

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

June 30, 2011

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Independent Auditor's Report

To the Board of Education of  
AGWSR 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 AGWSR Community School District, Ackley, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of AGWSR Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2012, on our consideration of AGWSR Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise AGWSR Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11, 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.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

January 19, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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AGWSR 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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2011 Financial Highlights

- General Fund revenues increased from \$6,933,247 in fiscal 2010 to \$7,014,400 in fiscal 2011, while General Fund expenditures also increased from \$6,851,068 in fiscal 2010 to \$6,950,528 in fiscal 2011. The District's General Fund balance increased from \$1,523,695 in fiscal 2010 to \$1,579,275 in fiscal 2011, a 3.6% increase.
- General Fund revenues increased in total primarily due to the infusion of federal "Education Jobs Funds" and revenues from the Microsoft Lawsuit Settlement funds. In addition the increase in expenditures can be attributed to the settlement of certified and non-certified salaries and benefits from the previous year.

### 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 AGWSR 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 AGWSR 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 AGWSR Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

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

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

**Figure A-1**  
**AGWSR GASB 34 Community School District Annual Financial Report**

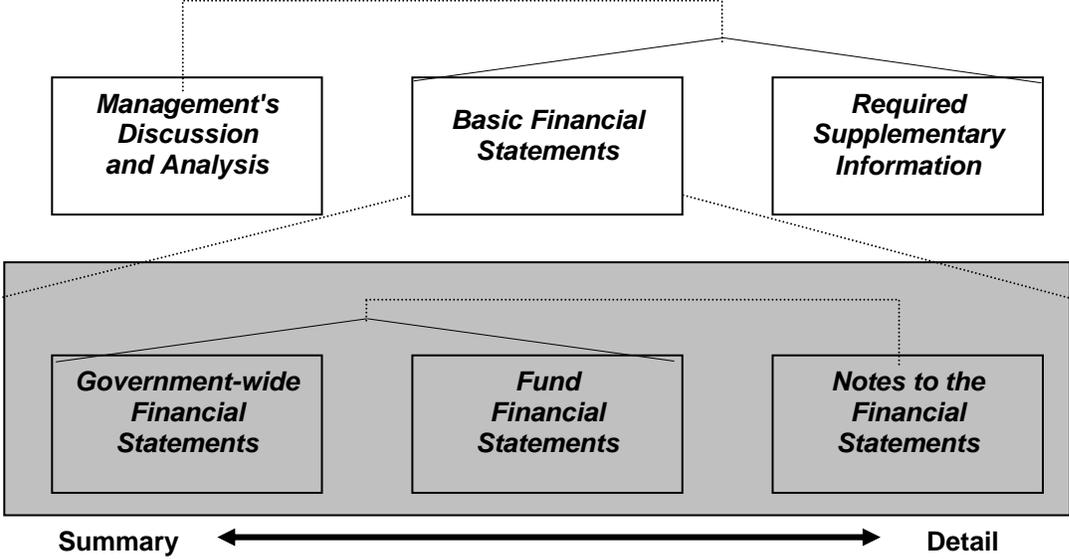


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net assets are an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health,

additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain monies behalf of other entities.

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

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

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

## Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2010-2011 %
	Governmental Activities		Business-type Activities		Total School District		
	2011	2010	2011	2010	2011	2010	
Current and other assets	\$ 9,689,176	\$ 8,781,966	\$ 122,651	\$ 48,030	\$ 9,811,827	\$ 8,829,996	11.1
Capital assets	4,200,477	4,154,204	88,992	106,226	4,289,469	4,260,430	.7
<b>Total assets</b>	<b>13,889,653</b>	<b>12,936,170</b>	<b>211,643</b>	<b>154,256</b>	<b>14,101,296</b>	<b>13,090,426</b>	<b>7.7</b>
Long-term liabilities	745,478	1,042,878	436	436	745,914	1,043,314	(28.5)
Other liabilities	4,553,761	4,315,464	16,271	4,482	4,570,032	4,319,946	5.8
<b>Total liabilities</b>	<b>5,299,239</b>	<b>5,358,342</b>	<b>16,707</b>	<b>4,918</b>	<b>5,315,946</b>	<b>5,363,260</b>	<b>(.9)</b>
Net Assets:							
Invested in capital assets, net of related debt	3,888,806	3,754,202	88,992	106,226	3,977,798	3,860,428	3.0
Restricted	3,119,910	2,200,193			3,119,910	2,200,193	41.8
Unrestricted	1,581,698	1,623,433	105,944	43,112	1,687,642	1,666,545	1.3
<b>TOTAL NET ASSETS</b>	<b>8,590,414</b>	<b>7,577,828</b>	<b>194,936</b>	<b>149,338</b>	<b>8,785,350</b>	<b>7,727,166</b>	<b>13.7</b>

The District's combined total net assets increased by 13.7%, or approximately \$1,058,184, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$919,717 or 41.8% over the prior year. Most of the increase is due to revenues from the management property tax levy and sales taxes that were collected in fiscal year 2011, but will not be spent until future years.

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 – increased approximately \$21,097, or 1.3%.

Figure A-4 shows the change in net assets for the years ended June 30, 2011 and 2010.

Figure A-4

	Change in Net Assets						Percentage Change 2010-2011 %
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	681,514	627,356	388,990	356,115	1,070,504	983,471	8.8
Operating grants & contributions	1,279,457	1,390,953	191,897	191,840	1,471,354	1,582,793	(7.0)
Capital grants & contributions	9,281				9,281		0.0
General Revenues:							
Property taxes	3,733,154	3,792,040			3,733,154	3,792,040	(1.6)
Income surtax	575,036	635,179			575,036	635,179	(9.5)
Sales tax	479,407	415,601			479,407	415,601	15.4
Unrestricted state grants	2,044,253	1,816,586			2,044,253	1,816,586	12.5
Unrestricted investment earnings	39,825	46,040	82	168	39,907	46,208	(13.5)
Other revenue	26,338	45,070			26,338	45,070	(41.6)
<b>Total Revenues</b>	<b>8,868,265</b>	<b>8,768,825</b>	<b>580,969</b>	<b>548,123</b>	<b>9,449,234</b>	<b>9,316,948</b>	<b>1.4</b>
Expenses:							
Instruction	5,053,129	5,236,689			5,053,129	5,236,689	(3.5)
Support services	2,261,892	2,387,768			2,261,892	2,387,768	(5.3)
Non-instructional programs		968	535,371	537,104	535,371	538,072	(0.5)
Other expenditures	540,658	485,213			540,658	485,213	11.4
<b>Total expenses</b>	<b>7,855,679</b>	<b>8,110,638</b>	<b>535,371</b>	<b>537,104</b>	<b>8,391,050</b>	<b>8,647,742</b>	<b>(3.0)</b>
<b>Change in net assets before transfers</b>	<b>1,012,586</b>	<b>658,187</b>	<b>45,598</b>	<b>11,019</b>	<b>1,058,184</b>	<b>669,206</b>	<b>58.1</b>
Transfers		(37,081)		37,081			
<b>CHANGE IN NET ASSETS</b>	<b>1,012,586</b>	<b>621,106</b>	<b>45,986</b>	<b>48,100</b>	<b>1,058,184</b>	<b>669,206</b>	<b>58.1</b>
Net assets beginning of year	7,577,828	6,956,722	149,338	101,238	7,727,166	7,057,960	9.5
Net assets end of year	8,590,414	7,577,828	194,936	149,338	8,785,350	7,727,166	13.7

In fiscal year 2011 property tax and unrestricted state grants account for 61% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 1.4% increase in revenues and a 3.0% decline in expenses.

