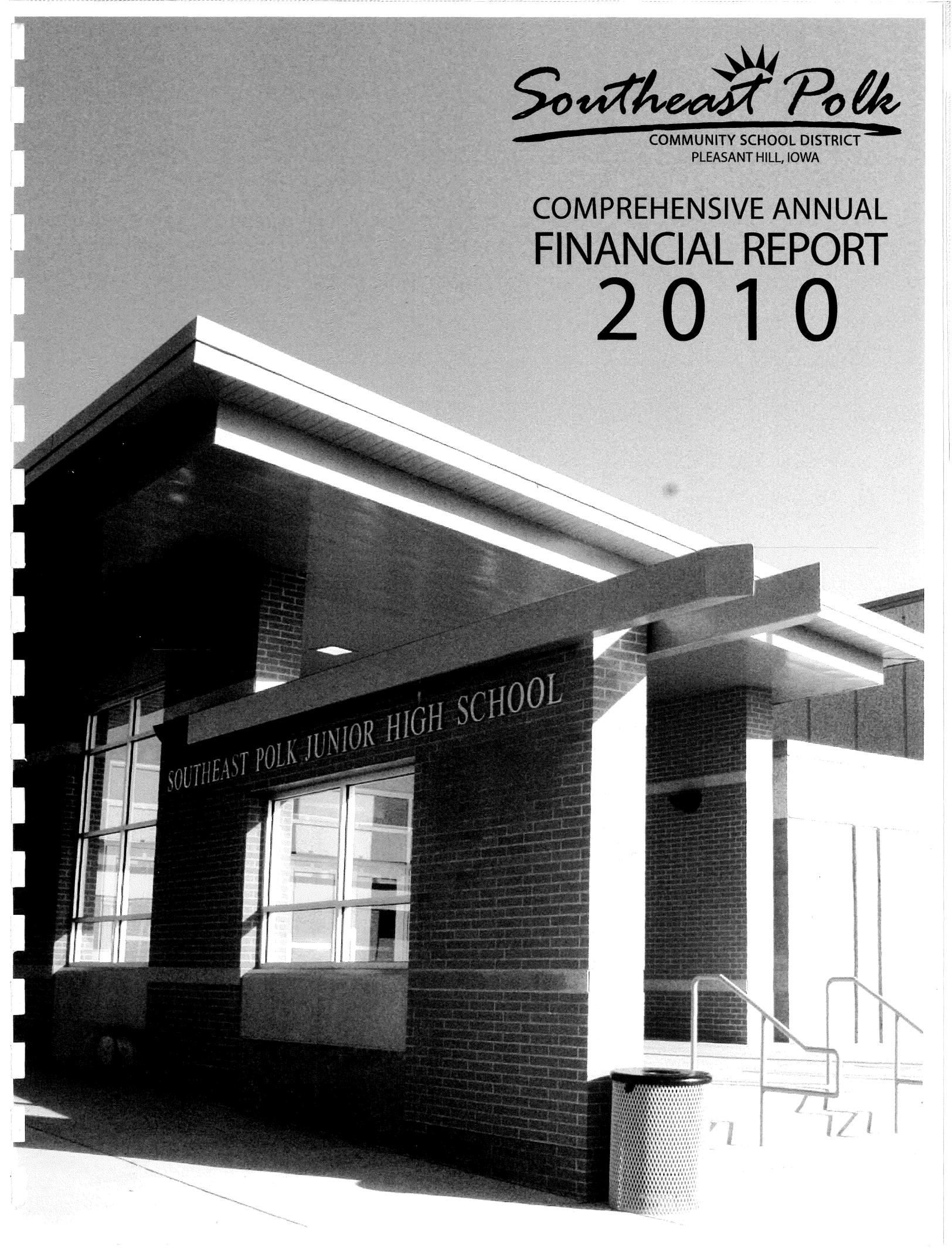


*Southeast Polk*  
COMMUNITY SCHOOL DISTRICT  
PLEASANT HILL, IOWA

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
2010



SOUTHEAST POLK JUNIOR HIGH SCHOOL

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
of the**

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**

**Pleasant Hill, Iowa**

**For the fiscal year ended June 30, 2010**

**OFFICIAL ISSUING REPORT**

**Robert M. Hamilton**

**Director of Finance**

**OFFICE ISSUING REPORT**

**Business Office**

# SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

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**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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# Southeast Polk

COMMUNITY SCHOOL DISTRICT

December 13, 2010

Mrs. Lori Slings, President  
And Members of the Board of  
Education and Citizens of  
Southeast Polk Community School District  
Pleasant Hill, Iowa

The Comprehensive Annual Financial Report for the Southeast Polk Community School District for the fiscal year ended June 30, 2010 is submitted herewith. Responsibility for the accuracy of data presented and the completeness and fairness of the presentation, including all disclosures, rests with the district finance office. We believe the data is presented in a manner designed to fairly set forth the financial position and results of operations of the district, as measured by the financial activity of the various funds; that all disclosures necessary to enable the reader to gain the maximum understanding of the district's financial activity have been included; and are accurate in all material respects.

The financial statements and schedules presented in this comprehensive annual financial report (CAFR) include all the funds of the District in accordance with standards set by the Governmental Accounting Standards Board (GASB).

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the School Board's organizational chart, a list of the district's consultants and principal officials, a Certificate of Excellence in Financial Reporting from the Association of School Business Officials International and a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada. The financial section includes the independent auditor's report, the basic financial statements, management's discussion and analysis, required supplementary information and other supplementary information. The statistical section includes selected financial and demographic data for up to a ten-year period. The single audit section includes the schedules and various independent auditors' reports required by the Single Audit Amendment of 1996, along with comments required by the Iowa Auditor of State.

The report presents the financial information of the District accurately and concisely. It is designed to be comprehensive, yet easily readable and accessible. The current Comprehensive Annual Financial Report will be submitted to the Association of School business Officials International (ASBO) for review for the ASBO Certificate of Excellence and to the Government Finance Officers Association of the United States and Canada (GFOA) for the GFOA Certificate of Achievement.

This letter of transmittal is designed to complement the Management's Discussion and Analysis included within the financial section of the CAFR and should be read in conjunction with it.

### Basis of Accounting and Accounting System

The Southeast Polk Community School District's accounting records for individual governmental fund types are maintained on a modified accrual basis, with the revenue being accrued when available and measurable. Expenditures are recorded when the services or goods are received and the liabilities are incurred. Accounting records for the district's nutrition and store programs and internal service fund are maintained on the full accrual basis. All the District's funds are presented in this report and have been audited by the district's independent certified public accountants, Nolte, Cornman & Johnson, P. C.

The chart of accounts used by the District is in conformance with the Iowa Department of Education's Uniform Accounting System for Iowa Schools and Area Education Agencies, which was revised and updated as of April 2004, became effective as of July 1, 2004. The chart of accounts manual is updated on an annual basis. The District is in full compliance with these requirements.

In developing and evaluating the accounting system of the school, much consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognized that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the internal accounting controls of the school district adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### Profile of the Government

The Southeast Polk Community School District was organized in May of 1961. The District is supported financially by state aid, property taxes, state and federal grants for special projects and local revenue received in the form of tuition and other miscellaneous income items. The District is governed by a seven-member board of education. The elections are held bi-annually in September. Four-year positions are up for election on alternate years. All board members are elected at large.

The District provides a full range of educational services for residents of the Southeast Polk School District appropriate to students in early childhood and grades kindergarten through twelve. These services include basic, regular and enriched academic education, special education for handicapped children, vocational education and many individualized programs such as specialized instruction for students at-risk and students whose primary language is not English.

The financial statements include all funds, agencies, boards and commissions. The District has also considered all actual and 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 criteria considered in determining financial accountability 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 Polk Community School District has no component units that meet the Governmental Accounting Standards Board criteria. In addition, the Southeast Polk Community School District is not a component unit of any other entity.

### Budgeting

The District's Board of Education annually adopts a budget and approves the related appropriations for the General, Special Revenue, Debt Service, Capital Projects, Enterprise, and Trust Funds in accordance with provisions outlined in the Statutes of the State of Iowa. The budgets and financial statements for the governmental fund types and the expendable trust fund are prepared on a modified accrual basis, and the budget and financial statements for the Enterprise Fund is prepared on the accrual basis. A

statement comparing the original and amended budget to actual revenues and expenditures is included as required supplementary information. The notes to financial statements include a schedule on the aggregate level to demonstrate budgetary legal compliance.

For management control, the budget is reviewed on a line item basis for up to a 10% variance. However, since a budget is a plan, overages on a line item basis are allowed if sufficient funds are available on a major function basis.

### Major Initiatives and Achievements

A major event occurred during the 1999-2000 school year that created a tremendous opportunity for the Southeast Polk Community School District. That event was the passage of the Local Option Sales Tax referendum by the voters of Polk County on November 23, 1999. This event created a new source of revenue for the school districts in Polk County that will enable the districts affected to move ahead with their respective long-range plans for the improvement of their facilities.

**Local Option Sales Tax** – Established during the 1998 legislature, this tax could be voted upon by the residents of each county in the state in order to levy an additional one-cent sales tax on specific goods and services. The revenues must then be used exclusively for infrastructure needs of the school districts within the county passing the tax to include: paying off long term debt, new construction, equipment, reconstruction and repair and remodeling.

Southeast Polk immediately began to implement its ten-year facility plan with the construction of classroom additions at the Centennial and Four Mile Elementary Schools. These additions brought much needed space to these two locations to accommodate the ever increasing need for classroom space as the district struggles to keep pace with the increasing demands placed on district resources with its rapid and consistent student growth. Both additions were completed in the early fall of 2000 and were immediately put to use once construction was completed. Additionally, a new Runnells Elementary was constructed to replace the original facility during the 2001-02 school year along with a playground addition at the Willowbrook Elementary, the completion of a new warehouse and bus garage facility and the completion of a room addition at Delaware Elementary School. During the 2003-04 budget year construction was completed on an addition at Mitchellville Elementary for a new gym, media center, and new classrooms. In the 2004-05 budget year, construction was completed on the gym, kitchen, and classroom additions at the Four Mile and Centennial Elementary schools.

The district also revised its ten year plan during the 2003-04 school year to adapt to the rapid student growth the district was experiencing. In anticipation of even more rapid future growth the plan was revised again during the 2004-05 school year. The revision of the plan was the result of the efforts of the district's long range planning committee and its facility subcommittee. The revised plan included an addition at Altoona Elementary School, which was completed this last spring and a bond referendum for a new high school and new elementary school which was passed on February 28, 2006. The passage of this bond issue was a tremendous show of community support for the school district. The referendum was for 60 million dollars and is the largest school bond issue passed in the State of Iowa's history at that time.

The new elementary, which was named Clay Elementary, was opened September 2007 for the beginning of the 2007-08 school year. In addition to the completion of Clay Elementary, construction was also completed on the second addition at Delaware Elementary and the second addition to Runnells Elementary this fall. The new high school was opened September 2009.

Another major event occurred in the 2008 session of the Iowa General Assembly. The local option sales tax, which was passed in Polk County on November 23, 1999, will now be replaced by a state wide sales and use tax effective July 1, 2010 when the current local option tax expires. This new tax gives school districts in Iowa a secure source of revenue for infrastructure expenditures for the next 19 years and also addresses the inequity between school districts that have low and high assessed valuations per pupil by helping to offset the high cost of the additional levy used to fully fund the general fund of "property poor" school districts.

As a result of the creation of the state wide one cent sales tax and the future funding it provides; the district completed this fall the total renovation of the existing high school for its conversion into our new 7-8 grade junior high school. The current junior high school building has become our district wide 6<sup>th</sup> grade building.

The above construction projects have been totally funded by the local option & statewide one cent sales tax. The district has issued sales tax revenue bonds for the above projects and did not have to go to referendum to issue general obligation bonds. One very positive note concerning the sale of the above \$30 million of bonds is that the district received an AA- rating from Standard and Poor's rating agency. This is the highest rating for the issuance of school sales tax bonds in the history of the State of Iowa.

Additionally, a new project is now underway, an addition at Willowbrook Elementary School. Sales tax bonds have been issued to cover the costs of this project. Again the district received an AA- rating from Standard and Pooers rating agency for this issue.

It should be understood that the sales tax revenues used to fund these projects is separate from the General Fund which funds personnel, supplies, equipment and operating costs for the district's daily operations.

### Economic Condition and Outlook

The overall economic condition for eastern Polk County, where the Southeast Polk Community School District is situated, has modified but not at the level of the national economy. The state's unemployment rate is at approximately 6.8% versus the national rate of 9.8%.

For the city of Altoona a new railroad spur into an existing cold storage facility has allowed the facility to expand another 100,000 square feet for a total of 300,000 square feet. Additional businesses that have been added are a document shredding company and a data storage center which has expanded its record storage capacity.

Four new retailing areas have recently been added in Altoona they are: Foxton Village, Altoona Crossing, Old Town South and Center Pointe I. Additionally three new banks Great Western Bank, Bankers Trust and Valley Bank are now in town. Also, two new drug stores Walgreens and Medicap have been added to the retailing sector of the Altoona's business community.

Also, housing construction continues to grow with the expansion of the Iron Wood addition and the beginning of the brand new Tuscany housing development.

Additionally, Pro Bass Shop opened a new store this fall of 2009 in Altoona, Ia. The store is located next to Interstate 80 on a 200+ acre site which is the future site of a projected shopping mall with many additional anchor and specialty stores as well as new restaurants.

Pleasant Hill has a new extended stay hotel and Mercy Medical Clinic is expanding and a truck scale calibration firm is constructing a new facility in the industrial park. Also, a new bowling alley has just recently opened and along with a new strip mall. Also a new independent and assisted living facility for retirees was recently completed and is called "The Shores". Another positive event occurred during the 2008-09 calendar years with the opening of the Deery Brothers Chevrolet Dealership in Pleasant Hill.

The school district's FY 2010-11 financial condition appears to be relatively good in spite of the national and state economies. Regular program basic enrollment grew by 96.9 students to 6,084.5 students for FY 2010-11 and the district's cost per pupil grew by \$115. As a result of these two positive events, the district's regular program budget has grown \$812,009 or an increase of 2.36% for the 2010-11 school year. Considering that a large majority of the State's districts did not grow, our circumstances are far better than most.

For the prior school year ARRA funding filled in the gap left by a shortfall in the state's funding and its ability to fully fund the school aid formula. This year was a major concern. The ARRA funding was dramatically reduced and the State of Iowa's Governor and legislature did determine how much school district budgets would grow and how to pay for that funding. As a result of the state's final determination of school funding, this year has been very difficult for the Southeast Polk Community School District and all school districts whether they are growing or not.

The school district was forced to make approximately \$2.2 million in budget cuts and levied an additional \$4,475,000 to offset a net state aid cut of \$1,926,733 and to replenish the districts depleted cash reserves for this current FY 2011 budget year.

As in the 2009-10 school year, the School District must operate in the most efficient manner during 2010-11 budget year to help ensure adequate funding for staff, services and supplies for the 2011-12 school year.

#### Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting and the Association of School Business Officials International (ASBO) awarded a Certificate of Excellence to the District for their comprehensive annual financial report for the fiscal year ended June 30, 2009. This is the eighth year that the District has received these prestigious awards. In order to be awarded these Certificates, the District must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. These certificates are valid for a period of one year only. We believe our current report continues to conform to these Certificates of Achievement Programs' requirements and are submitting it to GFOA and ASBO to determine its eligibility for another certificate from both organizations.

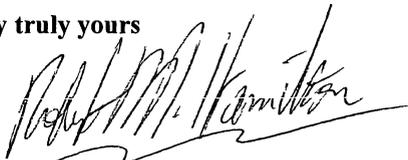
#### Other Matters

Also included in this report is a statistical section, which will give the reader a better understanding of the school system with background and additional financial data.

We wish to take this opportunity to thank the administrative office staff that assisted in obtaining and organizing data, the County Auditor and Treasurer offices and the city and town officials who provided much needed information. Without all of the above groups' efforts, the report could not have been completed.

In summary, we hope that this comprehensive annual financial report will give the public we serve a better understanding of our financial condition.

Very truly yours



Robert M. Hamilton  
Business Manager/Board Secretary RSBO



Thomas J. Downs  
Superintendent of Schools





This Certificate of Excellence in Financial Reporting is presented to

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**

**For its Comprehensive Annual Financial Report (CAFR)**  
For the Fiscal Year Ended June 30, 2009

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

*Evin Green*

President

*John D. Russo*

Executive Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Southeast Polk Community  
School District, Iowa

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

ADMINISTRATIVE STRUCTURE

BOARD OF DIRECTORS

ATTORNEY

BOARD SECRETARY

TREASURER

AUDITORS

NEGOTIATIONS SERVICE

SUPERINTENDENT

DIRECTOR PROGRAM & HR

DIRECTOR BUSINESS & FINANCE

DIRECTOR SUPPORT SERVICES

DIRECTOR CURRICULUM & INSTRUCTION

PRINCIPALS

CENTRAL OFFICE STAFF

TRANSPORTATION

MAINTENANCE

FOOD SERVICE

PAYROLL

ACCOUNTS PAYABLE

GENERAL LEDGER ACCOUNTING & INSURANCE

ASSISTANT PRINCIPALS

CERTIFIED STAFF

ADMINISTRATIVE ASSISTANTS

CLASSIFIED STAFF

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**

**BOARD OF EDUCATION AND SCHOOL DISTRICT ADMINISTRATION  
Year Ended June 30, 2010**

**Board of Education**

	<b><u>Title</u></b>	<b><u>Term/Contract Expires</u></b>
<b>Before September, 2009 Election</b>		
Tom Hadden	President	September, 2009
Joanne Moeller	Vice President	September, 2009
Andrew McGrean	Member	September, 2011
Brad Skinner	Member	September, 2011
John Schaffner	Member	September, 2009
Lori Slings	Member	September, 2011
Katie Temple	Member	September, 2011
<b>After September, 2009 Election</b>		
Joanne Moeller	President	September, 2013
Katie Temple	Vice President	September, 2011
Andrew McGrean	Member	September, 2011
Brad Skinner	Member	September, 2011
Lori Slings	Member	September, 2011
Tom Hadden	Member	September, 2013
Gary Fischer	Member	September, 2013

**School District Administration**

Thomas Downs	Superintendent	June 30, 2010
Dan Janssen	Director of Support Services	June 30, 2010
Dr. Stephen N. Miller	Director of Programs/Human Resources	June 30, 2010
Dr. Kristine Condon	Director of Curriculum/Instruction	June 30, 2010
R. Michael Hamilton	Board Secretary/Business Manager	June 30, 2010
Earl Freel	Treasurer	June 30, 2010
Marti Kline	Community Relations	June 30, 2010
Steve Oberto	Classified Personnel	June 30, 2010
Steve Stotts	Principal	June 30, 2010
Randy Mohning	Principal	June 30, 2010
Lori Waddell	Principal	June 30, 2010
Joseph Nelson	Principal	June 30, 2010
Joel Schutte	Principal	June 30, 2010
Kevin Walker	Principal	June 30, 2010
Dennis O'Lear	Principal	June 30, 2010
Robin Norris	Principal	June 30, 2010
Glenn Dietzenbach	Principal	June 30, 2010
Lea Morris	Principal	June 30, 2010
Chuck Bredlow	Principal	June 30, 2010
Joseph Horton	Assistant Principal	June 30, 2010
Stephen Pettitt	Assistant Principal	June 30, 2010
John Steffen	Assistant Principal	June 30, 2010
Michael Manock	Assistant Principal	June 30, 2010
Nicole Kooiker	Assistant Principal	June 30, 2010
Kent Horstmann	Activities Director	June 30, 2010

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**

**CONSULTANTS AND ADVISORS  
Year Ended June 30, 2010**

**CERTIFIED PUBLIC ACCOUNTANTS**

**Nolte, Cornman & Johnson, P.C.  
117 W 3rd St. N  
Newton, IA 50208**

**BOND ATTORNEYS**

**Ahlers & Cooney, P.C.  
100 Court Avenue, Suite 600  
Des Moines, IA 50309-2231**

**FINANCIAL CONSULTANTS**

**Ruan Securities Corporation  
604 Locust Street, Suite 317  
Des Moines, IA 50309-3869**

**GENERAL COUNSEL**

**Ahlers & Cooney, P.C.  
100 Court Avenue, Suite 600  
Des Moines, IA 50309-2231**

**INSURANCE CONSULTANTS**

**Insurance Management Group  
P.O. Box 517  
Altoona, IA 50009**

**OFFICIAL DEPOSITORIES**

**US Bank  
111 8<sup>th</sup> St. SE  
Altoona, IA 50009**

**Bank Iowa  
420 8<sup>th</sup> St. SE  
Altoona, IA 50009**

**Wells Fargo Bank Iowa  
1055 NE 56<sup>th</sup> St.  
Pleasant Hill, IA 50327**

**Great Western Bank  
2770 8th St SW  
Altoona, IA 50009**

**Community State Bank  
200 8<sup>th</sup> St. SE  
Altoona, IA 50009**

**Legacy Bank  
215 E Center St.  
Altoona, IA 50009**

**Deere Community Credit Union  
1601 22<sup>nd</sup> St., #400  
West Des Moines, IA 50266**

**Horizon Federal Savings Bank  
1290 Copper Creek Dr.  
Pleasant Hill, IA 50327**

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**NOLTE, CORNMAN & JOHNSON P.C.**  
Certified Public Accountants  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Southeast Polk Community School District  
Runnells, Iowa

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

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

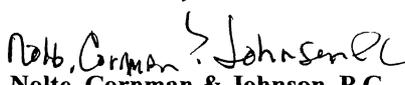
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Southeast Polk Community School District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

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2010 on our consideration of the Southeast Polk 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 read in considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 15 through 24 and 61 through 63 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund financial statements and schedules, 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, listed in the table of contents under the single audit section, are presented for purposes of additional analysis and are not a required part of the basic financial statements of Southeast Polk Community School District. 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.

The accompanying statistical section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. This information has not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.

  
Nolte, Cornman & Johnson, P.C.

