

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

JUNE 30, 2010

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West Monona Community School District

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--|---|---------------------|
| Board of Education (Before September 2009 election) | | |
| Amy Maule | President | 2011 |
| Hank Mason | Vice President | 2009 |
| Terri Pratt | Board Member | 2009 |
| Geri Johnson | Board Member | 2009 |
| Allen Carrier | Board Member | 2011 |
| Board of Education (After September 2009 election) | | |
| Amy Maule | President | 2011 |
| Hank Mason | Vice President | 2013 |
| Peter Alexander | Board Member | 2013 |
| Geri Johnson | Board Member | 2013 |
| Allen Carrier | Board Member | 2011 |
| School Officials | | |
| James Simmelink | Superintendent | 2010 |
| Kathy Holverson | District Secretary/ Treasurer (Resigned November 2009) | 2010 |
| Roxane Bales | District Secretary/ Treasurer (Appointed November 2009) | 2010 |
| Ahlers Law Firm | Attorney | 2010 |

WEST MONONA COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
West Monona Community School District:

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2011 on our consideration of the West Monona Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Findings Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by

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

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

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson P.C.", written in a cursive style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Monona 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 \$6,513,700 in fiscal 2009 to \$6,454,834 in fiscal 2010, while General Fund expenditures increased from \$6,291,664 in fiscal 2009 to \$6,393,427 in fiscal 2010. The District's General Fund balance increased from \$974,887 in fiscal 2009 to \$1,036,294 in fiscal 2010.
- The decline in General Fund revenues was primarily attributable to reductions in other state sources of revenue. Increased expenditures for instructional functions represented the largest portion of the rise in expenditures.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 12.48% for fiscal year 2009 to 12.32% for fiscal year 2010. The School Budget Review Committee recommends of a solvency ratio between 5% and 10%.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Monona 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 West Monona 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 West Monona Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

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

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

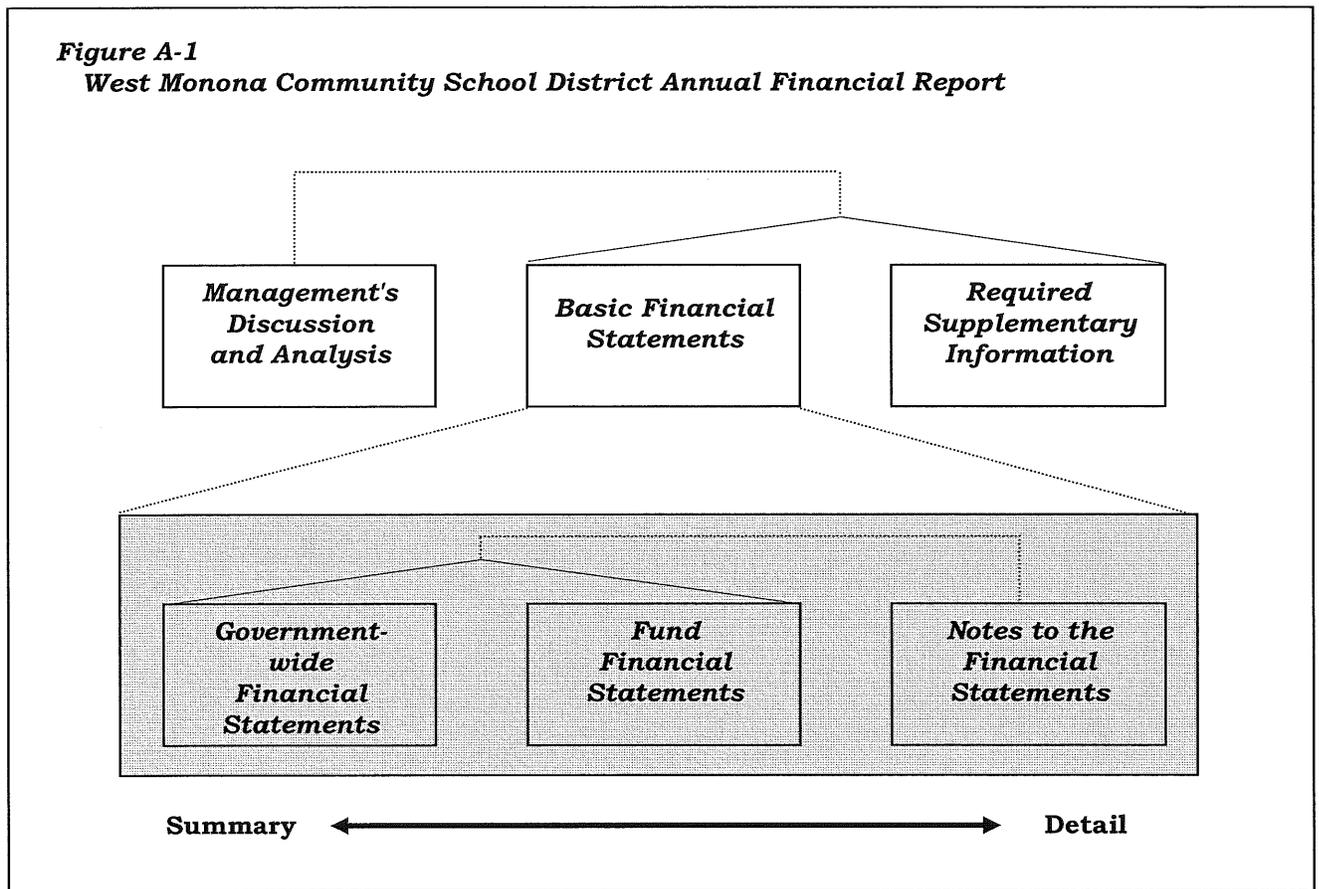


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

| Figure A-2 | | | |
|--|--|--|---|
| Major Features of the Government-wide and Fund Financial Statements | | | |
| | Government-wide Statements | Fund Statements | |
| | | Governmental Funds | Proprietary Funds |
| 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 |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances | <ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows |
| 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 |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, and short-term and long-term |
| 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 |

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two 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 the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2010 compared 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 | 2009-10 |
| Current and other assets | \$ 9,884,816 | 8,920,119 | 77,069 | 37,223 | 9,961,885 | 8,957,342 | 11.21% |
| Capital assets | 2,302,571 | 1,375,303 | 43,454 | 47,997 | 2,346,025 | 1,423,300 | 64.83% |
| Total assets | <u>12,187,387</u> | <u>10,295,422</u> | <u>120,523</u> | <u>85,220</u> | <u>12,307,910</u> | <u>10,380,642</u> | <u>18.57%</u> |
| Long-term obligations | 4,020,591 | 290,352 | 409 | 0 | 4,021,000 | 290,352 | 1284.87% |
| Other liabilities | 3,890,978 | 6,137,931 | 7,531 | 6,257 | 3,898,509 | 6,144,188 | -36.55% |
| Total liabilities | <u>7,911,569</u> | <u>6,428,283</u> | <u>7,940</u> | <u>6,257</u> | <u>7,919,509</u> | <u>6,434,540</u> | <u>23.08%</u> |
| Net assets: | | | | | | | |
| Invested in capital assets, net of related debt | 1,340,433 | 1,084,951 | 43,454 | 47,997 | 1,383,887 | 1,132,948 | 22.15% |
| Restricted | 2,062,023 | 1,865,054 | 0 | 0 | 2,062,023 | 1,865,054 | 10.56% |
| Unrestricted | 873,362 | 917,134 | 69,129 | 30,966 | 942,491 | 948,100 | -0.59% |
| Total net assets | <u>\$ 4,275,818</u> | <u>3,867,139</u> | <u>112,583</u> | <u>78,963</u> | <u>4,388,401</u> | <u>3,946,102</u> | <u>11.21%</u> |

The District's combined net assets increased by 11.21%, or \$442,299, over the prior year. A large portion of the District's net assets is the invested in capital assets, net of 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 \$196,969, or 10.56% over the prior year. This was the result on an increase in carryover state categorical funding and an increase in the Capital Projects fund balance.