### Governmental Activities

Revenues for governmental activities were \$8,868,265 and expenses were \$7,855,679. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2011	2010	Percent Change 2010-2011	2011	2010	Percent Change 2010-2011
	\$	\$	%	\$	\$	%
Instruction	5,053,129	5,236,689	(3.5)	3,464,908	3,518,475	(1.5)
Support Services	2,261,892	2,387,768	(5.3)	2,186,010	2,382,810	(8.3)
Non-instructional Programs		968	(100.0)		968	(100.0)
Other Expenses	540,658	485,213	11.4	234,439	190,076	23.3
<b>TOTAL</b>	<b>7,855,679</b>	<b>8,110,638</b>	<b>(3.1)</b>	<b>5,885,357</b>	<b>6,092,329</b>	<b>(3.4)</b>

For the year ended June 30, 2011

- The cost financed by users of the District's programs was \$681,514. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,279,457.
- The net cost of governmental activities was financed with \$4,787,597 in property and local other taxes and \$2,044,253 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$580,969 and expenses were \$535,371. The District's business type activities include the School Nutrition Fund and the Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2011, the District increased day care charges. In addition we received the State of Iowa pre-school grant. These two items resulted in increased revenue to the enterprise fund (day care).

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,580,576, well above last year's ending fund balances of \$3,940,470. The primary reason for the increase in combined fund balances in fiscal 2011 is due to fiscal constraint concerning expenditures.

### Governmental Fund Highlights

- The General Fund balance increased from \$1,523,695 to \$1,579,275, due to staff reductions and other cost saving measures.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting.

- The Physical Plant and Equipment Levy (PEEL) Account balance decreased from \$390,286 in fiscal 2010 to \$380,757 in fiscal 2011. While revenues remained approximately the same, the District made several large expenditures from this fund (largest of which was the boiler project at the Wellsburg facility).
- The Sales Tax Account balance increased substantially from \$862,935 to \$1,498,358, as the district made few expenditures from this fund in preparation for future construction projects.
- The Management Fund Balance increased from \$1,049,781 to \$1,350,562. This balance has been accumulated to pay the district's early retirement plan liability. The fund may also be used for property and liability insurance premiums and legal settlements.
- **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$114,764 at June 30, 2010 to \$110,137 at June 30, 2011, representing a decrease of approximately 4%. For fiscal 2011, the district saw a slight decline in revenues and an increase in expenditures. The district is absorbing this loss with an existing carry over balance.

The day care fund net assets grew from \$34,574 to \$84,799, this was due to changes in the fee schedule as well as receiving some private donations.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, AGWSR Community School District did not amend its annual budget..

The District's actual receipts were \$207,346 greater than budgeted receipts, a variance of 2%. The most significant variance resulted from the District receiving more in federal aid and revenue from local 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 expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2011, the District had invested \$4.289 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 represents a net increase of .7% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements.

Figure A-6

**Capital Assets (net of depreciation)**

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2010	2011	2010	2011	2010	2011	2009-2010
	\$	\$	\$	\$	\$	\$	%
Land	52,000	52,000			52,000	52,000	0.0
Buildings	3,003,232	2,985,735			3,003,232	2,985,735	(.6)
Improvements	386,479	403,447			386,479	403,447	4.4
Equipment & furniture	712,493	759,295	106,226	88,992	818,719	848,287	3.6
<b>TOTAL</b>	<b>4,154,204</b>	<b>4,200,477</b>	<b>106,226</b>	<b>88,992</b>	<b>4,260,430</b>	<b>4,289,469</b>	<b>.7</b>

**Long-Term Debt**

At June 30, 2011 the District had \$745,914 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 28.5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The AGWSR School District does not currently have a bond rating, due to no current need for bonding.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$15 million.

The district continues to have obligations remaining due to early retirement with nine participants, allowing staff downsizing and restructuring.

The increase in net OPEB liability is attributed to GASB 45 accounting practices.

**Figure A-7  
Outstanding Long-Term Obligations**

	Total School District		Percentage Change
	2010	2011	2010-2011
	\$	\$	%
Capital loan notes	400,002	266,669	(33.3)
Capital leases		45,002	
Early retirement	614,133	374,332	(39.0)
Net OPEB liability	29,179	59,911	105.3
	<u>1,043,314</u>	<u>745,914</u>	<u>(28.5)</u>

## **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:

- School financing is highly dependent upon student enrollment. The District's October 2011 enrollment decreased by approximately nine students. This drop in enrollment will decrease the District's funding for fiscal year 2013.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be replaced during fiscal 2012 at a cost of \$52,000. To pay for this bus, the District will use resources from the Physical Plant and Equipment Levy Account.
- The district will negotiate a new agreement with the Teachers' Association during fiscal 2012. 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.
- The phase out of the state budget guarantee will continue to have a negative impact on the school budget.

## **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 Deb Barker, Business Manager, AGWSR CSD, 511 State Street, Ackley, Iowa 50601

## BASIC FINANCIAL STATEMENTS

## AGWSR COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	5,057,980	111,000	5,168,980
Receivables:			
Property tax:			
Delinquent	51,378	-	51,378
Succeeding year	3,749,930	-	3,749,930
Accounts	16,624	3,692	20,316
Accrued interest	464	-	464
Due from other governments	812,800	747	813,547
Inventories	-	7,212	7,212
Capital assets, net of accumulated depreciation	4,200,477	88,992	4,289,469
<b>Total assets</b>	<b>13,889,653</b>	<b>211,643</b>	<b>14,101,296</b>
<b>Liabilities</b>			
Accounts payable	166,271	1,616	167,887
Salaries and benefits payable	615,042	10,937	625,979
Accrued interest payable	1,683	-	1,683
Deferred revenue:			
Succeeding year property tax	3,749,930	-	3,749,930
Other	20,835	3,718	24,553
Long-term liabilities:			
Portion due within one year:			
Capital loan notes payable	133,333	-	133,333
Capital leases	14,146	-	14,146
Termination benefits	239,801	-	239,801
Portion due after one year:			
Capital loan notes payable	133,336	-	133,336
Capital leases	30,856	-	30,856
Termination benefits	134,531	-	134,531
Net OPEB liability	59,475	436	59,911
<b>Total liabilities</b>	<b>5,299,239</b>	<b>16,707</b>	<b>5,315,946</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,888,806	88,992	3,977,798
Restricted for:			
Categorical funding	214,680	-	214,680
Management levy	976,230	-	976,230
Physical plant and equipment levy	659,018	-	659,018
Student activities	152,381	-	152,381
School infrastructure	1,117,601	-	1,117,601
Unrestricted	1,581,698	105,944	1,687,642
<b>Total net assets</b>	<b>8,590,414</b>	<b>194,936</b>	<b>8,785,350</b>

See notes to financial statements.

