

Sumner Community School District

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

June 30, 2010

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Independent Auditor's Report

To the Board of Education of
Sumner Community School District:

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

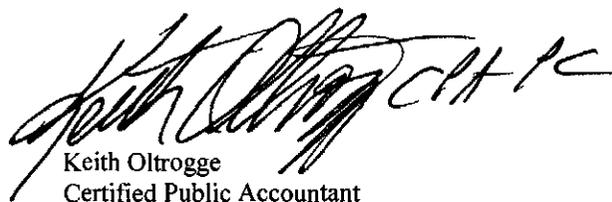
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable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

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

In accordance with Government Auditing Standards, I have also issued my report dated December 16, 2010 on my consideration of Sumner Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sumner Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge
Certified Public Accountant

December 16, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,842,704 in fiscal 2009 to \$5,832,391 in fiscal 2010, and General Fund expenditures increased from \$5,834,161 in fiscal 2009 to \$6,006,140 in fiscal 2010. The District's General Fund balance decreased from \$1,094,580 in fiscal year 2009 to \$920,831 in fiscal year 2010, a 15.9% decrease.
- The District's solvency ratio has decreased from 17.9% at June 30, 2009 to 14% at June 30, 2010. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

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

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

Figure A-1
Summer Community School District Annual Financial Report

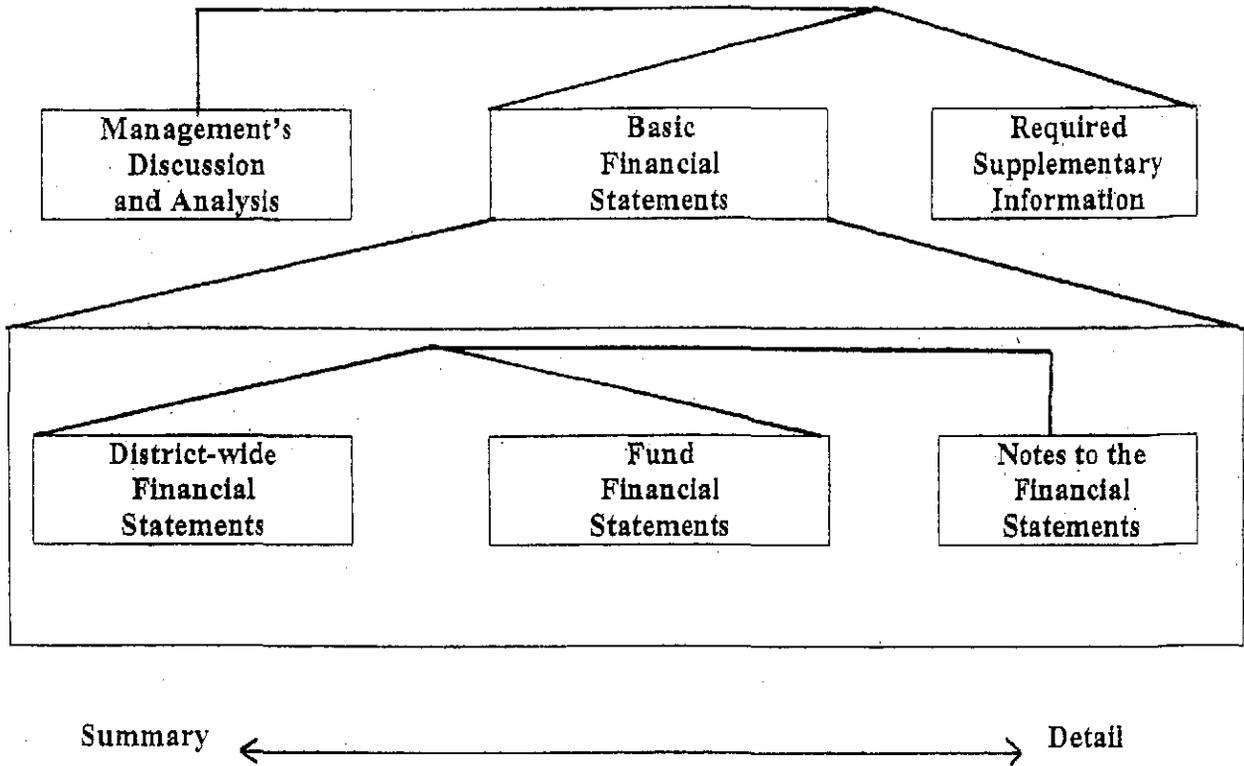


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Trust Funds.

- Trust Funds – The District accounts for outside donations for scholarships for individual students in these funds.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	\$8,371,838	\$6,371,119	\$76,620	\$83,905	\$8,448,458	\$6,455,024	\$1,993,434
Capital assets	2,424,079	2,109,269	29,336	32,006	2,453,415	2,141,275	312,140
Total assets	\$10,795,917	\$8,480,388	\$105,956	\$115,911	\$10,901,873	\$8,596,299	\$2,305,574
Long-term liabilities	\$3,262,642	\$3,004,489	\$11,279	\$-	\$3,273,921	\$3,004,489	\$269,432
Other liabilities	4,770,566	2,764,492	-	3,973	4,770,566	2,768,465	2,002,101
Total liabilities	\$8,033,208	\$5,768,981	\$11,279	\$3,973	\$8,044,487	\$5,772,954	\$2,271,533
Net assets:							
Invested in capital assets, net of related debt	-\$1,985,921	-\$468,305	\$29,336	\$32,006	-\$1,956,585	-\$436,299	-\$1,520,286
Restricted	2,407,117	77,064	-	-	2,407,117	77,064	2,330,053
Unrestricted	2,341,513	3,102,648	65,341	79,932	2,406,854	3,182,580	-775,726
Total net assets	\$2,762,709	\$2,711,407	\$94,677	\$111,938	\$2,857,386	\$2,823,345	\$34,041

The District’s combined net assets increased by nearly 1.2%, or \$34,041, over the prior year. The largest portion of the District’s net assets is in the “invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt”. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net assets increased by \$2,330,052. The increase was primarily due to the issuance of \$1,980,000 in General Obligation Capital Note in the Physical Plant and Equipment Levy.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$775,726, or 24.4%.

