation	16,683	0	1,098	0	17,781	0	100.00%
Total	\$ 2,410,242	2,581,303	1,098	0	2,411,340	2,581,303	-6.58%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and enrollment fluctuations is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- On July 1, 2010 the IPERS employers' contribution rate increased to 6.95%. This will increase the Southeast Warren Community Schools' employer benefit costs over the next year.
- Open enrollment is a process allowed under Iowa Code that allows parents or guardians residing in an Iowa school district to enroll their children into another Iowa school district. In the fiscal year ending June 30, 2010, the Southeast Warren Community School District had 93 students enrolled out of the district and 34.2 students enrolled into the district.

-
- The Daycare facilities the District has is a definite asset to drawing more students to the District and increasing revenues. Hopefully, this trend will continue to help maintain the health of the District.

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 Julie Wilson, District Business Manager, Southeast Warren Community School District, 16331 Tyler Street, Liberty Center, Iowa, 50145.

BASIC FINANCIAL STATEMENTS

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,934,228	116,263	2,050,491
Receivables:			
Property tax:			
Delinquent	39,086	0	39,086
Succeeding year	2,193,495	0	2,193,495
Income surtax	205,326	0	205,326
Accounts	12,899	476	13,375
Due from other governments	286,162	10,802	296,964
Inventories	0	8,890	8,890
Capital assets, net of accumulated depreciation	4,484,127	73,944	4,558,071
Total assets	9,155,323	210,375	9,365,698
Liabilities			
Accounts payable	51,677	8,011	59,688
Salaries and benefits payable	519,503	24,614	544,117
Due to other governments	174,222	0	174,222
Interest payable	14,295	0	14,295
Deferred revenue:			
Succeeding year property tax	2,193,495	0	2,193,495
Other	32,208	0	32,208
Unearned revenue	0	2,396	2,396
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	240,000	0	240,000
Early retirement	95,144	0	95,144
Compensated absences	23,415	0	23,415
Portion due after one year:			
General obligation bonds	2,035,000	0	2,035,000
Net OPEB liability	16,683	1,098	17,781
Total liabilities	5,395,642	36,119	5,431,761
Net Assets			
Invested in capital assets, net of related debt	2,209,127	73,944	2,283,071
Restricted for:			
Categorical funding	215,097	0	215,097
Management levy	79,821	0	79,821
Physical plant and equipment levy	153,891	0	153,891
Capital projects	528,366	0	528,366
Debt service	31,364	0	31,364
Other special revenue purposes	44,139	0	44,139
Unrestricted	497,876	100,312	598,188
Total net assets	\$ 3,759,681	174,256	3,933,937