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

<b>Functions/Programs</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grant Contributions and Restricted Interest</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Governmental activities:</b>				
<b>Instruction:</b>				
Regular	3,073,352	306,893	737,449	-
Special	1,001,095	68,249	61,657	-
Other	978,682	306,372	107,601	-
	<u>5,053,129</u>	<u>681,514</u>	<u>906,707</u>	<u>-</u>
<b>Support services:</b>				
Student	90,070	-	-	-
Instructional staff	376,748	-	71,970	-
Administration	617,424	-	-	-
Operation and maintenance of plant	646,387	-	-	-
Transportation	531,263	-	3,842	-
	<u>2,261,892</u>	<u>-</u>	<u>75,812</u>	<u>-</u>
<b>Other expenditures:</b>				
Facilities acquisition	73,955	-	-	9,281
Long-term debt interest	12,683	-	-	-
AEA flowthrough	296,938	-	296,938	-
Depreciation (unallocated)*	157,082	-	-	-
	<u>540,658</u>	<u>-</u>	<u>296,938</u>	<u>9,281</u>
<b>Total governmental activities</b>	<u>7,855,679</u>	<u>681,514</u>	<u>1,279,457</u>	<u>9,281</u>
<b>Business type activities:</b>				
<b>Non-instructional programs:</b>				
Food service operations	270,052	129,082	136,261	-
Daycare	265,319	259,908	55,636	-
<b>Total business-type activities</b>	<u>535,371</u>	<u>388,990</u>	<u>191,897</u>	<u>-</u>
<b>Total</b>	<u>8,391,050</u>	<u>1,070,504</u>	<u>1,471,354</u>	<u>9,281</u>

**General Revenues:**

Property taxes levied for:
General purposes
Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other
<b>Total general revenues</b>

**Change in net assets**

Net assets beginning of year
Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(2,029,010)	-	(2,029,010)
(871,189)	-	(871,189)
(564,709)	-	(564,709)
<u>(3,464,908)</u>	<u>-</u>	<u>(3,464,908)</u>
(90,070)	-	(90,070)
(304,778)	-	(304,778)
(617,424)	-	(617,424)
(646,387)	-	(646,387)
(527,421)	-	(527,421)
<u>(2,186,080)</u>	<u>-</u>	<u>(2,186,080)</u>
(64,674)	-	(64,674)
(12,683)	-	(12,683)
-	-	-
(157,082)	-	(157,082)
<u>(234,439)</u>	<u>-</u>	<u>(234,439)</u>
<u>(5,885,427)</u>	<u>-</u>	<u>(5,885,427)</u>
-	(4,709)	(4,709)
-	50,225	50,225
-	45,516	45,516
<u>(5,885,427)</u>	<u>45,516</u>	<u>(5,839,911)</u>
3,607,279	-	3,607,279
125,875	-	125,875
575,036	-	575,036
479,407	-	479,407
2,044,253	-	2,044,253
39,825	82	39,907
26,338	-	26,338
<u>6,898,013</u>	<u>82</u>	<u>6,898,095</u>
1,012,586	45,598	1,058,184
7,577,828	149,338	7,727,166
<u>8,590,414</u>	<u>194,936</u>	<u>8,785,350</u>

## AGWSR COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2011

	General	Capital Projects	Management Levy	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments	2,179,116	1,386,400	1,342,361	150,103	5,057,980
Receivables:					
Property tax:					
Delinquent	41,492	1,685	8,201	-	51,378
Succeeding year	3,205,798	144,132	400,000	-	3,749,930
Accounts	10,688	-	-	5,936	16,624
Accrued interest	-	464	-	-	464
Interfund receivable	-	-	-	1,658	1,658
Due from other governments	413,964	398,836	-	-	812,800
<b>Total assets</b>	<b>5,851,058</b>	<b>1,931,517</b>	<b>1,750,562</b>	<b>157,697</b>	<b>9,690,834</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	150,189	10,766	-	5,316	166,271
Salaries and benefits payable	615,042	-	-	-	615,042
Interfund payable	1,658	-	-	-	1,658
Deferred revenue:					
Succeeding year property tax	3,205,798	144,132	400,000	-	3,749,930
Income surtax	278,261	278,261	-	-	556,522
Other	20,835	-	-	-	20,835
Total liabilities	4,271,783	433,159	400,000	5,316	5,110,258
Fund balances:					
Restricted for:					
Categorical funding	214,680	-	-	-	214,680
Management levy	-	-	1,350,562	-	1,350,562
Student activities	-	-	-	152,381	152,381
School infrastructure	-	1,117,601	-	-	1,117,601
Physical plant and equipment	-	380,757	-	-	380,757
Assigned	281	-	-	-	281
Unassigned	1,364,314	-	-	-	1,364,314
Total fund balances	1,579,275	1,498,358	1,350,562	152,381	4,580,576
<b>Total liabilities and fund balances</b>	<b>5,851,058</b>	<b>1,931,517</b>	<b>1,750,562</b>	<b>157,697</b>	<b>9,690,834</b>

## AGWSR COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2011

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	4,580,576
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,200,477
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	556,522
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.	(1,683)
Long-term liabilities, including capital loan notes payable, capital leases payable, termination benefits, and other postemployment benefits are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(745,478)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>8,590,414</u></u>

## AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General	Capital Projects	Management Levy	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	3,285,370	878,655	595,282	-	4,759,307
Tuition	322,770	-	-	-	322,770
Other	187,282	21,307	21,285	307,761	537,635
State sources	2,838,624	-	-	-	2,838,624
Federal sources	380,354	-	-	-	380,354
Total revenues	<u>7,014,400</u>	<u>899,962</u>	<u>616,567</u>	<u>307,761</u>	<u>8,838,690</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,034,975	-	239,814	-	3,274,789
Special	998,301	-	-	-	998,301
Other	690,997	7,156	-	278,720	976,873
	<u>4,724,273</u>	<u>7,156</u>	<u>239,814</u>	<u>278,720</u>	<u>5,249,963</u>
Support services:					
Student	59,433	29,706	-	-	89,139
Instructional staff	313,123	146,903	-	-	460,026
Administration	589,153	23,067	870	-	613,090
Operation and maintenance of plant	548,376	26,603	68,901	-	643,880
Transportation	419,232	80,512	6,211	-	505,955
	<u>1,929,317</u>	<u>306,791</u>	<u>75,982</u>	<u>-</u>	<u>2,312,090</u>
Other expenditures:					
Facilities acquisition	-	239,347	-	-	239,347
Long-term debt:					
Principal	-	-	-	150,144	150,144
Interest and fiscal charges	-	-	-	13,200	13,200
AEA flowthrough	296,938	-	-	-	296,938
	<u>296,938</u>	<u>239,347</u>	<u>-</u>	<u>163,344</u>	<u>699,629</u>
Total expenditures	<u>6,950,528</u>	<u>553,294</u>	<u>315,796</u>	<u>442,064</u>	<u>8,261,682</u>
Excess (deficiency) of revenues over (under) expenditures	<u>63,872</u>	<u>346,668</u>	<u>300,771</u>	<u>(134,303)</u>	<u>577,008</u>
Other financing sources (uses):					
Proceeds from long-term loans	-	61,813	-	-	61,813
Sales of equipment and real property	1,285	-	-	-	1,285
Operating transfers in	-	-	-	172,921	172,921
Operating transfers out	(9,577)	(163,344)	-	-	(172,921)
Total other financing sources (uses)	<u>(8,292)</u>	<u>(101,531)</u>	<u>-</u>	<u>172,921</u>	<u>63,098</u>
Net change in fund balances	55,580	245,137	300,771	38,618	640,106
Fund balances beginning of year, as restated	<u>1,523,695</u>	<u>1,253,221</u>	<u>1,049,791</u>	<u>113,763</u>	<u>3,940,470</u>
Fund balances end of year	<u>1,579,275</u>	<u>1,498,358</u>	<u>1,350,562</u>	<u>152,381</u>	<u>4,580,576</u>

## AGWSR 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, 2011

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		640,106
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	373,714	
Depreciation expense	<u>(327,441)</u>	46,273
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		28,290
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		150,144
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.		517
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	239,801	
Other post employment benefits	<u>(30,732)</u>	209,069
Proceeds from issuing long-term debt are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		<u>(61,813)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>1,012,586</u></u>

## AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2011

	Nonmajor Enterprise Funds
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	111,000
Accounts receivable	3,692
Due from other governments	747
Inventories	7,212
Capital assets, net of accumulated depreciation	<u>88,992</u>
<b>Total assets</b>	<u>211,643</u>
<b>Liabilities</b>	
Accounts payable	1,616
Salaries and benefits payable	10,937
Deferred revenue	3,718
Net OPEB liability	<u>436</u>
<b>Total liabilities</b>	<u>16,707</u>
<b>Net assets</b>	
Invested in capital assets	88,992
Unrestricted	<u>105,944</u>
<b>Total net assets</b>	<u><u>194,936</u></u>

## AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2011

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>388,990</u>
Operating expenses:	
Non-instructional programs:	
Salaries	276,418
Benefits	42,340
Purchased services	7,892
Supplies	190,712
Depreciation	17,234
Other	775
Total operating expenses	<u>535,371</u>
Operating income (loss)	<u>(146,381)</u>
Non-operating revenues:	
State sources	2,476
Federal sources	149,553
Donations	39,868
Interest income	82
Total non-operating revenues	<u>191,979</u>
Change in net assets	45,598
Net assets beginning of year	<u>149,338</u>
Net assets end of year	<u><u>194,936</u></u>

## AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2011

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	129,504
Cash received from daycare services	260,634
Cash payments to employees for services	(307,821)
Cash payments to suppliers for goods or services	(171,473)
Net cash used by operating activities	<u>(89,156)</u>
Cash flows from non-capital financing activities:	
Donations	39,868
State grants received	2,476
Federal grants received	124,610
Net cash provided by non-capital financing activities	<u>166,954</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>82</u>
Net increase (decrease) in cash and cash equivalents	77,880
Cash and cash equivalents at beginning of year	<u>33,120</u>
Cash and cash equivalents at end of year	<u><u>111,000</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>	
Operating income (loss)	(146,381)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	24,741
Depreciation	17,234
Decrease (increase) in inventories	2,600
Decrease (increase) in accounts receivable	861
(Decrease) increase in accounts payable	565
(Decrease) increase in salaries and benefits payable	10,937
(Decrease) increase in deferred revenue	287
Net cash used by operating activities	<u><u>(89,156)</u></u>

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

During the year ended June 30, 2011, the District received \$24,741 of federal commodities.

## AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2011

	Private Purpose Trust Scholarship	Agency
	<u>\$</u>	<u>\$</u>
<b>Assets</b>		
Cash and pooled investments	43,909	3,349
<b>Liabilities</b>		
Other payables	<u>-</u>	<u>3,349</u>
<b>Net Assets</b>		
Reserved for scholarships	<u><u>43,909</u></u>	<u><u>-</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trust Scholarship <u>          </u> \$
Additions:	
Local sources:	
Gifts and contributions	14,113
Interest	<u>499</u>
Total additions	14,612
 Deductions:	
Support services:	
Scholarships awarded	<u>-</u>
 Change in net assets	14,612
 Net assets beginning of year	<u>29,297</u>
 Net assets end of year	<u><u>43,909</u></u>

# AGWSR COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2011

### 1. Summary of Significant Accounting Policies

AGWSR Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Ackley, Geneva, Wellsburg and Steamboat Rock, Iowa and the predominately agricultural territory in a portion of Grundy, Franklin and Butler 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, AGWSR 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 AGWSR Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

#### B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

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

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

The Management Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

The District's proprietary funds include the Enterprise, School Nutrition Fund that is used to account for the food service operations of the District and the Enterprise, Daycare Fund that is used to account for a daycare and preschool programs in Ackley and Wellsburg that are run by the District.

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

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

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

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

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

#### D. Assets, Liabilities, and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	2,000
Improvements other than buildings	2,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	20-25 years
Intangibles	3-10 years
Furniture and equipment	5-20 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District terminates.

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

Fund Equity – In the governmental fund financial statements fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in other classifications.

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 are imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

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

**2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$13,817 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

**3. Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
Nonmajor Governmental:		
Student Activity Fund	General Fund	1,658

The interfund loan balance is the result of a year-end reclassification of expenditures.

**4. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Debt Service Fund	Capital Projects Fund	163,344
Nonmajor Governmental:		
Student Activity Fund	General Fund	9,577

The transfers from the Capital Projects Fund to the Debt Service Fund and from the General Fund to the Student Activity Fund moved revenues from the fund statutorily required to collect the resources to the funds statutorily required to expend the resources.