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

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

	Governmental Activities		Business Type Activities		Total District		Total Change 2009-10
	2010	2009	2010	2009	2010	2009	
Revenues:							
Program revenues:							
Charges for service	\$1,047,410	\$1,011,170	\$158,192	\$155,234	\$1,205,602	\$1,166,404	3.4%
Operating grants, contributions and restricted interest	1,064,893	764,043	90,394	86,443	1,155,287	850,486	35.8%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	0%
General revenues:							
Property tax	2,216,171	2,233,926	-	-	2,216,171	2,233,926	-0.8%
Local option sales and service tax	351,647	375,024	-	-	351,647	375,024	-6.2%
Unrestricted state grants	1,873,348	2,266,805	-	-	1,873,348	2,266,805	-17.4%
Unrestricted investment earnings	53,214	112,495	669	2,250	53,883	114,745	-53.0%
Other	67,968	39,754	-	-	67,968	39,754	71.0%
Total revenues	\$6,674,651	\$6,803,217	\$249,255	\$243,927	\$6,923,906	\$7,047,144	-1.7%
Program expenses:							
Governmental activities:							
Instruction	\$4,515,382	\$4,519,014	\$-	\$-	\$4,515,382	\$4,519,014	-0.1%
Support services	1,698,679	1,647,343	-	-	1,698,679	1,647,343	3.1%
Non-instructional programs	18	8,860	266,516	239,118	266,534	247,978	7.5%
Other expenses	375,636	331,561	-	-	375,636	331,561	13.3%
Total expenses	\$6,589,715	\$6,506,778	\$266,516	\$239,118	\$6,856,231	\$6,745,896	1.6%
Change in net assets	\$84,936	\$296,439	-\$17,261	\$4,809	\$67,675	\$301,248	-77.6%

In fiscal year 2010, property tax and unrestricted state grants account for 61.3% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.7% of business type activities revenue.

The District's total revenues were approximately \$6.9 million, of which approximately \$6.7 million was for governmental activities and less than \$0.2 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.7% decrease in revenues and a 1.6% increase in expenses. Operating grants, contributions and restricted interest increased approximately \$305,000 to fund the increase in expenses. The increase in expenses is related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$6,674,651 and expenses were \$6,589,715 for the year ended June 30, 2010. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

**Figure A-5
Total and Net Cost of Governmental Activities**

	Total Cost of Services		Change 2009-10	Net Cost of Services		Change 2009-10
	2010	2009		2010	2009	
Instruction	\$4,515,382	\$4,519,014	-0.1%	\$2,518,338	\$2,829,298	-11.0%
Support services	1,698,679	1,647,343	3.1%	1,583,420	1,561,846	1.4%
Non-instructional programs	18	8,860	-99.8%	18	8,860	-99.8%
Other expenses	375,636	331,561	13.3%	375,636	331,561	13.3%
Totals	\$6,589,715	\$6,506,778	1.2%	\$4,477,412	\$4,731,565	-5.4%

- The cost financed by users of the District's programs was \$1,205,602.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,155,287.
- The net cost of governmental activities was financed with \$2,567,818 in property and other taxes and \$1,873,348 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$249,255 and expenses were \$266,516. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Sumner Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,167,144, above last year's ending fund balances of \$3,658,638.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. However, the increases in revenues was more than offset by the District's increase in General Fund expenditures, requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$1,094,580 to \$920,831 due, in part, to the negotiated salaries and benefits and existing expenditure commitments of the District.
- The Special Revenue Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$10,334 at the end of the fiscal year 2009 to \$2,006,454 at the end of fiscal year 2010. The increase was due to the sale of bonds of \$1,987,915.
- Capital Projects Fund balance decreased from \$1,889,958 to \$1,556,695 due in part to the decrease in statewide sales, service and use tax collected and interest revenue. Revenues decreased \$69,454.

Proprietary Fund Highlights

- School Nutrition Fund net assets decreased from \$111,938 at June 30, 2009 to \$94,677 at June 30, 2010, representing a decrease of approximately 15.3%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$468,597 less than budgeted receipts, a variance of 6.4%. The most significant variance resulted from the District receiving less in state sources.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$2,453,415, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 12.8% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$197,474.

The original cost of the District's capital assets was \$7,718,332. Governmental funds account for \$7,678,676, with the remainder of \$39,656 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$188,047 at June 30, 2010. This significant increase resulted from construction activity financed by the issuance of voter approved general obligation capital notes of \$1,980,000 in fiscal year 2010 for the construction of the gym complex and track addition.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$3,261	\$3,261	\$-	\$-	\$3,261	\$3,261	\$-
Construction in process	188,047	-	-	-	188,047	-	188,047
Buildings	1,887,793	1,756,062	-	-	1,887,793	1,756,062	131,731
Improvements other than buildings	26,365	25,756	-	-	26,365	25,756	609
Furniture and equipment	318,613	324,190	29,336	32,006	347,949	356,196	-8,247
Totals	\$2,424,079	\$2,109,269	\$29,336	\$32,006	\$2,453,415	\$2,141,275	\$312,140

Long-Term Debt

At June 30, 2010, the District had \$4,410,000 in general obligation and other long-term debt outstanding. This represents an increase of 71% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issued to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$12.5 million.

In May 2010, the District's voters authorized the issuance of \$1,980,000 in general obligation capital loan notes to pay for construction of a gym complex and track addition.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-2010
General Obligation Capital Loan Note	\$1,980,000	\$-	\$1,980,000
Revenue Bonds	2,430,000	2,575,000	-145,000
Notes Payable EPA	-	2,574	-2,574
Totals	\$4,410,000	\$2,577,574	\$1,832,426

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Enrollment declines continue to be a concern. Actual certified enrollment has declined each of the last three years, from 591 in 2007-2008 to 559 in 2009-2010.
- Construction projects were underway at the end of the fiscal year that will improve the track and gym areas of the school.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bev Weidemann, District Secretary and Business Manager, Sumner Community School District, 802 West 6th Street, P.O. Box 178, Sumner IA 50674-0178.