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 \$5,609, or 0.59%.

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

| Figure A-4 Changes of Net Assets | | | | | | | |
|---|----------------------------|------------------|-----------------------------|----------------|-------------------|------------------|-----------------|
| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2009-10 |
| Revenues/Transfers: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 432,984 | 402,368 | 128,040 | 133,347 | 561,024 | 535,715 | 4.72% |
| Operating grants, and contributions and restricted interest | 1,455,355 | 1,116,654 | 176,485 | 162,559 | 1,631,840 | 1,279,213 | 27.57% |
| General revenues: | | | | | | | |
| Property tax | 2,605,158 | 2,460,333 | 0 | 0 | 2,605,158 | 2,460,333 | 5.89% |
| Income surtax | 125,104 | 103,671 | 0 | 0 | 125,104 | 103,671 | 20.67% |
| Statewide sales, services and use tax | 352,883 | 385,869 | 0 | 0 | 352,883 | 385,869 | -8.55% |
| Unrestricted state grants | 2,238,692 | 2,777,540 | 0 | 0 | 2,238,692 | 2,777,540 | -19.40% |
| Unrestricted investment earnings | 42,930 | 103,856 | 0 | 585 | 42,930 | 104,441 | -58.90% |
| Other | 20,394 | 14,831 | 953 | 0 | 21,347 | 14,831 | 43.94% |
| Transfers | 0 | (8,617) | 0 | 8,617 | 0 | 0 | 0.00% |
| Total revenues/transfers | <u>7,273,500</u> | <u>7,356,505</u> | <u>305,478</u> | <u>305,108</u> | <u>7,578,978</u> | <u>7,661,613</u> | <u>-1.08%</u> |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction | 4,537,016 | 4,375,054 | 0 | 0 | 4,537,016 | 4,375,054 | 3.70% |
| Support services | 1,937,441 | 1,913,161 | 0 | 0 | 1,937,441 | 1,913,161 | 1.27% |
| Non-instructional programs | 12,507 | 8,585 | 271,858 | 283,447 | 284,365 | 292,032 | -2.63% |
| Other expenses | 377,857 | 363,550 | 0 | 0 | 377,857 | 363,550 | 3.94% |
| Total expenses | <u>6,864,821</u> | <u>6,660,350</u> | <u>271,858</u> | <u>283,447</u> | <u>7,136,679</u> | <u>6,943,797</u> | <u>2.78%</u> |
| Changes in net assets | 408,679 | 696,155 | 33,620 | 21,661 | 442,299 | 717,816 | -38.38% |
| Beginning net assets | <u>3,867,139</u> | <u>3,170,984</u> | <u>78,963</u> | <u>57,302</u> | <u>3,946,102</u> | <u>3,228,286</u> | <u>22.24%</u> |
| Ending net assets | <u>\$ 4,275,818</u> | <u>3,867,139</u> | <u>112,583</u> | <u>78,963</u> | <u>4,388,401</u> | <u>3,946,102</u> | <u>11.21%</u> |

In fiscal 2010, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 73.17% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.69% of the revenue from business type activities.

The District's total revenues were approximately \$7.58 million of which \$7.27 million was for governmental activities and \$.31 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.08% decrease in revenues and a 2.78% increase in expenses. The increase in expenses was related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$7,273,500 and expenses were \$6,864,821 for the year ended June 30, 2010.

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.

| | Total Cost of Services | | | Net Cost of Services | | |
|----------------------------|------------------------|-----------|-------------------|----------------------|-----------|-------------------|
| | 2010 | 2009 | Change 2009-10 | 2010 | 2009 | Change 2009-10 |
| Instruction | \$ 4,537,016 | 4,375,054 | 3.70% | 2,942,684 | 3,144,086 | -6.41% |
| Support services | 1,937,441 | 1,913,161 | 1.27% | 1,937,370 | 1,898,121 | 2.07% |
| Non-instructional programs | 12,507 | 8,585 | 45.68% | (2,852) | (12,600) | 77.37% |
| Other expenses | 377,857 | 363,550 | 3.94% | 99,280 | 111,721 | -11.14% |
| Totals | \$ 6,864,821 | 6,660,350 | 3.07% | 4,976,482 | 5,141,328 | -3.21% |

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$432,984.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,455,355.
- The net cost of governmental activities was financed with \$2,605,158 in property tax, \$125,104 in income surtax, \$352,883 in statewide sales, services and use tax, \$2,238,692 in unrestricted state grants, \$43,843 in interest income and \$20,394 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$305,478 and expenses were \$271,858. The District's business type activities include the School Nutrition Fund. Revenues of these activities were mostly comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,901,965, above last year's ending fund balances of \$2,689,752. The primary reason for the increase is the District's issuance of \$3,900,00 of revenue bonds.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Increases during the year in local tax and Federal sources of revenue helped to lessen the overall decline in revenues. Although the District experienced a decrease in revenues and an increase in expenditures, total revenues were still higher than expenses resulting in the District's General Fund balance increasing by \$61,407.
- The General Fund balance increased from \$974,887 in fiscal 2009 to \$1,036,294 in fiscal 2010.

- The Capital Projects Fund balance increased from \$1,067,024 in fiscal 2009 to \$4,266,413 in fiscal 2010. The significant increase was due to proceeds from the issuance of revenue bonds that were received and will be spent as the project progresses.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$78,963 at June 30, 2009 to \$112,583 at June 30, 2010, representing an increase of 42.58%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$669,727 less than budgeted revenues, a variance of 8.13%. The most significant variance resulted from the District receiving less in State sources than originally anticipated.

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 disbursements 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 disbursements for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested approximately \$2.35 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 4.54% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$285,588.

The original cost of the District's capital assets was \$6,252,628. Governmental funds account for \$6,010,925 with the remainder of \$241,703 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 \$906,558 at June 30, 2010, compared to \$0 reported at June 30, 2009. This increase resulted from the District beginning the renovation of its buildings.

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|--------------------------|-------------------------|-----------|--------------------------|--------|----------------|-----------|--------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2009-10 |
| Land | \$ 92,549 | 92,549 | 0 | 0 | 92,549 | 92,549 | 0.00% |
| Construction in progress | 906,558 | 0 | 0 | 0 | 906,558 | 0 | 100.00% |
| Buildings | 988,373 | 997,836 | 0 | 0 | 988,373 | 997,836 | -0.95% |
| Land improvements | 75,278 | 80,882 | 0 | 0 | 75,278 | 80,882 | -6.93% |
| Machinery and equipment | 239,813 | 204,036 | 43,454 | 47,997 | 283,267 | 252,033 | 12.39% |
| Total | \$ 2,302,571 | 1,375,303 | 43,454 | 47,997 | 2,346,025 | 1,423,300 | 64.83% |

Long-Term Debt

At June 30, 2010, the District had \$4,021,000 in revenue bonds and other long-term debt outstanding. This represents a increase of 1284.73% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding Capital Loan Notes payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$90,000 at June 30, 2010.

The District had outstanding Revenue Bonds payable of \$3,900,000 at June 30, 2010.

The District had a net OPEB liability payable of \$31,000 at June 30, 2010.

| | Governmental Activities | | Business type Activities | | Total School District | | Total Change June 30, 2009-10 |
|--------------------|-------------------------|----------------|--------------------------|----------|-----------------------|----------------|-------------------------------------|
| | June 30, | | June 30, | | June 30, | | |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | |
| Capital Loan Notes | \$ 90,000 | 135,000 | 0 | 0 | 90,000 | 135,000 | -33.33% |
| Revenue Bonds | 3,900,000 | 145,000 | 0 | 0 | 3,900,000 | 145,000 | 2589.66% |
| Computer Lease | 0 | 10,352 | 0 | 0 | 0 | 10,352 | 100.00% |
| Net OPEB liability | 30,591 | 0 | 409 | 0 | 31,000 | 0 | 100.00% |
| Total | \$ 4,020,591 | 290,352 | 409 | 0 | 4,021,000 | 290,352 | 1284.87% |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District.
- With the reduction in state revenues, the District will continue to implement cost-saving measures and develop a plan for the remainder of the 2010/2011 year. The Board of Education will determine what cost-saving measures we will implement and how much we can spend from our reserves.
- Historically, the District has entered into annual contracts with its collective bargaining units. The District will negotiate new agreements during fiscal 2011. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Corresponding cost reductions will be made to offset the cost of negotiated settlements and other cost increases.