## 5. Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	52,000	-	-	52,000
Capital assets being depreciated:				
Buildings	6,669,337	108,004	-	6,777,341
Improvements other than buildings	960,270	48,549	-	1,008,819
Furniture and equipment	2,190,995	217,161	-	2,408,156
Total capital assets being deprec.	<u>9,820,602</u>	<u>373,714</u>	-	<u>10,194,316</u>
Less accumulated depreciation for:				
Buildings	3,666,105	125,501	-	3,791,606
Improvements other than buildings	573,791	31,581	-	605,372
Furniture and equipment	1,478,502	170,359	-	1,648,861
Total accumulated depreciation	<u>5,718,398</u>	<u>327,441</u>	-	<u>6,045,839</u>
Total capital assets being depreciated, net	<u>4,102,204</u>	<u>46,273</u>	-	<u>4,148,477</u>
Governmental activities capital assets, net	<u>4,154,204</u>	<u>46,273</u>	-	<u>4,200,477</u>
<b>Business type activities:</b>				
Furniture and equipment	256,369	-	-	256,369
Less accumulated depreciation	<u>150,143</u>	<u>17,234</u>	-	<u>167,377</u>
Business type activities capital assets, net	<u>106,226</u>	<u>(17,234)</u>	-	<u>88,992</u>

Depreciation expense was charged by the District as follows:

	\$
Governmental activities:	
Instruction:	
Regular	18,341
Other	15,178
Support services:	
Instructional staff	24,717
Administration services	2,006
Operation and maintenance of plant services	5,580
Transportation	<u>104,537</u>
Unallocated depreciation	<u>157,082</u>
Total depreciation expense – governmental activities	<u>327,441</u>

Business type activities:	
Food service operations	15,657
Daycare operations	<u>1,577</u>
Total depreciation expense – business type activities	<u>17,234</u>

## 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Capital loan notes	400,002	-	133,333	266,669	133,333
Capital lease	-	61,813	16,811	45,002	14,146
Termination benefits	614,133	-	239,801	374,332	239,801
Net OPEB liability	<u>28,743</u>	<u>30,732</u>	<u>-</u>	<u>59,475</u>	<u>-</u>
Total	<u>1,042,878</u>	<u>92,545</u>	<u>389,945</u>	<u>745,478</u>	<u>387,280</u>
Business type activities:					
Net OPEB liability	<u>436</u>	<u>-</u>	<u>-</u>	<u>436</u>	<u>-</u>

### Termination Benefits

The District offered a voluntary early retirement plan to employees during fiscal years 2009 and 2010. Eligible employees must have completed at least fifteen years of continuous service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to 150% of the employee's annual regular salary, not including any supplemental payments received by the employee for extracurricular or co-curricular duties, in effect during the employee's last year of employment.

Early retirement benefits will be paid in three equal installments beginning in July following the start of retirement. The second payment will be paid the following July, and the third and final payment shall be paid during July of the next year.

At June 30, 2011, the District has obligations to nine participants with a total liability of \$374,332. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$239,801.

### Capital Loan Notes

The District issued \$1,200,000 of capital loan notes during the year ended June 30, 2004. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2012	3.30	133,333	8,800	142,133
2013	3.30	133,336	4,400	137,736
		266,669	13,200	279,869

During the year the District paid \$146,533 of principal and interest on the notes.

#### Capital Leases

The District has leased computers under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2011.

	Year Ending June 30,	Amount
		\$
	2012	16,811
	2013	16,811
	2014	16,811
Minimum Lease Payments		50,433
Less Amount Representing Interest		5,431
Present Value of Minimum Lease Payments		45,002

#### **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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$257,222, \$282,426, and \$275,951 respectively, equal to the required contributions for each year.

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

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 68 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	37,501
Interest on net OPEB obligation	729
Adjustment to annual required contribution	<u>(2,839)</u>
Annual OPEB cost	35,391
Contributions made	<u>4,659</u>
Increase in net OPEB obligation	30,732
Net OPEB obligation beginning of year	<u>29,179</u>
Net OPEB obligation end of year	<u>59,911</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, 2011.

For the year ended June 30, 2011, the District contributed \$4,659 to the medical plan. Plan members eligible for benefits contributed \$32,034, or 87% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
June 30, 2010	34,730	16%	29,179
June 30, 2011	35,391	13%	59,911

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$272,869, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$272,869. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,220,000, and the ratio of the UAAL to covered payroll was 8.5%. As of June 30, 2011, there were no trust fund assets.

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

plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000.

The UAAL is being amortized over 30 years.

## 9. Risk Management

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

## 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 \$296,938 for the year ended June 30, 2011, 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 restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Gifted and talented	52,219
Teacher salary supplement	34,740
Preschool	31,258
Home school assistance program	70,644
Educator quality, professional development	19,805
At risk	4,040
Returning dropout and dropout prevention	1,974
	<u>214,680</u>

## 12. Lease Commitment

The District entered into a five year contract to lease copiers during fiscal year 2010. The payments the District will make over the next four years are as follows:

<u>Year Ended June 30</u>	<u>Lease Payment</u>
	\$
2012	21,600
2013	21,600
2014	21,600
2015	12,600

\$21,600 of lease payments were made during fiscal year 2011.

### 13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund type Definitions, was implemented during the year ended 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
	\$	\$
Balances June 30, 2010, as previously reported	862,935	390,286
Change in fund type classification per implementation of GASB Statement No. 54	<u>390,286</u>	<u>(390,286)</u>
Balances July 1, 2010, as restated	<u><u>1,253,221</u></u>	<u><u>-</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

AGWSR COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	5,619,712	428,940	6,048,652	5,798,169	5,798,169	250,483
State sources	2,838,624	2,476	2,841,100	3,168,144	3,168,144	(327,044)
Federal sources	380,354	149,553	529,907	246,000	246,000	283,907
Total revenues	<u>8,838,690</u>	<u>580,969</u>	<u>9,419,659</u>	<u>9,212,313</u>	<u>9,212,313</u>	<u>207,346</u>
Expenditures/Expenses:						
Instruction	5,249,963	-	5,249,963	6,125,000	6,125,000	875,037
Support services	2,312,090	-	2,312,090	2,452,000	2,452,000	139,910
Non-instructional programs	-	535,371	535,371	560,000	560,000	24,629
Other expenditures	699,629	-	699,629	1,226,831	1,226,831	527,202
Total expenditures/expenses	<u>8,261,682</u>	<u>535,371</u>	<u>8,797,053</u>	<u>10,363,831</u>	<u>10,363,831</u>	<u>1,566,778</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	577,008	45,598	622,606	(1,151,518)	(1,151,518)	1,774,124
Other financing sources (uses) net	<u>63,098</u>	<u>-</u>	<u>63,098</u>	<u>-</u>	<u>-</u>	<u>63,098</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	640,106	45,598	685,704	(1,151,518)	(1,151,518)	1,837,222
Balance beginning of year	<u>3,940,470</u>	<u>149,338</u>	<u>4,089,808</u>	<u>3,553,014</u>	<u>3,553,014</u>	<u>536,794</u>
Balance end of year	<u><u>4,580,576</u></u>	<u><u>194,936</u></u>	<u><u>4,775,512</u></u>	<u><u>2,401,496</u></u>	<u><u>2,401,496</u></u>	<u><u>2,374,016</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