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Charges for Services	Contributions and Restricted Interest	Operating Grants,	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,233,615	231,149	719,834	(1,282,632)	0	(1,282,632)
Special	902,286	92,329	75,717	(734,240)	0	(734,240)
Other	690,666	165,642	67,748	(457,276)	0	(457,276)
	<u>3,826,567</u>	<u>489,120</u>	<u>863,299</u>	<u>(2,474,148)</u>	<u>0</u>	<u>(2,474,148)</u>
Support services:						
Student	167,720	0	0	(167,720)	0	(167,720)
Instructional staff	140,480	0	0	(140,480)	0	(140,480)
Administration	529,129	0	0	(529,129)	0	(529,129)
Operation and maintenance of plant	407,374	0	0	(407,374)	0	(407,374)
Transportation	315,919	1,849	203	(313,867)	0	(313,867)
	<u>1,560,622</u>	<u>1,849</u>	<u>203</u>	<u>(1,558,570)</u>	<u>0</u>	<u>(1,558,570)</u>
Non-instructional programs:						
Food service operations	3,013	0	0	(3,013)	0	(3,013)
Other enterprise operations	4,700	0	0	(4,700)	0	(4,700)
	<u>7,713</u>	<u>0</u>	<u>0</u>	<u>(7,713)</u>	<u>0</u>	<u>(7,713)</u>
Other expenditures:						
Facilities acquisitions	94,249	0	0	(94,249)	0	(94,249)
Long-term debt interest	87,754	0	0	(87,754)	0	(87,754)
AEA flowthrough	218,424	0	218,424	0	0	0
Depreciation (unallocated)*	131,296	0	0	(131,296)	0	(131,296)
	<u>531,723</u>	<u>0</u>	<u>218,424</u>	<u>(313,299)</u>	<u>0</u>	<u>(313,299)</u>
Total governmental activities	5,926,625	490,969	1,081,926	(4,353,730)	0	(4,353,730)
Business Type activities:						
Support services:						
Administration	1,228	0	0	0	(1,228)	(1,228)
Operation and maintenance of plant	14,822	0	0	0	(14,822)	(14,822)
	<u>16,050</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(16,050)</u>	<u>(16,050)</u>
Non-instructional programs:						
Food service operations	254,932	148,055	100,442	0	(6,435)	(6,435)
Day care operations	90,675	91,740	5,922	0	6,987	6,987
	<u>345,607</u>	<u>239,795</u>	<u>106,364</u>	<u>0</u>	<u>552</u>	<u>552</u>
Total business type activities	361,657	239,795	106,364	0	(15,498)	(15,498)
Total	\$ 6,288,282	730,764	1,188,290	(4,353,730)	(15,498)	(4,369,228)
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,692,173	0	1,692,173
Capital outlay				37,449	0	37,449
Debt service				313,918	0	313,918
Income surtax				235,726	0	235,726
Statewide sales, services and use tax				326,928	0	326,928
Unrestricted state grants				2,175,564	0	2,175,564
Unrestricted investment earnings				9,146	85	9,231
Other				17,093	1,932	19,025
Total general revenues				4,807,997	2,017	4,810,014
Changes in net assets				454,267	(13,481)	440,786
Net assets beginning of year				3,305,414	187,737	3,493,151
Net assets end of year				<u>\$ 3,759,681</u>	<u>174,256</u>	<u>3,933,937</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 1,202,528	333,588	398,112	1,934,228
Receivables:				
Property tax:				
Delinquent	30,458	0	8,628	39,086
Succeeding year	1,743,515	0	449,980	2,193,495
Income surtax	205,326	0	0	205,326
Interfund	0	0	3,622	3,622
Accounts	10,802	0	2,097	12,899
Due from other governments	74,626	211,536	0	286,162
Total assets	\$ 3,267,255	545,124	862,439	4,674,818
Liabilities and Fund Balances				
Liabilities:				
Interfund payable	\$ 0	3,622	0	3,622
Accounts payable	30,441	13,136	8,100	51,677
Salaries and benefits payable	519,503	0	0	519,503
Due to other governments	174,222	0	0	174,222
Deferred revenue:				
Succeeding year property tax	1,743,515	0	449,980	2,193,495
Income surtax	205,326	0	0	205,326
Other	32,208	0	0	32,208
Total liabilities	2,705,215	16,758	458,080	3,180,053
Fund balances:				
Reserved for:				
Categorical funding	215,097	0	0	215,097
Debt service	0	0	31,364	31,364
Unreserved	346,943	528,366	372,995	1,248,304
Total fund balances	562,040	528,366	404,359	1,494,765
Total liabilities and fund balances	\$ 3,267,255	545,124	862,439	4,674,818