Newton, Iowa  
December 13, 2010

## **Southeast Polk Community School District**

### **Management's Discussion and Analysis For Fiscal Year Ended June 30, 2010**

---

**It is an honor to present to you the financial picture of Southeast Polk Community School District. We offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Southeast Polk Community School District for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A).**

### **FINANCIAL HIGHLIGHTS**

**The District showed a decrease in net assets of \$1,962,217 during the year ended June 30, 2010.**

**Total revenues for the fiscal year ended June 30, 2010 of \$72,746,530 were comprised of General Revenues in the amount of \$53,950,057 and Program Revenues totaling \$18,796,473.**

**As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of deficit \$3,048,972, a decrease of \$21,670,637 compared to the prior year.**

**As of June 30, 2010, unreserved undesignated fund balance for the General Fund was a negative \$10,338,669 or -17.50% of total General Fund expenditures.**

**The Southeast Polk Community School District's total long-term bonded debt decreased by \$975,779 during fiscal year ended June 30, 2010.**

### **OVERVIEW OF FINANCIAL STATEMENTS**

**This discussion and analysis is intended to serve as an introduction to the Southeast Polk Community School District's basic financial statements. The District's basic financial statements comprise three components:**

**1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.**

**Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of Southeast Polk Community School District's finances in a manner similar to a private-sector business.**

**The statement of net assets presents information on all of Southeast Polk Community School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.**

**The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).**

## **Southeast Polk Community School District**

### **Management's Discussion and Analysis For Fiscal Year Ended June 30, 2010**

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**Both of the government-wide financial statements reflect functions of the Southeast Polk Community School District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional programs, other and interest on long-term debt. Business type activities are those that the District charges a fee to help cover the costs, such as School Nutrition, Community Service and School Store operations.**

**The government-wide financial statements include only the Southeast Polk Community School District. There are no other organizations or agencies whose financial statements should be combined and presented with the financial statements of the District.**

**Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Southeast Polk Community School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.**

**Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.**

**Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.**

**The Southeast Polk Community School District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Capital Projects Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.**

**The basic governmental fund financial statements can be found on pages 29 through 32 of this report.**

## **Southeast Polk Community School District**

### **Management's Discussion and Analysis For Fiscal Year Ended June 30, 2010**

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**Proprietary funds -** The District maintains two types of proprietary funds: enterprise and internal service. Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. The District maintains three enterprise funds. Internal service funds are used to report the same functions presented as governmental activities in the government-wide financial statements. The District maintains two internal service funds to account for the premium and claim payments for the self-insured health insurance plan for District employees and to account for employee contributions to their individual flex accounts under Section 125 of the Internal Revenue Code. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. Because the service provided by the District predominately benefits governmental, rather than business type functions, it has been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 33 through 36 of this report.

**Fiduciary funds -** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Southeast Polk Community School District's own programs. The fiduciary fund of the District is an agency fund. Agency funds are custodial in nature and do not involve measurement of results of operation.

The basic fiduciary fund financial statements can be found on page 37 through 38 of this report.

**Notes to the financial statements -** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information -** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Southeast Polk Community School District's budgetary comparison, as well as presenting a schedule of funding progress for the retiree health plan. Required supplementary information can be found on pages 61 through 63 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The District's total net assets have decreased from a year ago from \$42,639,906 to \$40,677,689.

A significant portion of the District's total assets reflects its investment in capital assets. The District uses these capital assets to provide educational services; consequently, these assets are not available for future spending. The District's net assets invested in capital assets, net of related debt, was \$42,994,126. Although the District's invested in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Southeast Polk Community School District

Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2010

**Table 1**  
**Condensed Statement of Net Assets**

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
<b>Assets</b>							
Current and other assets	\$ 35,273,634	\$ 52,709,774	\$ 680,824	\$ 635,095	\$ 35,954,458	\$ 53,344,869	-32.60%
Capital assets	126,372,456	109,471,985	1,673,355	1,380,673	128,045,811	110,852,658	15.51%
<b>Total assets</b>	<b>161,646,090</b>	<b>162,181,759</b>	<b>2,354,179</b>	<b>2,015,768</b>	<b>164,000,269</b>	<b>164,197,527</b>	<b>-0.12%</b>
<b>Liabilities</b>							
Long-term obligations	87,242,014	88,232,732	32,789	17,850	87,274,803	88,250,582	-1.11%
Other liabilities	35,956,666	33,138,316	91,111	168,723	36,047,777	33,307,039	8.23%
<b>Total liabilities</b>	<b>123,198,680</b>	<b>121,371,048</b>	<b>123,900</b>	<b>186,573</b>	<b>123,322,580</b>	<b>121,557,621</b>	<b>1.45%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	41,320,771	49,335,755	1,673,355	1,380,673	42,994,126	50,716,428	-15.23%
Restricted	4,602,136	2,929,346	-	-	4,602,136	2,929,346	57.10%
Unrestricted	(7,475,497)	(11,454,390)	556,924	448,522	(6,918,573)	(11,005,868)	-37.14%
<b>Total net assets</b>	<b>\$ 38,447,410</b>	<b>\$ 40,810,711</b>	<b>\$ 2,230,279</b>	<b>\$ 1,829,195</b>	<b>\$ 40,677,689</b>	<b>\$ 42,639,906</b>	<b>-4.60%</b>

The restricted portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to students and creditors.

The unrestricted net assets decrease is due to change in General Fund balance due to increased costs for salaries, benefits, utilities and transportation.

The District's total net assets decreased by \$1,962,217 during the current fiscal year. The governmental activities' net assets decreased by \$2,363,301. The business type activities, which include nutrition, community service and school store, increased by \$401,084. The decrease in governmental activities was mainly attributable to more than expected budgeted expenditures, which were offset by increased revenues and capitalization of construction in progress on the new senior high school, new junior high school and start of construction projects at Willowbrook Elementary. The increase in business type activities was mainly attributable to capital contributions of equipment purchased from the Capital Projects Fund.

Table 2 highlights the District's revenues and expenses for the fiscal year ended June 30, 2010. These two main components are subtracted to yield the change in net assets. This table utilizes the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenue and General Revenue. Program Revenue is defined as charges for services and sales and operating grants, contributions and restricted interest. General Revenue includes taxes, unrestricted grants such as state foundation support, unrestricted investment earnings, miscellaneous revenue and gains on sale of capital assets.

Southeast Polk Community School District

Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2010

Expenses are shown in programs including instruction, support services, non-instructional programs and other expenses.

Transfers include capital contributions from governmental funds to proprietary funds, as well as a transfers from Nutrition to General and Debt Service Funds for a team nutrition grant and interest on short term debt borrowings in 2010.

The following table shows changes in net assets for the year ended June 30, 2010.

Table 2  
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for services	\$ 3,370,044	\$ 2,985,854	\$ 2,416,234	\$ 2,322,104	\$ 5,786,278	\$ 5,307,958	9.01%
Operating grants and contributions and restricted interest	11,821,803	8,439,040	1,093,392	931,979	12,915,195	9,371,019	37.82%
Capital grants and contributions and restricted interest	95,000	63,977	-	-	95,000	63,977	48.49%
<b>General Revenue:</b>							
Property taxes and other taxes	29,750,174	30,240,894	-	-	29,750,174	30,240,894	-1.62%
Unrestricted state grants	22,969,544	25,596,081	-	-	22,969,544	25,596,081	-10.26%
Investment earnings	46,977	193,637	1,547	3,207	48,524	196,844	-75.35%
Other	1,181,815	1,137,363	-	-	1,181,815	1,137,363	3.91%
<b>Total revenues</b>	<b>69,235,357</b>	<b>68,656,846</b>	<b>3,511,173</b>	<b>3,257,290</b>	<b>72,746,530</b>	<b>71,914,136</b>	<b>1.16%</b>
<b>Program expenses:</b>							
Instruction	39,362,825	38,998,826	296,615	285,508	39,659,440	39,284,334	0.95%
Support services	22,696,458	21,466,457	10,547	8,192	22,707,005	21,474,649	5.74%
Noninstructional programs	2,729	30,269	3,283,645	3,016,975	3,286,374	3,047,244	7.85%
Other	9,055,928	6,772,212	-	-	9,055,928	6,772,212	33.72%
<b>Total expenses</b>	<b>71,117,940</b>	<b>67,267,764</b>	<b>3,590,807</b>	<b>3,310,675</b>	<b>74,708,747</b>	<b>70,578,439</b>	<b>5.85%</b>
<b>Changes in net assets before transfers</b>	<b>(1,882,583)</b>	<b>1,389,082</b>	<b>(79,634)</b>	<b>(53,385)</b>	<b>(1,962,217)</b>	<b>1,335,697</b>	<b>-246.91%</b>
<b>Transfers</b>	<b>(480,718)</b>	<b>(578,365)</b>	<b>480,718</b>	<b>578,365</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>
<b>Changes in net assets</b>	<b>(2,363,301)</b>	<b>810,717</b>	<b>401,084</b>	<b>524,980</b>	<b>(1,962,217)</b>	<b>1,335,697</b>	<b>-246.91%</b>
<b>Beginning net assets</b>	<b>40,810,711</b>	<b>39,999,994</b>	<b>1,829,195</b>	<b>1,304,215</b>	<b>42,639,906</b>	<b>41,304,209</b>	<b>3.23%</b>
<b>Ending net assets</b>	<b>\$ 38,447,410</b>	<b>\$ 40,810,711</b>	<b>\$ 2,230,279</b>	<b>\$ 1,829,195</b>	<b>\$ 40,677,689</b>	<b>\$ 42,639,906</b>	<b>-4.60%</b>

Total revenues increased primarily due to an increase in operating grants and contributions and restricted interest which includes the stimulus money. Additionally, interest income decreased by \$148,320 due to a decrease in rates of return on investments and the dramatic decrease in available idle funds as a result of the construction of a new high school. The District received capital contributions of \$95,000, which financed construction costs. Total expenses increased due to additional student costs and debt service costs.

Southeast Polk Community School District

Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2010

Table 3 below discloses cost of services for governmental and business type activities. The total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Succinctly put, net costs are costs that must be covered by state aid or local taxes.

The difference in these two columns would represent restricted grants and charges for services.

**Table 3**  
**Total and Net Cost of Governmental Activities**

	Total Cost of Services		Change 2009-10	Net Cost of Services		Change 2009-10
	2010	2009		2010	2009	
Instruction	\$ 39,362,825	\$ 38,998,826	0.93%	\$ 26,577,409	\$ 29,622,111	-10.28%
Support Services	22,696,458	21,466,457	5.73%	22,492,000	21,365,514	5.27%
Non-instructional programs	2,729	30,269	-90.98%	2,729	30,269	-90.98%
Other	9,055,928	6,772,212	33.72%	6,758,955	4,760,995	41.97%
Totals	\$ 71,117,940	\$ 67,267,764	5.72%	\$ 55,831,093	\$ 55,778,889	0.09%

Net cost of services is 78.50% of total cost of services in 2010.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

**Governmental funds** - The focus of the Southeast Polk Community School District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements, in particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Southeast Polk Community School District's governmental funds reported combined ending fund balances of a deficit \$3,048,972 a decrease of \$21,670,637 in comparison with the prior year. The unreserved fund balance, which is available for spending at the government's discretion, is a deficit \$6,522,047. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for 1) Debt Service of \$2,546,215 and 2) State Restricted Categorical Funds of \$926,860.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the General Fund was a deficit \$10,338,669 while total fund balance was a deficit \$9,411,809. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately -17.50% of total General Fund expenditures, while total fund balance also represents approximately -15.93% of total General Fund expenditures, respectively.

The fund balance of the District's General Fund decreased by \$2,264,900 during the current fiscal year. Key factors in this decrease are as follows:

The use of a cash reserves to cover the costs of additional students that arrived last fall. The State of Iowa allows districts to request spending authority to fund the costs of increased enrollment through a formula. The formula is the state average cost per pupil times the increased enrollment for the

## **Southeast Polk Community School District**

### **Management's Discussion and Analysis For Fiscal Year Ended June 30, 2010**

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current school year. The formula allows you to spend for the new students but does not fund it except by the district using its current reserves. The growing district is then able to recoup the costs for the new students in the following budget year by use of a cash reserve levy equal to the formula amount the district spent in the previous budget for the new students.

The fund balance of the District's Capital Projects Fund decreased by \$20,438,652 during the past fiscal year. A key factor in this decrease is due to the increase in capital facility construction costs paid during the year as part of the prior year bond issue.

The fund balance of the District's Debt Service Fund increased by \$1,039,353 during the past fiscal year. A key factor in this increase is due to the decrease in long-term debt principal and interest paid during the year. The Debt Service Fund is required to maintain a debt sinking reserve account balance of \$2,489,475. During the fiscal year, the Capital Projects Fund transferred statewide sales, services and use tax to replenish the reserve account that was used in the previous period to finance debt service payments.

### **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on page 61.

### **LEGAL BUDGETARY HIGHLIGHTS**

The District's total actual revenues were \$2,275,917 less than the total budgeted revenues, a variance of 3.04%. The most significant change resulted in the District receiving less in state sources than originally anticipated.

Total expenditures were more than budgeted due primarily to the District's budget for the Capital Projects Fund, due to the timing and schedule changes in construction contract payments.

The certified budget was exceeded in the non-instructional programs and other expenditures functions due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

Southeast Polk Community School District

Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2010

**CAPITAL ASSETS ADMINISTRATION**

The District's invested in capital assets for its governmental and business type activities as of June 30, 2010, amounts to \$128,045,811 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment.

**Table 4  
Capital Assets as of June 30, 2010 (Net of Depreciation)**

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 1,887,306	\$ 1,887,306	\$ -	\$ -	\$ 1,887,306	\$ 1,887,306	0.00%
Construction in progress	17,445,472	50,497,057	-	-	17,445,472	50,497,057	-65.45%
Land improvements	3,333,894	3,292,693	-	-	3,333,894	3,292,693	1.25%
Buildings and improvements	98,753,252	49,619,342	-	-	98,753,252	49,619,342	99.02%
Machinery and equipment	4,952,532	4,175,587	1,673,355	1,380,673	6,625,887	5,556,260	19.25%
<b>Totals</b>	<b>\$ 126,372,456</b>	<b>\$ 109,471,985</b>	<b>\$ 1,673,355</b>	<b>\$ 1,380,673</b>	<b>\$ 128,045,811</b>	<b>\$ 110,852,658</b>	<b>15.51%</b>

During the year the District used bond financing received in the prior year to construct the New Senior High School, New Junior High School and Willowbrook Elementary renovation projects. In addition, the buildings and building improvements increased due to completion of the New Senior High School which were completed and capitalized during the year. The District purchased new kitchen equipment as part of the renovations which are included in the business type activities shown as capital contributions mainly funded by statewide sales, services and use tax.

Detailed information regarding capital assets activity can be found in Note 5 of the notes to the basic financial statements.

**LONG-TERM DEBT ADMINISTRATION**

At the end of June 30, 2010, the District had total long-term debt of \$87,274,803, a decrease of \$975,779 from the prior fiscal year. Of this amount, \$3,338,184 is due within one year. Detailed information regarding the District's long-term debt can be found in Note 7 of the notes to the basic financial statements.

During the fiscal year ended June 30, 2010, the District issued capital loan notes of \$250,128 for the sanitary sewer extension project.

Southeast Polk Community School District

Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2010

**Table 5  
Outstanding Long-Term Obligations**

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
G.O. bonds	\$ 53,520,000	\$ 55,520,000	\$ -	\$ -	\$ 53,520,000	\$ 55,520,000	-3.60%
Revenue bonds	30,000,000	30,000,000	-	-	30,000,000	30,000,000	0.00%
Capital loan notes	1,531,685	1,701,924	-	-	1,531,685	1,701,924	-10.00%
Early retirement	1,172,194	456,658	-	-	1,172,194	456,658	156.69%
Net OPEB liability	1,018,135	554,150	32,789	17,850	1,050,924	572,000	83.73%
<b>Totals</b>	<b>\$ 87,242,014</b>	<b>\$ 88,232,732</b>	<b>\$ 32,789</b>	<b>\$ 17,850</b>	<b>\$ 87,274,803</b>	<b>\$ 88,250,582</b>	<b>-1.11%</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District is located in the central part of the state, within the larger Des Moines metropolitan area and ranks as one of the top growth areas of the country.

The State of Iowa had faced an economic downturn in FY 2002-03, FY 2003-04 and FY 2004-05 that had severely hampered its ability to fund schools at the same level in prior years. However this situation was exacerbated when the Iowa legislature consistently and persistently gave tax breaks to special interest groups starting in FY 1996. These breaks also include an income tax break that actually came out of state reserves in FY 1996 and is now an ongoing tax break for the citizens of Iowa. To date none of the tax breaks have been rescinded and still continue.

As popular as these breaks may be with the legislators, the wisdom of simply giving breaks to particular industries or special interest groups in hopes of improving economic development in this state are dubious at best. A federal study has already concluded that tax breaks simply do not sustain themselves in terms of increased economic activity that is supposed to increase tax revenue to the government that granted the break in the first place!

The State of Iowa in FY 2005-06, FY 2006-07, FY 2007-08, FY 2008-09 and FY 2009-10 had seen a modest upturn in economic activity. The district has received a 4% increase in the state's cost per pupil for its General Fund formula for the current FY 2010-11. This increase made it much easier to fund school district activities however the budget is still going to be stretched in order to execute all programs in the budget for the FY 2010-11 school year.

The result of Iowa Legislature's tax breaks has been two-fold. First, it has had the effect of artificially reducing the rate of growth in state revenues to schools. The second effect has been the State's inability to properly fund education over the past 12 years.

Iowa's K-12 schools have suffered with the lowest increases in the State's recent history as evidenced by the following increases in state aid for the following years:

- FY 2003-04 – 2%
- FY 2004-05 – 2%
- FY 2005-06 – 4%
- FY 2006-07 – 4%
- FY 2007-08 – 4%
- FY 2008-09 – 4%
- FY 2009-10 – 4%\*

\* State aid mid-year budget cut resulted in a net decrease of 10%.

**Southeast Polk Community School District**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2010**

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The above state aid increases have caused growing districts like ours to operate in basically a deficit mode. Settlements with our labor unions have averaged over 4.7%. The state aid increases for the years FY 2003-04 to FY 2004-05 have been devastating to General Fund reserves. As a result of the above increases compared to our labor cost increases, the district's solvency ratio has taken a dramatic turn for the worse. At the end of FY 2003 the district's solvency ratio was 0.12%. As of the end of FY 2010 the solvency ratio for the district was -18.19.

The district is now making a concerted effort to improve our unreserved fund balance through the use of a cash reserve levy designed to backfill the allowable growth dollars and develop reserves to increase our ability to cash flow the General Fund during the summer months when there are no property tax or state aid payments. Additionally, the district is going to use state wide sales tax dollars to partially pay for the district's general obligation debt service costs. By doing this the district is able to levy cash reserves for the General Fund instead of the Debt Service Fund without raising the property tax rate.

An additional fact needs to be emphasized in order to fully understand the situation that school districts have had to deal with these past ten years. The average state aid increase for the years listed above was 3.0%. The six year average percent increase for tax cuts given from FY 96 to FY 02 was 42.7% and totaled 3.7 billion dollars. These excessive cuts occurred just before the economy took a bad turn during the FY 2002-03 budget year. By giving away these massive amounts of dollars to special interests, the State of Iowa essentially left itself totally unprepared for the economic downturn that followed and thus forced school districts to unnecessarily endure a financial crisis of the Iowa State Legislature's own making.

The district is going to face a great challenge this upcoming budget year. Last year's budget and the current budget have been partially funded with ARRA dollars used to backfill state aid payments that the state could not make last year and for this budget year as well. The challenge for the State of Iowa and all state agencies to include schools is how to fund next year's budget. Many state agencies have currently had to adapt to a 10% across the board cut ordered by the governor. Schools were spared real damage due to federal funds received to make up state revenues. These federal dollars will be gone next year. The state has to decide what level of funding it will provide for schools and other agencies next year.

The outlook does not look good even though Iowa's economy is starting to improve. If state aid is reduced from this year's level or not allowed to grow, then even a growing district such as ours will have to look at reduction in services. Next year will be a real challenge for education in this state as well as across the nation.

## **REQUESTS FOR INFORMATION**

These financial Statements and discussions are designed to provide our students, citizens, taxpayers, investors and creditors with a complete disclosure of the District's finances and to demonstrate a high degree of accountability for the public dollars entrusted to us. If you have questions about this report or need additional information, please write Mr. Robert M. Hamilton, Board Secretary/Business Manager, Southeast Polk Community School District, 8379 N.E. University, Pleasant Hill, Iowa, 50327.

## **BASIC FINANCIAL STATEMENTS**

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**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS**

JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 6,084,096	738,218	6,822,314
Receivables:			
Property tax:			
Delinquent	204,470	-	204,470
Succeeding year	24,419,367	-	24,419,367
Income surtax	1,369,779	-	1,369,779
Interfund	140,235	(140,235)	-
Accounts	173,281	27,693	200,974
Note	261,667	-	261,667
Due from other governments	2,620,249	-	2,620,249
Inventories	-	55,082	55,082
Prepaid item	490	66	556
Capital assets not being depreciated:			
Land	1,887,306	-	1,887,306
Construction in progress	17,445,472	-	17,445,472
Capital assets net of accumulated depreciation:			
Buildings	98,753,252	-	98,753,252
Land improvements	3,333,894	-	3,333,894
Machinery and equipment	4,952,532	1,673,355	6,625,887
<b>TOTAL ASSETS</b>	<b>161,646,090</b>	<b>2,354,179</b>	<b>164,000,269</b>
<b>LIABILITIES</b>			
Accounts payable	2,935,238	12,097	2,947,335
Salaries and benefits payable	5,644,624	37,535	5,682,159
Retainage payable	1,552,141	-	1,552,141
Incurred but not reported claims	603,082	-	603,082
Accrued interest payable	736,436	-	736,436
Unearned revenue:			
Succeeding year property tax	24,419,367	-	24,419,367
Other	65,778	41,479	107,257
Long-term liabilities:			
Portion due within one year:			
G.O. bonds payable	2,060,000	-	2,060,000
Revenue bonds payable	500,000	-	500,000
Capital loan note payable	324,289	-	324,289
Early retirement payable	453,895	-	453,895
Portion due after one year:			
G.O. bonds payable	51,460,000	-	51,460,000
Revenue bonds payable	29,500,000	-	29,500,000
Capital loan note payable	1,207,396	-	1,207,396
Early retirement payable	718,299	-	718,299
Net OPEB liability	1,018,135	32,789	1,050,924
<b>TOTAL LIABILITIES</b>	<b>123,198,680</b>	<b>123,900</b>	<b>123,322,580</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	41,320,771	1,673,355	42,994,126
Restricted for:			
Debt service	2,546,215	-	2,546,215
State restricted categorical funds(Note 17)	926,860	-	926,860
Physical plant and equipment levy	822,187	-	822,187
Student activities	306,874	-	306,874
Unrestricted	(7,475,497)	556,924	(6,918,573)
<b>TOTAL NET ASSETS</b>	<b>\$ 38,447,410</b>	<b>2,230,279</b>	<b>40,677,689</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2010**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
<b>Functions/Programs:</b>							
<b>Governmental activities:</b>							
<b>Instruction:</b>							
Regular	\$ 24,173,927	1,696,954	6,944,047	-	(15,532,926)	-	(15,532,926)
Special	9,640,543	732,674	1,936,831	-	(6,971,038)	-	(6,971,038)
Other	5,548,355	885,867	589,043	-	(4,073,445)	-	(4,073,445)
	<u>39,362,825</u>	<u>3,315,495</u>	<u>9,469,921</u>	<u>-</u>	<u>(26,577,409)</u>	<u>-</u>	<u>(26,577,409)</u>
<b>Support services:</b>							
Student	2,974,389	-	-	-	(2,974,389)	-	(2,974,389)
Instructional staff	2,537,661	-	-	-	(2,537,661)	-	(2,537,661)
Administration	8,303,669	-	-	-	(8,303,669)	-	(8,303,669)
Operation and maintenance of plant	5,925,509	-	-	95,000	(5,830,509)	-	(5,830,509)
Transportation	2,955,230	54,549	54,909	-	(2,845,772)	-	(2,845,772)
	<u>22,696,458</u>	<u>54,549</u>	<u>54,909</u>	<u>95,000</u>	<u>(22,492,000)</u>	<u>-</u>	<u>(22,492,000)</u>
<b>Non-instructional programs:</b>							
Food service operations	974	-	-	-	(974)	-	(974)
Community service operations	1,755	-	-	-	(1,755)	-	(1,755)
	<u>2,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,729)</u>	<u>-</u>	<u>(2,729)</u>
<b>Other expenses:</b>							
Long-term debt interest	4,158,136	-	-	-	(4,158,136)	-	(4,158,136)
AEA flowthrough	2,296,973	-	2,296,973	-	-	-	-
Depreciation(unallocated)*	2,600,819	-	-	-	(2,600,819)	-	(2,600,819)
	<u>9,055,928</u>	<u>-</u>	<u>2,296,973</u>	<u>-</u>	<u>(6,758,955)</u>	<u>-</u>	<u>(6,758,955)</u>
<b>Total governmental activities</b>	<b>71,117,940</b>	<b>3,370,044</b>	<b>11,821,803</b>	<b>95,000</b>	<b>(55,831,093)</b>	<b>-</b>	<b>(55,831,093)</b>
<b>Business type activities:</b>							
<b>Instruction:</b>							
Regular	1,136	-	-	-	-	(1,136)	(1,136)
Other	295,479	331,276	-	-	-	35,797	35,797
	<u>296,615</u>	<u>331,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,661</u>	<u>34,661</u>
<b>Support services:</b>							
Instructional staff	6,640	-	-	-	-	(6,640)	(6,640)
Administration	1,305	-	-	-	-	(1,305)	(1,305)
Operation and maintenance of plant	2,602	-	-	-	-	(2,602)	(2,602)
	<u>10,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,547)</u>	<u>(10,547)</u>
<b>Non-instructional programs:</b>							
Food service operations	3,263,127	2,045,530	1,093,392	-	-	(124,205)	(124,205)
Community service operations	20,518	39,428	-	-	-	18,910	18,910
	<u>3,283,645</u>	<u>2,084,958</u>	<u>1,093,392</u>	<u>-</u>	<u>-</u>	<u>(105,295)</u>	<u>(105,295)</u>
<b>Total business type activities</b>	<b>3,590,807</b>	<b>2,416,234</b>	<b>1,093,392</b>	<b>-</b>	<b>-</b>	<b>(81,181)</b>	<b>(81,181)</b>
<b>Total</b>	<b>\$ 74,708,747</b>	<b>5,786,278</b>	<b>12,915,195</b>	<b>95,000</b>	<b>(55,831,093)</b>	<b>(81,181)</b>	<b>(55,912,274)</b>
<b>General Revenues and Transfers:</b>							
<b>General Revenues</b>							
<b>Property tax levied for:</b>							
General purposes					\$ 18,992,963	-	18,992,963
Debt service					3,065,886	-	3,065,886
Capital outlay					1,369,585	-	1,369,585
Income surtax					1,508,147	-	1,508,147
Statewide sales and services tax					4,813,593	-	4,813,593
Unrestricted state grants					22,969,544	-	22,969,544
Unrestricted investment earnings					46,977	1,547	48,524
Other general revenues					1,181,815	-	1,181,815
Transfers					(480,718)	480,718	-
<b>Total general revenues and transfers</b>					<u>53,467,792</u>	<u>482,265</u>	<u>53,950,057</u>
<b>Changes in net assets</b>					<u>(2,363,301)</u>	<u>401,084</u>	<u>(1,962,217)</u>
<b>Net assets beginning of year</b>					<u>40,810,711</u>	<u>1,829,195</u>	<u>42,639,906</u>
<b>Net assets end of year</b>					<u>\$ 38,447,410</u>	<u>2,230,279</u>	<u>40,677,689</u>