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 Roxane Bales, District Secretary/Treasurer, West Monona Community School District, 1314 15th St, Onawa, Iowa, 51040.

WEST MONONA COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

WEST MONONA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

| | Governmental Activities | Business Type Activities | Total |
|---|----------------------------|-----------------------------|-------------------|
| Assets | | | |
| Cash and pooled investments | 6,764,745 | 65,707 | 6,830,452 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 43,160 | 0 | 43,160 |
| Succeeding year | 2,748,921 | 0 | 2,748,921 |
| Income surtax | 104,580 | 0 | 104,580 |
| Accounts | 4,599 | 0 | 4,599 |
| Due from other governments | 218,811 | 0 | 218,811 |
| Inventories | 0 | 11,362 | 11,362 |
| Capital assets, net of accumulated depreciation | 2,302,571 | 43,454 | 2,346,025 |
| Total assets | 12,187,387 | 120,523 | 12,307,910 |
| Liabilities | | | |
| Accounts payable | 447,951 | 229 | 448,180 |
| Salaries and benefits payable | 583,322 | 4,751 | 588,073 |
| Accrued interest payable | 12,707 | 0 | 12,707 |
| Deferred revenue: | | | |
| Succeeding year property tax | 2,748,921 | 0 | 2,748,921 |
| Other | 98,077 | 0 | 98,077 |
| Unearned revenue | 0 | 2,551 | 2,551 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| Capital loan notes payable | 45,000 | 0 | 45,000 |
| Portion due after one year: | | | |
| Capital loan notes payable | 45,000 | 0 | 45,000 |
| Revenue bonds payable | 3,900,000 | 0 | 3,900,000 |
| Net OPEB liability | 30,591 | 409 | 31,000 |
| Total liabilities | 7,911,569 | 7,940 | 7,919,509 |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 1,340,433 | 43,454 | 1,383,887 |
| Restricted for: | | | |
| Categorical funding | 224,214 | 0 | 224,214 |
| Debt service | 317,983 | 0 | 317,983 |
| Capital projects | 1,238,551 | 0 | 1,238,551 |
| Management levy | 122,689 | 0 | 122,689 |
| Physical plant and equipment levy | 116,038 | 0 | 116,038 |
| Other special revenue purposes | 42,548 | 0 | 42,548 |
| Unrestricted | 873,362 | 69,129 | 942,491 |
| Total net assets | \$ 4,275,818 | 112,583 | 4,388,401 |

SEE NOTES TO FINANCIAL STATEMENTS.

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

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | Total |
|---------------------------------------|------------------|-------------------------|--|--|-----------------------------|--------------------|
| | Expenses | Charges for Services | Operating Grants, Contributions and Restricted Interest | Governmental Activities | Business Type Activities | |
| Functions/Programs: | | | | | | |
| Governmental activities: | | | | | | |
| Instruction: | | | | | | |
| Regular | \$ 2,777,451 | 168,138 | 811,980 | (1,797,333) | 0 | (1,797,333) |
| Special | 1,110,943 | 92,802 | 349,275 | (668,866) | 0 | (668,866) |
| Other | 648,622 | 156,614 | 15,523 | (476,485) | 0 | (476,485) |
| | <u>4,537,016</u> | <u>417,554</u> | <u>1,176,778</u> | <u>(2,942,684)</u> | <u>0</u> | <u>(2,942,684)</u> |
| Support services: | | | | | | |
| Student | 194,846 | 0 | 0 | (194,846) | 0 | (194,846) |
| Instructional staff | 212,648 | 0 | 0 | (212,648) | 0 | (212,648) |
| Administration | 744,946 | 0 | 0 | (744,946) | 0 | (744,946) |
| Operation and maintenance of plant | 601,367 | 0 | 0 | (601,367) | 0 | (601,367) |
| Transportation | 183,634 | 71 | 0 | (183,563) | 0 | (183,563) |
| | <u>1,937,441</u> | <u>71</u> | <u>0</u> | <u>(1,937,370)</u> | <u>0</u> | <u>(1,937,370)</u> |
| Non-instructional programs | 12,507 | 15,359 | 0 | 2,852 | 0 | 2,852 |
| Other expenditures: | | | | | | |
| Facilities acquisitions | 21,706 | 0 | 0 | (21,706) | 0 | (21,706) |
| Long-term debt interest | 20,020 | 0 | 0 | (20,020) | 0 | (20,020) |
| AEA flowthrough | 278,577 | 0 | 278,577 | 0 | 0 | 0 |
| Depreciation (unallocated)* | 57,554 | 0 | 0 | (57,554) | 0 | (57,554) |
| | <u>377,857</u> | <u>0</u> | <u>278,577</u> | <u>(99,280)</u> | <u>0</u> | <u>(99,280)</u> |
| Total governmental activities | 6,864,821 | 432,984 | 1,455,355 | (4,976,482) | 0 | (4,976,482) |
| Business Type activities: | | | | | | |
| Non-instructional programs: | | | | | | |
| Nutrition services | 271,858 | 128,040 | 176,485 | 0 | 32,667 | 32,667 |
| Total | \$ 7,136,679 | 561,024 | 1,631,840 | (4,976,482) | 32,667 | (4,943,815) |
| General Revenues: | | | | | | |
| Property tax levied for: | | | | | | |
| General purposes | | | | \$ 2,481,776 | 0 | 2,481,776 |
| Capital outlay | | | | 123,382 | 0 | 123,382 |
| Income surtax | | | | 125,104 | 0 | 125,104 |
| Statewide sales, services and use tax | | | | 352,883 | 0 | 352,883 |
| Unrestricted state grants | | | | 2,238,692 | 0 | 2,238,692 |
| Unrestricted investment earnings | | | | 42,930 | 0 | 42,930 |
| Other | | | | 20,394 | 953 | 21,347 |
| Total general revenues | | | | <u>5,385,161</u> | <u>953</u> | <u>5,386,114</u> |
| Changes in net assets | | | | 408,679 | 33,620 | 442,299 |
| Net assets beginning of year | | | | <u>3,867,139</u> | <u>78,963</u> | <u>3,946,102</u> |
| Net assets end of year | | | | <u>\$ 4,275,818</u> | <u>112,583</u> | <u>4,388,401</u> |

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

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

| | General | Capital Projects | Other Nonmajor Governmental Funds | Total |
|--|---------------------|---------------------|--|------------------|
| Assets | | | | |
| Cash and pooled investments | \$ 1,636,193 | 4,533,889 | 594,663 | 6,764,745 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 39,451 | 0 | 3,709 | 43,160 |
| Succeeding year | 2,519,971 | 0 | 228,950 | 2,748,921 |
| Income surtax | 52,290 | 0 | 52,290 | 104,580 |
| Accounts | 3,715 | 0 | 884 | 4,599 |
| Due from other governments | 93,449 | 125,360 | 2 | 218,811 |
| Total assets | \$ 4,345,069 | 4,659,249 | 880,498 | 9,884,816 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 55,115 | 392,836 | 0 | 447,951 |
| Salaries and benefits payable | 583,322 | 0 | 0 | 583,322 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 2,519,971 | 0 | 228,950 | 2,748,921 |
| Income surtax | 52,290 | 0 | 52,290 | 104,580 |
| Other | 98,077 | 0 | 0 | 98,077 |
| Total liabilities | 3,308,775 | 392,836 | 281,240 | 3,982,851 |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Categorical funding | 224,214 | 0 | 0 | 224,214 |
| Construction | 0 | 3,027,862 | 0 | 3,027,862 |
| Debt service | 0 | 0 | 317,983 | 317,983 |
| Unreserved: | | | | |
| Designated wellness fund balance | 16,636 | 0 | 0 | 16,636 |
| Undesignated | 795,444 | 1,238,551 | 281,275 | 2,315,270 |
| Total fund balances | 1,036,294 | 4,266,413 | 599,258 | 5,901,965 |
| Total liabilities and fund balances | \$ 4,345,069 | 4,659,249 | 880,498 | 9,884,816 |

SEE NOTES TO FINANCIAL STATEMENTS.