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 20)	\$ 1,494,765
 <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.	4,484,127
Accrued interest payable in the long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(14,295)
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period.	205,326
Long-term liabilities, including bonds payable, early retirement, other postemployment benefits payable and compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(2,410,242)</u>
Net assets of governmental activities (page 18)	<u><u>\$ 3,759,681</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,802,046	326,928	451,109	2,580,083
Tuition	240,287	0	0	240,287
Other	86,537	7,363	176,482	270,382
State sources	2,758,236	0	321	2,758,557
Federal sources	498,933	0	0	498,933
Total revenues	<u>5,386,039</u>	<u>334,291</u>	<u>627,912</u>	<u>6,348,242</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,155,198	0	36,984	2,192,182
Special	898,350	0	0	898,350
Other	520,034	0	171,737	691,771
	<u>3,573,582</u>	<u>0</u>	<u>208,721</u>	<u>3,782,303</u>
Support services:				
Student	165,429	0	0	165,429
Instructional staff	91,370	23,480	22,000	136,850
Administration	500,942	0	12,374	513,316
Operation and maintenance of plant	381,313	0	30,444	411,757
Transportation	224,215	151,052	20,331	395,598
	<u>1,363,269</u>	<u>174,532</u>	<u>85,149</u>	<u>1,622,950</u>
Non-instructional programs:				
Food service operations	0	0	3,013	3,013
Other enterprise operations	0	0	4,700	4,700
	<u>0</u>	<u>0</u>	<u>7,713</u>	<u>7,713</u>
Other expenditures:				
Facilities acquisitions	0	81,081	13,168	94,249
Long-term debt:				
Principal	0	0	240,000	240,000
Interest	0	0	79,574	79,574
AEA flowthrough	218,424	0	0	218,424
	<u>218,424</u>	<u>81,081</u>	<u>332,742</u>	<u>632,247</u>
Total expenditures	<u>5,155,275</u>	<u>255,613</u>	<u>634,325</u>	<u>6,045,213</u>
Excess (Deficiency) of revenues over (under) expenditures	230,764	78,678	(6,413)	303,029
Other financing sources (uses):				
Sale of equipment	6,539	0	0	6,539
Transfers in	0	0	8,006	8,006
Transfers out	0	(8,006)	0	(8,006)
Total other financing sources (uses)	<u>6,539</u>	<u>(8,006)</u>	<u>8,006</u>	<u>6,539</u>
Net change in fund balances	237,303	70,672	1,593	309,568
Fund balance beginning of year	324,737	457,694	402,766	1,185,197
Fund balance end of year	<u>\$ 562,040</u>	<u>528,366</u>	<u>404,359</u>	<u>1,494,765</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN 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 22) \$ 309,568

*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	\$ 187,992	
Depreciation expense	<u>(232,285)</u>	(44,293)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Repaid	240,000
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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.

(8,180)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

26,111

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

Early retirement	(46,701)	
Compensated absences	(5,555)	
Other postemployment benefits	<u>(16,683)</u>	<u>(68,939)</u>

Changes in net assets of governmental activities (page 19) \$ 454,267

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	School Nutrition	Day Care	Total
Assets			
Cash and pooled investments	\$ 86,601	29,662	116,263
Accounts receivable	476	0	476
Due from other governments	10,802	0	10,802
Inventories	8,890	0	8,890
Capital assets, net of accumulated depreciation	72,347	1,597	73,944
Total assets	179,116	31,259	210,375
Liabilities			
Accounts payable	267	7,744	8,011
Salaries and benefits payable	24,614	0	24,614
Unearned revenues	2,396	0	2,396
Net OPEB liability	985	113	1,098
Total liabilities	28,262	7,857	36,119
Net Assets			
Invested in capital assets	72,347	1,597	73,944
Unrestricted	78,507	21,805	100,312
Total net assets	\$ 150,854	23,402	174,256

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 148,055	91,740	239,795
Miscellaneous	1,932	0	1,932
TOTAL OPERATING REVENUES	149,987	91,740	241,727
OPERATING EXPENSES:			
Support services:			
Administration:			
Services	44	0	44
Other	1,184	0	1,184
Operation and maintenance of plant:			
Salaries	7,508	0	7,508
Benefits	1,074	0	1,074
Services	3,466	0	3,466
Supplies	0	2,774	2,774
Total support services	13,276	2,774	16,050
Non-instructional programs:			
Salaries	73,030	67,112	140,142
Benefits	28,452	9,663	38,115
Services	0	369	369
Supplies	138,719	13,265	151,984
Other	200	0	200
Depreciation	14,531	266	14,797
Total non-instructional programs	254,932	90,675	345,607
TOTAL OPERATING EXPENSES	268,208	93,449	361,657
OPERATING LOSS	(118,221)	(1,709)	(119,930)
NON-OPERATING REVENUES:			
State sources	2,260	0	2,260
Federal sources	98,182	5,922	104,104
Interest income	68	17	85
TOTAL NON-OPERATING REVENUES	100,510	5,939	106,449
Changes in net assets	(17,711)	4,230	(13,481)
Net assets beginning of year	168,565	19,172	187,737
Net assets end of year	\$ 150,854	23,402	174,256