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

**SEE NOTES TO BASIC FINANCIAL STATEMENTS.**

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**JUNE 30, 2010**

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 25,938	87,996	2,517,824	1,097,333	3,729,091
Receivables:					
Property tax					
Delinquent	148,012	-	32,589	23,869	204,470
Succeeding year	19,942,420	-	1,392,832	3,084,115	24,419,367
Income surtax	1,369,779	-	-	-	1,369,779
Interfund	678,235	5,121,788	-	-	5,800,023
Accounts	81,046	55,461	-	11,625	148,132
Note	-	-	-	261,667	261,667
Due from other governments	1,823,151	797,098	-	-	2,620,249
Prepaid item	432	-	-	58	490
<b>TOTAL ASSETS</b>	<b>\$ 24,069,013</b>	<b>6,062,343</b>	<b>3,943,245</b>	<b>4,478,667</b>	<b>38,553,268</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Interfund payable	\$ 5,617,590	-	4,198	-	5,621,788
Accounts payable	860,168	1,995,377	-	73,218	2,928,763
Salaries and benefits payable	5,638,109	5,478	-	1,037	5,644,624
Retainage payable	-	1,552,141	-	-	1,552,141
Deferred revenue:					
Succeeding year property tax	19,942,420	-	1,392,832	3,084,115	24,419,367
Income surtax	1,369,779	-	-	-	1,369,779
Other	52,756	-	-	13,022	65,778
<b>Total liabilities</b>	<b>33,480,822</b>	<b>3,552,996</b>	<b>1,397,030</b>	<b>3,171,392</b>	<b>41,602,240</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Debt service	-	-	2,546,215	-	2,546,215
State restricted categorical funds(Note 17)	926,860	-	-	-	926,860
Unreserved	(10,338,669)	2,509,347	-	1,307,275	(6,522,047)
<b>Total fund balances</b>	<b>(9,411,809)</b>	<b>2,509,347</b>	<b>2,546,215</b>	<b>1,307,275</b>	<b>(3,048,972)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 24,069,013</b>	<b>6,062,343</b>	<b>3,943,245</b>	<b>4,478,667</b>	<b>38,553,268</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK 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 29)	\$ (3,048,972)
<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 in the governmental funds.	126,372,456
Blending of the Internal Service Funds to be reflected at an entity-wide basis.	1,732,597
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(736,436)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	1,369,779
Long-term liabilities, including bonds payable, capital loan notes payable, early retirement payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(87,242,014)</u>
Net assets of governmental activities(page 27)	<u>\$ 38,447,410</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**YEAR ENDED JUNE 30, 2010**

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>REVENUES:</b>					
<b>Local sources:</b>					
Local tax	\$ 19,326,898	4,813,593	3,065,886	2,431,811	29,638,188
Tuition	2,255,682	-	-	-	2,255,682
Other	896,121	757,855	3,114	1,249,310	2,906,400
Intermediate sources	46,913	-	-	-	46,913
State appropriations	28,952,008	-	1,145	947	28,954,100
Federal appropriations	5,301,118	-	-	342	5,301,460
<b>Total revenues</b>	<b>56,778,740</b>	<b>5,571,448</b>	<b>3,070,145</b>	<b>3,682,410</b>	<b>69,102,743</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	23,940,594	4,736	-	504	23,945,834
Special	9,799,030	-	-	4,666	9,803,696
Other	4,367,632	-	-	1,081,274	5,448,906
	<b>38,107,256</b>	<b>4,736</b>	<b>-</b>	<b>1,086,444</b>	<b>39,198,436</b>
<b>Support services:</b>					
Student	2,777,389	241,419	-	6,427	3,025,235
Instructional staff	1,834,990	432,746	-	220	2,267,956
Administration	6,593,053	110,419	17,825	1,559,176	8,280,473
Operation and maintenance of plant	4,888,660	87,536	-	287,909	5,264,105
Transportation	2,576,881	-	-	310,457	2,887,338
	<b>18,670,973</b>	<b>872,120</b>	<b>17,825</b>	<b>2,164,189</b>	<b>21,725,107</b>
<b>Non-instructional programs:</b>					
Food service operations	-	-	-	974	974
Community service operations	-	-	-	1,652	1,652
	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,626</b>	<b>2,626</b>
<b>Other expenditures:</b>					
Capital outlay	-	21,022,921	-	326,829	21,349,750
<b>Debt service:</b>					
Principal	-	-	2,420,367	-	2,420,367
Interest and fiscal charges	-	-	4,053,299	-	4,053,299
AEA flowthrough	2,296,973	-	-	-	2,296,973
	<b>2,296,973</b>	<b>21,022,921</b>	<b>6,473,666</b>	<b>326,829</b>	<b>30,120,389</b>
<b>Total expenditures</b>	<b>59,075,202</b>	<b>21,899,777</b>	<b>6,491,491</b>	<b>3,580,088</b>	<b>91,046,558</b>
<b>Excess(deficiency) of revenues over(under) expenditures</b>	<b>(2,296,462)</b>	<b>(16,328,329)</b>	<b>(3,421,346)</b>	<b>102,322</b>	<b>(21,943,815)</b>
<b>OTHER FINANCING SOURCES(USES):</b>					
Issuance of capital loan notes	-	250,128	-	-	250,128
Transfers in	26,737	4,198	4,464,897	-	4,495,832
Transfers out	(17,590)	(4,364,649)	(4,198)	(108,760)	(4,495,197)
Proceeds from sale of capital assets	22,415	-	-	-	22,415
<b>Total other financing source(uses)</b>	<b>31,562</b>	<b>(4,110,323)</b>	<b>4,460,699</b>	<b>(108,760)</b>	<b>273,178</b>
<b>Net change in fund balances</b>	<b>(2,264,900)</b>	<b>(20,438,652)</b>	<b>1,039,353</b>	<b>(6,438)</b>	<b>(21,670,637)</b>
<b>FUND BALANCES BEGINNING OF YEAR</b>	<b>(7,146,909)</b>	<b>22,947,999</b>	<b>1,506,862</b>	<b>1,313,713</b>	<b>18,621,665</b>
<b>FUND BALANCES END OF YEAR</b>	<b>\$ (9,411,809)</b>	<b>2,509,347</b>	<b>2,546,215</b>	<b>1,307,275</b>	<b>(3,048,972)</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2010**

**Net change in fund balances - total governmental funds(page 31) \$ (21,670,637)**

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

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

Capital outlay	\$ 20,598,398	
Depreciation expense	(3,696,140)	
Loss on disposal of capital assets	<u>(1,787)</u>	16,900,471

**Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 1,408,998**

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

Issued	(250,128)	
Repaid	<u>2,420,367</u>	2,170,239

**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. (104,837)**

**Income surtax account receivable is not available to finance expenditures of the current period in the governmental funds. 111,986**

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

Early retirement	(715,536)	
Other postemployment benefits	<u>(463,985)</u>	(1,179,521)

**Changes in net assets of governmental activities(page 28) \$ (2,363,301)**

**SEE NOTES TO BASIC FINANCIAL STATEMENTS.**

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

**JUNE 30, 2010**

	<b>Business Type Activities: Enterprise Funds</b>	<b>Governmental Activities: Internal Service Funds</b>
<b><u>ASSETS</u></b>		
<b>Current assets:</b>		
Cash and pooled investments	\$ 738,218	2,355,005
Interfund receivable	-	500,000
Accounts receivable	27,693	25,149
Inventories	55,082	-
Prepaid items	66	-
Total current assets	821,059	2,880,154
<b>Non-current assets:</b>		
<b>Capital assets:</b>		
Machinery and equipment, net of accumulated depreciation	1,673,355	-
Total non-current assets	1,673,355	-
<b>TOTAL ASSETS</b>	<b>2,494,414</b>	<b>2,880,154</b>
<b><u>LIABILITIES</u></b>		
<b>Current liabilities:</b>		
Interfund payable	140,235	538,000
Accounts payable	12,097	6,475
Salaries and benefits payable	37,535	-
Incurred but not reported claims	-	603,082
Deferred revenues	2,351	-
Unearned revenues	39,128	-
Total current liabilities	231,346	1,147,557
<b>Long-term liabilities:</b>		
Net OPEB liability	32,789	-
Total long-term liabilities	32,789	-
<b>TOTAL LIABILITIES</b>	<b>264,135</b>	<b>1,147,557</b>
<b><u>NET ASSETS</u></b>		
Invested in capital assets	1,673,355	-
Unrestricted	556,924	1,732,597
Total net assets	\$ 2,230,279	1,732,597

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS**

**YEAR ENDED JUNE 30, 2010**

	<u>Business Type Activities: Enterprise Funds</u>	<u>Governmental Activities: Internal Service Funds</u>
<b>OPERATING REVENUE:</b>		
<b>Local sources:</b>		
Charges for service	\$ 2,416,234	7,411,512
<b>OPERATING EXPENSES:</b>		
<b>Instruction:</b>		
Regular	1,136	-
Other	295,479	-
	<u>296,615</u>	<u>-</u>
<b>Support services:</b>		
Instructional staff	6,640	-
Administration	1,305	6,009,119
Operation and maintenance of plant:	2,602	-
	<u>10,547</u>	<u>6,009,119</u>
<b>Non-instructional programs:</b>		
Food service operations	3,263,127	-
Community service operations:	20,518	-
	<u>3,283,645</u>	<u>-</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><b>3,590,807</b></u>	<u><b>6,009,119</b></u>
<b>OPERATING INCOME(LOSS)</b>	<u><b>(1,174,573)</b></u>	<u><b>1,402,393</b></u>
<b>NON-OPERATING REVENUES:</b>		
State sources	26,331	-
Federal sources	1,067,061	-
Interest income	1,547	6,605
<b>TOTAL NON-OPERATING REVENUES</b>	<u><b>1,094,939</b></u>	<u><b>6,605</b></u>
<b>Income(loss) before capital contributions and transfers</b>	<b>(79,634)</b>	<b>1,408,998</b>
<b>Capital contributions</b>	<b>481,353</b>	<b>-</b>
<b>Transfers out</b>	<b>(635)</b>	<b>-</b>
	<u><b>401,084</b></u>	<u><b>1,408,998</b></u>
<b>Changes in net assets</b>	<b>401,084</b>	<b>1,408,998</b>
<b>Net assets beginning of year</b>	<u><b>1,829,195</b></u>	<u><b>323,599</b></u>
<b>Net assets end of year</b>	<u><u><b>\$ 2,230,279</b></u></u>	<u><u><b>1,732,597</b></u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**YEAR ENDED JUNE 30, 2010**

	<b>Business Type Activities Enterprise Funds</b>	<b>Governmental Activities: Internal Service Fund</b>
<b>Cash flows from operating activities:</b>		
Cash received from sale of lunches and breakfasts	\$ 2,020,481	-
Cash received from miscellaneous operating activities	388,380	7,784,395
Cash payments to employees for services	(1,407,277)	(5,535,274)
Cash payments to suppliers for goods or services	(1,861,236)	(625,766)
Net cash provided by(used in) operating activities	<u>(859,652)</u>	<u>1,623,355</u>
<b>Cash flows from non-capital financing activities:</b>		
State grants received	26,331	-
Federal grants received	889,922	-
Transfer out	(635)	-
Interfund loan borrowings(repaysments)	(9,765)	35,461
Net cash provided by non-capital financing activities	<u>905,853</u>	<u>35,461</u>
<b>Cash flows from capital financing activities:</b>		
Acquisition of capital assets	(11,812)	-
Net cash used in capital financing activities	<u>(11,812)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>		
Interest on investment	1,547	6,605
Net cash provided by investing activities	<u>1,547</u>	<u>6,605</u>
Net increase in cash and cash equivalents	35,936	1,665,421
Cash and cash equivalents at beginning of year	<u>702,282</u>	<u>689,584</u>
Cash and cash equivalents at end of year	<u>\$ 738,218</u>	<u>2,355,005</u>

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**YEAR ENDED JUNE 30, 2010**

	<b>Business Type Activities Enterprise Funds</b>	<b>Governmental Activities: Internal Service Fund</b>
<b>Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:</b>		
Operating income(loss)	\$ (1,174,573)	1,402,393
<b>Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:</b>		
Commodities consumed	177,139	-
Depreciation	200,483	-
Decrease in inventories	11,744	-
Increase in prepaid items	(66)	-
(Increase)Decrease in accounts receivable	(11,706)	372,883
Decrease in incurred but not reported claims	-	(149,280)
Increase(Decrease) in accounts payable	4,516	(2,641)
Decrease in salaries and benefits payable	(86,527)	-
Increase in deferred revenue	2,351	-
Increase in unearned revenue	2,048	-
Increase in post employment benefits payable	14,939	-
<b>Net cash provided by(used in) operating activities</b>	<b>\$ (859,652)</b>	<b>1,623,355</b>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS AT  
YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED  
BALANCE SHEET:**

**Current assets:**

Cash and investments	\$ 738,218	2,355,005
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**NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:**

**During the year ended June 30, 2010, the District received Federal commodities valued at \$177,139.**

**During the year ended June 30, 2010, the District received capital contributions valued at \$481,353 from the Capital Projects Fund.**

**SEE NOTES TO BASIC FINANCIAL STATEMENTS.**

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

**JUNE 30, 2010**

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>ASSETS</b>		
Cash and pooled investments	\$ 546,229	238,878
Total assets	<u>546,229</u>	<u>238,878</u>
<b>LIABILITIES</b>		
Accounts payable	-	2,730
Due to other groups	-	236,148
Total liabilities	<u>-</u>	<u>238,878</u>
<b>NET ASSETS</b>		
Reserved for scholarships	<u>\$ 546,229</u>	<u>-</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**

**YEAR ENDED JUNE 30, 2010**

	<b>Private Purpose Trust Scholarship</b>
<b>Additions:</b>	
<b>Local sources:</b>	
Gifts and contributions	\$ 30,968
Unrealized gain on investments	15,278
Interest income	10,020
<b>Total additions</b>	<b>56,266</b>
<b>Deductions:</b>	
<b>Instruction:</b>	
<b>Regular instruction:</b>	
Scholarships awarded	28,905
Supplies	2,362
<b>Total deductions</b>	<b>31,267</b>
<b>Change in net assets</b>	<b>24,999</b>
<b>Net assets beginning of year</b>	<b>521,230</b>
<b>Net assets end of year</b>	<b>\$ 546,229</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2010

**Note 1. Summary of Significant Accounting Policies**

The Southeast Polk 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 Cities of Altoona, Mitchellville and Runnells, Iowa, and the predominate agricultural territory in Polk, Jasper and Marion 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 Polk 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 Polk 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Polk, Jasper and Marion 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. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for statewide sales and services tax and capital improvements.

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

The District reports the following nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund, School Store Fund, Community Service Fund, and the Internal Service Fund. The School Nutrition Fund is a nonmajor fund used to account for the food service operations of the District. The School Store Fund is a nonmajor fund used to account for the resale service operations of the District. The Community Service Fund is a nonmajor fund used to account for the community service operations of the District. The Internal Service Funds are used to account for the self-funded health insurance plan, flex benefit plan and self-funded dental insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and Statement of Activities. This chargeback is based by a percentage of total employees by the participants' various functional areas.

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

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

The Agency Fund is used to account for assets held by the District as an agent for individuals and private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations. The Agency Funds consist of Booster Clubs, PTG parent organizations and a Clothes Hanger organization. The District maintains the financial statements and accounts for these groups.

### **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The government-wide, proprietary and fiduciary (Private Purpose Trust Fund) fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The other fiduciary fund, Agency Fund, has no measurement focus. 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 funds that are enterprise funds 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 principle ongoing operations. The principle operating revenues of the District's enterprise fund 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. CASH, POOLED INVESTMENTS AND CASH EQUIVILENTS**

The cash balance 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 purpose 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.

#### **E. PROPERTY TAXES**

Property taxes in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied. The lien date is the day after the due date.

Property tax revenue recognized in these funds becomes 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.

#### **F. INVENTORIES**

General Fund inventories are valued at cost using the first-in and first-out method. The inventories consist of supplies, and are recorded as expenditures when consumed rather than when purchased.

The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

#### **G. PREPAID ITEM**

The District prepaid items from the General Fund, Special Revenue, Student Activity Fund and Enterprise, Community Service Fund. The District accounts for the prepaid items by using the purchases method. Items prepaid include registration fees, book fees, planner fees, drivers education fees, camp fees and other fees collected for the next fiscal year.

#### **H. 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.

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

Land and construction in progress are not depreciated. Buildings, land improvements, intangibles, and machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

<b>Asset Class</b>	<b>Estimated Useful Lives (In Years)</b>
Buildings	50
Land improvements	20-50
Intangibles	5-10
Machinery and equipment	5-15

#### **I. SALARIES AND BENEFITS PAYABLE**

Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2010, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2010.

#### **J. RETAINAGE PAYABLE**

Contracts for construction retainage have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2010. The New High School Building was occupied by the District and had been completed and capitalized prior to June 30, 2010.

#### **K. DEFERRED REVENUE**

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

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

#### **I. 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.

## **M. LONG-TERM OBLIGATIONS**

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.

## **N. FUND BALANCE**

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.

## **O. 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.

Net assets restricted through enabling legislation consists of \$2,546,215 for debt service, \$926,860 for state restricted categorical funding and Special Revenue Funds of \$422,561 (of which \$822,187 less outstanding capital loan notes of \$706,500 totaling \$115,687 is for physical plant and equipment levy and \$306,874 is for student activity).

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

## **Note 2. Budgets and Budgetary Accounting**

In accordance with the Code of Iowa, the District's Board of Education annually adopts a single district wide budget and approves the related appropriations following required public notice and hearing for all funds, except internal service and agency funds. The budgets and related appropriations as well as the financial statements are prepared on the modified accrual basis or accrual basis of accounting. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

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

The Board of Education follows these procedures in establishing budgetary data reflected in the financial statements:

- 1. In accordance with the Statutes of the State of Iowa, prior to March 15, the Board Secretary submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures or expenses and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding years. This budget is submitted in summary form, with an administrative control. The legal level of control for the detailed budget is at the functional area level.**
- 2. Public hearings are required to be conducted to obtain taxpayer comment.**
- 3. Prior to April 15, the budget is legally enacted through certification from the County Auditor.**

4. Management is authorized to transfer budgeted amounts between departments within any functional area; however, any revisions that alter the total expenditures or expenses of any functional area must be approved by the Board of Education.
5. The Board of Education may amend the budget during the year by holding public hearings and certifying the amendment with the County Auditor. During the year ended June 30, 2010, the instruction, support services and other expenditures functional area expenditures were amended for an increase and decrease of 4.92%, 23.17% and -31.66%, respectively, to the originally approved budgets.
6. Appropriations lapse at the end of each fiscal year.
7. The budget cannot be amended without the approval of the Board of Education.
8. Unexpended budgetary balance lapse at June 30 and are not available to finance expenditures or expenses of the following year.

**Note 3. Deposits and Pooled Investments**

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit and other evidence of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; 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.

As of June 30, 2010, the carrying amount of the District's bank deposits and pooled investments totaled \$7,607,421 with bank balances of \$8,586,507. These amounts are included in the cash and pooled investments on the combined balance sheet. Of the bank balance, \$400,000 was covered by federal depository insurance and \$8,186,507 was collateralized by securities held by the pledging financial institution or its agent but not in the District's name.

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

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 2,873,138</u>

At June 30, 2010, the District had investments in the IPASeducation as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 932,941</u>

At June 30, 2010, the District had investments at Edward Jones as follows:

Investment Type	Fair Value	Maturity
<b>Edward Jones</b>		
Cash and Money Market	\$ 58	N/A
Corporate Bonds	63,925	varies
Stock	6,700	varies
Mutual Funds	<u>102,473</u>	varies
	<u>\$ 173,156</u>	

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There is no material difference from fair value. In addition, the fair value of the District's financial position in the pool is the same as the value of the pool shares.

**Interest rate risk.** The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature with 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District and must also conform to any loan covenant investment maturity restrictions. The maturity of the District's position in an external investment pool is based on the average maturity of the pool's investments.