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

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

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

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	274,321	274,321	0.0%	3,095,000	8.9%
2011	July 1, 2009	-	272,869	272,869	0.0%	3,220,000	8.5%

See Note 8 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

## AGWSR COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2011

	Special Revenue Fund		Total
	Student Activity	Debt Service	
<b>Assets</b>	\$	\$	\$
Cash and pooled investments	150,103	-	150,103
Receivables:			
Accounts	5,936	-	5,936
Interfund receivable	1,658	-	1,658
<b>Total assets</b>	<u>157,697</u>	<u>-</u>	<u>157,697</u>
<b>Liabilities &amp; Fund Balances</b>			
Liabilities:			
Accounts payable	5,316	-	5,316
Fund balances:			
Restricted for:			
Student activities	152,381	-	152,381
<b>Total liabilities and fund balances</b>	<u>157,697</u>	<u>-</u>	<u>157,697</u>

## AGWSR COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Funds

Year ended June 30, 2011

	Special Revenue Fund		
	Student Activity	Debt Service	Total
	\$	\$	\$
Revenues:			
Local sources:			
Other	307,761	-	307,761
Expenditures:			
Current:			
Instruction:			
Other	278,720	-	278,720
Other expenditures:			
Long-term debt:			
Principal	-	150,144	150,144
Interest and fiscal charges	-	13,200	13,200
Total expenditures	278,720	163,344	442,064
Excess (deficiency) of revenues over (under) expenditures	29,041	(163,344)	(134,303)
Other financing sources (uses):			
Operating transfers in	9,577	163,344	172,921
Net change in fund balances	38,618	-	38,618
Fund balances beginning of year, as restated	113,763	-	113,763
Fund balances end of year	152,381	-	152,381

## AGWSR COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Proprietary Funds

June 30, 2011

	Nonmajor Enterprise Funds		
	School		
	Nutrition	Daycare	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	34,209	76,791	111,000
Accounts receivable	-	3,692	3,692
Due from other governments	-	747	747
Inventories	7,212	-	7,212
Capital assets, net of accumulated depreciation	72,434	16,558	88,992
<b>Total assets</b>	<b>113,855</b>	<b>97,788</b>	<b>211,643</b>
<b>Liabilities</b>			
Accounts payable	-	1,616	1,616
Salaries and benefits payable	-	10,937	10,937
Deferred revenue	3,718	-	3,718
Net OPEB liability	-	436	436
<b>Total liabilities</b>	<b>3,718</b>	<b>12,989</b>	<b>16,707</b>
<b>Net assets</b>			
Invested in capital assets	72,434	16,558	88,992
Unrestricted	37,703	68,241	105,944
<b>Total net assets</b>	<b>110,137</b>	<b>84,799</b>	<b>194,936</b>

## AGWSR COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets  
Nonmajor Proprietary Funds

Year ended June 30, 2011

	Nonmajor Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	129,082	259,908	388,990
Operating expenses:			
Non-instructional programs:			
Salaries	93,817	182,601	276,418
Benefits	13,709	28,631	42,340
Purchased services	57	7,835	7,892
Supplies	146,762	43,950	190,712
Depreciation	15,657	1,577	17,234
Other	50	725	775
	270,052	265,319	535,371
Operating income (loss)	(140,970)	(5,411)	(146,381)
Non-operating revenues:			
State sources	2,476	-	2,476
Federal sources	133,785	15,768	149,553
Donations	-	39,868	39,868
Interest income	82	-	82
Total non-operating revenues	136,343	55,636	191,979
Change in net assets	(4,627)	50,225	45,598
Net assets beginning of year	114,764	34,574	149,338
Net assets end of year	110,137	84,799	194,936

## AGWSR COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Proprietary Funds

Year ended June 30, 2011

	Nonmajor Enterprise Funds		
	School		
	Nutrition	Daycare	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	129,504	-	129,504
Cash received from daycare services	-	260,634	260,634
Cash payments to employees for services	(107,526)	(200,295)	(307,821)
Cash payments to suppliers for goods or services	(120,151)	(51,322)	(171,473)
Net cash (used) provided by operating activities	<u>(98,173)</u>	<u>9,017</u>	<u>(89,156)</u>
Cash flows from non-capital financing activities:			
Donations	-	39,868	39,868
State grants received	2,476	-	2,476
Federal grants received	109,044	15,566	124,610
Net cash provided by non-capital financing activities	<u>111,520</u>	<u>55,434</u>	<u>166,954</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	82	-	82
Net increase (decrease) in cash and cash equivalents	13,429	64,451	77,880
Cash and cash equivalents at beginning of year	<u>20,780</u>	<u>12,340</u>	<u>33,120</u>
Cash and cash equivalents at end of year	<u><u>34,209</u></u>	<u><u>76,791</u></u>	<u><u>111,000</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>			
Operating income (loss)	(140,970)	(5,411)	(146,381)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	24,741	-	24,741
Depreciation	15,657	1,577	17,234
Decrease (increase) in inventories	2,600	-	2,600
Decrease (increase) in accounts receivable	135	726	861
(Decrease) increase in accounts payable	(623)	1,188	565
(Decrease) increase in salaries and benefits payable	-	10,937	10,937
(Decrease) increase in deferred revenue	287	-	287
Net cash (used) provided by operating activities	<u>(98,173)</u>	<u>9,017</u>	<u>(89,156)</u>

## AGWSR COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Capital Projects Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>	\$	\$	\$
Cash and pooled investments	997,991	388,409	1,386,400
Receivables:			
Property tax:			
Delinquent	-	1,685	1,685
Succeeding year	-	144,132	144,132
Accrued interest	-	464	464
Due from other governments	120,575	278,261	398,836
<b>Total assets</b>	<u>1,118,566</u>	<u>812,951</u>	<u>1,931,517</u>
<b>Liabilities &amp; Fund Balances</b>			
Liabilities:			
Accounts payable	965	9,801	10,766
Deferred revenue:			
Succeeding year property tax	-	144,132	144,132
Income surtax	-	278,261	278,261
Total liabilities	<u>965</u>	<u>432,194</u>	<u>433,159</u>
Fund balances:			
Restricted for:			
School infrastructure	1,117,601	-	1,117,601
Physical plant and equipment	-	380,757	380,757
Total fund balances	<u>1,117,601</u>	<u>380,757</u>	<u>1,498,358</u>
<b>Total liabilities and fund balances</b>	<u>1,118,566</u>	<u>812,951</u>	<u>1,931,517</u>