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

| | |
|--|----------------------------|
| Total fund balances of governmental funds (page 20) | \$ 5,901,965 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i> | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds. | 2,302,571 |
| Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period. | 104,580 |
| 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. | (12,707) |
| Long-term liabilities, including capital loan notes payable, revenue bonds payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | <u>(4,020,591)</u> |
| Net assets of governmental activities (page 18) | <u><u>\$ 4,275,818</u></u> |

SEE NOTES TO FINANCIAL STATEMENTS.

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

| | General | Capital Projects | Other Nonmajor Governmental Funds | Total |
|---|---------------------|---------------------|--|------------------|
| REVENUES: | | | | |
| Local sources: | | | | |
| Local tax | \$ 2,440,092 | 352,883 | 281,824 | 3,074,799 |
| Tuition | 260,940 | 0 | 0 | 260,940 |
| Other | 70,508 | 24,105 | 151,318 | 245,931 |
| State sources | 2,961,530 | 0 | 190 | 2,961,720 |
| Federal sources | 720,883 | 0 | 0 | 720,883 |
| Total revenues | <u>6,453,953</u> | <u>376,988</u> | <u>433,332</u> | <u>7,264,273</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 2,690,057 | 0 | 20,508 | 2,710,565 |
| Special | 1,106,529 | 0 | 0 | 1,106,529 |
| Other | 504,663 | 0 | 140,200 | 644,863 |
| | <u>4,301,249</u> | <u>0</u> | <u>160,708</u> | <u>4,461,957</u> |
| Support services: | | | | |
| Student | 187,909 | 0 | 0 | 187,909 |
| Instructional staff | 205,744 | 0 | 0 | 205,744 |
| Administration | 625,895 | 0 | 69,481 | 695,376 |
| Operation and maintenance of plant | 559,274 | 13,276 | 41,476 | 614,026 |
| Transportation | 210,967 | 0 | 77,564 | 288,531 |
| | <u>1,789,789</u> | <u>13,276</u> | <u>188,521</u> | <u>1,991,586</u> |
| Non-instructional programs: | | | | |
| Other enterprise operations | 974 | 0 | 0 | 974 |
| Community service and education operations | 11,533 | 0 | 0 | 11,533 |
| | <u>12,507</u> | <u>0</u> | <u>0</u> | <u>12,507</u> |
| Other expenditures: | | | | |
| Facilities acquisition | 0 | 901,458 | 69,293 | 970,751 |
| Long-term debt: | | | | |
| Principal | 0 | 0 | 200,352 | 200,352 |
| Interest | 0 | 0 | 12,024 | 12,024 |
| AEA flowthrough | 278,577 | 0 | 0 | 278,577 |
| | <u>278,577</u> | <u>901,458</u> | <u>281,669</u> | <u>1,461,704</u> |
| Total expenditures | <u>6,382,122</u> | <u>914,734</u> | <u>630,898</u> | <u>7,927,754</u> |
| Excess(deficiency) of revenues over(under) expenditures | 71,831 | (537,746) | (197,566) | (663,481) |
| Other financing sources(uses): | | | | |
| Proceeds from the sale of assets | 881 | 0 | 0 | 881 |
| Transfers in | 0 | 4,080,155 | 380,128 | 4,460,283 |
| Transfers out | (11,305) | (4,216,920) | (232,058) | (4,460,283) |
| Issuance of revenue bonds | 0 | 3,900,000 | 0 | 3,900,000 |
| Cost of issuance | 0 | (26,100) | 0 | (26,100) |
| Accrued interest on bond issuance | 0 | 0 | 913 | 913 |
| Total other financing sources(uses) | <u>(10,424)</u> | <u>3,737,135</u> | <u>148,983</u> | <u>3,875,694</u> |
| Net change in fund balances | 61,407 | 3,199,389 | (48,583) | 3,212,213 |
| Fund balance beginning of year | 974,887 | 1,067,024 | 647,841 | 2,689,752 |
| Fund balance end of year | <u>\$ 1,036,294</u> | <u>4,266,413</u> | <u>599,258</u> | <u>5,901,965</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA 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 22) \$ 3,212,213

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

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

| | | |
|---------------------------------|--------------|---------|
| Expenditures for capital assets | \$ 1,206,977 | |
| Depreciation expense | (279,709) | 927,268 |

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 8,346

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 debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

| | | |
|--------|-------------|-------------|
| Issued | (3,900,000) | |
| Repaid | 200,352 | (3,699,648) |

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (8,909)

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.

| | | |
|-------------------------------|--|----------|
| Other postemployment benefits | | (30,591) |
|-------------------------------|--|----------|

Changes in net assets of governmental activities (page 19) \$ 408,679

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010

| | School Nutrition |
|--|---------------------|
| Assets | |
| Cash and cash equivalents: | \$ 65,707 |
| Inventories | 11,362 |
| Capital assets, net of accumulated depreciation | 43,454 |
| Total assets | 120,523 |
| Liabilities | |
| Accounts payable | 229 |
| Salaries and benefits payable | 4,751 |
| Unearned revenues | 2,551 |
| Net OPEB liability | 409 |
| Total liabilities | 7,940 |
| Net Assets | |
| Invested in capital assets | 43,454 |
| Unrestricted | 69,129 |
| Total net assets | \$ 112,583 |

SEE NOTES TO FINANCIAL STATEMENTS.

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

| | School Nutrition |
|------------------------------|---------------------|
| OPERATING REVENUE: | |
| Local sources: | |
| Charges for services | \$ 128,040 |
| Miscellaneous | 953 |
| TOTAL OPERATING REVENUES | 128,993 |
| OPERATING EXPENSES: | |
| Non-instructional programs: | |
| Food service operations: | |
| Salaries | 108,918 |
| Benefits | 22,622 |
| Services | 1,715 |
| Supplies | 132,500 |
| Other | 224 |
| Depreciation | 5,879 |
| TOTAL OPERATING EXPENSES | 271,858 |
| OPERATING LOSS | (142,865) |
| NON-OPERATING REVENUES: | |
| State sources | 3,238 |
| Federal sources | 173,247 |
| TOTAL NON-OPERATING REVENUES | 176,485 |
| Change in net assets | 33,620 |
| Net assets beginning of year | 78,963 |
| Net assets end of year | \$ 112,583 |

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

| | School Nutrition |
|---|---------------------|
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | \$ 128,795 |
| Cash received from miscellaneous operating activities | 953 |
| Cash payments to employees for services | (130,834) |
| Cash payments to suppliers for goods or services | (111,469) |
| Net cash used in operating activities | (112,555) |
| Cash flows from non-capital financing activities: | |
| State grants received | 3,238 |
| Federal grants received | 147,336 |
| Net cash provided by non-capital financing activities | 150,574 |
| Cash flows from capital financing activities: | |
| Acquisition of capital assets | (1,336) |
| Net increase in cash and cash equivalents | 36,683 |
| Cash and cash equivalents at beginning of year | 29,024 |
| Cash and cash equivalents at end of year | \$ 65,707 |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (142,865) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Commodities consumed | 25,911 |
| Depreciation | 5,879 |
| Increase in inventories | (3,170) |
| Decrease in accounts receivable | 7 |
| Increase in accounts payable | 229 |
| Increase in salaries and benefits payable | 297 |
| Increase in unearned revenue | 748 |
| Increase in other postemployment benefits | 409 |
| Net cash used in operating activities | \$ (112,555) |

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2010, the District received federal commodities valued at \$25,911.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

The Statement of Net Assets presents the District's

nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

The District reports the following proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for

enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

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

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government

commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

| Asset Class | Amount |
|---------------------------------|--------|
| Land | \$ 0 |
| Buildings | 1,000 |
| Land improvements | 1,000 |
| Intangibles | 25,000 |
| Machinery and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other machinery and equipment | 1,000 |

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

| Asset Class | Estimated Useful Lives (In Years) |
|-------------------------|-----------------------------------|
| Buildings | 50 years |
| Land improvements | 20 years |
| Intangibles | 5-20 years |
| Machinery and equipment | 5-10 years |

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

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

Deferred revenue 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.