**Credit risk.** The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service. Iowa Schools Joint Investment Trust is sponsored by the Iowa Association of School Boards (IASB), governed by a representative board of trustees and served by a dedicated team of professionals. The board of trustees serves as the regulatory oversight of the pool. The investments in the IPASeducation are registered and not subject to rating. The District's policy relating to credit risk of investments is to have the majority of the District's bank deposits with an AAA/Aaa rated national banking company (by Standard & Poors and Moody's Investors Services). The investments at Edward Jones appear to be in violation of the District's investment policy. The rating on the investments in corporate bonds, stocks and mutual funds are unknown at this time. For more information, see comment IV-I-10 on pages 132.

**Custodial credit risk for deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk.

#### **Note 4. Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 4,338,312
Debt Service	General	17,590
Debt Service	Physical Plant and Equipment Levy	108,760
Debt Service	Enterprise - School Nutrition	235
General	Enterprise - School Nutrition	400

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Capital Projects	26,337
Capital Projects	Debt Service	4,198
Total		<u>\$ 4,495,832</u>

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

Capital Projects Fund transferred to the Debt Service Fund to pay revenue bonds and capital loan notes.

The General Fund transferred to the Debt Service Fund to pay interest on borrowed funds.

Physical Plant and Equipment Fund transferred to the Debt Service Fund to pay capital loan notes.

The Enterprise, School Nutrition Fund transferred to the Debt Service Fund to pay interest on borrowed funds.

The Enterprise, School Nutrition Fund transferred to the General Fund to pay for reimbursements as part of the team nutrition grant.

The Capital Project Fund transferred to the General Fund to pay for legal fees associated with the revenue bonds issued in the prior year.

The Debt Service Fund transferred to the Capital Projects Fund to pay interest on borrowed funds.

## Note 5. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 2,210,300	493,165	-	2,703,465
Less accumulated depreciation	829,627	200,483	-	1,030,110
Business type activities capital assets, net	<u>\$ 1,380,673</u>	<u>292,682</u>	<u>-</u>	<u>1,673,355</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,887,306	-	-	1,887,306
Construction in progress	50,497,057	18,394,936	51,446,521	17,445,472
<b>Total capital assets not being depreciated</b>	<b>52,384,363</b>	<b>18,394,936</b>	<b>51,446,521</b>	<b>19,332,778</b>
<b>Capital assets being depreciated:</b>				
Buildings	67,201,611	51,446,521	-	118,648,132
Land improvements	6,324,787	330,716	1,376	6,654,127
Machinery and equipment	12,830,111	1,872,746	2,643	14,700,214
<b>Total capital assets being depreciated</b>	<b>86,356,509</b>	<b>53,649,983</b>	<b>4,019</b>	<b>140,002,473</b>
<b>Less accumulated depreciation for:</b>				
Buildings	17,582,269	2,312,611	-	19,894,880
Land improvements	3,032,094	288,208	69	3,320,233
Machinery and equipment	8,654,524	1,095,321	2,163	9,747,682
<b>Total accumulated depreciation</b>	<b>29,268,887</b>	<b>3,696,140</b>	<b>2,232</b>	<b>32,962,795</b>
<b>Total capital assets being depreciated, net</b>	<b>57,087,622</b>	<b>49,953,843</b>	<b>1,787</b>	<b>107,039,678</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 109,471,985</b>	<b>68,348,779</b>	<b>51,448,308</b>	<b>126,372,456</b>

Depreciation expense was charged by the District as follows:

<b>Governmental activities:</b>	
<b>Instruction:</b>	
Regular	\$ 177,466
Special	3,882
Other	124,946
<b>Support services:</b>	
Student	11,646
Instructional staff	277,759
Administration	15,528
Operation and maintenance of plant	54,641
Transportation	429,453
	<u>1,095,321</u>
<b>Unallocated depreciation</b>	<b>2,600,819</b>
<b>Total governmental activities depreciation expense</b>	<b>\$ 3,696,140</b>
<b>Business type activities:</b>	
Food services	<u>\$ - - 200,483</u>

## **Note 6. Related Business Transactions**

**Business transactions between the District and District employees are detailed as follows:**

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Lori Wadell, Principal Spouse is employee with Grainger Inc.	Supplies/ maintenance	\$7,323
Jeri Sanborn, Counselor Spouse of Bruce Sanborn	Purchased Services	\$1,100
Jeri Sanborn, Counselor Mother of David Sanborn	Purchased Services	\$6,077
Chris English, Bus Driver Spouse is contractor with Air Con	Services	\$114,228
Cheryl Thomas, Nutrition Secretary Spouse owner of A-1 Completed Septic Tank	Purchased Services	\$3,525
Verna Bowie, District Office Mother of Jary Bowie	Security	\$105
Jason Gerth, Teacher Spouse of Krista Gerth	Uniform Alterations and Jewelry Fundraiser	\$6,862
Karole Turner, Sr High Secretary Mother of Chad Turner	Officiating	\$1,928

### Note 7. Long-Term Debt

A summary of changes in general long-term debt for the year ended June 30, 2010 during the year:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 55,520,000	-	2,000,000	53,520,000	2,060,000
Revenue bonds	30,000,000	-	-	30,000,000	500,000
Capital loan notes	1,701,924	250,128	420,367	1,531,685	324,289
Early retirement	456,658	1,406,319	690,783	1,172,194	453,895
Net OPEB liability	554,150	969,695	505,710	1,018,135	-
<b>Total</b>	<b>\$ 88,232,732</b>	<b>2,626,142</b>	<b>3,616,860</b>	<b>87,242,014</b>	<b>3,338,184</b>
	<u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>	<u>Within One Year</u>
<b>Business type activities:</b>					
Net OPEB liability	\$ 17,850	31,229	16,290	32,789	-

**Bonded Debt**

During the year ended June 30, 2006 the District issued General Obligation Bonds of \$47,500,000 for capital facility additions. During the year ended June 30, 2007 the District issued General Obligation Bonds of \$5,500,000 for capital facility additions. During the year ended June 30, 2008 the District issued General Obligation Bonds of \$7,000,000 for capital facility additions. Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated May 1, 2007			Issue dated May 1, 2006		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2011	4.25 %	\$ 100,000	214,767	4.00 %	\$ 1,845,000	1,831,912
2012	4.25	100,000	210,518	4.00	1,920,000	1,758,113
2013	4.25	100,000	206,267	4.00	2,000,000	1,681,312
2014	4.25	180,000	202,018	4.25	2,075,000	1,601,313
2015	4.25	185,000	194,367	4.50	2,170,000	1,513,125
2016-20	3.85-4.25	1,055,000	851,421	4.50	12,400,000	6,009,750
2021-25	4.00-4.10	1,295,000	623,530	4.50	15,440,000	2,958,525
2026-28	4.00	2,250,000	170,150	4.50	3,615,000	162,675
<b>Total</b>		<b>\$ 5,265,000</b>	<b>2,673,038</b>		<b>\$ 41,465,000</b>	<b>17,516,725</b>

Year Ending June 30,	Issue dated May 1, 2008			Total	
	Interest Rates	Principal	Interest	Principal	Interest
2011	5.25 %	\$ 115,000	287,265	\$ 2,060,000	2,333,944
2012	5.25	115,000	282,815	2,135,000	2,251,446
2013	5.25	120,000	279,192	2,220,000	2,166,771
2014	5.25	125,000	279,192	2,380,000	2,082,523
2015	5.25	190,000	275,293	2,545,000	1,982,785
2016-20	4.00-5.25	1,050,000	1,284,175	14,505,000	8,145,346
2021-25	4.00	1,275,000	1,067,875	18,010,000	4,649,930
2026-28	4.00	3,800,000	570,563	9,665,000	903,388
<b>Total</b>		<b>\$ 6,790,000</b>	<b>4,326,370</b>	<b>\$ 53,520,000</b>	<b>24,516,133</b>

**Revenue Bonds**

On April 1, 2009, the District issued \$30,000,000 in revenue bonds for capital facility construction. The revenue bonds will be repaid using Statewide Sales and Services Tax collected in the Capital Project Fund. Details of the District's June 30, 2010 revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated April 1, 2009		
	Interest Rates	Principal	Interest
2011	4.00 %	\$ 500,000	1,376,057
2012	4.00	1,125,000	1,356,056
2013	4.00	1,165,000	1,311,056
2014	4.00	1,210,000	1,264,456
2015	4.00	1,260,000	1,216,056
2016-20	4.00-5.00	7,095,000	5,255,781
2021-25	4.25-5.00	8,850,000	3,562,344
2026-29	5.00-5.25	8,795,000	1,158,588
<b>Total</b>		<b>\$ 30,000,000</b>	<b>16,500,394</b>

The District has pledged future statewide sales and services tax revenues to repay the \$30,000,000 bonds issued in April 2009. The statewide sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$46,500,394. For the current year, no principal and interest of \$1,605,399 was paid on the bonds and total statewide sales and services tax revenues were \$4,813,593.

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

- a) \$2,489,475 of the proceeds from the issuance of the revenue bonds shall be deposited into a Reserve Fund to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

#### Capital Loan Notes

Capital loan notes were issued in anticipation of future revenues and were issued for capital building and equipment purchases and cost of the Meacham Drive, including tunnel costs. The capital loan notes from the Chapter 28E Agreement approved February 21, 2008 were issued for the Meacham Drive construction and will be repaid using statewide sales, services and use tax collected in the Capital Projects Fund. The May 1, 2009 capital loan notes were issued for the purchase of the central place land and buildings from the Des Moines Water Works and will be repaid using statewide sales, services and use tax collected in the Capital Projects Fund. The capital loan notes issued from the Letter of Agreement with Polk County approved November 18, 2008 were issued to assist in financing the tunnel project and will be repaid using property tax collected in the Physical Plant and Equipment Levy Fund. The capital loan notes from the Sanitary Sewer Extension Agreement approved May 21, 2009 was issued for the sewer extension and will be repaid using

statewide sales, services and use tax collected in the Capital Projects Fund. Details of the District's June 30, 2010 capital loan notes bonded indebtedness are as follows:

Year Ending June 30,	Issue dated February 21, 2008			Issue dated May 1, 2009		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2011	11.57 %	\$ 97,781	12,797	3.00 %	\$ 125,000	7,500
2012	11.57	97,223	12,724	3.00	125,000	3,750
2013	11.57	99,044	12,962	-	-	-
2014	11.57	99,416	13,011	-	-	-
2015	11.57	-	-	-	-	-
2016-18		-	-	-	-	-
<b>Total</b>		<b>\$ 393,464</b>	<b>51,494</b>		<b>\$ 250,000</b>	<b>11,250</b>

Year Ending June 30,	Issue dated November 18, 2008			Issue dated May 21, 2009		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2011	0.00 %	\$ 78,500	-	4.00 %	\$ 23,008	7,269
2012	0.00	78,500	-	4.00	23,928	6,349
2013	0.00	78,500	-	4.00	24,885	5,391
2014	0.00	78,500	-	4.00	25,880	4,396
2015	0.00	78,500	-	4.00	26,916	3,361
2016-19	0.00	314,000	-	4.00	57,104	3,448
<b>Total</b>		<b>\$ 706,500</b>	<b>-</b>		<b>\$ 181,721</b>	<b>30,214</b>

Year Ending June 30,	Total	
	Principal	Interest
2010	\$ 324,289	27,566
2011	324,651	22,823
2012	202,429	18,353
2013	203,796	17,407
2014	105,416	3,361
2015-19	371,104	3,448
<b>Total</b>	<b>\$ 1,531,685</b>	<b>92,958</b>

The June 30, 2010 debt issued by the District did not exceed its legal debt margin computed as follows:

Total assessed valuation	<u>\$ 2,516,143,934</u>
Debt limit, 5% of total assessed valuation	\$ 125,807,197
Amount of debt applicable to debt limit, total general obligation bonded debt	<u>85,051,685</u>
Excess of debt limit over bonded debt outstanding, legal debt margin	<u>\$ 40,755,512</u>

### Early Retirement

The District offered a new voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty and employees must have completed three years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The District had previously adopted an early retirement policy during the year ended June 30, 1989. Employees aged 59 to 64 who have served the District at least fifteen years with the last ten years on a continuous basis, are eligible to elect early retirement.

The retirement benefit is based on current rates of pay (with negotiated increases for academic employees), and is payable in either a lump sum or three equal installments. The election must be made by June 30 to receive payment the following fiscal year.

The early retirement policy provides health insurance coverage for up to eight years or until the retired employee qualifies for Medicare. Under the previous policy, the District pays the same portion of the health insurance as was being paid the last year of employment under the new policy. Under another previous policy, the District paid premium increases until age 65. The District's payments for the benefits for the year ended June 30, 2010 was \$690,783 for retirement benefits and health insurance premiums. The early retirement program is funded through a property tax assessment. Early retirement incentives are paid out of the Special Revenue, Management Fund. The cost of early retirement payments expected to be liquidated currently are recorded as a liability in the Statement of Net Assets. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

### Note 8. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drugs and dental benefits for retirees and their spouses. There are 696 active and 53 retired members in the plan. Participants must be age 55 or older at retirement. The District does not have a separate, audited GAAP-basis postemployment benefit plan report.

The medical/prescription drug coverage is provided through a self-funded plan with stop-loss limits from First Administrators. The vision benefit is administered by First Administrators. The dental benefit is administered by Delta Dental of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug, vision and dental benefits as active employees, which results in an implicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the life insurance benefit.

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 that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 998,000
Interest on net OPEB obligation	25,740
Adjustment to annual required contribution	<u>(22,816)</u>
Annual OPEB cost	1,000,924
Contributions made	<u>(522,000)</u>
Increase in net OPEB obligation	478,924
Net OPEB obligation beginning of year	572,000
Net OPEB obligation end of year	<u><u>\$ 1,050,924</u></u>

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

For the year ended June 30, 2010, the District contributed \$24,000 to the medical plan. Plan members eligible for benefits contributed \$498,000, or 95.4% 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	\$ 1,000,924	95.0%	\$ 1,050,924

**Funded Status and Funding Progress** - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$8,272,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,272,000. The covered payroll (annual payroll of active employees covered by the plan) was \$34,006,006, and the ratio of the UAAL to covered payroll was 24.3%. As of June 30, 2010, there were no trust fund assets.

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, 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 the July 1, 2008 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced by .5% each year until an ultimate health care cost trend rate is reached in 2021 of 5.0%.

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

Projected claim costs of the medical plan are \$764.17 per month for retirees and spouses with assumed annual age 60. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 9. Interfund Receivable and Payable**

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

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General	Enterprise, School Nutrition	\$ 140,235
General	Internal Service: Self-Funded Health Insurance	538,000
Internal Service: Self-Funded Health Insurance	General	500,000
Capital Projects	General	5,117,590
Capital Projects	Debt Service	<u>4,198</u>
Total		<u>\$ 6,300,023</u>

Enterprise, School Nutrition Fund is repaying the General Fund for covering the deficit cash position at June 30, 2010.

Internal Service Fund, Self-funded Health Insurance is repaying the General Fund for covering the deficit cash position at June 30, 2010.

The General Fund is repaying the Internal Service Fund, Self-funded Health Insurance for covering the deficit cash position at June 30, 2010.

The General Fund is repaying the Capital Projects Fund for covering the deficit cash position at June 30, 2010

The Debt Service Fund is repaying the Capital Project Fund for interest on borrowed funds used to cover the deficit cash position during the year.

**Note 10. Risk Management**

The District has a self-funded health insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess \$85,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in any of the past three calendar plan years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The balance in the fund

was \$1,611,263 at June 30, 2010, the last date for which information is available. The incurred but not recorded and unpaid claims liability of \$603,082 reported in the plan at June 30, 2010, are reported as a liability of the fund. The entire liability is shown as a current liability since the plan is ended on June 30 and the balance of the liability will be paid within 90 days. There were no significant reductions in insurance coverage from the prior year.

The change in the incurred but not reported and unpaid claims liability for the year ended June 30, 2010 is as follows:

	<u>2010</u>	<u>2009</u>
Balance beginning of year	\$ 752,362	\$ 571,275
Incurred claims and claim adjustments	4,709,526	5,933,317
Payment of claims	<u>4,858,806</u>	<u>5,752,230</u>
Balance end of year	<u>\$ 603,082</u>	<u>\$ 752,362</u>

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

#### **Note 11. Pension and Retirement Benefits**

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

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$2,576,590, \$2,343,014 and \$2,014,754 respectively, equal to the required contributions for each year. The District is a participating employer in the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer public employees retirement system designed as a supplement to Social Security.

#### **Note 12. Construction Commitments**

The District has active construction projects as of June 30, 2010. The projects include \_\_\_ construction on Willowbrook Elementary and renovations for the New Junior High School. At the end of the year, the District paid \$17,445,472 with \$4,173,124 of outstanding contract agreements to be paid upon completion of the capital projects.

#### **Note 13. Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2010, expenditures in the non-instructional programs and other expenditures functions exceeded the amount budgeted.

**Note 14. Contingencies**

As of June 30, 2010, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time; however, management does not believe they will be material to the basic financial statements.

**Note 15. Modular Classroom Lease**

The District has lease agreements to lease four modular buildings for four classrooms at the junior high school. These agreements require the District to pay \$1,880 a month. As part of the agreement the District is also to \$10,000 for take-down and removal of the modular classrooms. The leases are being paid out of the Capital Projects Fund.

**Note 16. Note Receivable**

The District entered into a letter of agreement with Polk County for a zero percent interest loan. As part of the agreement, the loan will be disbursed in three payments of \$261,667. The first disbursement was made in fiscal year 2008-09, the second disbursement was made in fiscal year 2009-10, and the third disbursement to be made in fiscal year 2010-11. The District reported the note receivable for the third disbursements of \$261,667 at June 30, 2010.

**Note 17. State Restricted Categorical Funds**

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

<b>Program:</b>	<b>Amount</b>
At-risk supplemental weighting	\$ 153,383
Gifted and talented	3,857
Dropout and droupout prevention	163,634
Beginning teacher mentoring and induction program	34,489
Salary improvement program	283,199
Educator quality, professional development	124,257
Beginning administrator mentoring	1,894
Educator quality, model core curriculum	153,700
Empowerment, school ready children	5,641
Youth suicide prevention	2,806
	<u>\$ 926,860</u>

**Note 18. 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 \$2,296,973 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.

**Note 19. Due from Other Governments**

Amount due from other governments by Fund as of June 30, 2010 are as follows:

	<u>General Fund</u>
<b>Local appropriations:</b>	
Tuition	\$ 1,123,554
<b>Total local appropriations</b>	<u>1,123,554</u>
<b>State appropriations:</b>	
Juvenile court claim	7,860
Foster care claim	9,970
Decategorization	4,600
Nonpublic transportation	21,551
Vocational aid	<u>23,520</u>
<b>Total state appropriations</b>	<u>67,501</u>
<b>Federal appropriations:</b>	
Title 1	74,328
Title I ARRA	34,990
Advance Placement	1,344
Perkins	33,167
Title IIA	102,675
Medicaid	<u>385,592</u>
<b>Total federal appropriations</b>	<u>632,096</u>
<b>Total general fund due from other governments</b>	<u>\$ 1,823,151</u>
	<u>Capital</u>
	<u>Projects Fund</u>
<b>Local appropriations:</b>	
Statewide sales and services tax	\$ 797,098
<b>Total capital projects fund due from other governments</b>	<u>\$ 797,098</u>
<b>Grand total due from other governments</b>	<u>\$ 2,620,249</u>

**Note 20. Deficit Fund Balance/Net Assets**

The District had a deficit unreserved fund balance in the General Fund of \$10,338,669. The District had deficit unrestricted net assets in the Governmental Activities of \$7,475,497.

REQUIRED SUPPLEMENTARY INFORMATION

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**SOUTHEAST POLK 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 Fund Types - Actual	Proprietary Fund Types - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
<b>Revenues:</b>						
Local sources	\$ 34,800,270	\$ 2,417,781	\$ 37,218,051	\$ 36,626,373	\$ 36,626,373	\$ 591,678
Intermediate sources	46,913	-	46,913	23,541	23,541	23,372
State appropriations	28,954,100	26,331	28,980,431	36,406,594	36,406,594	(7,426,163)
Federal appropriations	5,301,460	1,067,061	6,368,521	1,833,325	1,833,325	4,535,196
<b>Total revenues</b>	<b>69,102,743</b>	<b>3,511,173</b>	<b>72,613,916</b>	<b>74,889,833</b>	<b>74,889,833</b>	<b>(2,275,917)</b>
<b>Expenditures/Expenses:</b>						
Instruction	39,198,436	296,615	39,495,051	38,721,838	40,625,702	1,130,651
Support services	21,725,107	10,547	21,735,654	19,711,044	24,278,650	2,542,996
Non-instructional programs	2,626	3,283,645	3,286,271	2,686,341	2,686,341	(599,930)
Other expenditures	30,120,389	-	30,120,389	36,994,827	25,282,638	(4,837,751)
<b>Total expenditures/expenses</b>	<b>91,046,558</b>	<b>3,590,807</b>	<b>94,637,365</b>	<b>98,114,050</b>	<b>92,873,331</b>	<b>(1,764,034)</b>
<b>Deficiency of revenues under expenditures/expenses</b>	<b>(21,943,815)</b>	<b>(79,634)</b>	<b>(22,023,449)</b>	<b>(23,224,217)</b>	<b>(17,983,498)</b>	<b>(4,039,951)</b>
<b>Other financing sources, net</b>	<b>273,178</b>	<b>480,718</b>	<b>753,896</b>	<b>261,667</b>	<b>261,667</b>	<b>492,229</b>
<b>Excess(deficiency) of revenues and other financing sources under(over) expenditures/expenses</b>	<b>(21,670,637)</b>	<b>401,084</b>	<b>(21,269,553)</b>	<b>(22,962,550)</b>	<b>(17,721,831)</b>	<b>(3,547,722)</b>
<b>Balance beginning of year</b>	<b>18,621,665</b>	<b>1,829,195</b>	<b>20,450,860</b>	<b>20,102,081</b>	<b>20,102,081</b>	<b>348,779</b>
<b>Balance end of year</b>	<b>\$ (3,048,972)</b>	<b>\$ 2,230,279</b>	<b>\$ (818,693)</b>	<b>\$ (2,860,469)</b>	<b>\$ 2,380,250</b>	<b>\$ (3,198,943)</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**SOUTHEAST POLK 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 Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.**

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

**Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function area 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. During the year, the District adopted one budget amendment, decreasing budgeted expenditures by \$5,240,719.**

