

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

Akron, Iowa

Independent Auditor's Reports
Basic Financial Statements and Supplemental Information
Schedule of Findings

June 30, 2011

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

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AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>BOARD OF EDUCATION</u> (Before September 2010 Election)		
Jim Black	President	2011
Roger Oetken	Vice President	2011
Phil Parks	Board Member	2013
Josh Martinsen	Board Member	2013
Janet Willer	Board Member	2011
Nick Schoenfelder	Board Member	2013
Deb Jordt	Board Member	2011
<u>BOARD OF EDUCATION</u> (After September 2010 Election)		
Jim Black	President	2011
Roger Oetken	Vice President	2011
Phil Parks	Board Member	2013
Josh Martinsen	Board Member	2013
Janet Willer	Board Member	2011
Nick Schoenfelder	Board Member	2013
Deb Jordt	Board Member	2011
<u>SCHOOL OFFICIALS</u>		
Anthony Ryan	Superintendent	2011
Jodi Ryan	Board Secretary/Business Manager	2011
James Hanks	Attorney	Indefinite



INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Akron-Westfield 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 Akron-Westfield Community School District (the District), Akron, 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 auditing standards generally accepted in the United States of America 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 the District at June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011 on our consideration of the 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.



To the Board of Education of
Akron-Westfield Community School District

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 39 through 41 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. However, 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 the District's basic financial statements. Other supplementary information included in Schedules 1 through 7 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 the 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.

November 30, 2011
Sioux City, Iowa

King, Reinsch, Prosser & Co., L.L.P.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Akron-Westfield Community School District (the 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 decreased from \$5,600,823 in fiscal year 2010 to \$5,571,990 in fiscal year 2011, while General Fund expenditures decreased from \$5,557,031 in fiscal year 2010 to \$5,216,131 in fiscal year 2011. The District's General Fund balance increased from \$1,082,754 in fiscal year 2010 to \$1,438,663 in fiscal year 2011, a 32.9 percent increase.

The increase in the General Fund balance is attributable to cost savings measures implemented by the District for fiscal year 2011, such as the overall effort to reduce all District purchases and replace higher salaried individuals who have left the District with those at a lower annual cost.

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 the 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 the 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 the District acts solely as an agent or custodian for the benefit of those outside of the District.

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 Special Revenue Funds and Capital Project Funds.