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010 expenditures in the instructional function exceeded the budgeted amount.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2010 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool 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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$3,950,174 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) **Transfers**

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

| Transfer to | Transfer from | Amount |
|---|---|---------------------|
| Debt Sinking | Capital Projects: Statewide, Sales, Services and Use Tax | \$ 316,920 |
| Debt Service | Special Revenue: Physical Plant & Equipment Levy | 51,903 |
| Capital Projects: Statewide, Sales, Services and Use Tax | Capital Projects: Facility Improvements | 3,900,000 |
| Debt Service | General Fund | 11,305 |
| Debt Sinking | Capital Projects: Statewide, Sales, Services and Use Tax | 180,155 |
| Total | | <u>\$ 4,460,283</u> |

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 Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. 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 that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2008-09B warrants was 3.00%. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B 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 ISCAP activity for the year ended June 30, 2010 is as follows:

| Series | Warrant Date | Final Warrant Maturity | Balance Beginning of Year | Advances Received | Advances Repaid | Balance End of Year |
|----------|--------------|------------------------|---------------------------|-------------------|-----------------|---------------------|
| 2009-10A | 6/25/09 | 6/23/10 | \$ 0 | 175,000 | 175,000 | 0 |

During the year ended June 30, 2010 the District paid \$61,563 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 | \$ 92,549 | 0 | 0 | 92,549 |
| Construction in progress | 0 | 906,558 | 0 | 906,558 |
| Total capital assets not being depreciated | <u>92,549</u> | <u>906,558</u> | <u>0</u> | <u>999,107</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 2,787,384 | 42,487 | 0 | 2,829,871 |
| Land improvements | 806,006 | 0 | 0 | 806,006 |
| Machinery and equipment | 1,118,009 | 257,932 | 0 | 1,375,941 |
| Total capital assets being depreciated | <u>4,711,399</u> | <u>300,419</u> | <u>0</u> | <u>5,011,818</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,789,548 | 51,950 | 0 | 1,841,498 |
| Land improvements | 725,124 | 5,604 | 0 | 730,728 |
| Machinery and equipment | 913,973 | 222,155 | 0 | 1,136,128 |
| Total accumulated depreciation | <u>3,428,645</u> | <u>279,709</u> | <u>0</u> | <u>3,708,354</u> |
| Total capital assets being depreciated, net | <u>1,282,754</u> | <u>20,710</u> | <u>0</u> | <u>1,303,464</u> |
| Governmental activities capital assets, net | <u>\$ 1,375,303</u> | <u>927,268</u> | <u>0</u> | <u>2,302,571</u> |
| Business type activities: | | | | |
| Machinery and equipment | \$ 240,367 | 1,336 | 0 | 241,703 |
| Less accumulated depreciation | 192,370 | 5,879 | 0 | 198,249 |
| Business type activities capital assets, net | <u>\$ 47,997</u> | <u>(4,543)</u> | <u>0</u> | <u>43,454</u> |
| Instruction: | | | | |
| Regular | | | | \$ 125,526 |
| Other | | | | 4,319 |
| Support services: | | | | |
| Support staff | | | | 6,162 |
| Instructional support | | | | 5,967 |
| Administration | | | | 19,915 |
| Operation and maintenance of plant | | | | 15,780 |
| Transportation | | | | 44,486 |
| | | | | <u>222,155</u> |
| Unallocated depreciation | | | | <u>57,554</u> |
| Total governmental activities depreciation expense | | | | <u>\$ 279,709</u> |
| Business type activities: | | | | |
| Food service operations | | | | <u>\$ 5,879</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 | Deletions | Balance End of Year | Due Within One Year |
|--------------------------|---------------------------------|-----------|-----------|---------------------------|---------------------------|
| Governmental activities: | | | | | |
| Capital Loan Notes | \$ 135,000 | 0 | 45,000 | 90,000 | 45,000 |
| Revenue Bonds | 145,000 | 3,900,000 | 145,000 | 3,900,000 | 0 |
| Computer Lease | 10,352 | 0 | 10,352 | 0 | 0 |
| Net OPEB liability | 0 | 30,591 | 0 | 30,591 | 0 |
| Total | \$ 290,352 | 3,930,591 | 200,352 | 4,020,591 | 45,000 |

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year | Due Within One Year |
|---------------------------|---------------------------------|-----------|-----------|---------------------------|---------------------------|
| Business type activities: | | | | | |
| Net OPEB liability | \$ 0 | 409 | 0 | 409 | 0 |

Capital Loan Notes Payable

Details of the District's June 30, 2010 capital loan notes indebtedness are as follows:

| Year Ending June 30, | Loan Issue of May 1, 2001 | | | |
|----------------------------|---------------------------|-------------|----------|--------|
| | Interest Rate | Principal | Interest | Total |
| 2011 | 4.80 | % \$ 45,000 | 4,388 | 49,388 |
| 2012 | 4.95 | 45,000 | 2,227 | 47,227 |
| Total | | \$ 90,000 | 6,615 | 96,615 |

Revenue Bonds Payable

Details of the District's June 30, 2010 revenue bonds indebtedness are as follows:

| Year Ending June 30, | Bond Issue of June 03, 2010 | | | |
|----------------------------|-----------------------------|--------------|-----------|-----------|
| | Interest Rate | Principal | Interest | Total |
| 2011 | 4.00 | % \$ - | 95,830 | 95,830 |
| 2012 | 4.00 | 100,000 | 162,280 | 262,280 |
| 2013 | 4.00 | 100,000 | 158,280 | 258,280 |
| 2014 | 4.00 | 100,000 | 154,280 | 254,280 |
| 2015 | 4.00 | 125,000 | 149,780 | 274,780 |
| 2016-2020 | 4.00 | 855,000 | 653,900 | 1,508,900 |
| 2021-2025 | 4.00-4.10 | 1,065,000 | 462,185 | 1,527,185 |
| 2026-2030 | 4.20-4.80 | 1,555,000 | 210,620 | 1,765,620 |
| Total | | \$ 3,900,000 | 2,047,155 | 5,947,155 |

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,900,000 bonds issued in June 2010.

The statewide sales, services and use tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. 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 27 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$5,947,155. For the current year, no principal and interest was paid on the bonds and statewide sales, services and use tax revenues were \$352,883.

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

- a) \$317,070 of the proceeds from the issuance of the revenue bonds shall be deposited to the 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 statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$258,446, \$233,685, and \$217,388, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits

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 78 active and 9 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 ISEBA. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

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

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

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

| | |
|--|------------------|
| Annual required contribution | \$ 84,000 |
| Interest on net OPEB obligation | 0 |
| Adjustment to annual required contribution | 0 |
| Annual OPEB cost | <u>84,000</u> |
| Contributions made | (53,000) |
| Increase in net OPEB obligation | <u>31,000</u> |
| Net OPEB obligation beginning of year | 0 |
| Net OPEB obligation end of year | <u>\$ 31,000</u> |

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

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 |
|------------|------------------|--|---------------------|
| 6/30/2010 | \$ 84,000 | 63.10% | \$ 31,000 |

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was

\$683,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$683,000. The covered payroll (annual payroll of active employees covered by the plan) was \$3,245,586, and the ratio of the UAAL to covered payroll was 21.04%. As of June 30, 2010 there were no trust fund assets.