**During the year ended June 30, 2010, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.**

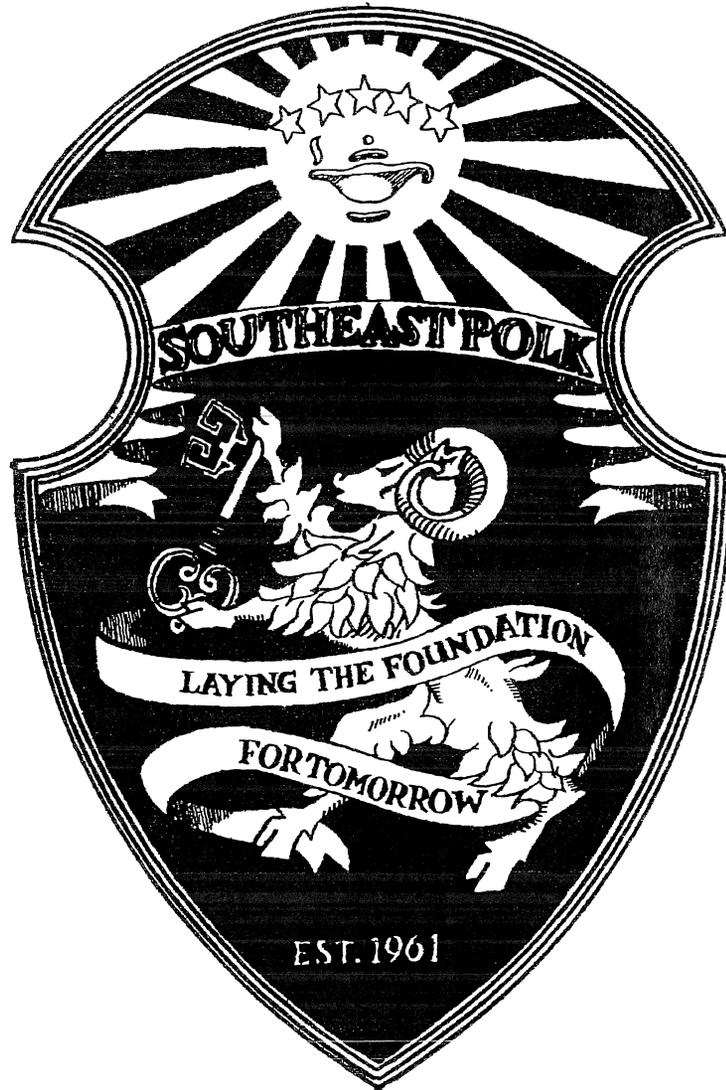
**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN**

**REQUIRED SUPPLEMENTARY INFORMATION**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2007	\$ -	\$ 8,272,000	\$ 8,272,000	0.0%	\$ 29,353,028	28.2%
2010	July 1, 2008	\$ -	\$ 8,272,000	\$ 8,272,000	0.0%	\$ 34,006,006	24.3%

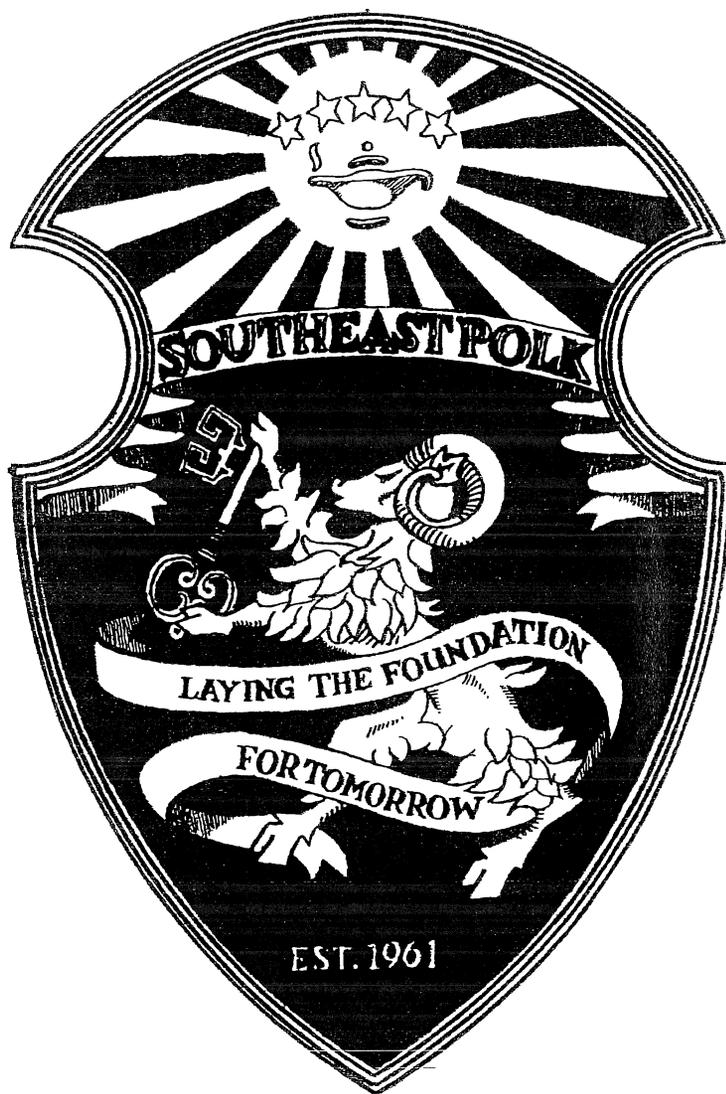
See Note 8 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

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OTHER SUPPLEMENTARY INFORMATION

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# **Southeast Polk Community School District**

## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

**Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.**

#### **Management Fund**

**This fund accounts for property taxes collected to pay property and boiler insurance, fidelity bonds, worker's compensation, liability insurance premiums, unemployment insurance claims and early retirement incentives.**

#### **Student Activity Fund**

**This fund accounts for funds raised by student groups. Under State Law, the Board retains responsibility for Student Activity Fund's ultimate disposition.**

#### **Physical Plant and Equipment Levy Fund**

**This fund accounts for property taxes collected to pay for purchase and improvement of grounds, purchase of buildings, major repairs, remodeling, reconstruction, improving or expanding the schoolhouses or buildings, expenditures for energy conservation and for equipment purchases. The purchase of transportation vehicles also qualify under the law.**

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS**

**JUNE 30, 2010**

	<u>Special Revenue Funds</u>			
	<u>Management Fund</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Fund</u>	<u>Total Special Revenue Funds</u>
<b>ASSETS</b>				
Cash and pooled investments	\$ 192,705	351,848	552,780	1,097,333
Receivables:				
Property taxes:				
Delinquent	8,987	-	14,882	23,869
Succeeding year	1,655,200	-	1,428,915	3,084,115
Accounts	8,862	1,265	1,498	11,625
Note	-	-	261,667	261,667
Prepaid items	-	58	-	58
<b>TOTAL ASSETS</b>	<b>\$ 1,865,754</b>	<b>353,171</b>	<b>2,259,742</b>	<b>4,478,667</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 21,243	43,335	8,640	73,218
Salaries and benefits payable	-	1,037	-	1,037
Deferred revenue:				
Succeeding year property tax	1,655,200	-	1,428,915	3,084,115
Other	11,097	1,925	-	13,022
<b>Total liabilities</b>	<b>1,687,540</b>	<b>46,297</b>	<b>1,437,555</b>	<b>3,171,392</b>
<b>Fund balances:</b>				
<b>Unreserved:</b>				
Undesignated	178,214	306,874	822,187	1,307,275
<b>Total fund balances</b>	<b>178,214</b>	<b>306,874</b>	<b>822,187</b>	<b>1,307,275</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,865,754</b>	<b>353,171</b>	<b>2,259,742</b>	<b>4,478,667</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**

**YEAR ENDED JUNE 30, 2010**

	<u>Special Revenue Funds</u>			
	<u>Management</u>	<u>Student</u>	<u>Physical</u>	<u>Total</u>
	<u>Fund</u>	<u>Activity</u>	<u>Plant and</u>	<u>Special</u>
			<u>Equipment</u>	<u>Revenue</u>
			<u>Fund</u>	<u>Funds</u>
<b>REVENUES:</b>				
<b>Local sources:</b>				
Local tax	\$ 1,062,226	-	1,369,585	2,431,811
Other	192,059	1,055,670	1,581	1,249,310
State sources	436	-	511	947
Federal sources	-	-	342	342
<b>TOTAL REVENUES</b>	<b>1,254,721</b>	<b>1,055,670</b>	<b>1,372,019</b>	<b>3,682,410</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	504	-	-	504
Special	4,666	-	-	4,666
Other	-	1,081,274	-	1,081,274
<b>Support services:</b>				
Support	-	6,427	-	6,427
Instructional staff	-	220	-	220
Administration	1,207,153	332	351,691	1,559,176
Operation and maintenance of plant	274,590	3,850	9,469	287,909
Transportation	43,451	9,204	257,802	310,457
<b>Non-instructional programs:</b>				
Food service operations	974	-	-	974
Community service operations	-	1,652	-	1,652
<b>Other expenditures:</b>				
Capital outlay	-	-	326,829	326,829
<b>TOTAL EXPENDITURES</b>	<b>1,531,338</b>	<b>1,102,959</b>	<b>945,791</b>	<b>3,580,088</b>
<b>EXCESS(DEFICIENCY) OF REVENUES</b>				
<b>OVER(UNDER) EXPENDITURES</b>	<b>(276,617)</b>	<b>(47,289)</b>	<b>426,228</b>	<b>102,322</b>
<b>OTHER FINANCING USES:</b>				
Transfers out	-	-	(108,760)	(108,760)
<b>TOTAL OTHER FINANCING USES</b>	<b>-</b>	<b>-</b>	<b>(108,760)</b>	<b>(108,760)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(276,617)</b>	<b>(47,289)</b>	<b>317,468</b>	<b>(6,438)</b>
<b>FUND BALANCES BEGINNING OF YEAR</b>	<b>454,831</b>	<b>354,163</b>	<b>504,719</b>	<b>1,313,713</b>
<b>FUND BALANCES END OF YEAR</b>	<b>\$ 178,214</b>	<b>306,874</b>	<b>822,187</b>	<b>1,307,275</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS

JUNE 30, 2010

	Business Type Activities:			
	Enterprise Funds			
	School Nutrition	Community Service	School Store	Total
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and pooled investments	\$ 245,728	20,890	471,600	738,218
Interfund receivable	-	-	-	-
Accounts receivable	27,547	146	-	27,693
Inventories	55,082	-	-	55,082
Prepaid items	-	66	-	66
<b>Total current assets</b>	<b>328,357</b>	<b>21,102</b>	<b>471,600</b>	<b>821,059</b>
<b>Non-current assets:</b>				
<b>Capital assets:</b>				
Machinery and equipment, net of accumulated depreciation	1,673,355	-	-	1,673,355
<b>Total non-current assets</b>	<b>1,673,355</b>	<b>-</b>	<b>-</b>	<b>1,673,355</b>
<b>TOTAL ASSETS</b>	<b>2,001,712</b>	<b>21,102</b>	<b>471,600</b>	<b>2,494,414</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Interfund payable	140,235	-	-	140,235
Accounts payable	6,549	1,296	4,252	12,097
Salaries and benefits payable	32,414	3,038	2,083	37,535
Incurred but not reported claims	-	-	-	-
Deferred revenues	-	2,351	-	2,351
Unearned revenues	39,128	-	-	39,128
<b>Total current liabilities</b>	<b>218,326</b>	<b>6,685</b>	<b>6,335</b>	<b>231,346</b>
<b>Long-term liabilities:</b>				
Net OPEB liability	32,789	-	-	32,789
<b>Total long-term liabilities</b>	<b>32,789</b>	<b>-</b>	<b>-</b>	<b>32,789</b>
<b>TOTAL LIABILITIES</b>	<b>251,115</b>	<b>6,685</b>	<b>6,335</b>	<b>264,135</b>
<b>NET ASSETS</b>				
Invested in capital assets	1,673,355	-	-	1,673,355
Unrestricted	77,242	14,417	465,265	556,924
<b>Total net assets</b>	<b>\$ 1,750,597</b>	<b>14,417</b>	<b>465,265</b>	<b>2,230,279</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

<b>Governmental Activities: Internal Service Funds</b>			
<b>Self-funded Health Insurance</b>	<b>Flex Benefit</b>	<b>Self-funded Dental Insurance</b>	<b>Total</b>
2,233,671	64,767	56,567	2,355,005
500,000	-	-	500,000
25,149	-	-	25,149
-	-	-	-
-	-	-	-
<b>2,758,820</b>	<b>64,767</b>	<b>56,567</b>	<b>2,880,154</b>
-	-	-	-
-	-	-	-
<b>2,758,820</b>	<b>64,767</b>	<b>56,567</b>	<b>2,880,154</b>
538,000	-	-	538,000
6,475	-	-	6,475
-	-	-	-
603,082	-	-	603,082
-	-	-	-
-	-	-	-
<b>1,147,557</b>	<b>-</b>	<b>-</b>	<b>1,147,557</b>
-	-	-	-
-	-	-	-
<b>1,147,557</b>	<b>-</b>	<b>-</b>	<b>1,147,557</b>
-	-	-	-
<b>1,611,263</b>	<b>64,767</b>	<b>56,567</b>	<b>1,732,597</b>
<b>1,611,263</b>	<b>64,767</b>	<b>56,567</b>	<b>1,732,597</b>

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS**

**YEAR ENDED JUNE 30, 2010**

	<b>Business Type Activities:</b>			
	<b>Enterprise Funds</b>			
	<b>School Nutrition</b>	<b>Community Service</b>	<b>School Store</b>	<b>Total</b>
<b>OPERATING REVENUE:</b>				
<b>Local sources:</b>				
<b>Charges for service</b>	\$ 2,045,530	39,428	331,276	2,416,234
<b>OPERATING EXPENSES:</b>				
<b>Instruction:</b>				
<b>Regular instruction:</b>				
<b>Supplies</b>	-	-	1,136	1,136
	-	-	1,136	1,136
<b>Other:</b>				
<b>Salaries</b>	-	6,012	977	6,989
<b>Benefits</b>	-	718	547	1,265
<b>Services</b>	-	11,765	40,879	52,644
<b>Supplies</b>	-	368	216,710	217,078
<b>Other</b>	-	57	17,446	17,503
	-	18,920	276,559	295,479
<b>Total instruction</b>	-	18,920	277,695	296,615
<b>Support services:</b>				
<b>Instructional staff:</b>				
<b>Salaries</b>	-	4,330	-	4,330
<b>Benefits</b>	-	619	-	619
<b>Supplies</b>	-	1,141	150	1,291
<b>Other</b>	-	400	-	400
	-	6,490	150	6,640
<b>Administration:</b>				
<b>Benefits</b>	180	-	-	180
<b>Services</b>	917	-	86	1,003
<b>Supplies</b>	-	-	122	122
<b>Other</b>	-	-	-	-
	1,097	-	208	1,305
<b>Operation and maintenance of plant:</b>				
<b>Salaries</b>	-	88	-	88
<b>Benefits</b>	-	64	-	64
<b>Services</b>	450	-	2,000	2,450
	450	152	2,000	2,602
<b>Total support services</b>	1,547	6,642	2,358	10,547

Continued on following pages.



SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2010

	Business Type Activities:			Total
	Enterprise Funds			
	School Nutrition	Community Service	School Store	
<b>OPERATING EXPENSES(CONTINUED):</b>				
<b>Non-instructional programs:</b>				
<b>Food service operations:</b>				
Salaries	943,687	-	-	943,687
Benefits	357,949	-	-	357,949
Services	67,829	-	-	67,829
Supplies	1,692,823	-	-	1,692,823
Depreciation	200,483	-	-	200,483
Other	356	-	-	356
<b>Community service operations:</b>				
Salaries	-	-	18,346	18,346
Benefits	-	-	2,172	2,172
<b>Total non-instructional programs</b>	<u>3,263,127</u>	<u>-</u>	<u>20,518</u>	<u>3,283,645</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>3,264,674</u>	<u>25,562</u>	<u>300,571</u>	<u>3,590,807</u>
<b>OPERATING INCOME(LOSS)</b>	<u>(1,219,144)</u>	<u>13,866</u>	<u>30,705</u>	<u>(1,174,573)</u>
<b>NON-OPERATING REVENUES:</b>				
State sources	26,331	-	-	26,331
Federal sources	1,067,061	-	-	1,067,061
Interest income	1,005	8	534	1,547
<b>TOTAL NON-OPERATING REVENUES</b>	<u>1,094,397</u>	<u>8</u>	<u>534</u>	<u>1,094,939</u>
<b>Income(loss) before capital contributions and transfers</b>	<u>(124,747)</u>	<u>13,874</u>	<u>31,239</u>	<u>(79,634)</u>
<b>Capital contributions</b>	481,353	-	-	481,353
<b>Transfer out</b>	<u>(635)</u>	<u>-</u>	<u>-</u>	<u>(635)</u>
<b>Changes in net assets</b>	355,971	13,874	31,239	401,084
<b>Net assets beginning of year</b>	<u>1,394,626</u>	<u>543</u>	<u>434,026</u>	<u>1,829,195</u>
<b>Net assets end of year</b>	<u>\$ 1,750,597</u>	<u>14,417</u>	<u>465,265</u>	<u>2,230,279</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**

**COMBINING STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**YEAR ENDED JUNE 30, 2010**

	<b>Business Type Activities:</b>			
	<b>Enterprise Funds</b>			
	<b>School Nutrition</b>	<b>Community Service</b>	<b>School Store</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>				
Cash received from sale of lunches and breakfasts	\$ 2,020,481	-	-	2,020,481
Cash received from miscellaneous operating activities	15,476	41,567	331,337	388,380
Cash payments to employees for services	(1,375,533)	(8,793)	(22,951)	(1,407,277)
Cash payments to suppliers for goods or services	(1,569,582)	(14,265)	(277,389)	(1,861,236)
Net cash provided by(used in) operating activities	(909,158)	18,509	30,997	(859,652)
<b>Cash flows from non-capital financing activities:</b>				
State grants received	26,331	-	-	26,331
Federal grants received	889,922	-	-	889,922
Transfer out	(635)	-	-	(635)
Interfund loan borrowings(repayments)	(9,765)	-	-	(9,765)
Net cash provided by(used in) non-capital financing activities	905,853	-	-	905,853
<b>Cash flows from capital financing activities:</b>				
Acquisition of capital assets	(11,812)	-	-	(11,812)
Net cash used in capital financing activities	(11,812)	-	-	(11,812)
<b>Cash flows from investing activities:</b>				
Interest on investment	1,005	8	534	1,547
Net cash provided by investing activities	1,005	8	534	1,547
<b>Net increase(decrease) in cash and cash equivalents</b>	<b>(14,112)</b>	<b>18,517</b>	<b>31,531</b>	<b>35,936</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>259,840</b>	<b>2,373</b>	<b>440,069</b>	<b>702,282</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 245,728</b>	<b>20,890</b>	<b>471,600</b>	<b>738,218</b>

Continued on following pages.

<b>Governmental Activities:</b>			
<b>Internal Service Funds</b>			
<b>Self-funded Health Insurance</b>	<b>Flex Benefit</b>	<b>Self-funded Dental Insurance</b>	<b>Total</b>
-	-	-	-
6,866,373	552,584	365,438	7,784,395
(5,193,881)	-	(341,393)	(5,535,274)
(78,535)	(547,231)	-	(625,766)
<b>1,593,957</b>	<b>5,353</b>	<b>24,045</b>	<b>1,623,355</b>
-	-	-	-
-	-	-	-
-	-	-	-
<b>38,000</b>	-	<b>(2,539)</b>	<b>35,461</b>
<b>38,000</b>	-	<b>(2,539)</b>	<b>35,461</b>
-	-	-	-
-	-	-	-
<b>6,278</b>	<b>206</b>	<b>121</b>	<b>6,605</b>
<b>6,278</b>	<b>206</b>	<b>121</b>	<b>6,605</b>
<b>1,638,235</b>	<b>5,559</b>	<b>21,627</b>	<b>1,665,421</b>
<b>595,436</b>	<b>59,208</b>	<b>34,940</b>	<b>689,584</b>
<b>2,233,671</b>	<b>64,767</b>	<b>56,567</b>	<b>2,355,005</b>

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**

**COMBINING STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**YEAR ENDED JUNE 30, 2010**

	<b>Business Type Activities:</b>			
	<b>Enterprise Funds</b>			
	<b>School Nutrition</b>	<b>Community Service</b>	<b>School Store</b>	<b>Total</b>
<b>Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:</b>				
<b>Operating income(loss)</b>	\$ (1,219,144)	13,866	30,705	(1,174,573)
<b>Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:</b>				
Commodities consumed	177,139	-	-	177,139
Depreciation	200,483	-	-	200,483
Decrease in inventories	11,744	-	-	11,744
Increase in prepaid items	-	(66)	-	(66)
Decrease(Increase) in accounts receivable	(11,621)	(146)	61	(11,706)
Increase(Decrease) in incurred but not reported claims	-	-	-	-
Increase(Decrease) in accounts payable	3,910	(534)	1,140	4,516
Increase(Decrease) in salaries and benefits payable	(88,656)	3,038	(909)	(86,527)
Increase in deferred revenue	-	2,351	-	2,351
Increase in unearned revenue	2,048	-	-	2,048
Increase in other postemployment benefits payable	14,939	-	-	14,939
<b>Net cash provided by(used in) operating activities</b>	<b>\$ (909,158)</b>	<b>18,509</b>	<b>30,997</b>	<b>(859,652)</b>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:**

**Current assets:**

Cash and investments	\$ 245,728	20,890	471,600	738,218
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**NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:**

During the year ended June 30, 2010, the District received federal commodities valued at \$177,139.

During the year ended June 30, 2010, the District received capital contributions valued at \$481,353 from the Capital Projects - Construction Projects Fund.

**SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.**

<b>Governmental Activities: Internal Service Funds</b>			
<b>Self-funded Health Insurance</b>	<b>Flex Benefit</b>	<b>Self-funded Dental Insurance</b>	<b>Total</b>
1,384,257	5,353	12,783	1,402,393
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
352,505	-	20,378	372,883
(149,280)	-	-	(149,280)
6,475	-	(9,116)	(2,641)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<b>1,593,957</b>	<b>5,353</b>	<b>24,045</b>	<b>1,623,355</b>

<b>2,233,671</b>	<b>64,767</b>	<b>56,567</b>	<b>2,355,005</b>
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**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**PRIVATE PURPOSE TRUST FUND**

**JUNE 30, 2010**

	<b>Private Purpose Trust Fund</b>			
<b>SEP</b>	<b>Dollars for</b>	<b>Bud Keyes</b>	<b>__Burnett</b>	<b>Total</b>
<b>ASSETS</b>	<b>Scholars</b>	<b>Scholarship</b>	<b>Scholarship</b>	<b>Scholarship</b>
<b>Cash and pooled investments</b>	<b>\$ 185,546</b>	<b>326,788</b>	<b>33,895</b>	<b>546,229</b>
<b>Total assets</b>	<b>185,546</b>	<b>326,788</b>	<b>33,895</b>	<b>546,229</b>
<b>NET ASSETS</b>				
<b>Reserved for scholarships</b>	<b>\$ 185,546</b>	<b>326,788</b>	<b>33,895</b>	<b>546,229</b>

**SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.**

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**PRIVATE PURPOSE TRUST FUND**

**YEAR ENDED JUNE 30, 2010**

	<b>Private Purpose Trust Fund</b>			
	<b>SEP</b>			
	<b>Dollars for</b>			
	<b>Scholars</b>	<b>Bud Keyes</b>	<b>Burnett</b>	
	<b>Scholarship</b>	<b>Scholarship</b>	<b>Scholarship</b>	<b>Total</b>
<b>Additions:</b>				
<b>Local sources:</b>				
<b>Gifts and contributions</b>	\$ 4,085	-	26,883	30,968
<b>Unrealized gain on investments</b>	15,278	-	-	15,278
<b>Interest income</b>	1	10,004	15	10,020
<b>Total additions</b>	<u>19,364</u>	<u>10,004</u>	<u>26,898</u>	<u>56,266</u>
<b>Deductions:</b>				
<b>Instruction:</b>				
<b>Regular:</b>				
<b>Scholarships awarded</b>	6,000	6,405	16,500	28,905
<b>Supplies</b>	-	2,362	-	2,362
<b>Total deductions</b>	<u>6,000</u>	<u>8,767</u>	<u>16,500</u>	<u>31,267</u>
<b>Changes in net assets</b>	13,364	1,237	10,398	24,999
<b>Net assets beginning of year</b>	<u>172,182</u>	<u>325,551</u>	<u>23,497</u>	<u>521,230</u>
<b>Net assets end of year</b>	<u>\$ 185,546</u>	<u>326,788</u>	<u>33,895</u>	<u>546,229</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**SSOUTHEAST POLK COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND**

**YEAR ENDED JUNE 30, 2010**

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>STUDENT AGENCY</b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ 245,787	355,199	362,108	238,878
Accounts receivable	5,267	-	5,267	-
<b>Total Assets</b>	<u>\$ 251,054</u>	<u>355,199</u>	<u>367,375</u>	<u>238,878</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 4,296	2,730	4,296	2,730
Due to other groups	246,758	352,469	363,079	236,148
<b>Total Liabilities</b>	<u>\$ 251,054</u>	<u>355,199</u>	<u>367,375</u>	<u>238,878</u>

**SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.**

# Southeast Polk Community School District

## Statistical Section

### (Unaudited)

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This part of the Southeast Polk Community School District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	84-100
Revenue Capacity These schedules contain trend information to help the reader assess the factors affecting the District's ability to generate its property taxes.	101-104
Debt Capacity These schedules contain trend information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	105-110
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within the District's financial activities take place and to help make comparisons over time and with other governments.	111-115
Operating Information These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.	116-122

**Schedule 1**  
**Southeast Polk Community School District**

**Net Assets by Component**  
**Last Eight Fiscal Years\***  
*(accrual basis of accounting)*  
**(Unaudited)**

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Governmental activities:</b>					
Invested in capital assets, net of related debt	\$ 15,738,448	\$ 14,120,320	\$ 22,984,041	\$ 30,566,073	\$ 40,518,654
Restricted	5,419,850	7,944,765	4,436,950	772,049	610,623
Unrestricted	1,422,786	2,730,484	1,682,806	909,685	(2,388,634)
<b>Total governmental activities</b>					
<b>net assets</b>	<b>\$ 22,581,084</b>	<b>\$ 24,795,569</b>	<b>\$ 29,103,797</b>	<b>\$ 32,247,807</b>	<b>\$ 38,740,643</b>
<b>Business-type activities:</b>					
Invested in capital assets, net of related debt	\$ 246,994	\$ 339,530	\$ 540,834	\$ 672,679	\$ 803,685
Restricted	-	-	-	-	-
Unrestricted	553,650	593,346	692,249	531,688	353,268
<b>Total business-type activities</b>					
<b>net assets</b>	<b>\$ 800,644</b>	<b>\$ 932,876</b>	<b>\$ 1,233,083</b>	<b>\$ 1,204,367</b>	<b>\$ 1,156,953</b>
<b>Primary government:</b>					
Invested in capital assets, net of related debt	\$ 15,985,442	\$ 14,459,850	\$ 23,524,875	\$ 31,238,752	\$ 41,322,339
Restricted	5,419,850	7,944,765	4,436,950	772,049	610,623
Unrestricted	1,976,436	3,323,830	2,375,055	1,441,373	(2,035,366)
<b>Total primary government</b>					
<b>net assets</b>	<b>\$ 23,381,728</b>	<b>\$ 25,728,445</b>	<b>\$ 30,336,880</b>	<b>\$ 33,452,174</b>	<b>\$ 39,897,596</b>

**Source:** School District financial records.

**Note:**

\* The District began to report accrual information when it implemented GASB Statement No. 34 in 2003.

			Fiscal Year		
			2008	2009	2010
\$	43,708,137	\$	49,335,755	\$	41,320,771
	1,102,209		2,929,346		4,602,136
	(4,810,352)		(11,454,390)		(7,475,497)
<u>\$</u>	<u style="text-align: right;">39,999,994</u>	<u>\$</u>	<u style="text-align: right;">40,810,711</u>	<u>\$</u>	<u style="text-align: right;">38,447,410</u>
\$	922,423	\$	1,380,673	\$	1,673,355
	-		-		-
	381,792		448,522		556,924
<u>\$</u>	<u style="text-align: right;">1,304,215</u>	<u>\$</u>	<u style="text-align: right;">1,829,195</u>	<u>\$</u>	<u style="text-align: right;">2,230,279</u>
\$	44,630,560	\$	50,716,428	\$	42,994,126
	1,102,209		2,929,346		4,602,136
	(4,428,560)		(11,005,868)		(6,918,573)
<u>\$</u>	<u style="text-align: right;">41,304,209</u>	<u>\$</u>	<u style="text-align: right;">42,639,906</u>	<u>\$</u>	<u style="text-align: right;">40,677,689</u>

**Schedule 2**  
**Southeast Polk Community School District**

**Expenses, Program Revenues and Net (Expense) Revenue**  
**Last Eight Fiscal Years\***  
**(accrual basis of accounting)**  
**(Unaudited)**

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses:					
Governmental activities:					
Instruction	\$ 21,266,961	\$ 23,761,239	\$ 25,683,516	\$ 26,044,931	\$ 28,821,083
Student services	1,748,623	1,755,783	1,913,787	1,919,677	2,045,021
Instructional staff services	1,531,067	1,607,844	1,585,381	1,631,508	1,406,014
Administration services	5,025,283	5,277,883	4,750,953	6,200,028	6,112,651
Operation and maintenance of plant	3,094,721	3,038,417	3,434,212	4,271,418	4,228,482
Pupil transportation services	1,667,934	1,603,892	1,855,049	2,119,110	2,279,563
Other support services	212,536	264,534	69,641	-	-
Non-instructional programs	-	-	-	-	3,483
Interest on long-term debt	538,403	441,509	439,621	803,749	2,622,942
AEA flowthrough	1,262,623	1,272,602	1,344,421	1,471,264	1,645,674
Depreciation (unallocated)	939,144	147,998	767,459	978,327	1,226,350
<b>Total governmental activities expenses</b>	<b>37,287,295</b>	<b>39,171,701</b>	<b>41,844,040</b>	<b>45,440,012</b>	<b>50,391,263</b>
Business-type activities:					
Nutrition services	1,711,844	1,774,896	2,065,506	2,364,017	2,623,424
Community service services	-	-	-	-	15,571
School store services	250,750	260,308	294,138	316,014	260,339
<b>Total business-type activities expenses</b>	<b>1,962,594</b>	<b>2,035,204</b>	<b>2,359,644</b>	<b>2,680,031</b>	<b>2,899,334</b>
<b>Total primary government expenses</b>	<b>\$ 39,249,889</b>	<b>\$ 41,206,905</b>	<b>\$ 44,203,684</b>	<b>\$ 48,120,043</b>	<b>\$ 53,290,597</b>
Program revenues:					
Governmental activities:					
Charges for services:					
Instruction	\$ 2,651,988	\$ 2,613,661	\$ 2,746,904	\$ 3,361,758	\$ 1,955,107
Support services	12,761	30,032	11,538	19,010	6,026
Operating grants and contributions	3,197,867	3,676,491	3,654,335	4,063,657	5,082,354
Capital grants and contributions	-	937,875	202,595	90,197	1,992
<b>Total governmental activities program revenues</b>	<b>5,862,616</b>	<b>7,258,059</b>	<b>6,615,372</b>	<b>7,534,622</b>	<b>7,045,479</b>

(Continued on the following page.)

			Fiscal Year		
			2008	2009	2010
\$	34,094,092	\$	38,998,826	\$	39,362,825
	2,403,685		2,827,408		2,974,389
	2,050,177		2,031,346		2,537,661
	7,431,909		7,942,912		8,303,669
	8,006,154		5,613,563		5,925,509
	2,710,878		2,901,228		2,955,230
	-		-		-
	28,615		30,269		2,729
	2,612,493		3,331,765		4,158,136
	1,825,721		2,011,213		2,296,973
	1,451,589		1,579,234		2,600,819
	<u>62,615,313</u>		<u>67,267,764</u>		<u>71,117,940</u>
	2,746,685		3,000,061		3,264,674
	19,206		10,246		25,562
	283,142		300,368		300,571
	<u>3,049,033</u>		<u>3,310,675</u>		<u>3,590,807</u>
\$	<u>65,664,346</u>	\$	<u>70,578,439</u>	\$	<u>74,708,747</u>

\$	2,527,236	\$	2,948,888	\$	3,315,495
	29,591		36,966		54,549
	6,361,705		8,439,040		11,821,803
	1,050,307		63,977		95,000
	<u>9,968,839</u>		<u>11,488,871</u>		<u>15,286,847</u>

**Schedule 2**  
**Southeast Polk Community School District**

**Expenses, Program Revenues and Net (Expense) Revenue (Continued)**  
**Last Eight Fiscal Years\***  
**(accrual basis of accounting)**  
**(Unaudited)**

	Fiscal Year				
	2003	2004	2005	2006	2007
Business-type activities:					
Charges for services:					
Nutrition	1,269,223	1,368,148	1,455,729	1,507,534	1,642,738
Community service services	-	-	-	-	15,176
School store	267,700	270,554	339,971	356,842	296,813
Operating grants and contributions	461,326	525,005	587,435	617,393	690,549
Capital grants and contributions	-	-	-	-	-
<b>Total business-type program revenues</b>	<b>1,998,249</b>	<b>2,163,707</b>	<b>2,383,135</b>	<b>2,481,769</b>	<b>2,645,276</b>
<b>Total primary government program revenues</b>	<b>\$ 7,860,865</b>	<b>\$ 9,421,766</b>	<b>\$ 8,998,507</b>	<b>\$ 10,016,391</b>	<b>\$ 9,690,755</b>
Net (expense) revenue:					
Governmental activities	\$ (31,424,679)	\$ (31,913,642)	\$ (35,228,668)	\$ (37,905,390)	\$ (43,345,784)
Business-type activities	35,655	128,503	23,491	(198,262)	(254,058)
<b>Total primary government net expense</b>	<b>\$ (31,389,024)</b>	<b>\$ (31,785,139)</b>	<b>\$ (35,205,177)</b>	<b>\$ (38,103,652)</b>	<b>\$ (43,599,842)</b>

**Source:** School District financial records.

**Note:**

\* The District began to report accrual information when it implemented GASB Statement No. 34 in 2003.

Fiscal Year		
2008	2009	2010
1,920,114	1,983,022	2,045,530
18,663	11,679	39,428
295,103	327,403	331,276
768,833	931,979	1,093,392
-	-	-
3,002,713	3,254,083	3,509,626
<u>\$ 12,971,552</u>	<u>\$ 14,742,954</u>	<u>\$ 18,796,473</u>
\$ (52,646,474)	\$ (55,778,893)	\$ (55,831,093)
(46,320)	(56,592)	(81,181)
<u>\$ (52,692,794)</u>	<u>\$ (55,835,485)</u>	<u>\$ (55,912,274)</u>

**Schedule 3**  
**Southeast Polk Community School District**

**General Revenues and Total Change in Net Assets**  
**Last Eight Fiscal Years\***  
**(accrual basis of accounting)**  
**(Unaudited)**

	Fiscal Year				
	2003	2004	2005	2006	2007
Net (expense) revenue:					
Governmental activities	\$ (31,424,679)	\$ (31,913,642)	\$ (35,228,668)	\$ (37,905,390)	\$ (43,345,784)
Business-type activities	35,655	128,503	23,491	(198,262)	(254,058)
<b>Total primary government net expense</b>	<b>(31,389,024)</b>	<b>(31,785,139)</b>	<b>(35,205,177)</b>	<b>(38,103,652)</b>	<b>(43,599,842)</b>
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Property taxes levied for general purposes	11,930,594	13,587,154	13,582,633	13,828,654	13,962,967
Property taxes levied for debt service	-	-	-	1,010,136	4,489,975
Property taxes levied for capital outlay	-	869,519	345,828	983,550	1,118,317
Income surtax	-	-	-	-	1,409,760
Sales tax	4,109,803	4,249,399	4,478,035	4,778,685	4,903,664
Unrestricted grants and contributions	16,095,076	17,050,531	18,427,583	20,181,425	21,898,887
Miscellaneous	10,693	-	14,490	-	368,740
Investment earnings	79,964	43,584	136,707	266,950	2,252,815
Transfers	-	-	-	-	(566,505)
<b>Total governmental activities</b>	<b>32,226,130</b>	<b>35,800,187</b>	<b>36,985,276</b>	<b>41,049,400</b>	<b>49,838,620</b>
Business-type activities:					
Miscellaneous	-	-	269,985	158,498	187,360
Investment earnings	4,654	3,729	6,731	11,048	19,284
Transfers	-	-	-	-	-
<b>Total business-type activities</b>	<b>4,654</b>	<b>3,729</b>	<b>276,716</b>	<b>169,546</b>	<b>206,644</b>
<b>Total primary government</b>	<b>32,230,784</b>	<b>35,803,916</b>	<b>37,261,992</b>	<b>41,218,946</b>	<b>50,045,264</b>
Change in net assets:					
Governmental activities	801,451	3,886,545	1,756,608	3,144,010	6,492,836
Business-type activities	40,309	132,232	300,207	(28,716)	(47,414)
<b>Total primary government</b>	<b>\$ 841,760</b>	<b>\$ 4,018,777</b>	<b>\$ 2,056,815</b>	<b>\$ 3,115,294</b>	<b>\$ 6,445,422</b>

Source: School District financial records.

**Note:**

\* The District began to report accrual information when it implemented GASB Statement No. 34 in 2003.

Fiscal Year		
2008	2009	2010
\$ (52,646,474)	\$ (55,778,893)	\$ (55,831,093)
(46,320)	(56,592)	(81,181)
(52,692,794)	(55,835,485)	(55,912,274)
15,834,082	17,023,403	18,992,963
4,434,616	4,367,277	3,065,886
1,177,751	1,294,521	1,369,585
1,326,524	1,479,994	1,508,147
5,382,517	6,075,699	4,813,593
24,315,885	25,596,081	22,969,544
891,676	1,137,363	1,181,815
722,131	193,637	46,977
(179,357)	(578,365)	(480,718)
53,905,825	56,589,610	53,467,792
-	-	-
14,225	3,207	1,547
179,357	578,365	480,718
193,582	581,572	482,265
54,099,407	57,171,182	53,950,057
1,259,351	810,717	(2,363,301)
147,262	524,980	401,084
\$ 1,406,613	\$ 1,335,697	\$ (1,962,217)

**Schedule 4**  
**Southeast Polk Community School District**

**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*  
**(Unaudited)**

	Fiscal Year				
	2001	2002	2003	2004	2005
General Fund:					
Reserved	\$ 502,879	\$ 476,750	\$ 55,605	\$ 16,904	\$ 5,128
Unreserved	1,765,073	1,118,846	38,313	452,578	145,956
<b>Total General Fund</b>	<b>\$ 2,267,952</b>	<b>\$ 1,595,596</b>	<b>\$ 93,918</b>	<b>\$ 469,482</b>	<b>\$ 151,084</b>
All other governmental funds:					
Reserved					
Debt service funds	\$ (122)	\$ -	\$ -	\$ -	\$ 16,423
Capital projects funds	-	-	-	-	-
Unreserved, reported in:					
Capital projects funds	7,320,666	1,109,473	4,185,574	7,131,458	3,792,328
Special revenue funds	714,283	995,098	1,689,629	1,133,716	1,248,406
<b>Total all other governmental funds</b>	<b>\$ 8,034,827</b>	<b>\$ 2,104,571</b>	<b>\$ 5,875,203</b>	<b>\$ 8,265,174</b>	<b>\$ 5,057,157</b>

**Source:** School District financial records.

Fiscal Year				
2006	2007	2008	2009	2010
\$ 70,122	\$ 70,065	\$ 380,356	\$ 563,838	\$ 926,860
(120,515)	(1,992,925)	(5,219,060)	(7,710,747)	(10,338,669)
\$ (50,393)	\$ (1,922,860)	\$ (4,838,704)	\$ (7,146,909)	\$ (9,411,809)
\$ 19,644	\$ 305,510	\$ -	\$ 1,506,862	\$ 2,546,215
-	-	13,551,732	27,085,694	-
52,455,727	30,503,275	64,366	(4,137,695)	2,509,347
1,401,536	717,825	1,125,371	1,313,713	1,307,275
\$ 53,876,907	\$ 31,526,610	\$ 14,741,469	\$ 25,768,574	\$ 6,362,837

**Schedule 5**  
**Southeast Polk Community School District**

**Governmental Funds Revenues**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*  
**(Unaudited)**

	Fiscal Year				
	2001	2002	2003	2004	2005
Federal sources:					
Federal sources	\$ 662,317	\$ 1,314,478	\$ 803,840	\$ 2,226,435	\$ 1,151,223
<b>Total federal sources</b>	<b>662,317</b>	<b>1,314,478</b>	<b>803,840</b>	<b>2,226,435</b>	<b>1,151,223</b>
State sources:					
State sources	\$ 17,194,930	\$ 17,938,464	\$ 18,488,105	\$ 19,438,462	\$ 21,133,290
<b>Total state sources</b>	<b>17,194,930</b>	<b>17,938,464</b>	<b>18,488,105</b>	<b>19,438,462</b>	<b>21,133,290</b>
Intermediate sources:					
Intermediate sources	\$ -	\$ -	\$ 998	\$ -	\$ -
<b>Total intermediate sources</b>	<b>-</b>	<b>-</b>	<b>998</b>	<b>-</b>	<b>-</b>
Local sources:					
Local taxes	\$ 13,647,904	\$ 14,888,466	\$ 15,293,526	\$ 18,100,184	\$ 18,929,643
Tuition	1,166,895	1,330,092	1,438,145	1,646,046	1,620,381
Other revenues	1,139,808	1,073,193	1,306,568	1,041,232	1,274,768
<b>Total local sources</b>	<b>15,954,607</b>	<b>17,291,751</b>	<b>18,038,239</b>	<b>20,787,462</b>	<b>21,824,792</b>
<b>Total revenues</b>	<b>\$ 33,811,854</b>	<b>\$ 36,544,693</b>	<b>\$ 37,331,182</b>	<b>\$ 42,452,359</b>	<b>\$ 44,109,305</b>

**Source:** School District financial records.

Fiscal Year				
2006	2007	2008	2009	2010
\$ 1,106,270	\$ 997,327	\$ 1,271,465	\$ 2,029,111	\$ 5,301,460
1,106,270	997,327	1,271,465	2,029,111	5,301,460
\$ 23,229,009	\$ 25,661,826	\$ 29,659,603	\$ 31,500,871	\$ 28,954,100
23,229,009	25,661,826	29,659,603	31,500,871	28,954,100
\$ 50,000	\$ 157,410	\$ 588,103	\$ 46,007	\$ 46,913
50,000	157,410	588,103	46,007	46,913
\$ 20,601,025	\$ 25,628,503	\$ 28,090,339	\$ 30,134,043	\$ 29,638,188
1,505,013	1,179,299	1,599,072	1,968,696	2,255,682
2,092,705	3,570,059	2,780,288	2,855,142	2,906,400
24,198,743	30,377,861	32,469,699	34,957,881	34,800,270
\$ 48,584,022	\$ 57,194,424	\$ 63,988,870	\$ 68,533,870	\$ 69,102,743

**Schedule 6**  
**Southeast Polk Community School District**

**Governmental Funds Expenditures and Debt Service Ratio**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*  
**(Unaudited)**

	Fiscal Year				
	2001	2002	2003	2004	2005
Instruction	\$ 18,743,051	\$ 20,848,195	\$ 21,297,513	\$ 23,214,429	\$ 25,365,585
Student services	1,282,573	1,204,707	1,769,412	1,781,313	1,817,992
Instructional staff services	1,376,572	1,202,330	1,136,804	1,261,556	1,432,133
Administration services	2,891,601	3,198,463	3,568,412	3,975,116	4,034,632
Operation and maintenance of plant services	3,197,440	2,588,392	3,079,753	3,080,660	3,401,604
Pupil transportation services	1,350,821	1,465,053	1,469,880	1,541,136	2,174,884
Other support services	109,123	220,135	218,863	269,730	62,514
Non-instructional programs	-	-	-	-	-
AEA Flowthrough	1,216,484	1,241,684	1,262,623	1,272,602	1,344,421
Capital outlay:					
Facilities acquisition/construction	3,511,738	7,986,299	1,122,598	4,087,665	7,492,246
Debt service:					
Principal	525,000	2,550,000	575,000	4,850,000	630,000
Interest	387,086	632,052	533,355	427,617	419,899
<b>Total expenditures</b>	<b>\$ 34,591,489</b>	<b>\$ 43,137,310</b>	<b>\$ 36,034,213</b>	<b>\$ 45,761,824</b>	<b>\$ 48,175,910</b>
Debt service as a percentage of noncapital expenditures	2.71%	7.96%	3.17%	13.04%	2.23%

**Source:** School District financial records.

	Fiscal Year				
	2006	2007	2008	2009	2010
\$	25,957,083	\$ 28,905,727	\$ 33,610,919	\$ 38,572,208	\$ 39,198,436
	1,956,064	2,089,478	2,486,812	2,816,848	3,025,235
	1,431,116	1,486,501	1,904,879	1,875,936	2,267,956
	6,416,277	6,312,286	7,525,298	8,059,093	8,280,473
	4,240,148	4,271,457	4,849,573	5,225,041	5,264,105
	2,096,779	2,561,716	2,452,223	2,631,804	2,887,338
	-	-	-	-	-
	-	3,483	21,537	30,057	2,626
	1,471,264	1,645,674	1,825,721	2,011,213	2,296,973
	7,916,892	26,578,865	29,176,901	20,104,947	21,349,750
	4,560,000	9,850,000	4,942,648	5,784,426	2,420,367
	420,126	2,645,496	2,722,874	3,242,194	4,053,299
\$	<u>56,465,749</u>	<u>\$ 86,350,683</u>	<u>\$ 91,519,385</u>	<u>\$ 90,353,767</u>	<u>\$ 91,046,558</u>
	9.67%	21.42%	11.83%	12.79%	9.17%

**Schedule 7**  
**Southeast Polk Community School District**

**Other Financing Sources and Uses and Net Change in Fund Balances**  
**Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*  
**(Unaudited)**

	Fiscal Year				
	2001	2002	2003	2004	2005
Excess of revenues over (under) expenditures	\$ (779,635)	\$ (6,592,617)	\$ 1,296,969	\$ (3,309,465)	\$ (4,066,605)
Other financing sources (uses):					
Issuance of general obligation bonds	-	-	-	-	-
Issuance of revenue bonds	6,500,000	-	-	-	-
Issuance of bond anticipation notes	-	-	2,800,000	6,075,000	-
Refunding debt issued	-	-	-	-	2,845,000
Payment to refunding escrow agent	-	-	(2,250,000)	-	(2,810,000)
Premium on bonds	-	-	-	-	4,140
Sale of capital assets	376	7,176	10,693	-	1,050
Issuance of loans	-	-	-	-	500,000
Compensation for loss of capital assets	-	-	-	-	-
Transfers in	-	-	558,355	5,282,294	1,014,146
Transfers out	-	-	(558,355)	(5,282,294)	(1,014,146)
<b>Total other financing sources (uses)</b>	<b>6,500,376</b>	<b>7,176</b>	<b>560,693</b>	<b>6,075,000</b>	<b>540,190</b>
<b>Net change in fund balances</b>	<b>\$ 5,720,741</b>	<b>\$ (6,585,441)</b>	<b>\$ 1,857,662</b>	<b>\$ 2,765,535</b>	<b>\$ (3,526,415)</b>