Basic Financial Statements

Sumner Community School District

Statement of Net Assets

June 30, 2010

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 5,616,873	\$ 62,986	\$ 5,679,859
Receivables:			
Property tax:			
Delinquent	23,331	-	23,331
Succeeding year	2,361,701	-	2,361,701
Accounts	2,542	3,692	6,234
Accrued interest ISCAP	23	-	23
Due from other governments	367,368	-	367,368
Inventories	-	9,942	9,942
Other assets - OPEB	33,982	-	33,982
Capital assets, net of accumulated depreciation	2,424,079	29,336	2,453,415
Total Assets	\$ 10,829,899	\$ 105,956	\$ 10,935,855
Liabilities			
Accounts payable	\$ 130,678	\$ 1,062	\$ 131,740
Accrued interest	57,948	-	57,948
Deferred revenue-succeeding year property tax	2,361,701	-	2,361,701
Deferred revenue-other	272,715	3,311	276,026
Salaries and benefits payable	439,600	6,906	446,506
Long-term liabilities:			
Portion due within one year:			
General obligation capital note	180,000	-	180,000
Revenue bonds	150,000	-	150,000
Early retirement	79,203	-	79,203
Portion due after one year:			
General obligation capital note	1,800,000	-	1,800,000
Revenue bonds	2,280,000	-	2,280,000
Early retirement	281,363	-	281,363
Total Liabilities	\$ 8,033,208	\$ 11,279	\$ 8,044,487
Net Assets			
Invested in capital assets, net of related debt	\$ -	\$ 29,336	\$ 29,336
Restricted for:			
Categorical funding	78,065	-	78,065
Physical plant and equipment levy	2,016,788	-	2,016,788
Other special revenue purposes	114,903	-	114,903
Debt service	474,477	-	474,477
Unrestricted	112,458	65,341	177,799
Total Net Assets	\$ 2,796,691	\$ 94,677	\$ 2,891,368

See notes to financial statements.

Sumner Community School District

Statement of Activities

Year Ended June 30, 2010

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 3,042,478	\$ 633,074	\$ 891,859	\$ -
Special instruction	607,289	72,938	152,982	-
Other instruction	865,615	229,376	16,815	-
	<u>\$ 4,515,382</u>	<u>\$ 935,388</u>	<u>\$ 1,061,656</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 139,473	\$ 12,892	\$ 3,237	\$ -
Instructional staff services	42,673	-	-	-
Administration services	609,491	60,242	-	-
Operation and maintenance of plant services	544,882	2,010	-	-
Transportation services	362,160	36,878	-	-
	<u>\$ 1,698,679</u>	<u>\$ 112,022</u>	<u>\$ 3,237</u>	<u>\$ -</u>
Non-instructional programs	\$ 18	\$ -	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ 26,155	\$ -	\$ -	\$ -
Long-term debt interest	108,300	-	-	-
AEA flow-through	241,181	-	-	-
	<u>\$ 375,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	\$ 6,589,715	\$ 1,047,410	\$ 1,064,893	\$ -
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	266,516	158,192	90,394	-
Total	<u>\$ 6,856,231</u>	<u>\$ 1,205,602</u>	<u>\$ 1,155,287</u>	<u>\$ -</u>

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ -1,517,545	\$ -	\$ -1,517,545
-381,369	-	-381,369
-619,424	-	-619,424
<u>\$ -2,518,338</u>	<u>\$ -</u>	<u>\$ -2,518,338</u>
\$ -123,344	\$ -	\$ -123,344
-42,673	-	-42,673
-549,249	-	-549,249
-542,872	-	-542,872
-325,282	-	-325,282
<u>\$ -1,583,420</u>	<u>\$ -</u>	<u>\$ -1,583,420</u>
<u>\$ -18</u>	<u>\$</u>	<u>\$ -18</u>
\$ -26,155	\$ -	\$ -26,155
-108,300	-	-108,300
-241,181	-	-241,181
<u>\$ -375,636</u>	<u>\$ -</u>	<u>\$ -375,636</u>
\$ -4,477,412	\$ -	\$ -4,477,412
-	-17,930	-17,930
<u>\$ -4,477,412</u>	<u>\$ -17,930</u>	<u>\$ -4,495,342</u>

Sumner Community School District

Statement of Activities

Year Ended June 30, 2010

	<u>Program Revenues</u>		
		Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Expenses</u>	<u>Charges for Services</u>		

General Revenues:

Property Tax Levied For:

 General purposes

 Capital outlay

Statewide sales, services and use tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total General Revenues

Change in net assets before other sources

Other Sources:

 Upward adjustment

Change in net assets

Net assets beginning of year

Net Assets End of Year

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ 2,159,336	\$ -	\$ 2,159,336
56,835	-	56,835
351,647	-	351,647
1,873,348	-	1,873,348
53,214	669	53,883
67,968	-	67,968
\$ 4,562,348	\$ 669	\$ 4,563,017
\$ 84,936	\$ -17,261	\$ 67,675
348	-	348
\$ 85,284	\$ -17,261	\$ 68,023
2,711,407	111,938	2,823,345
\$ 2,796,691	\$ 94,677	\$ 2,891,368

Sumner Community School District

Balance Sheet
Governmental Funds

June 30, 2010

Assets	General	Physical Plant and Equipment Levy	Capital Projects	Non-major	Total
Cash and Pooled Investments	\$ 1,381,761	\$ 2,017,200	\$ 1,529,496	\$ 688,416	\$ 5,616,873
Receivables:					
Property Tax:					
Delinquent	20,755	685	-	1,891	23,331
Succeeding year	1,891,091	290,610	-	180,000	2,361,701
Accounts	2,350	-	-	192	2,542
Accrued interest ISCAP	23	-	-	-	23
Due from other governments	297,096	-	70,272	-	367,368
Total Assets	\$ 3,593,076	\$ 2,308,495	\$ 1,599,768	\$ 870,499	\$ 8,371,838
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 82,288	\$ 1,097	\$ 43,073	\$ 4,220	\$ 130,678
Salaries and benefits payable	426,151	-	-	13,449	439,600
Deferred Revenue:					
Succeeding year property tax	1,891,091	290,610	-	180,000	2,361,701
Other liabilities	272,715	-	-	-	272,715
Total Liabilities	\$ 2,672,245	\$ 291,707	\$ 43,073	\$ 197,669	\$ 3,204,694
Fund Balances:					
Reserved for:					
Categorical funding	\$ 78,065	\$ -	\$ -	\$ -	\$ 78,065
Debt service - sinking	-	-	-	252,515	252,515
Debt service	-	-	-	221,962	221,962
Unreserved	842,766	2,016,788	1,556,695	198,353	4,614,602
Total Fund Balances	\$ 920,831	\$ 2,016,788	\$ 1,556,695	\$ 672,830	\$ 5,167,144
Total Liabilities and Fund Balances	\$ 3,593,076	\$ 2,308,495	\$ 1,599,768	\$ 870,499	\$ 8,371,838