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

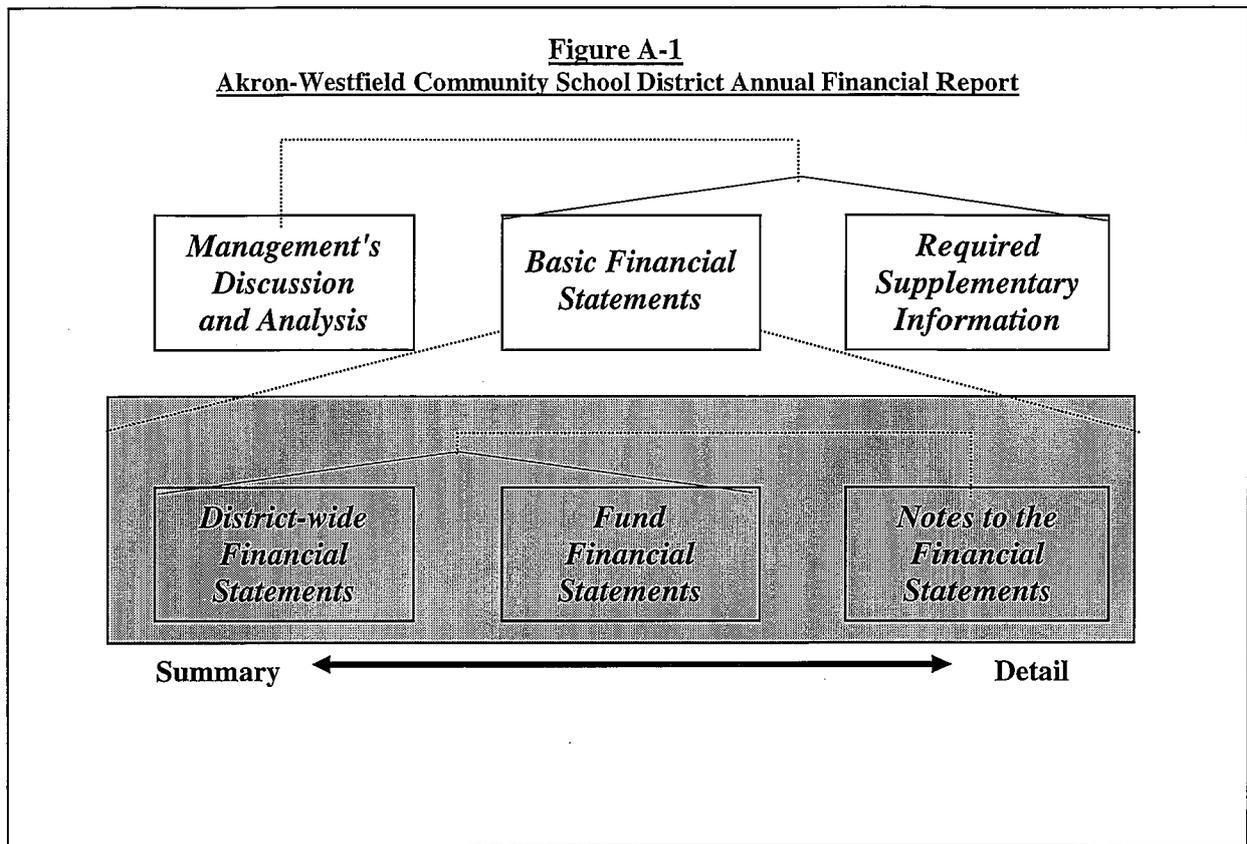


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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 Funds.

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 Fund, one type of proprietary fund, is the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition 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:** Fiduciary funds are custodial in nature and are used to account for funds held by the District on behalf of someone else. The District's agency funds include the athletic boosters account and the employee flex account.

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, if applicable.

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 (In Thousands)
Condensed Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Total Percentage Change</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	
Current and other assets	\$ 5,969	\$ 5,543	\$ 99	\$ 67	\$ 6,068	\$ 5,610	8.2%
Capital assets	3,832	3,691	31	18	3,863	3,709	4.2%
Total assets	\$ 9,801	\$ 9,234	\$ 130	\$ 85	\$ 9,931	\$ 9,319	6.6%
Long-term debt							
outstanding	\$ 1,074	\$ 1,147	\$ -	\$ -	\$ 1,074	\$ 1,147	-6.4%
Other liabilities	3,223	3,139	1	-	3,224	3,139	2.7%
Total liabilities	\$ 4,297	\$ 4,286	\$ 1	\$ -	\$ 4,298	\$ 4,286	0.3%
Net Assets:							
Invested in capital assets, net of related debt	\$ 3,133	\$ 2,824	\$ 31	\$ 18	\$ 3,164	\$ 2,842	11.3%
Restricted	1,220	1,278	-	-	1,220	1,278	-4.5%
Unrestricted	1,151	846	98	67	1,249	913	36.8%
Total net assets	\$ 5,504	\$ 4,948	\$ 129	\$ 85	\$ 5,633	\$ 5,033	11.9%

The District's combined net assets increased by 11.9 percent or \$599,591 over the prior year. The governmental activities increased \$555,288 and the business-type activities increased \$44,303. The increase in the governmental activities was primarily due to the ability to cut various extra curricular costs by the District for fiscal year 2011.

The increase in the business-type activities was due to the ability to cut supplies expense by the District for fiscal year 2011.