**Source:** School District financial records.

Fiscal Year				
2006	2007	2008	2009	2010
\$ (7,881,727)	\$ (29,156,259)	\$ (27,530,515)	\$ (21,819,897)	\$ (21,943,815)
47,500,000	5,500,000	7,000,000	-	-
9,000,000	-	-	30,000,000	-
-	-	-	-	-
-	-	-	-	-
-	-	-	(752,422)	-
-	-	125,532	87,506	-
-	-	-	16,125	22,415
-	-	703,998	1,185,000	250,128
-	-	-	-	-
3,971,586	7,940,360	3,083,424	10,993,594	4,495,832
(3,971,586)	(8,506,865)	(3,083,424)	(10,991,006)	(4,495,197)
56,500,000	4,933,495	7,829,530	30,538,797	273,178
\$ 48,618,273	\$ (24,222,764)	\$ (19,700,985)	\$ 8,718,900	\$ (21,670,637)

**Schedule 8**  
**Southeast Polk Community School District**

**Financial Solvency Ratio**  
**Last Ten Fiscal Years**  
**(Unaudited)**

School Year	Unreserved Undesignated General Fund Balance	Actual Revenues	Financial Solvency Ratio*
2009-2010	(\$10,338,669)	\$56,827,892	-18.19%
2008-2009	(7,710,747)	56,171,967	-13.73%
2007-2008	(5,219,060)	49,095,777	-10.63%
2006-2007	(1,992,925)	42,577,730	-4.68%
2005-2006	(120,515)	39,403,732	-0.31%
2004-2005	145,956	36,555,316	0.40%
2003-2004	452,578	34,890,438	1.30%
2002-2003	38,313	30,736,636	0.12%
2001-2002	1,118,846	29,790,528	3.76%
2000-2001	1,765,073	28,672,532	6.16%

**Source:** School District financial records.

**Notes:** \* = (Unreserved Undesignated General Fund Balance) / (Actual Revenues)

Target Solvency Position = Between 5.0 and 10 Percent  
 Acceptable Solvency Position = Between 0.0 and 4.99 Percent  
 Solvency Alert = Between -3.0 and 0.0 Percent  
 Solvency Concern = Below -3.0 Percent

**Schedule 9**  
**Southeast Polk Community School District**

**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

**(Unaudited)**

Fiscal Year	Actual Value			Less Exemptions	Total Taxable Value	Total Direct Rate (a)
	Residential Property	Commercial Property	Other Property			
2001	\$ 353,836,272	\$ 166,970,038	\$ 94,834,052	\$ 2,344,328	\$ 613,296,034	\$15.31041
2002	370,133,260	175,510,560	95,488,029	2,414,388	638,717,461	15.12681
2003	412,483,550	182,365,600	81,931,535	2,442,282	674,338,403	15.41627
2004	434,907,020	183,937,460	83,885,111	2,510,242	700,219,349	17.36978
2005	484,422,690	198,711,420	89,665,202	2,608,572	770,190,740	17.28014
2006	516,586,720	216,397,080	85,978,830	2,745,930	816,216,700	18.12266
2007	555,836,938	367,592,450	96,772,448	2,617,832	1,017,584,004	20.98804
2008	596,970,075	392,155,080	92,953,897	2,755,190	1,079,323,862	22.00000
2009	646,741,868	453,538,190	92,911,985	2,791,568	1,190,400,475	21.84708
2010	712,495,276	463,332,090	92,427,176	2,858,562	1,265,395,980	21.83221

**Source:** Polk County Auditor, Jasper County Auditor and Marion County Auditor.

**Notes:** Property is assessed on a calendar year basis. The assessments finalized as of January 1 of each year year are applied to the following fiscal year. Assessed value equals estimated actual value.

(a) Per \$1,000 of assessed value.

**Schedule 10**  
**Southeast Polk Community School District**

**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
*(rate per \$1,000 of assessed value)*  
**(Unaudited)**

Fiscal Year Ended June 30	District Direct Rates					Overlapping Rates							
	General Purposes	Capital Purposes	Debt Service	Management	Total	Polk County	Jasper County	Marion County	Community College	City of Altoona	City of Michellville	City of Pleasant Hill	City of Runnells
2001	\$13.67127	\$1.00000	\$0.00000	\$0.63914	\$15.31041	\$9.25871	\$7.43983	\$10.58994	\$0.54506	\$8.90000	\$14.19207	\$11.60937	\$8.10000
2002	13.26956	1.00000	0.00000	0.85725	15.12681	9.33502	7.34244	10.39771	0.54454	8.89729	13.15140	11.78489	8.10000
2003	13.50415	1.00000	0.00000	0.91212	15.41627	9.64388	9.05654	10.51039	0.54454	8.89369	13.61875	11.60171	8.10000
2004	15.46653	1.00000	0.00000	0.90325	17.36978	9.76626	9.07370	10.55243	0.58184	8.89369	13.86759	11.48189	8.10000
2005	15.16501	1.00000	0.00000	1.11513	17.28014	9.96860	8.06036	11.09079	0.59856	8.89369	13.33972	11.48228	8.82955
2006	15.09091	1.00000	1.02764	1.00411	18.12266	9.94718	9.66429	11.21732	0.68408	8.79369	13.47156	11.48189	9.02241
2007	14.98018	1.00000	4.03065	0.97721	20.98804	10.17911	9.80745	11.21732	0.68688	8.64369	12.45074	11.48197	9.07850
2008	16.29737	1.00000	3.77152	0.93111	22.00000	10.16568	9.70787	11.15458	0.60276	8.64369	12.81766	11.48209	9.05656
2009	16.54210	1.00000	3.37366	0.93132	21.84708	10.12882	9.87429	10.89144	0.56386	8.64369	13.58825	11.48208	8.97274
2010	17.55346	1.00000	2.23909	1.03966	21.83221	11.38014	12.32563	10.86049	0.56778	8.64369	14.36664	11.65000	11.01188

**Source:** Polk County Auditor, Jasper County Auditor and Marion County Auditor.

**Notes:** Assessed value equals estimated actual value.

**Schedule 11**  
**Southeast Polk Community School District**

**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**  
**(Unaudited)**

Taxpayer	2010			2001		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Prairie Meadows	\$ 107,717,400	1	8.51%	\$ 62,392,520	1	10.17%
Adventureland/America	22,126,560	2	1.75%	14,614,690	3	2.38%
Ziegler Realty LLC	14,162,410	3	1.12%	-	-	-
Wal-Mart	12,973,300	4	1.03%	10,371,780	4	1.69%
Menards, Inc.	11,689,600	5	0.92%	-	-	-
Iowa Cold Storage	9,770,900	6	0.77%	-	-	-
Lowe's Home Centers, Inc.	8,900,000	7	0.70%	-	-	-
Target Corp.	8,577,500	8	0.68%	-	-	-
Hy-Vee	8,264,000	9	0.65%	-	-	-
Medical Development LC	6,502,600	10	0.51%	-	-	-
Bosselmann Inc	-	-	-	5,239,290	7	0.85%
Williams Pipeline	-	-	-	21,539,763	2	3.51%
Qwest	-	-	-	9,831,688	5	1.60%
Altoona Meadows	-	-	-	5,703,840	6	0.93%
Warren Family Farms	-	-	-	4,649,248	8	0.76%
Centennial Place	-	-	-	3,495,590	9	0.57%
ARC IV LLC	-	-	-	3,268,750	10	0.53%
<b>Total</b>	<b>\$ 210,684,270</b>		<b>16.65%</b>	<b>\$ 141,107,159</b>		<b>23.01%</b>

Source: Polk County Auditor

**Schedule 12**  
**Southeast Polk Community School District**

**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	\$ 9,689,490	\$ 9,686,394	99.97%	\$ 733	\$ 9,687,127	99.98%
2002	10,138,700	9,948,901	98.13%	29,713	9,978,614	98.42%
2003	10,502,635	10,419,511	99.21%	56,685	10,476,196	99.75%
2004	12,969,951	12,966,596	99.97%	3,355	12,969,951	100.00%
2005	13,558,071	13,426,525	99.03%	7,485	13,434,010	99.08%
2006	14,690,304	14,669,998	99.86%	20,306	14,690,304	100.00%
2007	19,579,301	19,577,705	99.99%	202	19,577,907	99.99%
2008	21,430,423	21,424,538	99.97%	5,885	21,430,423	100.00%
2009	22,704,876	22,688,599	99.93%	7,740	22,688,599	99.93%
2010	23,388,205	23,241,726	99.37%	-	23,241,726	99.37%

**Source:** School District financial records, Polk County Auditor, Jasper County Auditor and Marion County Auditor.

**Schedule 13**  
**Southeast Polk Community School District**

**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

**(Unaudited)**

Fiscal Year	General Obligation Bonds	Revenue Bans/Bonds	Capital Loan Note	Less: Amounts Available in Debt Service Fund	Total	Percent of Actual Taxable Value of Property (a)	Per Capita (b)
2001	\$ 5,165,000	\$ 8,500,000	-	-	\$ 13,665,000	2.23%	\$663
2002	4,615,000	6,500,000	-	-	11,115,000	1.74%	539
2003	4,040,000	7,050,000	-	-	11,090,000	1.64%	538
2004	3,440,000	8,875,000	-	-	12,315,000	1.76%	469
2005	2,845,000	8,875,000	500,000	16,423	12,203,577	1.58%	456
2006	49,430,000	14,325,000	405,000	19,644	64,140,356	7.86%	2,316
2007	52,555,000	6,950,000	305,000	305,510	59,504,490	5.85%	2,148
2008	57,405,000	4,375,000	791,350	-	62,571,350	5.80%	2,259
2009	55,520,000	30,000,000	1,701,924	1,506,862	85,715,062	7.20%	3,094
2010	53,520,000	30,000,000	1,453,185	2,546,215	82,426,970	6.51%	2,976

**Source:** School District financial records, Polk County Auditor, Jasper County Auditor and Marion County Auditor.

**Notes:**

- (a) Actual taxable value of property includes Tax Increment Financing valuation. Assessed value equals estimated actual value. See Schedule 9 for actual taxable value of property.
- (b) See Schedule 18 for population data.

**Schedule 14**  
**Southeast Polk Community School District**

**Outstanding Debt by Type**  
**Last Ten Fiscal Years**

**(Unaudited)**

Fiscal Year	Governmental Activities			Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Revenue Bans/Bonds	Capital Loan Note			
2001	\$ 5,165,000	\$ 8,500,000	-	\$ 13,665,000	3.32%	\$ 663
2002	4,615,000	6,500,000	-	11,115,000	2.58%	539
2003	4,040,000	7,050,000	-	11,090,000	2.47%	538
2004	3,440,000	8,875,000	-	12,315,000	2.52%	469
2005	2,845,000	8,875,000	500,000	12,220,000	2.19%	456
2006	49,430,000	14,325,000	405,000	64,160,000	10.86%	2,316
2007	52,555,000	6,950,000	305,000	59,810,000	9.22%	2,159
2008	57,405,000	4,375,000	791,350	62,571,350	8.89%	2,259
2009	55,520,000	30,000,000	1,701,924	87,221,924	11.99%	3,149
2010	53,520,000	30,000,000	1,453,185	84,973,185	N/A	3,068

**Source:** School District financial records.

**Notes:** N/A = not available. Details of the District's outstanding debt can be found in Note 7 in the notes to the financial statements.

(a) See Schedule 18 for personal income and population data. These ratios are calculated using personal income and population for the prior year calendar year.

**Schedule 15**  
**Southeast Polk Community School District**

**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2010**

**(Unaudited)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Direct and Overlapping Debt
Polk County	\$ 212,715,000	7.10%	\$ 15,094,682
Jasper County	15,657,000	0.31%	47,912
Marion County	4,365,000	0.23%	10,253
City of Mitchellville	1,060,000	17.45%	184,934
City of Altoona	41,980,000	50.58%	21,232,980
City of Pleasant Hill	8,690,000	29.87%	2,595,295
<b>Subtotal, overlapping debt</b>			38,523,943
District direct debt			84,973,185
<b>Total direct and overlapping debt</b>			<b>\$ 123,497,128</b>

**Source:** Taxable value data used to estimate applicable percentages provided by the Jasper, Marion and Polk County Auditors. Debt outstanding data provided by each governmental unit.

**Notes:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the district. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the district. This process recognizes that, when considering the district's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(a) The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the district's boundaries and dividing it by each unit's total taxable value.

**Schedule 16**  
**Southeast Polk Community School District**

**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

**(Unaudited)**

	2001	2002	2003	2004	2005
Debt limit	\$ 45,271,347	\$ 47,239,601	\$ 51,596,396	\$ 55,669,020	\$ 79,934,600
Total net debt applicable to limit	11,115,000	11,090,000	12,315,000	12,220,000	64,160,000
Legal debt margin	\$ 34,156,347	\$ 36,149,601	\$ 39,281,396	\$ 43,449,020	\$ 15,774,600
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	24.55%	23.48%	23.87%	21.95%	80.27%

**Source:** School District financial records, Polk County Auditor, Jasper County Auditor and Marion County Auditor.

**Notes:**

- (a) Actual assessed value includes Tax Increment Financing
- (b) Code of Iowa Section 296.1

**Legal Debt Margin Calculation for Fiscal Year 2010**

Actual assessed value (a)	<u>\$ 2,516,143,934</u>
Debt limit (5% of assessed value) (b)	\$ 125,807,197
Debt applicable to limit	<u>87,221,924</u>
Legal debt margin	<u>\$ 38,585,273</u>

	2006	2007	2008	2009	2010
\$	86,569,626	\$ 102,677,743	\$ 110,077,048	\$ 118,907,095	\$ 125,807,197
	59,810,000	62,571,350	62,571,350	87,221,924	87,221,924
\$	26,759,626	\$ 40,106,393	\$ 47,505,698	\$ 31,685,171	\$ 38,585,273
	69.09%	60.94%	56.84%	73.35%	69.33%

**Schedule 17**  
**Southeast Polk Community School District**

**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

**(Unaudited)**

Fiscal Year	Sales Tax Revenue Bans/Bonds			Coverage
	Revenue	Debt Service		
		Principal	Interest	
2001	\$ 3,249,004	\$ -	\$ 110,500	29.40
2002	4,092,294	2,000,000	378,250	1.72
2003	4,109,803	-	276,250	14.88
2004	4,249,399	4,250,000	242,575	0.95
2005	4,478,035	-	197,460	22.68
2006	4,778,685	3,550,000	208,800	1.27
2007	4,903,664	7,375,000	453,150	0.63
2008	5,382,517	2,575,000	237,281	1.91
2009	6,075,699	4,375,000	132,162	1.35
2010	4,813,593	-	1,605,399	3.00

**Source:** School District financial records.

**Notes:** Details regarding the District's outstanding debt can be found in Note 7 of the notes to the financial statements.

**Schedule 18**  
**Southeast Polk Community School District**

**Demographic and Economic Statistics**  
**Last Ten Calendar Years**  
**(Unaudited)**

Calendar Year	Population (a)	Personal Income (b)	Adjusted Gross Income Per Tax Return (b)	Per Capita Personal Income	Unemployment Rate (c)
2000	20,620	\$411,969,160	\$32,569	\$19,979	1.8%
2001	20,620	\$430,107,415	\$32,986	\$20,859	2.1%
2002	20,620	\$449,750,847	\$33,740	\$21,811	3.6%
2003	26,259	\$487,999,377	\$34,892	\$18,584	3.7%
2004	26,770	\$557,024,979	\$37,586	\$20,808	3.7%
2005	27,700	\$590,592,164	\$37,725	\$21,321	4.3%
2006	27,700	\$648,611,298	\$39,439	\$23,416	3.4%
2007	27,700	\$704,118,667	\$40,560	\$25,419	3.8%
2008	27,700	\$727,611,072	\$40,921	\$26,268	4.1%
2009	27,700	N/A	N/A	N/A	6.7%

**Notes:**

N/A = not available.

(a) U.S. Department of Commerce, Bureau of Census

(b) Iowa Department of Revenue

(c) Iowa Workforce Development

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**Schedule 19**  
**Southeast Polk Community School District**

**Principal Employers**  
**Current Year and Nine Years Ago**  
**(Unaudited)**

Employer	2010			2001		
	Employees*	Rank*	Percentage of Total Employment	Employees*	Rank*	Percentage of Total Employment
Central Iowa Hospital Assn		X			X	
Communications Data Services					X	
Des Moines Register		X				
FBL Financial Group		X				
Hy-Vee Food Stores		X			X	
Iowa Health - Des Moines		X				
John Deere Des Moines Works		X				
Marsh		X				
Mercy Hospital Medical Center					X	
Nationwide Insurance Company					X	
Pioneer Hi-Bred		X				
Sears Roebuck					X	
TMC Transportation		X				
United Parcel Service					X	
Wellmark Inc					X	
Wells Fargo Bank NA		X			X	
Total	-		15.35%	-		12.44%

**Source:** 2010 - IWD, Employer Database (<http://iwin.iwd.state.ia.us/iowa/employers>)

**Source:** 2001 - IWD, QCEQ Program

**Notes:**

\*Each of the Top 10 employers has over 1000 employees. Due to confidentiality restraints, IWD is not able to release exact employment figures for each company.

x These are listed alphabetically due to confidentiality restraints.

This is a representative list of the larger employers in the Des Moines Metropolitan Area.

**Schedule 20**  
**Southeast Polk Community School District**

**Full-Time Equivalent District Employees By Type**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	Full-Time Equivalent Employees as of June 30				
	2001	2002	2003	2004	2005
<b>Supervisory:</b>					
Superintendent	1.0	1.0	1.0	1.0	1.0
Assistant superintendent	-	-	1.0	1.0	1.0
Principals	10.0	10.0	12.0	12.0	12.0
Assistant principals	1.0	1.0	1.0	1.0	2.0
All other administrators	12.0	12.0	9.0	9.0	11.0
<b>Total supervisory</b>	<b>24.0</b>	<b>24.0</b>	<b>24.0</b>	<b>24.0</b>	<b>27.0</b>
<b>Instruction:</b>					
Regular program teachers *	287.5	294.4	315.2	312.1	346.9
Special Education teachers*	40.0	77.0	62.5	54.5	68.5
<b>Total instruction</b>	<b>327.5</b>	<b>371.4</b>	<b>377.7</b>	<b>366.6</b>	<b>415.4</b>
<b>Student services:</b>					
Guidance counselors	16.0	13.4	22.0	20.0	19.0
Nurses/Nurse aides	5.0	5.0	5.0	7.0	8.5
Media Specialists/Media Clerks	4.0	7.0	4.0	4.0	4.0
<b>Total student services</b>	<b>25.0</b>	<b>25.4</b>	<b>31.0</b>	<b>31.0</b>	<b>31.5</b>
<b>Support and administration:</b>					
Clerical/secretarial/other support staff	55.0	55.0	38.3	38.9	32.3
Custodial and Maintenance	52.0	47.1	45.3	54.4	52.5
Food Service	18.0	27.9	28.9	27.9	21.0
Bus Drivers/Bus Aides/Crossing Guard	18.0	18.0	16.3	16.2	19.6
<b>Total support and administration</b>	<b>143.0</b>	<b>148.0</b>	<b>128.9</b>	<b>137.4</b>	<b>125.5</b>
<b>Total</b>	<b>519.5</b>	<b>568.8</b>	<b>561.5</b>	<b>559.0</b>	<b>599.4</b>

**Source:** District records.

\*Includes Teacher aides

\*\*2008 figures were taken from CAR which included substitute data

Full-Time Equivalent Employees as of June 30					Percentage Change
2006	2007	2008**	2009	2010	2001-10
1.0	1.0	1.0	1.0	1.0	0.0%
1.1	1.0	1.0	1.0	1.0	100.0%
13.0	16.3	11.0	11.0	12.0	20.0%
2.0	2.0	5.0	6.0	5.0	400.0%
6.5	6.0	12.0	11.0	8.0	-33.3%
23.6	26.3	30.0	30.0	27.0	12.5%
305.2	319.0	373.5	342.5	373.9	30.1%
130.5	168.0	197.0	194.2	65.0	62.5%
435.7	487.0	570.5	536.7	438.9	34.0%
23.0	23.0	26.7	19.0	19.0	18.8%
8.0	9.5	10.1	13.7	13.5	170.0%
4.0	13.0	16.3	16.3	12.5	212.5%
35.0	45.5	53.1	49.0	45.0	80.0%
39.6	40.0	47.3	45.9	52.5	-4.5%
50.7	67.0	67.7	38.0	49.0	-5.8%
26.4	42.0	62.6	35.4	36.5	102.8%
29.0	44.0	68.0	36.9	40.0	122.2%
145.6	193.0	245.6	156.2	178.0	24.5%
639.9	751.8	899.2	771.9	688.9	32.6%

**Schedule 21**  
**Southeast Polk Community School District**

**Operating Statistics**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year	Enrollment (1)	Operating Expenditures (2)	Cost Per Pupil	Percentage Change
2001	4,149	\$ 30,876,058	\$ 7,442	11.52%
2002	4,266	32,164,986	7,540	1.32%
2003	4,402	34,263,443	7,784	3.23%
2004	4,562	37,422,226	8,203	5.39%
2005	4,780	40,031,699	8,375	2.09%
2006	4,990	42,122,223	8,441	0.79%
2007	5,692	45,835,484	8,053	(4.60)%
2008	5,731	57,152,340	9,972	23.84%
2009	5,966	62,023,892	10,396	4.25%
2010	6,073	63,223,142	10,411	0.14%

**Source:** School District financial records and Iowa Department of Education.

**Notes:** N/A = not available.

(1) Average daily membership

(2) Operating expenditures are total governmental expenditures less debt service and capital outlays.