Sumner 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 16)	\$	5,167,144
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds		2,424,079
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds		33,982
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		-57,948
Long-term liabilities, including bonds and notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds		<u>-4,770,566</u>
Net assets of governmental activities (page 13)	\$	<u>2,796,691</u>

Sumner Community School District

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

Year Ended June 30, 2010

	General	Physical Plant and Equipment Levy	Capital Projects	Non-Major	Total
Revenues:					
Local Sources:					
Local tax	\$ 1,999,676	\$ 56,835	\$ 351,647	\$ 159,660	\$ 2,567,818
Tuition	561,519	-	-	-	561,519
Other	333,094	4,632	17,484	243,948	599,158
Intermediate sources					
State sources	2,444,010	36	-	103	2,444,149
Federal sources	494,092	-	-	-	494,092
Total Revenues	\$ 5,832,391	\$ 61,503	\$ 369,131	\$ 403,711	\$ 6,666,736
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,920,221	\$ 28,486	\$ 67,914	\$ 113,112	\$ 3,129,733
Special instruction	641,284	-	-	-	641,284
Other instruction	665,680	-	-	206,636	872,316
	\$ 4,227,185	\$ 28,486	\$ 67,914	\$ 319,748	\$ 4,643,333
Support Services:					
Student services	\$ 139,473	\$ -	\$ -	\$ -	\$ 139,473
Instructional staff services	42,673	-	-	-	42,673
Administration services	566,621	-	183,236	5,100	754,957
Operation and maintenance of plant services	486,967	2,173	29,956	47,658	566,754
Transportation services	302,022	2,330	-	20,112	324,464
	\$ 1,537,756	\$ 4,503	\$ 213,192	\$ 72,870	\$ 1,828,321
Non Instruction:					
Community service	\$ 18	\$ -	\$ -	\$ -	\$ 18
Other Expenditures:					
Facilities acquisition	\$ -	\$ 9,975	\$ 173,728	\$ -	\$ 183,703
Long-Term Debt:					
Principal	-	-	-	147,575	147,575
Interest and fees	-	-	-	102,362	102,362
AEA flow-through	241,181	-	-	-	241,181
	\$ 241,181	\$ 9,975	\$ 173,728	\$ 249,937	\$ 674,821
Total Expenditures	\$ 6,006,140	\$ 42,964	\$ 454,834	\$ 642,555	\$ 7,146,493
Excess (deficiency) of revenues over (under) expenditures	\$ -173,749	\$ 18,539	\$ -85,703	\$ -238,844	\$ -479,757
Other Financing Sources (Uses):					
Proceed from bonds	\$ -	\$ 1,987,915	\$ -	\$ -	\$ 1,987,915
Operating transfers in	-	-	-	247,560	247,560
Operating transfers out	-	-	-247,560	-	-247,560
Upward adjustment	-	-	-	348	348
Total Other Financing Sources (Uses)	\$ -	\$ 1,987,915	\$ -247,560	\$ 247,908	\$ 1,988,263
Net change in fund balances	\$ -173,749	\$ 2,006,454	\$ -333,263	\$ 9,064	\$ 1,508,506
Fund balances beginning of year	1,094,580	10,334	1,889,958	663,766	3,658,638
Fund Balances End of Year	\$ 920,831	\$ 2,016,788	\$ 1,556,695	\$ 672,830	\$ 5,167,144

See notes to financial statements.

Sumner Community School District

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities

Year Ended June 30, 2010

Net change in fund balances – total governmental funds (page 18) \$ 1,508,506

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, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 508,979	
Depreciation expense	<u>-194,169</u>	314,810

Proceeds from 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 reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as

Issued	\$ -1,980,000	
Repaid	<u>147,575</u>	-1,832,425

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.

-5,938

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

Other postemployment benefits	\$ 33,982	
Early retirement	125,527	
New retirements	<u>-59,178</u>	100,331

Change in Net Assets of Governmental Activities (page 15) \$ 85,284

Sumner Community School District

Statement of Net Assets
Proprietary Fund

June 30, 2010

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 62,986
Accounts receivable	3,692
Inventories	9,942
Capital assets, net of accumulated depreciation	29,336
Total Assets	<u>\$ 105,956</u>
Liabilities	
Accounts payable	\$ 1,062
Salaries and benefits payable	6,906
Deferred revenue	3,311
Total Liabilities	<u>\$ 11,279</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 29,336
Unrestricted	65,341
Total Net Assets	<u>\$ 94,677</u>

See notes to financial statements.

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

Year Ended June 30, 2010

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 158,192
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 88,389
Benefits	11,425
Purchased services	1,587
Supplies	139,598
Depreciation	3,305
Other	22,212
Total operating expenses	<u>\$ 266,516</u>
Operating loss	<u>\$ -108,324</u>
Non-operating revenues:	
State sources	\$ 2,610
Federal sources	87,784
Interest income	669
Total non-operating revenues	<u>\$ 91,063</u>
Change in net assets	\$ -17,261
Net assets beginning of year	<u>111,938</u>
Net Assets End of Year	<u>\$ 94,677</u>

See notes to financial statements.

Sumner Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2010

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 154,164
Cash paid to employees for services	-92,908
Cash paid to suppliers for goods or services	-134,601
Net cash used by operating activities	<u>\$ -73,345</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 2,610
Federal grants received	63,554
Net cash provided by non-capital financing activities	<u>\$ 66,164</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -635</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 669</u>
Net increase in cash and cash equivalents	\$ -7,147
Cash and cash equivalents beginning of year	<u>70,133</u>
Cash and Cash Equivalents End of Year	<u>\$ 62,986</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -108,324
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	24,230
Depreciation	3,305
Decrease in inventories	3,544
(Increase) in accounts receivable	-3,407
Increase in accounts payable	1,021
(Decrease) in deferred revenue	-620
Increase in accrued salaries and benefits	6,906
Net Cash Used by Operating Activities	<u>\$ -73,345</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$24,230 of federal commodities.

Sumner Community School District

**Statement of Fiduciary Net Assets
Fiduciary Funds**

Year Ended June 30, 2010

	Private Purpose Trust <u>Scholarships</u>
Assets	
Cash and pooled investments	\$ 331,397
Accrued interest receivable	<u>515</u>
Total Assets	<u>\$ 331,912</u>
Liabilities	
Accounts payable	<u>\$ 100</u>
Net assets	
Unreserved for scholarships	<u>\$ 331,812</u>

Sumner Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year Ended June 30, 2010

	Private Purpose Trust
	Scholarships
Additions:	
Local sources:	
Gifts and contributions	\$ 1,400
Interest income	6,755
Other income	21,968
Total additions	\$ 30,123
Deductions:	
Instruction:	
Regular Instruction:	
Scholarships awarded	\$ 19,100
Other	1,852
Total Deductions	\$ 20,952
Change in net assets	\$ 9,171
Net assets beginning of year	322,641
Net Assets End of Year	\$ 331,812

See notes to financial statements.