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 155,420	0	155,420
Cash received from miscellaneous operating activities	1,932	92,205	94,137
Cash payments to employees for services	(108,811)	(76,662)	(185,473)
Cash payments to suppliers for goods or services	(134,936)	(21,254)	(156,190)
Net cash used in operating activities	(86,395)	(5,711)	(92,106)
Cash flows from non-capital financing activities:			
State grants received	2,260	0	2,260
Federal grants received	70,089	5,922	76,011
Net cash provided by non-capital financing activities	72,349	5,922	78,271
Cash flows from investing activities:			
Interest on investments	68	17	85
Net increase(decrease) in cash and cash equivalents	(13,978)	228	(13,750)
Cash and cash equivalents at beginning of year	100,579	29,434	130,013
Cash and cash equivalents at end of year	\$ 86,601	29,662	116,263
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (118,221)	(1,709)	(119,930)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	17,291	0	17,291
Depreciation	14,531	266	14,797
Increase in inventories	(1,004)	0	(1,004)
Decrease in accounts receivable	7,838	465	8,303
Decrease in accounts payable	(7,610)	(4,846)	(12,456)
Increase in salaries and benefits payable	268	0	268
Decrease in unearned revenue	(473)	0	(473)
Increase in other postemployment benefits	985	113	1,098
Net cash provided used in operating activities	\$ (86,395)	(5,711)	(92,106)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$17,291.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2010

	Agency
Assets	
Cash and pooled investments	\$ 165
Accounts receivable	36
Total assets	\$ 201
Liabilities	
Accounts payable	\$ 36
Due to other groups	165
Total liabilities	\$ 201

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

The Southeast Warren 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 predominately agricultural territory in Warren and Lucas 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, Southeast Warren Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Southeast Warren 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 Warren and Lucas Counties Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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 and proprietary 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 District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District while the Day Care Fund is used to account for childcare services provided by the District to employees and other families in the community.

The District reports the following fiduciary fund:

The District's fiduciary fund is the Agency Fund. 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 do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary 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 funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period

or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

Unearned Revenue - Unearned revenues 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. The compensated absences liability has been computed based on rates of pay in effect 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 Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

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

(2) Cash and Pooled Investments

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

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

At June 30, 2010 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,853,608 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) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 8,006</u>

The amount transferred from the Capital Projects Fund to the Debt Service Fund is Lucas County statewide sales, services and use tax that can be used for debt service obligations according to the revenue purpose statement for Lucas County.

(4) Interfund Receivable/Payable

At June 30, 2010 the interfund receivable and payable consisted of the following:

Receivable Fund	Payable Fund	Amount
Debt Service	Capital Projects	<u>\$ 3,622</u>

The amount of the interfund payable from the Capital Projects Fund to the Debt Service Fund is Lucas County statewide sales and service tax for the months of July and August that can be used for debt service obligations according to the revenue purpose statement for Lucas County.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2009-10A	6/25/09	6/23/10	\$ 0	168,000	168,000	0

During the year ended June 30, 2010, the District paid \$18,082 of interest on the ISCAP warrants.

(6) **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	\$ 15,174	0	0	15,174
Total capital assets not being depreciated	15,174	0	0	15,174
Capital assets being depreciated:				
Buildings	5,797,156	0	0	5,797,156
Improvements other than buildings	359,292	0	0	359,292
Machinery and equipment	1,316,968	187,992	84,943	1,420,017
Total capital assets being depreciated	7,473,416	187,992	84,943	7,576,465
Less accumulated depreciation for:				
Buildings	1,869,721	114,241	0	1,983,962
Improvements other than buildings	58,829	17,055	0	75,884
Machinery and equipment	1,031,620	100,989	84,943	1,047,666
Total accumulated depreciation	2,960,170	232,285	84,943	3,107,512
Total capital assets being depreciated, net	4,513,246	(44,293)	0	4,468,953
Governmental activities capital assets, net	\$ 4,528,420	(44,293)	0	4,484,127

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 215,696	0	0	215,696
Less accumulated depreciation	126,955	14,797	0	141,752
Business type activities capital assets, net	\$ 88,741	(14,797)	0	73,944