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Expenses	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced-Priced Meals
N/A	N/A	N/A	329.10	12.61	15.10%
N/A	N/A	N/A	335.95	12.70	15.40%
\$ 39,249,889	\$ 8,604	N/A	352.25	12.50	17.30%
41,206,905	8,621	0.20%	363.05	12.57	18.10%
44,203,684	8,858	2.76%	373.00	12.82	18.60%
48,120,043	8,454	(4.57)%	386.75	12.90	19.80%
53,290,597	9,299	9.99%	429.70	13.25	21.10%
65,664,346	11,458	23.22%	450.95	12.71	20.80%
70,578,439	11,830	3.25%	452.83	13.17	23.50%
74,708,747	12,302	3.99%	438.85	13.84	28.30%

**Schedule 22**  
**Southeast Polk Community School District**

**School Building Information**  
**Last Ten Fiscal Years**  
**(Unaudited)**

School	Fiscal Year				
	2001	2002	2003	2004	2005
<b>Elementary:</b>					
Altoona (1939)					
Square feet	44,425	44,425	44,425	44,425	64,104
Capacity*	424	424	424	424	630
Enrollment	388	389	388	392	385
Centennial (1968)					
Square feet	44,135	44,135	44,135	61,017	61,017
Capacity	446	446	446	630	630
Enrollment	426	446	490	513	516
Clay (2006)					
Square feet	N/A	N/A	N/A	N/A	N/A
Capacity	N/A	N/A	N/A	N/A	N/A
Enrollment	N/A	N/A	N/A	N/A	N/A
Delaware (1951)					
Square feet	43,418	43,418	43,418	43,418	43,418
Capacity	399	399	399	399	399
Enrollment	309	347	390	404	436
Four Mile (1966)					
Square feet	41,700	41,700	41,700	63,204	63,204
Capacity	456	456	456	630	630
Enrollment	424	440	457	487	518
Mitchellville (1925)					
Square feet	21,805	21,805	21,805	45,293	45,293
Capacity	256	256	256	420	420
Enrollment	188	172	180	187	215
Runnells (2002)					
Square feet**	16,400	31,949	31,949	31,949	31,949
Capacity	N/A	210	210	210	210
Enrollment	162	158	168	177	179
Willowbrook (1991)					
Square feet	56,546	56,546	56,546	56,546	56,546
Capacity	630	630	630	630	630
Enrollment	514	497	511	493	500
Harbor (1997)					
Square feet	4,537	4,537	4,537	4,537	4,537
Capacity	454	454	454	454	454
Enrollment	46	56	59	64	69
<b>Junior High:</b>					
Southeast Polk Junior High (1992)					
Square feet	89,670	89,670	89,670	89,670	89,670
Capacity	950	950	950	950	950
Enrollment	679	661	690	803	820

Fiscal Year				
2006	2007	2008	2009	2010
64,104	64,104	64,104	64,104	64,104
630	630	630	630	630
377	435	384	399	409
61,017	61,017	61,017	61,017	61,017
630	630	630	630	630
542	547	481	509	516
79,738	79,738	79,738	79,738	79,738
840	840	840	840	840
N/A	N/A	322	390	391
65,641	65,641	65,641	65,641	65,641
630	630	630	630	630
462	472	503	517	533
63,204	63,204	63,204	63,204	63,204
630	630	630	630	630
558	577	588	628	595
45,293	45,293	45,293	45,293	45,293
420	420	420	420	420
208	211	170	193	195
43,007	43,007	43,007	43,007	43,007
400	400	400	400	400
196	195	214	217	243
56,546	56,546	56,546	56,546	56,546
630	630	630	630	630
493	527	477	477	466
4,537	4,537	4,537	4,537	4,537
454	454	454	454	454
42	39	39	51	49
89,670	89,670	89,670	89,670	89,670
950	950	950	950	950
823	862	840	859	938

**Schedule 22**  
**Southeast Polk Community School District**

**School Building Information(Continued)**  
**Last Ten Fiscal Years**  
**(Unaudited)**

School	2001	2002	2003	2004	2005
<b>Senior High:</b>					
Southeast Polk Senior High School (1963)					
Square feet	206,674	206,674	206,674	206,674	206,674
Capacity	1,800	1,800	1,800	1,800	1,800
Enrollment	1,385	1,317	1,326	1,299	1,350
Southeast Polk Senior High School (2010)					
Square feet	N/A	N/A	N/A	N/A	N/A
Capacity	N/A	N/A	N/A	N/A	N/A
Enrollment	N/A	N/A	N/A	N/A	N/A
<b>Other District Facilities:</b>					
Bus Garage (2002)					
Square feet***	16,384	16,384	16,384	16,384	16,384
District Office (1977)					
Square Feet	8,033	8,033	8,033	8,033	8,033

**Source:** District records

**Notes:**

\* Capacity figures are based on 30 pupils per classroom

\*\* Runnells Elementary was replaced in 2001; open for 2002 school year

\*\*\*Bus Garage was replaced in 2001

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Fiscal Year				
2006	2007	2008	2009	2010
206,674	206,674	206,674	206,674	N/A
1,800	1,800	1,800	1,800	N/A
1,495	1,572	1,660	1,700	N/A
N/A	N/A	N/A	N/A	430,227
N/A	N/A	N/A	N/A	2,000
N/A	N/A	N/A	N/A	1,667
16,384	16,384	16,384	16,384	16,384
8,033	8,033	8,033	8,033	8,033

**Schedule 23**  
**Southeast Polk Community School District**

**Certified Staff Salaries**  
**Last Ten Fiscal Years**  
**(Unaudited)**

School Year	Minimum	Maximum	Average
2009-2010	\$36,640	\$61,006	\$50,165
2008-2009	36,343	60,572	48,975
2007-2008	35,180	58,634	46,964
2006-2007	33,892	56,487	45,546
2005-2006	32,752	54,587	43,670
2004-2005	31,612	52,687	42,150
2003-2004	30,837	51,395	41,116
2002-2003	30,068	50,112	40,090
2001-2002	29,161	48,602	38,882
2000-2001	24,950	47,405	36,178

**Source:** School District financial records.

**Notes:**

- The above table does not include extra duty pay.
- Average salary includes supplemental Phase payments

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

GRANTOR/PROGRAM	CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	PROGRAM EXPENDITURES
<b>INDIRECT:</b>			
<b>DEPARTMENT OF AGRICULTURE:</b>			
<b>IOWA DEPARTMENT OF EDUCATION:</b>			
<b>SCHOOL NUTRITION CLUSTER PROGRAMS:</b>			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	\$ 125,114
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	934,898 *
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 10	1,400
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 10	5,249
			<u>1,066,661</u>
 TEAM NUTRITION GRANT	 10.574	 FY 10	 <u>400</u>
 <b>DEPARTMENT OF EDUCATION:</b>			
<b>IOWA DEPARTMENT OF EDUCATION:</b>			
<b>TITLE I, PART A CLUSTER PROGRAMS:</b>			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	6101-G	264,496
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	30,063
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	101,028
			<u>395,587</u>
 <b>SPECIAL EDUCATION CLUSTER (IDEA):</b>			
<b>SPECIAL EDUCATION - GRANTS TO STATES(APPLIED BEHAVIOR ANALYSIS)</b>			
	84.027	FY 10	240 **
<b>SPECIAL EDUCATION - GRANTS TO STATES(COMMUNICATION STRATEGIES)</b>			
	84.027	FY 10	240 **
			<u>480</u>
 <b>CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES</b>			
	84.048	FY 10	<u>105 +</u>
 <b>SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS</b>			
	84.186	FY 10	<u>12,227</u>
 <b>FUND FOR THE IMPROVEMENT OF EDUCATION (MENTAL HEALTH - WRAPAROUND TRAINING)</b>			
	84.215	FY 10	<u>120</u>
 <b>ADVANCED PLACEMENT PROGRAM</b>			
	84.330	FY 09	1,120
ADVANCED PLACEMENT PROGRAM	84.330	FY 10	1,344
			<u>2,464</u>
 <b>IMPROVING TEACHER QUALITY STATE GRANTS</b>			
	84.367	FY 10	<u>102,675</u>
 <b>GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES</b>			
	84.369	FY 10	<u>38,389</u>
 <b>ARRA - STATE FISCAL STABILIZATION FUND(SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT</b>			
	84.394	FY 10	<u>2,759,616</u>

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

GRANTOR/PROGRAM	CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	PROGRAM EXPENDITURES
<b>INDIRECT(CONTINUED):</b>			
<b>DEPARTMENT OF EDUCATION:</b>			
<b>AREA EDUCATION AGENCY:</b>			
<b>CAREER AND TECHNICAL EDUCATION -</b>			
<b>BASIC GRANTS TO STATES</b>	84.048	FY 10	<u>33,167 +</u>
<b>SPECIAL EDUCATION CLUSTER (IDEA):</b>			
<b>SPECIAL EDUCATION - GRANTS TO STATES(PART B)</b>	84.027	FY 10	307,601 **
<b>SPECIAL EDUCATION - GRANTS TO STATES (TRANSITION PLANNING)</b>	84.027	FY 10	2,160 **
<b>ARRA - SPECIAL EDUCATION - GRANTS TO STATES, RECOVERY ACT</b>	84.391	FY 10	<u>672,873 **</u> <u>982,634</u>
<b>CIVIC EDUCATION - COOPERATIVE EDUCATION PROGRAM (CENTER FOR CIVIC EDUCATION)</b>			
	84.304	FY 10	<u>200</u>
<b>ENHANCING EDUCATION THROUGH TECHNOLOGY(E2T2)</b>			
	84.318	FY 10	<u>525</u>
<b>TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS</b>			
<b>TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS</b>	84.365	FY 10	<u>6,870</u>
<b>DEPARTMENT OF LABOR:</b>			
<b>LEARN AND SERVE AMERICA - SCHOOLS AND COMMUNITY BASED PROGRAMS (COMSERV)</b>			
	94.004	FY 09	7,178
<b>LEARN AND SERVE AMERICA - SCHOOLS AND COMMUNITY BASED PROGRAMS (COMSERV)</b>			
	94.004	FY 10	<u>4,764</u> <u>11,942</u>
<b>DEPARTMENT OF DEFENSE:</b>			
<b>FLOOD CONTROL</b>			
	12.108	FY 10	<u>342</u>
<b>NATIONAL ENDOWMENT FOR THE ARTS:</b>			
<b>IOWA ARTS COUNCIL:</b>			
<b>PROMOTION OF THE ARTS - PARTNERSHIP AGREEMENTS (BIG YELLOW SCHOOL BUS GRANT)</b>			
	45.025	FY 10	<u>400</u>
			<u>\$ 5,414,804</u>

\* - Includes \$177,139 of non-cash awards.

\*\* - Total for CFDA Number 84.027 is \$310,241 and total for Special Education Cluster (IDEA) is \$983,114.

+ - Total for CFDA Number 84.048 is \$33,272.

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

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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**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 Polk 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 Polk 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 December 13, 2010. 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 Polk Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Southeast Polk Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southeast Polk 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. We identified no 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 significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10, II-B-10 and II-C-10 to be a significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Southeast Polk 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 Polk 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 Polk 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 Polk Community School District and other parties to whom Southeast Polk Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

December 13, 2010

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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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 Polk Community School District

**Compliance**

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

In our opinion, Southeast Polk 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 Polk 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 Polk 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, 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 Polk Community School District's internal control over compliance.

**Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses.**

**A deficiency in the District's internal control over compliance exists when the design or operation of a control 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.**

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



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

**December 13, 2010**

**SOUTHEAST POLK 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) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no 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:
  - Individual Program:**
    - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Funds (SFSF) - Education State Grants, Recovery Act
    - CFDA Number 84.367 - Improving Teacher Quality State Grants
  - Clustered Programs:**
    - Special Education Cluster(IDEA):**
      - CFDA Number 84.027 - Special Education - Grants to States (Part B)
      - CFDA Number 84.027 - Special Education - Grants to States (Transition Planning)
      - CFDA Number 84.027 - Special Education - Grants to States (Applied Behavior Analysis)
      - CFDA Number 84.027 - Special Education - Grants to States (Communication Strategies)
      - CFDA Number 84.391 - ARRA - Special Education - Grants to States, Recovery Act
    - Title I, Part A Cluster:**
      - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
      - CFDA Number 84.389 - Title I Grants to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Southeast Polk Community School District qualified as a low-risk auditee.

**Part II: Findings Related to the Basic Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**II-A-10 Capital Assets - A record of capital asset acquisitions and disbursements are kept, however these changes are not kept up to date and entered into the District's software system in a timely manner.**

**Recommendation - Capital asset updates should be made on a continuous basis to allow the school officials and outsiders an accurate account of the amount of capital assets at any point in time. This is necessary for both an accurate account of assets and to ensure a proper amount of insurance is carried to cover the assets in case of loss from fire, vandalism, or theft. The District should have a complete list of additions, deletions, and current assets for reporting purposes. Additional staff may be required to assist in entering the assets timely into the software system. In addition, at year end the capital projects and physical plant and equipment levy expenditures should be reviewed and capitalized per the district capital asset policy.**

**Response - Fixed asset accounting has essentially become a full time job due to the massive increase in the total number of items added to the district's equipment inventory due to additions in all elementary schools, a new elementary, new bus garage and a new high school.**

**Our process requires the bar coding of all items that are at least worth \$500 or more for GASB 34 requirements but for insurance purposes, any item worth at least \$50 is bar coded to enable it to be recorded in our fixed asset software.**

**This effort to enter all the necessary data to include building location, room number and serial numbers requires far more time than what our full time accounts payable person is able to devote over her normal accounts payable daily routine.**

**Our process is to identify a fixed asset by its object code (400's & 700's) in the accounts payable portion of our software, which in turn creates a batch for posting into fixed assets. Before these items can be added to the fixed asset record, they have to have the information listed above which is obtained from the secretaries in each building. However, some serial numbers may be obtained by our accounts payable personnel from invoices.**

**We purchased a hand held scanner that can record the bar code and list the basic description of the item inventoried. The scanner data can in turn be down loaded to a spread sheet which in turn can be updated with more detailed information concerning the serial number, vendor, cost and model number. This information is in turn sent to Software Unlimited and they convert the data for downloading into the fixed asset module of the accounting system.**

**With the addition of the scanner, the process of physically inventorying can be greatly speeded up. We will hire part time help to do the physical inventory using the scanner. However, this process will not be an acceptable long range substitute for a centralized receiving operation. Once the district's size warrants such an operation, all items can be bar coded using the district's scanner as they are received and information uploaded to the fixed asset software module which ties into the district's accounting system. Also, the position of fixed asset bookkeeper may be required as either a fulltime or part time position if the current pace of new construction continues into the future.**

**Conclusion** - Response accepted.

**II-B-10 Supporting Documents for Meal Reimbursements** - We noted during our audit support documentation being turned in for meal reimbursements were lacking detailed receipts.

**Recommendation** - The District has a policy in place for credit card usage and travel reimbursements which states that the users need to provide detailed receipts for purchases made. The District should review procedures in place with personnel, and should only reimburse meal expenses that have the required documentation.

**Response** - This requirement will be relayed to district employees and reviewed for compliance by accounts payable.

**Conclusion** - Response accepted.

**II-C-10 Paying from Faxed Spreadsheet** - We noted during our audit an instance where the District paid a vendor from a faxed spreadsheet instead of an invoice.

**Recommendation** - The District should change its control procedures to require the original invoices as source documentation to support payments.

**Response** - This incident has been brought to the attention of the accounts payable department to ensure that invoices and validated receiving documents are used as the basis for payment to vendors.

**Conclusion** - Response accepted.

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over the major programs were noted.

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

**IV-A-10 Certified Budget** - Expenditures for the year ended June 30, 2010 exceeded the amended certified budget amounts in the non-instructional programs and other expenditures functions.

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

**Response** - We will proceed to notify the board when actual expenditures will exceed projected function budgets as projected in the annual budget hearing.

**Conclusion** - Response accepted.

**IV-B-10 Questionable Expenditures** - No expenditures we believe may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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

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

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Lori Wadell, Principal Spouse is employee with Grainger Inc.	Supplies/ maintenance	\$7,323
Jeri Sanborn, Counselor Spouse of Bruce Sanborn	Purchased Services	\$1,100
Jeri Sanborn, Counselor Mother of David Sanborn	Purchased Services	\$6,077
Chris English, Bus Driver Spouse is contractor with Air Con	Services	\$114,228
Cheryl Thomas, Nutrition Secretary Spouse owner of A-1 Completed Septic Tank	Purchased Services	\$3,525
Verna Bowie, District Office Mother of Jary Bowie	Security	\$105
Jason Gerth, Teacher Spouse of Krista Gerth	Uniform Alterations and Jewelry Fundraiser	\$6,862
Karole Turner, Sr High Secretary Mother of Chad Turner	Officiating	\$1,928

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouses and children of the employees do not appear to represent a conflict of interest.

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

**IV-F-10 Board Minutes** - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

**Recommendation** - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

**Response** - This will be done.

**Conclusion** - Response accepted.

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

**IV-H-10** Supplemental Weighting - We noted variances regarding the supplementary weighting certified to the Department of Education. The District overstated supplementary weighting by 3.60.

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

Response - We will contact the Iowa Department of Education and the Department of Management .

Conclusion - Response accepted.

**IV-I-10** Deposits and Investments - We noted 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 704.3.

During the year ended June 30, 2008 the District transferred money into a new investment pool Dollars for Scholars account at Edward Jones and continues to maintain this account. The Edward Jones account purchased stock, corporate bonds and mutual funds. It was also noted that Edward Jones is not listed on the District listing of official depositories.

Recommendation - The District should review Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy 704.3. Per the Code of Iowa, investments in stocks and bonds are not legal investments for an Iowa School District. The District should close this account and invest in legal investments. In addition, Edward Jones should be included on the District official depository listing.

Response - Since the date of the audit, the funds have been transferred out of the Edward Jones account and are now in an interest bearing savings account.

Conclusion - Response accepted.

**IV-J-10** Certified Annual Report - The Certified Annual Report was not properly certified to the Iowa Department of Education by September 15, 2010.

Recommendation - In the future, the District should ensure the Certified Annual Report is certified timely to the Iowa Department of Education.

Response - We will file the Certified Annual Report timely.

Conclusion - Response accepted.

**IV-K-10** Categorical Funding - No instances were noted of categorical funding 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.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. 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		\$ (3,164,611)
<b>Revenues:</b>		
Statewide sales and services tax revenue	\$ 4,813,593	
Interest on investments	<u>33,007</u>	<u>4,846,600</u>
<b>Expenditures/transfers out:</b>		
<b>Debt service for school infrastructure:</b>		
Revenue debt	<u>1,681,989</u>	<u>1,681,989</u>
Ending balance		<u><u>\$ -</u></u>

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

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Physical plant and equipment levy	\$ 0.67000	\$ 916,624

**IV-M-10 Financial Condition** - We noted during our audit that the District had a deficit undesignated unreserved fund balance of \$10,338,669 in the General Fund. We noted during our audit that the District had deficit undesignated unreserved fund balance of \$2,013,309 in the Capital Projects - Construction Projects Fund. We also noted during our audit that the District had several deficit Special Revenue, Student Activity Fund; Enterprise, Community Service Fund; and Enterprise, School Store Fund account balances at the end of the year.

**Recommendation** - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

**Response** - We will monitor these funds and investigate any available options to eliminate the deficits. The board has requested that the administration estimate how long it will take the district to achieve a positive fund balance without raising the tax rate. The information collected will be used to help the district develop a strategy to achieve a positive fund balance.

**Conclusion** - Response accepted.

**IV-N-10 Student Activity Fund** - During our audit issues arose about the properness of certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from.

**Recommendation** - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of

receipts and expenditures that are recorded in the Student Activity Fund. More specific examples are as follows:

We noted instructional supplies being purchased which would appear to be more appropriately handled in the General Fund.

**Response** - We will review purchases in these funds to eliminate the miscoding of expenses for the instructional supplies.

**Conclusion** - Response accepted.

**IV-O-10** **Checks Outstanding** - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

**Recommendation** - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1<sup>st</sup>. The District should research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

**Response** - The District will research the checks outstanding and determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

**Conclusion** - Response accepted.

**IV-P-10** **Interfund Loans** - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. As of October 1, 2010, the Internal Service, Self-Funded Health Insurance Fund owes the General Fund \$538,000; the General Fund owes the Internal Service, Self-Funded Health Insurance Fund \$500,000; the Capital Projects - Statewide Sales, Services and Use Tax Fund owes the General Fund \$17,590; the General Fund owes the Capital Projects - Statewide Sales, Services and Use Tax Fund \$2,100,000.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2010, interfund loans on the District's year end financial statements must be repaid to their respective funds on or before October 1, of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according to Iowa Code Chapter 74.

**Recommendation** - The District does not have a plan in place for repayment of interfund loans. To comply with the declaratory ruling the District should issue anticipatory warrants to repay the interfund loans with outside financing.

**Response** - The District is aware of the declaratory order issued by the Department of Education, but the District feels that with the financial condition of the District and the 7.4% cut in funding from the State of Iowa, issuing anticipatory warrants would impose unnecessary issuance and origination costs to the District. Additionally, the district made approximately \$2.2 million in budget cuts for this budget year and levied a cash reserve levy of \$6,985,909; \$4,474,900 of the cash reserve levy was for cash flow purposes. The intent of the budget cuts and the cash reserve levies was to reduce expenditures and the need for interfund loans.

The board has requested an estimate from the administration of how long it will take the district to pay back all interfund loans without raising the district's tax rate. The District with this information will develop a strategy for addressing the need for repayment of all interfund loans.

Conclusion - Response accepted.

**IV-Q-10 PPPEL Expenditures** - We noted that the District made purchases from Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund which do not appear to be in compliance with Chapter 423 and 298 of the Code of Iowa. The District purchased blinds, desks, cabinets, bookcases and technology items totaling \$13,842.83 which were below the single unit price of \$500. We are requesting a corrective from the General Fund.

Recommendation - The District should review their procedures to ensure that purchases made from these funds are in compliance with Chapter 423 and 298 of the Code of Iowa. The District should make the corrective transfer to reimburse the Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund for the unallowable expenditures.

Response - The District will review its procedures to ensure that purchases made from the Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund are in compliance with Chapter 423 and 298 of the Code of Iowa. The District will make the corrective transfer.

Conclusion - Response accepted.

**IV-R-10 Rybolt Consulting Services and Technology Policy** - The District has a board policy 605.4 stating that an annual evaluation on the use of technology in the curriculum should be presented to the Board. When reviewing the board minutes for the year it was noted that no such evaluation was presented to the Board.

Rybolt Consulting Services performs all technology related services for the District and bills at an hourly rate. When we spoke with Director of Programs & Human Resources, Dr. Stephen Miller, he informed us that Rybolt Consulting currently has 10 employees as well as additional staff during the summer to handle the increased load from construction projects within the District. Dr. Miller estimated that Rybolt puts in the equivalent of 5 people or 200 hours per week for services performed for the District.

The District currently does not have a contract in place with Rybolt Consulting, but rather has an oral agreement for the services to be performed for the District.

During fiscal year 2010 the District was billed at a rate of \$49 per hour. During the year the District has spent \$692,947 for services from Rybolt.

Recommendation - The District should have an annual evaluation on the use of technology in the curriculum presented to the Board in agreement with board policy 605.4.

The District should consider a formal contract with Rybolt Consulting outlining the services to be performed for the District as well as stating a rate of what the District would pay. Having a contract in place that outlines the services to be performed by Rybolt Consulting would help to document what types or services the District intends to utilize.

The District should consider hiring an IT Staff to handle some or all of the technology needs for the District. We noted when comparing with other surrounding Districts and Districts of similar size that other Districts are paying significantly less in salaries for a similar amount of staff, that is five people, while performing similar services. Some of the services that were billed to the District would appear to be more cost beneficial if the District were to have computer techs on staff. While Rybolt Consulting provides services that are useful to the technology

needs of the District, it would be prudent for the Board of Directors to evaluate the benefits of an outside consultant compared to on-site technology staff. At a minimum, the District should have a formal agreement for services.

**Response** - The district is in the process of reorganizing the district technology committee and the technology committee is developing the types of training that staff needs through surveys. The organization of the technology function is being reviewed by the board and administration and recommendations from the administration and board input will be used to develop a different model for delivering technology services to the district.

**Conclusion** - Response accepted.

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