Sumner Community School District

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

Sumner Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Sumner, Iowa and portions of the predominately agricultural territories in Chickasaw, Fayette and Bremer Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

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

A. Reporting Entity

For financial reporting purposes, Sumner 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. Sumner Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Physical Plant and Equipment Levy is utilized to account for purchases, repairs, maintenance and improvement to property and equipment.

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

The District reports the following major proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

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

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

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

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

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

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

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

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

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

(3) Inter-fund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects -- Lost	\$ 247,560

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

(4) Iowa School Cash Anticipation Program (ISCAP)

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

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 200910B warrants is a variable rate, calculated daily based upon the Bankers Trust Co NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's participation in ISCAP at June 30, 2010 is as follows:

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

During the year ended June 30, 2010, the District paid \$1,961 of interest on the ISCAP warrants.

(5) **Capital Assets**

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

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,261	\$ -	\$ -	\$ 3,261
Construction in process	-	188,047	-	188,047
Total capital assets not being depreciated	<u>\$ 3,261</u>	<u>\$ 188,047</u>	<u>\$ -</u>	<u>\$ 191,308</u>
Capital assets being depreciated:				
Buildings	\$ 3,914,234	\$ 195,208	\$ -	\$ 4,109,442
Improvements other than buildings	32,454	2,319	-	34,773
Furniture and equipment	3,219,748	123,405	-	3,343,153
Total capital assets being depreciated	<u>\$ 7,166,436</u>	<u>\$ 320,932</u>	<u>\$ -</u>	<u>\$ 7,487,368</u>
Less accumulated depreciation for:				
Buildings	\$ 2,158,172	\$ 63,477	\$ -	\$ 2,221,649
Improvements other than buildings	6,698	1,710	-	8,408
Furniture and equipment	2,895,558	128,982	-	3,024,540
Total accumulated depreciation	<u>\$ 5,060,428</u>	<u>\$ 194,169</u>	<u>\$ -</u>	<u>\$ 5,254,597</u>
Total capital assets being depreciated, net	<u>\$ 2,106,008</u>	<u>\$ 126,763</u>	<u>\$ -</u>	<u>\$ 2,232,771</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,109,269</u>	<u>\$ 314,810</u>	<u>\$ -</u>	<u>\$ 2,424,079</u>

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 47,613	\$ 635	\$ 8,592	\$ 39,656
Less accumulated depreciation	15,607	3,305	8,592	10,320
Business Type Activities Capital Assets, Net	<u>\$ 32,006</u>	<u>\$ -2,670</u>	<u>\$ -</u>	<u>\$ 29,336</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 132,266
Other	7,430

Support services:

Administration	8,693
Operation and maintenance of plant	8,084
Transportation	37,696

Total Depreciation Expense – Governmental Activities \$ 194,169

Business Type Activities:

Food service operations	<u>\$ 3,305</u>
-------------------------	-----------------

(6) Long-term Liabilities

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

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General Obligation Capital Note	\$ -	\$ 1,980,000	\$ -	\$ 1,980,000	\$ 180,000
Revenue bond	2,575,000	-	145,000	2,430,000	150,000
EPA note	2,574	-	2,574	-	-
Early retirement	426,915	59,178	125,527	360,566	79,203
Total	\$ 3,004,489	\$ 2,039,178	\$ 273,101	\$ 4,770,566	\$ 409,203

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Employees must complete an application, which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2010 totaled \$125,527. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded in the Governmental Activities Long-Term Liability section representing the District's commitment to fund non-current early retirement, which consist of health insurance premiums at various current rates of \$222.70 to \$527.02 per month for a total of \$360,566 at June 30, 2010.

Note Payable – EPA

On May 4, 1990, the District entered into an EPA Assistance Agreement with the U.S. Environmental Protection Agency for the removal of asbestos from structures owned by the District. The total amount awarded to the District was \$174,565, of which \$81,871 was to be grant funds and \$92,694 was to be loan funds. On May 22, 1990, the District signed a non-interest bearing promissory note for \$105,206. This note was amended to \$92,694 on October 25, 1991. Repayment of the loan is done in semi-annual installments, which began May 30, 1992 and are in the amount of 1/36th of the total amount of the loan. A first payment of \$2,922 was made in May of 1992 (\$105,206 divided by 36). The remaining 35 payments are to be \$2,575 each (\$92,694 minus \$2,922 divided by 35).

General Obligation Capital Note

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

Year Ending June 30,	Issued May 1, 2010			
	Interest Rate	Principal	Interest	Total
2011	2.0%	\$180,000	\$51,281	\$231,281
2012	2.0%	185,000	47,281	232,281
2013	2.0%	185,000	43,581	228,581
2014	2.0%	190,000	39,881	229,881
2015	2.0%	195,000	36,081	231,081
2016	3.0%	195,000	32,181	227,181
2017	3.0%	200,000	26,331	226,331
2018	3.0%	210,000	20,331	230,331
2019	3.125%	215,000	14,031	229,031
2020	3.25%	225,000	7,313	232,313
Total		\$1,980,000	\$318,292	\$2,298,292

Revenue Bonds

Details of the District's June 30, 2010 Local Option Sales and Service Tax Revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of December 19, 2008			
	Interest Rate	Principal	Interest	Total
2011	3.65%	\$150,000	\$96,065	\$246,065
2012	3.75%	155,000	90,421	245,421
2013	3.85%	165,000	84,339	249,339
2014	3.90%	170,000	77,847	247,847
2015	3.95%	170,000	71,175	241,175
2016	4.00%	175,000	64,318	239,318
2017	4.05%	180,000	57,172	237,172
2018	4.10%	190,000	49,633	239,633
2019	4.15%	195,000	41,691	236,691
2020	4.20%	205,000	33,340	238,340
2021	4.25%	215,000	24,466	239,466
2022	4.30%	225,000	15,060	240,060
2023	4.35%	235,000	5,111	240,111
Total		\$2,430,000	\$710,638	\$3,140,638

The District has pledged future local option sales and services tax revenues to repay the \$2,750,000 bonds issued in December 2008. The bonds were issued for the purpose of financing a portion of the costs of a school addition and remodel. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$3,140,638. For the current year, \$145,000 of principal and \$101,413 in interest was paid on the bonds and total local option sales and services tax revenues were \$351,647.