Net assets invested in capital assets, net of related debt represents land, infrastructure, buildings and equipment less the related debt which is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constructional provisions or enabling legislation on how they can be used.

Unrestricted net assets represent resources that can be used to finance day to day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4 (In Thousands)
Change in Net Assets from Operations

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Total Percentage Change</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	
Revenues:							
Program revenues:							
Charges for services	\$ 887	\$ 1,105	\$ 163	\$ 185	\$ 1,050	\$ 1,290	-18.6%
Operating grants, contributions and restricted interest	833	1,049	127	126	960	1,175	-18.3%
Capital grants, contributions and restricted interest	42	26	-	-	42	26	61.5%
General revenues:							
Property tax	2,275	2,156	-	-	2,275	2,156	5.5%
Local surtax	202	217	-	-	202	217	-6.9%
Statewide sales, services and use tax	362	316	-	-	362	316	14.6%
Unrestricted state grants	2,049	1,771	-	-	2,049	1,771	15.7%
Investment earnings	<u>22</u>	<u>27</u>	<u>-</u>	<u>-</u>	<u>22</u>	<u>27</u>	<u>-18.5%</u>
Total revenues	<u>\$ 6,672</u>	<u>\$ 6,667</u>	<u>\$ 290</u>	<u>\$ 311</u>	<u>\$ 6,962</u>	<u>\$ 6,978</u>	<u>-0.2%</u>
Expenses:							
Instruction	\$ 4,118	\$ 4,368	\$ -	\$ -	\$ 4,118	\$ 4,368	-5.7%
Support services	1,650	1,695	-	-	1,650	1,695	-2.7%
Non-instructional	-	-	246	280	246	280	-12.1%
Other expenses	<u>349</u>	<u>409</u>	<u>-</u>	<u>-</u>	<u>349</u>	<u>409</u>	<u>-14.7%</u>
Total expenses	<u>\$ 6,117</u>	<u>\$ 6,472</u>	<u>\$ 246</u>	<u>\$ 280</u>	<u>\$ 6,363</u>	<u>\$ 6,752</u>	<u>-5.8%</u>
Change in net assets	<u>\$ 555</u>	<u>\$ 195</u>	<u>\$ 44</u>	<u>\$ 31</u>	<u>\$ 599</u>	<u>\$ 226</u>	<u>165.0%</u>

In fiscal year 2011, property tax and unrestricted state grants accounted for 62.1 percent of the total revenue (56.3 percent in 2010). The District's expenses primarily relate to instruction and support services, which account for 90.6 percent of the total expenses (89.8 percent in 2010).

As shown in Figure A-4, the District as a whole experienced a 0.2 percent decrease in revenues and a 5.8 percent decrease in expenses. The minimal change in revenues is due to an increase in general revenues due to allowable growth from the state and a decrease in program revenues due to the change in special and regular education billing rates with the Greater Hoyt School District. Program revenues are also affected by the number of students that are open enrolling into our District which decreased in fiscal year 2011. The decrease in expenses is related to the cost savings measures implemented for fiscal year 2011. These cost savings measures primarily affected the support services supplied by the District.

Governmental Activities - Revenues for governmental activities were \$6,672,433 and expenses were \$6,117,145. 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, and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5 (In Thousands)

	Total Cost of Services			Percent Change	Net Cost of Services		
	2011	2010			2011	2010	Percent Change
Instruction	\$ 4,118	\$ 4,368	-5.7%	\$ 2,680	\$ 2,571	4.2%	
Support services	1,650	1,695	-2.7%	1,593	1,592	0.1%	
Other expenses	349	409	-14.7%	82	129	-36.4%	
Totals	<u>\$ 6,117</u>	<u>\$ 6,472</u>	<u>-5.5%</u>	<u>\$ 4,355</u>	<u>\$ 4,292</u>	<u>1.5%</u>	

- The cost financed by users of the District's programs was \$886,594.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$875,811.
- The net cost of governmental activities was financed with \$2,274,622 in property taxes, \$2,048,839 in unrestricted state grants, \$202,436 in local surtax and \$362,321 in statewide sales, services and use tax.