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 2,997
Other	1,026
Support services:	
Student	1,464
Instructional staff	2,837
Administration	9,656
Operation and maintenance of plant	7,908
Transportation	75,101
	<u>100,989</u>
Unallocated depreciation	<u>131,296</u>
Total governmental activities depreciation expense	<u>\$ 232,285</u>
Business type activities:	
Food services	\$ 14,531
Day care	266
Total business type activities depreciation expense	<u>\$ 14,797</u>

(7) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 2,515,000	0	240,000	2,275,000	240,000
Early retirement	48,443	95,144	48,443	95,144	95,144
Compensated absences	17,860	23,415	17,860	23,415	23,415
Net OPEB liability	0	16,683	0	16,683	0
Total	<u>\$ 2,581,303</u>	<u>135,242</u>	<u>306,303</u>	<u>2,410,242</u>	<u>358,559</u>
Business Type Activities:					
Net OPEB liability	\$ 0	1,098	0	1,098	0

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of May 27, 2009			
	Interest Rates	Principal	Interest	Total
2011	3.250 %	\$ 240,000	77,969	317,969
2012	3.250	245,000	70,169	315,169
2013	3.250	255,000	62,206	317,206
2014	3.250	265,000	53,919	318,919
2015	3.250	275,000	45,306	320,306
2016	3.375	280,000	36,025	316,025
2017	3.500	295,000	26,225	321,225
2018	3.700	300,000	15,900	315,900
2019	4.000	120,000	4,800	124,800
Total		\$ 2,275,000	392,519	2,667,519

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to fifty percent of the employee's base salary. Payment will be made in one lump sum in September. Early retirement benefits paid during the year ended June 30, 2010, totaled \$48,443.

(8) 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 salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$211,025, \$198,176, and \$195,476, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits

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

Plan Description - The District operates a single-employer retiree benefit plan which provides medical, prescription drug and dental benefits for retirees and their spouses. There are 90 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark Blue Cross Blue Shield and dental benefits are provided by Delta Dental. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which result in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the District's 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	\$ 48,462
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>48,462</u>
Contributions made	<u>(30,681)</u>
Increase in net OPEB obligation	17,781
Net OPEB obligation beginning of year	<u>0</u>
Net OPEB obligation end of year	<u>\$ 17,781</u>

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

For the year ended June 30, 2010, the District contributed \$30,681 to the medical plan. Plan members eligible for benefits contributed \$369,637, or 92% 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	\$ 48,462	63.31%	\$ 17,781

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$430,673, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$430,673. The covered payroll (annual payroll of active employees covered by the

plan) was \$2,933,775, and the ratio of the UAAL to covered payroll was 14.68%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2009 actuarial valuation date, the Alternative Measurement Method, a simplified version of the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

The projected claim costs of the medical and dental plan for retirees under age 65 are illustrated per month in the following table.

	Protector 100	Protector 200	Protector 750	Dental Coverage
Single	\$ 398.58	\$ 386.77	\$ 340.37	\$ 35.05
With Spouse	1,015.12	985.05	866.86	99.59

The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

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

(11) 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 \$218,424 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.

(12) 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>
Professional development	\$ 18,336
Talented and gifted	28,514
Professional development for model core curriculum	12,320
Beginning teacher mentoring and induction program	3,849
Salary improvement program	24,237
Four-year-old preschool	76,931
Early intervention	13,247
Weighted at-risk programs	24,999
Returning dropouts and dropout prevention programs	12,664
Total	<u>\$ 215,097</u>

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE 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	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual	Actual			Variance
Revenues:						
Local sources	\$ 3,090,752	235,780	3,326,532	3,408,096	3,408,096	(81,564)
State sources	2,758,557	2,259	2,760,816	3,389,092	3,389,092	(628,276)
Federal sources	498,933	110,137	609,070	290,160	290,160	318,910
Total revenues	6,348,242	348,176	6,696,418	7,087,348	7,087,348	(390,930)
Expenditures/Expenses:						
Instruction	3,782,303	0	3,782,303	4,240,377	4,240,377	458,074
Support services	1,622,950	16,050	1,639,000	2,154,598	2,154,598	515,598
Non-instructional programs	7,713	345,607	353,320	545,548	545,548	192,228
Other expenditures	632,247	0	632,247	1,239,119	1,239,119	606,872
Total expenditures/expenses	6,045,213	361,657	6,406,870	8,179,642	8,179,642	1,772,772
Excess(deficiency) of revenues over(under) expenditures/expenses	303,029	(13,481)	289,548	(1,092,294)	(1,092,294)	1,381,842
Other financing sources, net	6,539	0	6,539	6,200	6,200	339
Excess(deficiency) of revenues over(under) expenditures/expenses	309,568	(13,481)	296,087	(1,086,094)	(1,086,094)	1,382,181
Balance beginning of year	1,185,197	187,737	1,372,934	1,163,706	1,163,706	209,228
Balance end of year	\$ 1,494,765	174,256	1,669,021	77,612	77,612	1,591,409