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

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

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

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

The projected claim costs of the medical plan for retirees are illustrated per month in the following table.

| | Plan 11 | Plan 13 | Plan 29 |
|------------------------|-----------|---------|---------|
| Less than 65 years old | \$ 929.19 | 870.94 | 776.37 |

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The West Monona Community School District is a member in the Iowa School Employees Benefits Association, fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed

July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: health, dental, vision, life and long-term disability.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2010 were \$600,728.

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

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

(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 \$278,577 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) Categorical Funding

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

| Project | Amount |
|---|------------|
| Weighted at-risk programs | \$ 4,756 |
| Limited english proficient | 3,271 |
| Market factor incentives | 519 |
| Dropouts and dropout prevention programs | 23,044 |
| Beginning administrator mentoring and induction program | 1,503 |
| Gifted and talented programs | 115,274 |
| Reading instruction pilot project | 4,383 |
| Home school assistance program | 17,867 |
| Professional development for model core curriculum | 15,441 |
| Salary improvement program | 35,810 |
| State vocational | 2,346 |
| | \$ 224,214 |
| Total reserved for categorical funding | \$ 224,214 |

(12) Construction Commitment

The District has entered into a contract totaling \$3,922,210 for the renovation of the District's buildings. As of June 30, 2010, costs \$834,437, had been incurred against the contract. The balance of \$3,087,773 remaining at June 30, 2010, will be paid as work on the project progresses.

(13) Budget Overexpenditure

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

REQUIRED SUPPLEMENTARY INFORMATION

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

| | Governmental | Proprietary | Total Actual | Budgeted Amounts | | Final to |
|--|---------------------|----------------|------------------|-------------------|-------------------|------------------|
| | Funds | Fund | | Original | Final | Actual |
| | Actual | Actual | | | | Variance |
| Revenues: | | | | | | |
| Local sources | \$ 3,581,670 | 128,993 | 3,710,663 | 3,820,945 | 3,820,945 | (110,282) |
| State sources | 2,961,720 | 3,238 | 2,964,958 | 3,787,533 | 3,787,533 | (822,575) |
| Federal sources | 720,883 | 173,247 | 894,130 | 631,000 | 631,000 | 263,130 |
| Total revenues | <u>7,264,273</u> | <u>305,478</u> | <u>7,569,751</u> | <u>8,239,478</u> | <u>8,239,478</u> | <u>(669,727)</u> |
| Expenditures/Expenses: | | | | | | |
| Instruction | 4,461,957 | 0 | 4,461,957 | 4,272,565 | 4,272,565 | (189,392) |
| Support services | 1,991,586 | 0 | 1,991,586 | 3,606,493 | 3,606,493 | 1,614,907 |
| Non-instructional programs | 12,507 | 271,858 | 284,365 | 330,802 | 330,802 | 46,437 |
| Other expenditures | 1,461,704 | 0 | 1,461,704 | 2,107,024 | 2,107,024 | 645,320 |
| Total expenditures/expenses | <u>7,927,754</u> | <u>271,858</u> | <u>8,199,612</u> | <u>10,316,884</u> | <u>10,316,884</u> | <u>2,117,272</u> |
| Excess(deficiency) of revenues over(under) expenditures/expenses | (663,481) | 33,620 | (629,861) | (2,077,406) | (2,077,406) | 1,447,545 |
| Other financing sources, net | 3,875,694 | 0 | 3,875,694 | (50,000) | (50,000) | 3,925,694 |
| Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses | 3,212,213 | 33,620 | 3,245,833 | (2,127,406) | (2,127,406) | 5,373,239 |
| Balance beginning of year | 2,689,752 | 78,963 | 2,768,715 | 2,919,945 | 2,919,945 | (151,230) |
| Balance end of year | <u>\$ 5,901,965</u> | <u>112,583</u> | <u>6,014,548</u> | <u>792,539</u> | <u>792,539</u> | <u>5,222,009</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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

During the year ended June 30, 2010, expenditures in the instruction function exceeded the amounts budgeted.

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

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------|--------------------------|-------------------------------|---------------------------------------|---------------------------|--------------------|-----------------------|---|
| 2010 | July 1, 2009 | \$ 0 | \$ 683,000 | \$ 683,000 | 0.00% | \$ 3,245,586 | 21.04% |

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

OTHER SUPPLEMENTARY INFORMATION

WEST MONONA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

| | Special Revenue Funds | | | | | Total |
|--|-----------------------|------------------|-----------------------------------|-----------------------------|----------------|-----------------------------------|
| | Management Levy | Student Activity | Physical Plant and Equipment Levy | Total Special Revenue Funds | Debt Sinking | Other Nonmajor Governmental Funds |
| Assets | | | | | | |
| Cash and pooled investments | \$ 121,031 | 41,664 | 113,985 | 276,680 | 317,983 | 594,663 |
| Receivables: | | | | | | |
| Property tax: | | | | | | |
| Delinquent | 1,657 | 0 | 2,052 | 3,709 | 0 | 3,709 |
| Succeeding year | 100,000 | 0 | 128,950 | 228,950 | 0 | 228,950 |
| Income surtax | 0 | 0 | 52,290 | 52,290 | 0 | 52,290 |
| Accounts | 0 | 884 | 0 | 884 | 0 | 884 |
| Due from other governments | 1 | 0 | 1 | 2 | 0 | 2 |
| Total assets | \$ 222,689 | 42,548 | 297,278 | 562,515 | 317,983 | 880,498 |
| Liabilities and Fund Balances | | | | | | |
| Liabilities: | | | | | | |
| Deferred revenue: | | | | | | |
| Succeeding year property tax | \$ 100,000 | 0 | 128,950 | 228,950 | 0 | 228,950 |
| Income surtax | 0 | 0 | 52,290 | 52,290 | 0 | 52,290 |
| Total liabilities | 100,000 | 0 | 181,240 | 281,240 | 0 | 281,240 |
| Fund balances: | | | | | | |
| Reserved for debt service | 0 | 0 | 0 | 0 | 317,983 | 317,983 |
| Unreserved fund balance | 122,689 | 42,548 | 116,038 | 281,275 | 0 | 281,275 |
| Total fund balances | 122,689 | 42,548 | 116,038 | 281,275 | 317,983 | 599,258 |
| Total liabilities and fund balances | \$ 222,689 | 42,548 | 297,278 | 562,515 | 317,983 | 880,498 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