## AGWSR COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Capital Project Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	479,407	399,248	878,655
Other	5,751	15,556	21,307
Total revenues	<u>485,158</u>	<u>414,804</u>	<u>899,962</u>
Expenditures:			
Current:			
Instruction:			
Other instruction	588	6,568	7,156
Support services:			
Student services	19,198	10,508	29,706
Instructional staff services	146,184	719	146,903
Administration services	-	23,067	23,067
Operation and maintenance of plant	-	26,603	26,603
Transportation services	79,925	587	80,512
Other expenditures:			
Facilities acquisition	29,599	209,748	239,347
Total expenditures	<u>275,494</u>	<u>277,800</u>	<u>553,294</u>
Excess (deficiency) of revenues over (under) expenditures	<u>209,664</u>	<u>137,004</u>	<u>346,668</u>
Other financing sources (uses):			
Proceeds from capital lease	61,813	-	61,813
Operating transfers out	<u>(16,811)</u>	<u>(146,533)</u>	<u>(163,344)</u>
Total other financing sources (uses)	<u>45,002</u>	<u>(146,533)</u>	<u>(101,531)</u>
Net change in fund balance	254,666	(9,529)	245,137
Fund balances beginning of year, as restated	<u>862,935</u>	<u>390,286</u>	<u>1,253,221</u>
Fund balance end of year	<u><u>1,117,601</u></u>	<u><u>380,757</u></u>	<u><u>1,498,358</u></u>

## AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund,  
Student Activity Accounts

Year ended June 30, 2011

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Transfers In</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Football	13,968	15,661	15,046	14,583
Volleyball	3,111	6,863	6,705	3,269
Boys basketball	7,102	13,871	11,458	9,515
Girls basketball	17,557	11,908	9,762	19,703
Wrestling	2,830	8,100	9,614	1,316
Boys track	230	3,143	3,343	30
Girls track	-	1,629	1,600	29
Boys golf	-	1,164	1,164	-
Girls golf	(60)	1,506	1,446	-
Boys bowling	795	878	905	768
Baseball	(1,519)	11,474	10,127	(172)
Softball	(1,109)	12,832	11,723	-
Tennis	-	1,984	1,984	-
Flag football	628	180	223	585
MS baseball	-	173	-	173
Weightlifting	217	502	719	-
Youth basketball	742	1,002	1,114	630
Volleyball camp	2,467	645	1,320	1,792
Youth football	2,650	683	1,849	1,484
Cross country	563	-	9	554
Speech	-	975	945	30
After prom	1,950	13,676	14,128	1,498
Art club	165	322	280	207
Music booster donations	8,349	12,355	6,881	13,823
Cheerleaders	1,197	1,923	1,298	1,822
Drama	751	-	-	751
Drill Team	298	1,892	2,018	172
Elementary music fundraiser	296	90	10	376
FFA	2,814	46,228	40,943	8,099
FCCLA	276	688	856	108
National Honor Society	(80)	598	462	56
Foreign language club	352	338	320	370
Mat club	141	-	-	141
Student council	2	9,538	7,851	1,689
Cougar impact	9,698	13,765	10,947	12,516
MS student council	7	661	508	160
MS drama	298	265	-	563
Booster club donations	21,325	73,468	59,769	35,024
Fall musical	481	1,209	726	964
Torch	110	13,132	12,936	306

## AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund,  
Student Activity Accounts

Year ended June 30, 2011

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Transfers In</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Material for resale	-	549	549	-
Nurse	1,026	1,425	379	2,072
PTA	12,970	16,491	13,871	15,590
Athletics	355	3,699	3,736	318
Class of 2011	810	906	1,716	-
Class of 2012	-	8,947	7,480	1,467
	<u>113,763</u>	<u>317,338</u>	<u>278,720</u>	<u>152,381</u>
Total	<u>113,763</u>	<u>317,338</u>	<u>278,720</u>	<u>152,381</u>

## AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2011

	Elementary Employee Vending <u>          </u> \$	HS Employee Vending <u>          </u> \$	Total <u>          </u> \$
Balance beginning of year	2,012	1,092	3,104
Additions:			
Miscellaneous	920	1,138	2,058
Deductions:			
Miscellaneous	<u>931</u>	<u>882</u>	<u>1,813</u>
Balance end of year	<u><u>2,001</u></u>	<u><u>1,348</u></u>	<u><u>3,349</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

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

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	4,759,307	4,762,974	4,872,510	4,830,275	4,757,060	4,275,824	4,144,623	3,298,949
Tuition	322,770	240,815	237,111	252,150	232,604	343,758	215,062	219,653
Other	537,635	471,441	453,238	423,310	464,362	568,551	497,507	442,158
State sources	2,838,624	2,539,863	3,169,761	3,143,861	3,220,655	3,326,912	3,151,878	3,145,204
Federal sources	380,354	667,676	222,826	192,547	209,234	250,051	354,977	262,743
Total revenues	<u>8,838,690</u>	<u>8,682,769</u>	<u>8,955,446</u>	<u>8,842,143</u>	<u>8,883,915</u>	<u>8,765,096</u>	<u>8,364,047</u>	<u>7,368,707</u>
Expenditures:								
Instruction:								
Regular	3,274,789	3,005,112	3,333,739	3,162,690	3,199,790	3,317,628	3,349,177	3,236,274
Special	998,301	1,058,571	1,084,424	1,014,283	1,026,015	1,008,315	985,460	1,333,434
Other	976,873	977,139	1,071,314	1,054,820	918,241	1,106,578	1,029,519	616,771
Support services:								
Student	89,139	95,915	48,586	58,624	87,292	106,019	137,762	120,982
Instructional staff	460,026	288,953	283,863	352,093	460,685	288,477	179,666	135,529
Administration	613,090	742,988	760,376	697,426	758,660	764,416	721,870	631,133
Operation and maintenance	643,880	623,404	608,118	622,784	601,767	564,602	530,142	480,841
Transportation	505,955	605,266	582,492	474,441	540,451	531,060	433,654	346,131
Non-instructional programs	-	968	-	-	22,699	4,829	21,978	20,287
Other expenditures:								
Facilities acquisition	239,347	264,197	434,232	441,775	262,830	89,747	1,285,886	668,407
Long-term debt:								
Principal	150,144	133,333	133,333	133,333	133,333	133,333	133,333	-
Interest and other charges	13,200	17,600	22,000	26,546	30,800	35,200	38,280	-
AEA flowthrough	296,938	295,137	260,298	253,638	251,670	246,678	244,405	250,842
Total expenditures	<u>8,261,682</u>	<u>8,108,583</u>	<u>8,622,775</u>	<u>8,292,453</u>	<u>8,294,233</u>	<u>8,196,882</u>	<u>9,091,132</u>	<u>7,840,631</u>

See accompanying independent auditor's report.