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except 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 functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2010

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 430,673	\$ 430,673	0.00%	\$ 2,933,775	14.68%

See Note 9 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

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

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical		Debt Service	Total Other Nonmajor Governmental Funds
Plant and Equipment Levy			Total Special Revenue			
Assets						
Cash and pooled investments	\$ 173,057	48,097	155,220	376,374	21,738	398,112
Receivables:						
Property tax:						
Delinquent	1,908	0	716	2,624	6,004	8,628
Succeeding year	100,000	0	38,111	138,111	311,869	449,980
Interfund	0	0	0	0	3,622	3,622
Accounts	0	2,097	0	2,097	0	2,097
Total assets	\$ 274,965	50,194	194,047	519,206	343,233	862,439
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 0	6,055	2,045	8,100	0	8,100
Deferred revenue:						
Succeeding year property tax	100,000	0	38,111	138,111	311,869	449,980
Total liabilities	100,000	6,055	40,156	146,211	311,869	458,080
Fund balances:						
Reserved for debt service	0	0	0	0	31,364	31,364
Unreserved	174,965	44,139	153,891	372,995	0	372,995
Total fund balances	174,965	44,139	153,891	372,995	31,364	404,359
Total liabilities and fund balances	\$ 274,965	50,194	194,047	519,206	343,233	862,439

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds					Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 99,742	0	37,449	137,191	313,918	451,109
Other	7,505	168,746	150	176,401	81	176,482
State sources	71	0	27	98	223	321
TOTAL REVENUES	107,318	168,746	37,626	313,690	314,222	627,912
EXPENDITURES:						
Current:						
Instruction:						
Regular	36,984	0	0	36,984	0	36,984
Other	0	171,737	0	171,737	0	171,737
Support services:						
Instructional staff	22,000	0	0	22,000	0	22,000
Administration	11,974	0	0	11,974	400	12,374
Operation and maintenance of plant	29,669	0	775	30,444	0	30,444
Transportation	20,331	0	0	20,331	0	20,331
Non-instructional:						
Food service operations	3,013	0	0	3,013	0	3,013
Other enterprise operations	4,700	0	0	4,700	0	4,700
Other expenditures:						
Facilities acquisitions	0	0	13,168	13,168	0	13,168
Long-term debt:						
Principal	0	0	0	0	240,000	240,000
Interest	0	0	0	0	79,574	79,574
TOTAL EXPENDITURES	128,671	171,737	13,943	314,351	319,974	634,325
Excess(Deficiency) of revenues over(under) expenditures	(21,353)	(2,991)	23,683	(661)	(5,752)	(6,413)
Other financing sources(uses):						
Transfers in	0	0	0	0	8,006	8,006
Net change in fund balances	(21,353)	(2,991)	23,683	(661)	2,254	1,593
Fund balance beginning of year	196,318	47,130	130,208	373,656	29,110	402,766
Fund balance end of year	\$ 174,965	44,139	153,891	372,995	31,364	404,359