Business-Type Activities - Revenues for business-type activities during the year ended June 30, 2011 totaled \$290,533, representing a 6.5 percent decrease from the prior year, while expenses were \$246,230, an 11.9 percent decrease from the prior year. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2011, the District saw decreases in both revenues and expenses due to a decrease in student participation and increase in free and reduced students in the school nutrition program. The school was able to effectively minimize costs to match the available revenues.

Governmental Fund Analysis

As previously noted, the 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 \$2,737,607, which is greater than last year's ending fund balances of \$2,393,985.

Governmental Fund Highlights

The General Fund balance increased from \$1,082,754 in fiscal year 2010 to a balance of \$1,438,663 in fiscal year 2011. The increase in the General Fund balance is attributable to various cost savings measures that were implemented in fiscal year 2011.

The Capital Projects Fund balance decreased from \$988,280 in fiscal year 2010 to \$923,495 in fiscal year 2011 due to Capital Projects that were implemented and completed in fiscal year 2011. Capital Projects funds are being accumulated for future facility and equipment expenditures.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$85,015 at June 30, 2010 to \$129,318 at June 30, 2011 due to cost savings measures that were implemented in fiscal year 2011.

Budgetary Highlights

The District's total revenues were \$319,369 less than budgeted revenues, a variance of 4.4 percent. The most significant variance resulted from the District receiving less in both state and local sources than originally anticipated. The District's total expenditures were \$2,060,989 less than budgeted, a variance of 23.9 percent. A portion of the variances resulted from the District spending less in the instruction, support services and other expenditures functions than anticipated due to aggressive cost containment measures as discussed above.

Capital Assets and Debt Administration

Capital Assets - As of June 30, 2011, the District had invested \$3,863,572, net of accumulated depreciation in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and transportation equipment. (See Figure A-6.) Total depreciation expense for the year was \$288,573.

The largest changes in capital asset activity during the year occurred in the construction in progress category. The District implemented various capital projects in the summer of 2011 such as remodeling of the central office, elementary hall, bathrooms, and elementary playground.

Figure A-6 (In Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Percent Change</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	
Land	\$ 11	\$ 11	\$ -	\$ -	\$ 11	\$ 11	0.0%
Land improvements	224	224	-	-	224	224	0.0%
Construction in progress	269	-	-	-	269	-	100.0%
Buildings and improvements	6,810	6,772	-	-	6,810	6,772	0.6%
Furniture and equipment	1,507	1,600	108	97	1,615	1,697	-4.8%
Less: accumulated depreciation	(4,989)	(4,916)	(77)	(79)	(5,066)	(4,995)	1.4%
Total capital assets, net	<u>\$ 3,832</u>	<u>\$ 3,691</u>	<u>\$ 31</u>	<u>\$ 18</u>	<u>\$ 3,863</u>	<u>\$ 3,709</u>	<u>4.2%</u>

Long-Term Liabilities - As of June 30, 2011, the District had \$710,000 General Obligation Refunding Bonds, \$129,717 in early retirement obligations outstanding, and \$234,456 in net OPEB obligations (total of \$1,074,173). Table A-7 summarizes the District's long-term liabilities as of June 30, 2011 and 2010. Additional information about the District's long-term liabilities is presented in Note 5 to the financial statements.