## AGWSR COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY11	13,021
National School Lunch Program (non-cash)	10.555	FY11	24,741
National School Lunch Program	10.555	FY11	96,023
			<u>133,785</u>
Child and Adult Care Food Program	10.558	FY11	15,768
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY11	92,176
Improving Teacher Quality State Grants	84.367	FY11	33,061
Grants for State Assessments and Related Activities	84.369	FY11	3,653
State Fiscal Stabilization Fund Cluster:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY11	35,806
ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	FY11	31,937
			<u>67,743</u>
Education Jobs Fund	84.410	FY11	115,219
Area Education Agency #267:			
Special Education - Grants to States	84.027	FY11	33,160
Career and Technical Education - Basic Grants to States	84.048	FY11	6,845
			<u>501,410</u>

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

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  
AGWSR 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 AGWSR Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 19, 2012. 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 AGWSR Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AGWSR Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of AGWSR 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 we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 11-II-A, 11-II-B and 11-II-C to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether AGWSR 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, 2011 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.

AGWSR 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 AGWSR 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 AGWSR Community School District and other parties to whom AGWSR 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 AGWSR 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.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

January 19, 2012

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Independent Auditor's Report on Compliance with Requirements That Could Have a Direct  
and Material Effect on Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of  
AGWSR Community School District:

Compliance

We have audited AGWSR Community School District's compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of AGWSR Community School District's major federal programs for the year ended June 30, 2011. AGWSR 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 grants applicable to each of its major federal programs is the responsibility of AGWSR Community School District's management. Our responsibility is to express an opinion on AGWSR 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 noncompliance 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 AGWSR 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 AGWSR Community School District's compliance with those requirements.

In our opinion, AGWSR Community School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of AGWSR Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered AGWSR Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the 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 AGWSR Community School District's internal control over compliance.

A deficiency in 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 that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in Part III of the accompanying Schedule of Findings and Questioned Costs as item 11-III-A.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

AGWSR Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit AGWSR Community School District's responses and, accordingly, we express no opinion on the responses.

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

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

January 19, 2012

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings Questioned Costs

Year ended June 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) 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 significant deficiency in internal control over the major programs was disclosed by the audit of the financial statements. No material weaknesses were reported.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed a audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.410 – Title I Grants to Local Educational Agencies
  - State Fiscal Stabilization Cluster
    - CFDA Number 84.394 – ARRA State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
    - CFDA Number 84.397 – ARRA State Fiscal Stabilization Fund – Government Services, Recovery Act
  - CFDA #84.410 – Education Jobs Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) AGWSR Community School District did not qualify as a low-risk auditee.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

11-II-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks, payroll processing, preparing and posting general journal entries, preparing bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

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

Conclusion: Response accepted.

11-II-B Check Signing: We noted that the District uses its computer software to print the signatures of the Board President and Board Secretary on checks, as the checks are printed by the computer. It is possible for one person to enter invoices, issue the command to print checks and to receive the checks from the computer center. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate another person to cosign checks when the Board President is not available.

District Response: We will discuss methods to remain efficient, yet have adequate controls.

Conclusion: Response accepted.

11-II-C Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements (continued):

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance

No matters were reported.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings Questioned Costs

Year ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

CFDA Number 84.010: Title I Grants to Local Educational Agencies  
Federal Award Year: 2011  
U.S. Department of Education  
Passed through the Iowa Department of Education

11-III-A Federal Grant Reporting: The District receives various federal grants each year. Some of the grants are received annually and others are for only a year or two. However, all of these grants require that the District's accounting records track how each grant was spent and require that any grant expenditure reporting to state or federal officials match the District's accounting records. We noted that the line items for salaries and benefits on the fiscal year 2011 Title I financial report to the Iowa Department of Education did not match the related line items in the District's general ledger accounting records. Total Title I expenditures reported for fiscal year 2011 did match on the accounting records.

Recommendation: Administrators and other employees responsible for grant administration and reporting and the accounting department must work together to ensure that all grant expenses are properly reported in the District's accounting records and amounts included in required reports are correct.

District Response: We will improve our financial reporting for grant expenditures.

Conclusion: Response accepted.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

11-IV-A Certified Budget: Expenditures for the year ended June 30, 2011 did not exceed the amounts budgeted.

11-IV-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

11-IV-C Travel Expenses: 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.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Darren Janssen, board member, employee at local bank	School banking	

Recommendation: The District should be aware of potential conflicts when making decisions about school banking and should consult their attorney before proceeding with any banking decisions.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

11-IV-E 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.

11-IV-F Board Minutes: We noted that all District bills were being approved by the board after payment.

Recommendation: Chapter 279.29 of the Code of Iowa provides that "the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage, printing, and salaries without prior Board approval. This Board may approve a resolution designating certain other disbursements that may be paid prior to a Board Meeting with the approval of the Superintendent or other appointee. The Board's written policy should comply with Chapter 279.30 of the Code of Iowa. Then, except as expressly permitted, no checks should be prepared for claims that have not been properly audited and allowed. All bills and salaries for which checks are issued prior to audit and allowance by the board must be passed upon by the board of directors at the next meeting and be entered in the regular minutes of the secretary.

District Response: We will revise our procedures for board approval of bills.

Conclusion: Response accepted.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings Questioned Costs

Year ended June 30, 2011

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

- 11-IV-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 11-IV-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 11-IV-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 11-IV-J Certified Annual Report (CAR): The Certified Annual Report was certified timely to the Iowa Department of Education.
- 11-IV-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 11-IV-L Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit:

	\$	\$
Beginning balance		862,935
Revenues/transfers in:		
Statewide sales, services and use tax revenue	479,407	
Interest	5,751	
Proceeds from capital lease	61,813	546,971
Expenditures/transfers out:		
School infrastructure construction	501	
Equipment	252,924	
Other	22,069	
Transfers to debt service fund	16,811	292,305
Ending balance		1,117,601

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings Questioned Costs

Year ended June 30, 2011

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

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423e or 423F of the Code of Iowa.

11-IV-M Reclassification of Student Activity Fund Accounts: In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used of support only the extracurricular and co-curricular activities offered as part of the District's educational program. The elementary fundraiser, resale, nurse, cougar connection, and cougar impact accounts reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

Recommendation: The District should review and reclassify these accounts to the appropriate fund in accordance with the guidelines.

District Response: We will review the transactions in the accounts and make any necessary fund reclassifications.

Conclusion: Response accepted.