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN 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 End of Year
Drama	\$ 2,630	2,629	2,486	2,773
Speech	263	61	324	0
Vocal Music	0	122	122	0
Vocal-NY Trip	9,651	38,120	47,216	555
Instrumental Music	0	552	552	0
Band Trip-HS	577	0	0	577
Band Trip-JH	598	0	420	178
I-Music Flags	475	975	1,171	279
Cheerleaders	859	4,875	5,604	130
JH Cheer	756	100	273	583
Dance Team	974	8,965	7,047	2,892
Dance Team-JH	123	0	123	0
Athletic Gates	0	17,555	16,371	1,184
Tournaments	1,456	1,298	1,240	1,514
Athletic Boosters	2,044	0	2,044	0
Uniforms	5,891	3,950	5,136	4,705
Basketball-Boys	4,483	1,287	1,673	4,097
Basketball-Girls	1,389	3,984	2,774	2,599
Volleyball	0	1,965	1,965	0
Volleyball Camp	471	1,087	1,233	325
Weightlifting	1,280	0	79	1,201
Track	0	2,538	2,538	0
Golf	0	20	20	0
Football	3,822	11,027	13,451	1,398
Baseball	0	3,929	3,929	0
Wrestling	794	546	1,205	135
Softball	1,767	2,907	1,869	2,805
Class of 2010	0	568	568	0
Class of 2010 Trip	0	3,687	3,120	567
Class of 2011	0	5,391	4,902	489
Class of 2012	504	0	504	0
Class of 2012 Trip	0	646	0	646
Class of 2013	81	0	27	54
Academic Bowl	0	400	400	0
Art Club	123	95	218	0
FBLA	5	4,286	4,222	69
FFA	4,580	25,850	24,445	5,985
FCCLA	0	2,756	2,756	0
Nat. Honor Society	720	0	287	433
Spanish Club	127	413	0	540
Yearbook	(6,841)	3,305	2,894	(6,430)
SH Student Council	836	333	901	268
JH Student Council	54	0	0	54
Student Teacher Assoc.	314	256	457	113
Est. Comm. Pride	16	0	0	16
Wii-Fit/Nutrition	0	1,500	1,292	208
ELP Trips	800	4	0	804
JR-SR High Activities	468	563	1,005	26
High School Fundraiser	896	6,964	0	7,860
JEL/SADD	497	0	0	497
Elem Yearbook	1,936	1,762	1,445	2,253
Primary Activities	755	0	0	755
Intermed. Activities	956	1,262	1,216	1,002
Interest Income	0	185	185	0
Utility	0	28	28	0
Total	\$ 47,130	168,746	171,737	44,139

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN 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
Assets				
Cash and pooled investments	\$ 157	56,144	56,136	165
Accounts receivable	349	36	349	36
Total assets	\$ 506	56,180	56,485	201
Liabilities				
Accounts payable	\$ 349	36	349	36
Due to other groups	157	56,144	56,136	165
Total liabilities	\$ 506	56,180	56,485	201

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 2,580,083	2,405,131	2,254,898	2,292,590	2,216,414	2,184,579	1,935,298
Tuition	240,287	212,240	179,254	188,992	196,436	192,380	150,073
Other	270,382	335,985	265,637	313,790	296,544	232,777	246,347
Intermediate sources	0	0	2,833	3,406	0	0	0
State sources	2,758,557	3,319,237	3,270,365	2,983,104	2,814,914	2,724,681	2,605,662
Federal sources	498,933	135,322	140,719	129,633	163,051	163,066	180,250
Total	\$ 6,348,242	6,407,915	6,113,706	5,911,515	5,687,359	5,497,483	5,117,630
Expenditures:							
Current:							
Instruction:							
Regular	\$ 2,192,182	2,241,793	2,295,864	2,063,809	1,914,385	1,824,019	1,896,490
Special	898,350	938,870	906,039	953,522	900,548	811,582	751,279
Other	691,771	577,490	592,087	548,885	578,639	523,212	442,153
Support services:							
Student	165,429	141,964	167,076	146,860	149,252	146,397	89,499
Instructional staff	136,850	195,754	191,217	211,074	166,824	169,643	143,206
Administration	513,316	521,191	519,584	507,387	509,590	461,651	441,472
Operation and maintenance of plant	411,757	435,655	446,675	442,698	458,116	404,320	403,734
Transportation	395,598	371,303	421,353	261,682	289,579	191,592	214,966
Non-instructional programs:							
Food service operations	3,013	0	0	0	0	0	0
Other enterprise operations	4,700	0	0	0	0	0	0
Other expenditures:							
Facilities acquisitions	94,249	127,396	371,858	93,361	85,882	184,592	6,069
Long-term debt:							
Principal	240,000	195,000	190,000	180,000	213,705	160,000	155,000
Interest	79,574	133,868	134,115	143,115	158,693	159,615	167,265
AEA flow-through	218,424	202,817	195,233	184,399	171,073	167,064	165,576
Total	\$ 6,045,213	6,083,101	6,431,101	5,736,792	5,596,286	5,203,687	4,876,709