| | Special Revenue Funds | | | | Debt Service Funds | | | Total |
|--|-------------------------|---------------------|------------------------|----------|--------------------|-----------------|-----------|--|
| | Manage- ment Levy | Student Activity | Physical Plant Levy | | Debt Service | Debt Sinking | Total | Other Nonmajor Governmental Funds |
| | | | Equipment Levy | Total | | | | |
| REVENUES: | | | | | | | | |
| Local sources: | | | | | | | | |
| Local tax | \$ 100,063 | 0 | 181,761 | 281,824 | 0 | 0 | 0 | 281,824 |
| Other | 1,305 | 149,841 | 0 | 151,146 | 0 | 172 | 172 | 151,318 |
| State sources | 85 | 0 | 105 | 190 | 0 | 0 | 0 | 190 |
| TOTAL REVENUES | 101,453 | 149,841 | 181,866 | 433,160 | 0 | 172 | 172 | 433,332 |
| EXPENDITURES: | | | | | | | | |
| Current: | | | | | | | | |
| Instruction: | | | | | | | | |
| Regular | 0 | 0 | 20,508 | 20,508 | 0 | 0 | 0 | 20,508 |
| Other | 0 | 140,200 | 0 | 140,200 | 0 | 0 | 0 | 140,200 |
| Support services: | | | | | | | | |
| Administration | 67,065 | 0 | 2,416 | 69,481 | 0 | 0 | 0 | 69,481 |
| Operation and maintenance of plant | 21,716 | 0 | 19,760 | 41,476 | 0 | 0 | 0 | 41,476 |
| Transportation | 0 | 0 | 77,564 | 77,564 | 0 | 0 | 0 | 77,564 |
| Other expenditures: | | | | | | | | |
| Facilities acquisition | 0 | 0 | 69,293 | 69,293 | 0 | 0 | 0 | 69,293 |
| Long-term debt: | | | | | | | | |
| Principal | 0 | 0 | 0 | 0 | 55,352 | 145,000 | 200,352 | 200,352 |
| Interest | 0 | 0 | 0 | 0 | 7,856 | 4,168 | 12,024 | 12,024 |
| TOTAL EXPENDITURES | 88,781 | 140,200 | 189,541 | 418,522 | 63,208 | 149,168 | 212,376 | 630,898 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 12,672 | 9,641 | (7,675) | 14,638 | (63,208) | (148,996) | (212,204) | (197,566) |
| OTHER FINANCING SOURCES (USES): | | | | | | | | |
| Transfer in | 0 | 0 | 0 | 0 | 63,208 | 316,920 | 380,128 | 380,128 |
| Transfer out | 0 | 0 | (51,903) | (51,903) | 0 | (180,155) | (180,155) | (232,058) |
| Accrued interest on bond issuance | 0 | 0 | 0 | 0 | 0 | 913 | 913 | 913 |
| TOTAL OTHER FINANCING SOURCES (USES) | 0 | 0 | (51,903) | (51,903) | 63,208 | 137,678 | 200,886 | 148,983 |
| Net change in fund balances | 12,672 | 9,641 | (59,578) | (37,265) | 0 | (11,318) | (11,318) | (48,583) |
| Fund balances beginning of year | 110,017 | 32,907 | 175,616 | 318,540 | 0 | 329,301 | 329,301 | 647,841 |
| Fund balances end of year | \$ 122,689 | 42,548 | 116,038 | 281,275 | 0 | 317,983 | 317,983 | 599,258 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

| Account | Balance Beginning of Year | Revenues | Expendi- tures | Intra- Fund Transfers | Balance End of Year |
|--------------------------|---------------------------------|----------|-------------------|-----------------------------|---------------------------|
| Speech | \$ 2,489 | 3,322 | 2,412 | (85) | 3,314 |
| Fall play | 2,942 | 0 | 0 | 0 | 2,942 |
| Vocal | 4,524 | 2,819 | 2,574 | 0 | 4,769 |
| Vocal trip | 752 | 0 | 0 | 0 | 752 |
| Instrumental | 1,524 | 2,220 | 39 | 0 | 3,705 |
| Band Uniform | 1,496 | 0 | 0 | 0 | 1,496 |
| Boys Basketball Camp | 194 | 648 | 571 | 371 | 642 |
| Girls Basketball Camp | 156 | 1,899 | 1,201 | 0 | 854 |
| General Athletics | (787) | 54,733 | 50,726 | (743) | 2,477 |
| Golf Camp | 200 | 200 | 0 | 0 | 400 |
| Basball Camp | 302 | 300 | 0 | 0 | 602 |
| Boys Track Camp | 92 | 0 | 0 | 0 | 92 |
| Volleyball Club | 21 | 0 | 0 | 0 | 21 |
| Softball Camp | 907 | 800 | 0 | (1,707) | 0 |
| Class of 2009 | 467 | 0 | 3,015 | 2,755 | 207 |
| Class of 2010 | 4,169 | 33,090 | 34,703 | (1,955) | 601 |
| Class of 2011 | 0 | 8,705 | 5,684 | 0 | 3,021 |
| NHS-National Spirit Club | 202 | 0 | 0 | 0 | 202 |
| Pep Club | 339 | 0 | 0 | 0 | 339 |
| HS Student Council | 1,424 | 1,737 | 581 | 1,033 | 3,613 |
| MS Student Council | 1,033 | 0 | 0 | (1,033) | 0 |
| Science Club | 652 | 2,279 | 2,517 | 0 | 414 |
| Art Club | 368 | 188 | 294 | 0 | 262 |
| Dance Team | 509 | 314 | 621 | 0 | 202 |
| Cheerleaders | 134 | 0 | 0 | 0 | 134 |
| BB Cheerleaders | 799 | 0 | 0 | 0 | 799 |
| FB Cheerleaders | 748 | 1,143 | 1,678 | 0 | 213 |
| WR Cheerleaders | 352 | 81 | 245 | 0 | 188 |
| Yearbook | 849 | 9,835 | 5,016 | 0 | 5,668 |
| FCCLA | 1,672 | 3,477 | 3,441 | 0 | 1,708 |
| Raffle Tax | 14 | 0 | 0 | 0 | 14 |
| Pop/Juice | (75) | 14,292 | 14,782 | 28 | (537) |
| Industrial Arts | 114 | 0 | 0 | 0 | 114 |
| Football Camp | 1,584 | 2,105 | 4,801 | (371) | (1,483) |
| Wrestling Club | 1,031 | 0 | 0 | (404) | 627 |
| Softball Camp | 422 | 0 | 720 | 1,707 | 1,409 |
| Weightlifting Club | 13 | 434 | 272 | 404 | 579 |
| HS Reward Trips | 500 | 0 | 0 | 0 | 500 |
| MS Reward Trips | 269 | 4,786 | 3,578 | 0 | 1,477 |
| Key Club | 506 | 434 | 729 | 0 | 211 |
| Total | \$ 32,907 | 149,841 | 140,200 | 0 | 42,548 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2010

| | Capital Projects Funds | | |
|--|---------------------------|--------------------------|------------------|
| | Statewide | | |
| | Sales and Services Tax | Facility Improvements | Total |
| Assets | | | |
| Cash and pooled investments | \$ 1,113,191 | 3,420,698 | 4,533,889 |
| Due from other governments | 125,360 | 0 | 125,360 |
| Total Assets | \$ 1,238,551 | 3,420,698 | 4,659,249 |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | 0 | 392,836 | 392,836 |
| Fund balances: | | | |
| Reserved for: | | | |
| Construction | 0 | 3,027,862 | 3,027,862 |
| Unreserved | 1,238,551 | 0 | 1,238,551 |
| Total fund balances | 1,238,551 | 3,027,862 | 4,266,413 |
| Total Liabilities and Fund Balances | \$ 1,238,551 | 3,420,698 | 4,659,249 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2010

| | Capital Projects Funds | | |
|--|---------------------------|--------------------------|------------------|
| | Statewide | | Total |
| | Sales and Services Tax | Facility Improvements | |
| REVENUES: | | | |
| Local sources: | | | |
| Local tax | \$ 352,883 | 0 | 352,883 |
| Other | 23,740 | 365 | 24,105 |
| TOTAL REVENUES | <u>376,623</u> | <u>365</u> | <u>376,988</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Support services: | | | |
| Operation and maintenance of plant | 13,276 | 0 | 13,276 |
| Other expenditures: | | | |
| Facilities acquisitions | 55,055 | 846,403 | 901,458 |
| TOTAL EXPENDITURES | <u>68,331</u> | <u>846,403</u> | <u>914,734</u> |
| Excess(deficiency) of revenues over(under) expenditures | 308,292 | (846,038) | (537,746) |
| Other financing sources(uses): | | | |
| Transfer in | 180,155 | 3,900,000 | 4,080,155 |
| Transfer out | (4,216,920) | 0 | (4,216,920) |
| Issuance of revenue bonds | 3,900,000 | 0 | 3,900,000 |
| Cost of issuance | 0 | (26,100) | (26,100) |
| Total other financing sources(uses) | <u>(136,765)</u> | <u>3,873,900</u> | <u>3,737,135</u> |
| Change in fund balances | 171,527 | 3,027,862 | 3,199,389 |
| Fund balance beginning of year | <u>1,067,024</u> | <u>0</u> | <u>1,067,024</u> |
| Fund balance end of year | <u>\$ 1,238,551</u> | <u>3,027,862</u> | <u>4,266,413</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