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

- a) \$258,338 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option 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 purposes.

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

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

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 46 active and 18 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$	69,188	
Interest on net OPEB obligation		-	
Adjustment to annual required contribution		-	
Annual OPEB cost	\$	69,188	
Contributions made		103,080	
Increase in net OPEB obligation	\$	-33,982	
Net OPEB obligation beginning of year		-	
Net OPEB obligation end of year	\$	-33,982	*

*Negative means prepaid (asset)

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

For the year ended June 30, 2010, the District contributed \$396,462 to the medical plan. Plan members eligible for benefits contributed \$72,273, or 15.4% 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	\$69,188	1.49%	-\$33,982

Funded Status and Funding Progress – As of July 1, 2009, the actuarial accrued liability was \$868,269, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$868,269. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,493,407 and the ratio of the UAAL to covered payroll was 34.8%. As of June 30, 2010, there were no trust fund assets.

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

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

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

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

Projected claim costs of the medical plan are \$624.26 per month for retirees less than age 65 and \$250 per month for retirees who have attained age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the years ended June 30, 2010, 2009 and 2007. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$189,300, \$176,772, and \$161,807, respectively, equal to the required contributions for each year.

(9) Risk Management

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

(10) 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 \$241,181 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.

(11) Commitments

The District entered into various projects during the year. The gym complex and track addition contracts were \$2,522,253 with \$188,047 in construction in process at June 30, 2010. The balance of \$2,334,206 remaining at June 30, 2010 will be paid as work on the projects are completed.

(12) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Gifted and Talented	\$ 25,537
Teacher Salary Supplement	26,662
Beginning Teacher Mentoring	172
Core Curriculum	14,598
Professional Development	9,422
Market Factor	1,674
	<u>\$ 78,065</u>

(13) Subsequent Events

On August 3, 2010 the District sold \$810,000 School Infrastructure Sales, Service and Use Tax Revenue Bonds to two local banks to be used in the gym complex and track addition projects.

The District has evaluated subsequent events through December 16, 2010 which is the date that the financial statements were available to be issued.

Required Supplementary Information

Sumner Community School District

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

Required Supplementary Information

Year Ended June 30, 2010

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 3,728,495	\$ 158,861
Intermediate sources	-	-
State sources	2,444,149	2,610
Federal sources	494,092	87,784
Total Receipts	<u>\$ 6,666,736</u>	<u>\$ 249,255</u>
Disbursements:		
Instruction	\$ 4,643,333	\$ -
Support services	1,828,321	-
Non-instructional programs	18	266,516
Other expenditures	674,821	-
Total Disbursements	<u>\$ 7,146,493</u>	<u>\$ 266,516</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -479,757	\$ -17,261
Other financing sources, net	<u>1,988,263</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 1,508,506	\$ -17,261
Balances beginning of year	<u>3,658,638</u>	<u>111,938</u>
Balances End of Year	<u>\$ 5,167,144</u>	<u>\$ 94,677</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts	Budgeted To Actual Variance
\$	3,887,356	\$ 4,052,202	\$ -164,846
	-	-	-
	2,446,759	3,052,386	-605,627
	581,876	280,000	301,876
\$	6,915,991	\$ 7,384,588	\$ -468,597
\$	4,643,333	\$ 5,499,809	\$ 856,476
	1,828,321	2,041,093	212,772
	266,534	337,479	70,945
	674,821	2,302,036	1,627,215
\$	7,413,009	\$ 10,180,417	\$ 2,767,408
\$	-497,018	\$ -2,795,829	\$ 2,298,811
	1,988,263	-	1,988,263
\$	1,491,245	\$ -2,795,829	\$ 4,287,074
	3,770,576	3,626,974	143,602
\$	5,261,821	\$ 831,145	\$ 4,430,676

Sumner Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2010

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

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

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

Sumner Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

June 30, 2010

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	June 1, 2009	-	\$868	\$868	0.0%	\$2.493	34.8%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

Sumner Community School District

Combining Balance Sheet
Non-Major Funds

June 30, 2010

	Special Revenue			Total
	Management	Student Activity	Debt Service	
Assets				
Cash and pooled investments	\$ 94,860	\$ 119,123	\$ 474,433	\$ 688,416
Receivables:				
Property Tax:				
Delinquent	1,891	-	-	1,891
Succeeding year	180,000	-	-	180,000
Accounts	148	-	44	192
Total Assets	\$ 276,899	\$ 119,123	\$ 474,477	\$ 870,499
Liabilities & Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 4,220	\$ -	\$ 4,220
Salaries and benefits payable	13,449	-	-	13,449
Deferred revenue:				
Succeeding year property tax	180,000	-	-	180,000
Total Liabilities	\$ 193,449	\$ 4,220	\$ -	\$ 197,669
Fund Equity:				
Reserved	\$ -	\$ -	\$ 474,477	\$ 474,477
Unreserved fund balances	83,450	114,903	-	198,353
Total Fund Balances	83,450	114,903	474,477	672,830
Total Liabilities & Fund Equity	\$ 276,899	\$ 119,123	\$ 474,477	\$ 870,499

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

Year Ended June 30, 2010

	Special Revenue			Total
	Management	Student Activity	Debt Service	
Revenues:				
Local Sources:				
Local tax	\$ 159,660	\$ -	\$ -	\$ 159,660
Other	14,801	223,846	5,301	243,948
State sources	103	-	-	103
Total Revenues	\$ 174,564	\$ 223,846	\$ 5,301	\$ 403,711
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 113,112	\$ -	\$ -	\$ 113,112
Other instruction	-	206,636	-	206,636
Support Services:				
Administrative	5,100	-	-	5,100
Operation & maintenance of plant services	47,658	-	-	47,658
Transportation services	14,551	5,561	-	20,112
Other Expenditures:				
Long-Term Debt:				
Principle	-	-	147,575	147,575
Interest and fees	-	-	102,362	102,362
Total Expenditures	\$ 180,421	\$ 212,197	\$ 249,937	\$ 642,555
Excess (deficiency) of revenues over (under) expenditures	\$ -5,857	\$ 11,649	\$ -244,636	\$ -238,844
Other Financing Sources (Uses):				
Operating transfers in	\$ -	\$ -	\$ 247,560	\$ 247,560
Upward adjustment	-	-	348	348
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 247,908	\$ 247,908
Net change in fund balance	\$ -5,857	\$ 11,649	\$ 3,272	\$ 9,064
Fund balances beginning of year	89,307	103,254	471,205	663,766
Fund Balances End of Year	\$ 83,450	\$ 114,903	\$ 474,477	\$ 672,830

See accompanying independent auditor's report.