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF EDUCATION:			
RURAL EDUCATION ACHIEVEMENT PROGRAM	84.358	FY 10	\$ 37,978
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	16,371
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	81,811
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 10	5,922
			<u>104,104</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 10	31,200
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	3,449
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	6,898
			<u>41,547</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	1,177
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 10	21,164
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 10	3,250
ARRA - STATE FISCAL STABILIZATION FUND (SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	312,717
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 10	28,674
ARRA - SPECIAL EDUCATION GRANTS TO STATES, RECOVERY ACT	84.391	FY 09	15,681
ARRA - SPECIAL EDUCATION GRANTS TO STATES, RECOVERY ACT	84.391	FY 10	31,362
			<u>75,717</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	5,183
NATIONAL ENDOWMENT FOR THE ARTS:			
IOWA ARTS COUNCIL			
PROMOTION OF THE ARTS - PARTNERSHIP AGREEMENTS (BIG YELLOW SCHOOL BUS)	45.025	FY 10	200
TOTAL			<u>\$ 603,037</u>

* - Includes \$17,291 of non-cash awards

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Southeast Warren 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.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT

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
Southeast Warren 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 Southeast Warren 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 1, 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 Southeast Warren 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 Southeast Warren Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southeast Warren 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.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast Warren 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.

Southeast Warren 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 Southeast Warren 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 Southeast Warren Community School District and other parties to whom Southeast Warren 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 Southeast Warren 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 1, 2011

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 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
Southeast Warren Community School District

Compliance

We have audited the compliance of Southeast Warren 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. Southeast Warren 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 Southeast Warren Community School District's management. Our responsibility is to express an opinion on Southeast Warren 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 Southeast Warren 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 Southeast Warren Community School District's compliance with those requirements.

In our opinion, Southeast Warren 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 Southeast Warren 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 Southeast Warren 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 Southeast Warren 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.

Southeast Warren 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 Southeast Warren 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 Southeast Warren Community School District and other parties to whom Southeast Warren 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 PC
NOLTE, CORNMAN & JOHNSON, P.C.

February 1, 2011

SOUTHEAST WARREN 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 material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance 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 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 Fund - Education State Grants, Recovery Act.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Southeast Warren Community School District did not qualify as a low-risk auditee.

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

Part I: 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 internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

OTHER MATTERS:

II-B-10 Board Policies - We noted during our audit that the District has an employee using a District owned cell phone. However, the District has not developed and implemented a policy regarding the usage of this cell phone.

Recommendation - The District should implement the necessary policies.

Response - We will develop and implement a policy for district cell phone use.

Conclusion - Response accepted.

SOUTHEAST WARREN 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 DEFICIENCIES:

CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund - Education State Grants,
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 internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

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

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010 did not exceed the amount budgeted.
- IV-B-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-10 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- 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-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-10 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.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		\$	123,277
Statewide sales, services and use tax revenue			326,928
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	60,973	
Equipment		193,010	
Other improvements		1,630	
Debt service for school infrastructure:			
General obligation debt		8,006	263,619
Ending balance		\$	<u>186,586</u>

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

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.00010	\$ 8,006

IV-M-10 Financial Condition - At the year ended June 30, 2010, there was one account in the Student Activity Fund that had a negative balance of \$6,430.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate the deficits.

Response - We will continue to monitor this account. The yearbook sponsor is working diligently to gradually clear the negative balance.

Conclusion - Response accepted.

IV-N-10 Checks Outstanding - We noted during our audit that the District had checks outstanding for over a year included in the bank reconciliations of the Nutrition Fund.

Recommendation - The District should determine if the outstanding checks should be reissued, voided or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the District must do so annually before November 1st as required by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Response - The District will monitor outstanding checks closely to ensure there are no checks outstanding for over a year.

Conclusion - Response accepted.