| | Modified Accrual Basis | | | | | | |
|------------------------------------|------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Years Ended June 30, | | | | | | |
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| Revenues: | | | | | | | |
| Local sources: | | | | | | | |
| Local tax | \$ 3,074,799 | 2,951,000 | 2,822,147 | 2,814,782 | 2,365,190 | 2,064,037 | 2,087,616 |
| Tuition | 260,940 | 219,910 | 218,935 | 216,278 | 198,350 | 191,256 | 254,964 |
| Other | 245,931 | 331,617 | 394,558 | 434,636 | 286,709 | 305,143 | 137,331 |
| Intermediate sources | 0 | 0 | 0 | 0 | 0 | 6,510 | 0 |
| State sources | 2,961,720 | 3,503,916 | 3,629,585 | 3,360,010 | 3,353,141 | 3,177,181 | 3,012,213 |
| Federal sources | 720,883 | 359,789 | 308,242 | 267,709 | 262,205 | 287,310 | 225,846 |
| Total | \$ 7,264,273 | 7,366,232 | 7,373,467 | 7,093,415 | 6,465,595 | 6,031,437 | 5,717,970 |
| Expenditures: | | | | | | | |
| Instruction: | | | | | | | |
| Regular | \$ 2,710,565 | 2,753,050 | 2,643,890 | 2,602,390 | 2,336,293 | 2,229,304 | 1,938,166 |
| Special | 1,106,529 | 1,210,575 | 1,030,248 | 928,939 | 1,103,664 | 815,682 | 962,651 |
| Other | 644,863 | 477,573 | 438,408 | 573,321 | 391,394 | 406,183 | 371,246 |
| Support services: | | | | | | | |
| Student | 187,909 | 149,180 | 123,745 | 138,931 | 158,054 | 147,026 | 202,449 |
| Instructional staff | 205,744 | 164,642 | 152,569 | 97,840 | 115,974 | 82,558 | 92,142 |
| Administration | 695,376 | 735,429 | 800,031 | 857,651 | 845,949 | 709,071 | 730,528 |
| Operation and maintenance of plant | 614,026 | 599,037 | 566,107 | 610,037 | 743,790 | 645,090 | 574,575 |
| Transportation | 288,531 | 238,617 | 207,478 | 185,799 | 310,363 | 220,778 | 252,215 |
| Non-instructional programs | 12,507 | 8,585 | 14,827 | 9,142 | 10,199 | 12,046 | 8,031 |
| Other expenditures: | | | | | | | |
| Facilities acquisitions | 970,751 | 36,097 | 116,079 | 101,649 | 60,255 | 71,774 | 40,659 |
| Long-term debt: | | | | | | | |
| Principal | 200,352 | 180,000 | 170,000 | 160,000 | 150,000 | 145,000 | 146,168 |
| Interest | 12,024 | 21,887 | 30,308 | 39,353 | 48,075 | 58,890 | 67,320 |
| AEA flow-through | 278,577 | 251,829 | 247,241 | 225,407 | 219,765 | 210,935 | 208,975 |
| Total | \$ 7,927,754 | 6,826,501 | 6,540,931 | 6,530,459 | 6,493,775 | 5,754,337 | 5,595,125 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

| GRANTOR/PROGRAM | CFDA NUMBER | GRANT NUMBER | PROGRAM EXPENDITURES |
|---|----------------|-----------------|-------------------------|
| INDIRECT: | | | |
| DEPARTMENT OF AGRICULTURE: | | | |
| IOWA DEPARTMENT OF EDUCATION: | | | |
| SCHOOL NUTRITION CLUSTER PROGRAMS: | | | |
| SCHOOL BREAKFAST PROGRAM | 10.553 | FY 10 | 24,521 |
| NATIONAL SCHOOL LUNCH PROGRAM | 10.555 | FY 10 | 148,726 * |
| | | | <u>173,247</u> |
| U.S. DEPARTMENT OF EDUCATION: | | | |
| IOWA DEPARTMENT OF EDUCATION: | | | |
| TITLE I CLUSTER PROGRAMS: | | | |
| TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES | 84.010 | 1701-G | 117,362 |
| ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT | 84.389 | FY 09 | 12,969 |
| ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT | 84.389 | FY 10 | 23,283 |
| | | | <u>153,614</u> |
| REHABILITATION SERVICES - VOCATIONAL REHABILITATION GRANTS TO STATE | 84.126 | FY 10 | 6,735 |
| SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS | 84.186 | FY 09 | 716 |
| SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS | 84.186 | FY 10 | 2,487 |
| | | | <u>3,203</u> |
| READING FIRST STATE GRANTS | 84.357 | FY 09 | 1,291 |
| READING FIRST STATE GRANTS | 84.357 | FY 10 | 20,785 |
| | | | <u>22,076</u> |
| FEDERAL TEACHER QUALITY PROGRAM | 84.367 | FY 10 | 37,663 |
| GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES | 84.369 | FY 09 | 804 |
| GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES | 84.369 | FY 10 | 4,160 |
| | | | <u>4,964</u> |
| ARRA - STATE FISCAL STABILIZATION FUND(SFSF) | | | |
| EDUCATION STATE GRANTS, RECOVERY ACT | 84.394 | FY 10 | 290,585 |
| AREA EDUCATION AGENCY: | | | |
| SPECIAL EDUCATION CLUSTER PROGRAMS: | | | |
| SPECIAL EDUCATION - GRANTS TO STATES(PART B) | 84.027 | FY 10 | 35,292 |
| ARRA - SPECIAL EDUCATION GRANTS TO STATES, RECOVERY ACT | 84.391 | FY 09 | 19,300 |
| ARRA - SPECIAL EDUCATION GRANTS TO STATES, RECOVERY ACT | 84.391 | FY 10 | 38,602 |
| | | | <u>93,194</u> |
| CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES | 84.048 | FY 10 | 6,382 |
| TOTAL | | | <u>\$ 791,663</u> |

* - Includes \$25,911 of non-cash awards

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of the
West Monona Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Monona Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 16, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Monona Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do

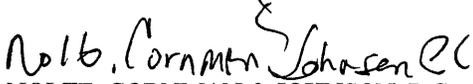
not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2011

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of
West Monona Community School District

Compliance

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

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

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

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

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

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2011

WEST MONONA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A 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) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered:
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.553 - School Breakfast Program
 - Individual:
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) West Monona Community School District did not qualify as a low-risk auditee.

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

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

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

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

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

Conclusion - Response accepted.

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

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund – Education State Grants,
Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2010
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the duties of two individuals include preparing checks and recording the transactions in the general ledger.

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

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

Conclusion - Response accepted.

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

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010 exceeded the certified budget amounts in the instruction functional area.

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

Response - The District will utilize a monthly report to track disbursements in all functions to ensure accurate balance. In the future if the certified budget will be exceeded the budget will be amended.

Conclusion - Response accepted.

IV-B-10 Questionable Disbursements - No expenditures we believe 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 were noted. No travel advances to District officials or employees were noted.

IV-D-10 Business Transactions - No business transactions between the District and District officials or employees were noted.

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

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

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

Response - All board minutes will be electronically submitted to the newspaper within three days of the Board meeting.

Conclusion - Response accepted.

IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

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

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

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

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

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

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

| | | |
|---|-----------|-------------------|
| Beginning Balance | | \$ 210,192 |
| Statewide sales, services and use tax | | 352,883 |
| Expenditures/Transfers Out: | | |
| School infrastructure | | |
| Equipment | \$ 13,276 | |
| Other improvements | 55,055 | |
| Debt service for school infrastructure: | | |
| Revenue debt | 136,765 | 205,096 |
| | | <u>205,096</u> |
| Ending Balance | | <u>\$ 357,979</u> |

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

| | <u>Per \$1,000 of Taxable Valuation</u> | <u>Property Tax Dollars</u> |
|-----------------------------------|---|-------------------------------------|
| Physical plant and equipment levy | <u>\$ 0.96773</u> | <u>\$ 169,959</u> |

IV-M-10 Financial Condition - The District had a two deficit accounts within the Student Activity fund. The accounts totaled \$2,020.

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

Response - The District will monitor the Student Activity Fund and make efforts to eliminate deficits.

Conclusion - Response accepted.