Sumner Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues And Inter-fund Transfers	Expenditures	Transfers	Balance End of Year
Annual	\$ 8,237	\$ 13,294	\$ 14,303	\$ -	\$ 7,228
Senior High Athletics	18,050	85,361	76,686	-39	26,686
Class of 2008	1,049	-	1,049	-	-
Class of 2009	128	-	-	-	128
Class of 2010	2,537	1,640	3,402	-	775
Class of 2011	576	5,037	3,248	-	2,365
Class of 2012	874	1,123	604	-	1,393
Class of 2013	-	470	93	-	377
Dramatics	689	1,397	2,079	-	7
Durant D.O.O.R.S.	8,102	29,718	18,613	-	19,207
Durant Activities	3,816	1,506	2,344	-	2,978
Future Farmers of America	17,906	30,122	26,372	-	21,656
Future Homemakers of America – Senior High	381	2,012	2,016	-	377
General	14,878	11,489	16,895	-	9,472
Instrumental Music	1,183	12,415	12,280	39	1,357
Senior High Activities	223	2,095	2,134	-	184
Get a Grip	805	2,136	1,723	-	1,218
National Honor Society	362	297	653	-	6
RIF	650	125	-	-	775
Spanish Fundraising	2,561	100	408	-	2,253
Student Senate-Senior High	5,267	8,151	7,359	-	6,059
Sumner Booster Club	5,214	-	5,214	-	-
Vocal Music	9,766	15,358	14,722	-	10,402
Total	\$ 103,254	\$ 223,846	\$ 212,197	\$ -	\$ 114,903

See accompanying independent auditor's report.

Sumner Community School District

**Combining Balance Sheet
Private Purpose Trusts
Scholarships**

June 30, 2010

	Sandra Trout Scholarship	Marilyn Leyh Scholarship	Vay Hurmency Scholarship	Michael Buhr Scholarship
Assets				
Cash	\$ 729	\$ 702	\$ 9,552	\$ 26,553
Investments	254,849	-	-	-
Accrued interest receivable	-	-	-	154
Total Assets	\$ 255,578	\$ 702	\$ 9,552	\$ 26,707
Liabilities and Fund Equity				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Fund equity:				
Fund Balances:				
Unreserved, undesignated	255,578	702	9,552	26,707
Total Liabilities and Fund Equity	\$ 255,578	\$ 702	\$ 9,552	\$ 26,707

See accompanying independent auditor's report.

Boehm-Kooper Scholarship	Schult Scholarship	Others	Total
\$ 1,994	\$ 36,918	\$ 100	\$ 76,548
-	-	-	254,849
-	361	-	515
<u>\$ 1,994</u>	<u>\$ 37,279</u>	<u>\$ 100</u>	<u>\$ 331,912</u>
\$ -	\$ -	\$ 100	\$ 100
1,994	37,279	-	331,812
<u>\$ 1,994</u>	<u>\$ 37,279</u>	<u>\$ 100</u>	<u>\$ 331,912</u>

Sumner Community School District

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Private Purpose Trusts
Scholarships**

Year Ended June 30, 2010

	Sandra Trout Scholarship	Marilyn Leyh Scholarship	Vay Hurmency Scholarship	Michael Buhr Scholarship
Revenues:				
Local Sources:				
Interest on investments	\$ 5,081	\$ 12	\$ 95	\$ 817
Contributions/Other	21,968	-	-	-
Total Revenues	\$ 27,049	\$ 12	\$ 95	\$ 817
Expenditures:				
Instruction:				
Regular Instruction:				
Scholarships	\$ 15,400	\$ 250	\$ 250	\$ 800
Other	1,852	-	-	-
Total Expenditures	\$ 17,252	\$ 250	\$ 250	\$ 800
Excess (deficiency) of revenues over (under) expenditures	\$ 9,797	\$ -238	\$ -155	\$ 17
Fund balances beginning of year	245,781	940	9,707	26,690
Fund Balances End of Year	\$ 255,578	\$ 702	\$ 9,552	\$ 26,707

See accompanying independent auditor's report.

Boehm-Kooper Scholarship	Schult Scholarship	Other Scholarship	Total
\$ 21	\$ 729	\$ -	\$ 6,755
200	-	1,200	23,368
<u>\$ 221</u>	<u>\$ 729</u>	<u>\$ 1,200</u>	<u>\$ 30,123</u>
\$ 400	\$ 800	\$ 1,200	\$ 19,100
-	-	-	1,852
<u>\$ 400</u>	<u>\$ 800</u>	<u>\$ 1,200</u>	<u>\$ 20,952</u>
\$ -179	\$ -71	\$ -	\$ 9,171
2,173	37,350	-	322,641
<u>\$ 1,994</u>	<u>\$ 37,279</u>	<u>\$ -</u>	<u>\$ 331,812</u>

Sumner Community School District

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

For the Last Seven Years

	Modified Accrual Basis			
	2010	2009	2008	2007
Revenues:				
Local Sources:				
Local tax	\$ 2,567,818	\$ 2,608,950	\$ 2,426,054	\$ 2,413,845
Tuition	561,519	573,371	613,436	696,324
Other	599,158	590,621	678,405	679,375
Intermediate sources	-	-	-	-
State sources	2,444,149	2,814,059	2,745,951	2,579,016
Federal sources	494,092	216,216	195,733	144,293
Total	\$ 6,666,736	\$ 6,803,217	\$ 6,659,579	\$ 6,512,853
Expenditures:				
Instruction:				
Regular instruction	\$ 3,129,733	\$ 3,119,882	\$ 3,198,040	\$ 3,121,780
Special instruction	641,284	656,765	622,677	636,844
Other instruction	872,316	746,301	692,401	689,225
Support services:				
Student services	139,473	117,200	91,393	72,475
Instructional staff services	42,673	66,299	64,397	97,984
Administrative services	754,957	568,158	694,268	481,305
Operation and maintenance of plant services	566,754	621,286	574,069	569,804
Transportation services	324,464	316,809	258,990	235,251
Community services	18	13	7	-
Non Instructional	-	8,847	-	-
Other expenditures:				
Facilities acquisition	183,703	866,721	666,854	106,046
Long-term debt:				
Principal	147,575	180,150	5,150	5,150
Interest and other charges	102,362	117,866	-	-
AEA flow-through	241,181	206,541	203,395	191,362
Total	\$ 7,146,493	\$ 7,592,838	\$ 7,071,641	\$ 6,207,226

See accompanying independent auditor's report.

Modified Accrual Basis		
2006	2005	2004
\$ 2,164,041	\$ 1,930,846	\$ 2,265,510
634,134	880,670	92,712
640,375	677,495	425,685
-	-	-
2,568,348	2,487,815	2,329,940
157,338	158,224	187,912
<u>\$ 6,164,236</u>	<u>\$ 6,135,050</u>	<u>\$ 5,301,759</u>

\$ 3,127,274	\$ 2,951,053	\$ 2,234,590
532,899	540,067	727,572
683,425	787,337	462,787
104,834	93,681	84,280
78,312	89,416	65,738
479,332	491,477	437,929
536,358	603,205	589,771
273,653	204,611	144,118
-	-	-
-	-	-
126,178	41,006	7,750
5,150	35,150	35,150
-	2,100	4,200
187,237	186,960	188,375
<u>\$ 6,134,652</u>	<u>\$ 6,026,063</u>	<u>\$ 4,982,260</u>

Sumner Community School District
Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
US Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	\$ 7,303
National School Lunch Program	10.555	FY10	80,481 *
			<u>\$ 87,784</u>
US Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	\$ 51,776
ARRA-Title I Grants to Local Education Agencies, Recovery Act	84.389	FY10	16,906
			<u>\$ 68,682</u>
Career and Technical Education – Basic Grants to States	84.048	FY10	\$ 8,765
Safe and Drug-Free Schools and Communities – State Grants	84.186	FY10	1,472
Title II Tech Prep	84.243	FY10	\$ 1,437
Rural Education Achievement Program	84.358	FY10	\$ 33,333
Improving Teacher Quality State Grants	84.367	FY10	\$ 25,969
Title VI Assessment	84.369	FY10	\$ 3,237
ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act	84.394	FY10	<u>\$ 266,896</u>
Sample Area Education Agency:			
Special Education – Grants to States	84.027	FY10	\$ 27,520 **
ARRA – Special Education Grants to States, Recovery Act	84.391	FY10	<u>\$ 38,252 **</u>
Total			<u>\$ 563,347</u>

*- Includes \$24,230 of non-cash awards.

**- Total for CFDA Number 84.391 is \$38,252 and total for Special Education Cluster (IDEA) is \$65,772.

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

See accompanying independent auditor's report.

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

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

To the Board of Education of
Sumner Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sumner Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated December 16, 2010. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses as defined above.

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

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sumner Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

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

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

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



Keith Oltrogge
Certified Public Accountant

December 16, 2010

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

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

To the Board of Education of
Sumner Community School District:

Compliance

I have audited the compliance of Sumner Community School District with the types of compliance requirements described in the 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. Sumner Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Sumner Community School District's management. My responsibility is to express an opinion on Sumner Community School District's compliance based on my audit.

I conducted my 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 I 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 Sumner Community School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Sumner Community School District's compliance with those requirements.

In my opinion, Sumner 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.

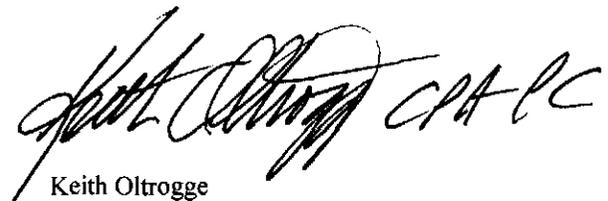
Internal Control Over Compliance

The management of Sumner 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 my audit, I considered Sumner 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 my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Sumner Community School District's internal control over compliance.

My consideration of the 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.

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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sumner Community School District and other parties to whom Sumner 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.

A handwritten signature in black ink, appearing to read 'Keith Oltrogge CPA-PC', written in a cursive style.

Keith Oltrogge
Certified Public Accountant

December 16, 2010

Sumner Community School District

Schedule of Findings

Year Ended June 30, 2010

Part I – Summary of the Independent Auditor’s Results:

- a) Unqualified opinions were issued on the financial statements.
- b) No material weaknesses 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 the major programs were disclosed by the audit of the financial statements.
- e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act.
 - Clustered Programs:
 - CFDA Number 84.010 Title I Grants to Local Education Agencies
 - CFDA Number 84.389 – ARRA – Title I Grants to Local Education Agencies, Recovery Act
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Sumner Community School District did not qualify as a low-risk auditee.

Sumner Community School District

Schedule of Findings

Year Ended June 30, 2010

Part II – Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

Wapsie Valley Community School District

Schedule of Findings

Year Ended June 30, 2010

Part III – Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 84.010: Title I Grants to Local Educations Agencies

CFDA Number 84.389: ARRA – Title I Grants to Local Education Agencies, Recovery Act

Federal Award Year: 2010

US Department of Education

Passed through the Iowa Department of Education

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act

Federal Award Year: 2010

US Department of Education

Passed through the Iowa Department of Education

SIGNIFICANT DEFICIENCIES:

No matters were reported

Sumner Community School District

Schedule of Findings

Year Ended June 30, 2010

Part IV - Other Findings Related to Statutory Reporting:

IV-A-10 Certified Budget – Disbursements for the year ended June 30, 2010 did not exceed the certified budget amounts.

IV-B-10 Questionable Expenditures – No expenditures that may not meet the requirements of 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 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 & Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Stan Koester, Employee Owner Stan’s Small Engine Repair	Repairs	\$452

In accordance with an Attorney General’s opinion dated November 9, 1976, the above transaction does 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 the coverage is adequate for current operations.

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

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

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

IV-I-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

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

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

Sumner Community School District

Schedule of Findings

Year Ended June 30, 2010

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

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

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

Beginning balance		\$	-195,172
Statewide sales and services tax revenue			351,647
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$	35,178	
Other improvements		4,100	
Debt service for school infrastructure:			
Revenue debt		247,560	286,838
			<hr/>
Ending balance		\$	<u>-130,368</u>

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

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 15.168	\$ 351,647
Physical plant and equipment levy	-	-
Public educational and recreational levy	-	-