Figures A-7 (In Thousands)
Long-Term Liabilities

	Total District		Total Change
	June 30,		
	<u>2011</u>	<u>2010</u>	
General obligation refunding bonds	\$ 710	\$ 880	-19.3%
Early retirement	129	149	-13.4%
Net OPEB liabilities	<u>235</u>	<u>118</u>	<u>99.2%</u>
	<u>\$ 1,074</u>	<u>\$ 1,147</u>	<u>-6.4%</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:

- Under Iowa's school funding formula, the District is highly dependent on student enrollment. The District did see a decrease of 23 students for funding of the 2011-2012 school year. Challenging financial times are predicted for fiscal year 2013.
- The statewide one percent local option sales tax will continue to provide revenue for capital repairs and improvements, but at a lesser level than in the past due to statewide economic conditions.
- American Recovery and Reinvestment Act of 2009 (ARRA) funds are being used in the District to help save jobs that would have been affected by the reduction in state aid. The District is well aware of the "funding cliff" in 2012 when these funds are exhausted.
- The District issued General Obligation Refunding Bonds - Series 2004 on December 1, 2005. This issue will have a savings of \$76,528 beginning over the period of fiscal year 2007 through fiscal year 2015, with the largest amount of \$54,800 in fiscal year 2015.

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 Jodi Ryan, District Secretary/Treasurer, Akron-Westfield Community School District, 850 Kerr Drive, Akron, Iowa 51001.

BASIC FINANCIAL STATEMENTS

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2011

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,211,115	\$ 89,157	\$ 3,300,272
Receivables:			
Property tax:			
Delinquent	49,546	-	49,546
Succeeding year	2,436,724	-	2,436,724
Accounts	57,214	-	57,214
Accrued interest	1,264	-	1,264
Due from other governments	202,808	-	202,808
Inventories	-	9,784	9,784
Deferred charges	10,136	-	10,136
Capital assets, net of accumulated depreciation	<u>3,832,400</u>	<u>31,172</u>	<u>3,863,572</u>
Total assets	<u>\$ 9,801,207</u>	<u>\$ 130,113</u>	<u>\$ 9,931,320</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 210,670	\$ -	\$ 210,670
Salaries and benefits payable	449,547	795	450,342
Accrued interest payable	2,299	-	2,299
Deferred revenue - succeeding year property tax	2,436,724	-	2,436,724
Deferred revenue - other	124,123	-	124,123
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	44,100	-	44,100
General obligation refunding bonds	180,000	-	180,000
Portion due after one year:			
Early retirement payable	85,617	-	85,617
General obligation refunding bonds	530,000	-	530,000
Net OPEB liability	<u>234,456</u>	<u>-</u>	<u>234,456</u>
Total liabilities	<u>\$ 4,297,536</u>	<u>\$ 795</u>	<u>\$ 4,298,331</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 3,132,536	\$ 31,172	\$ 3,163,708
Restricted for:			
Categorical funding	53,452	-	53,452
Other special revenue purposes	135,874	-	135,874
Debt service	107,559	-	107,559
Capital projects	923,495	-	923,495
Unrestricted	<u>1,150,755</u>	<u>98,146</u>	<u>1,248,901</u>
Total net assets	<u>\$ 5,503,671</u>	<u>\$ 129,318</u>	<u>\$ 5,632,989</u>
Total liabilities and net assets	<u>\$ 9,801,207</u>	<u>\$ 130,113</u>	<u>\$ 9,931,320</u>

See notes to financial statements.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

		<u>Program Revenues</u>		
		<u>Charges</u>	<u>Operating</u>	<u>Capital</u>
	<u>Expenses</u>	<u>for Service</u>	<u>Grants,</u> <u>Contributions</u> <u>and Restricted</u> <u>Interest</u>	<u>Grants,</u> <u>Contributions</u> <u>and Restricted</u> <u>Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,821,860	\$ 472,714	\$ 576,310	\$ 25,190
Special instruction	661,287	87,830	33,282	-
Other instruction	<u>634,330</u>	<u>238,452</u>	<u>3,790</u>	<u>-</u>
	<u>\$ 4,117,477</u>	<u>\$ 798,996</u>	<u>\$ 613,382</u>	<u>\$ 25,190</u>
Support services:				
Student services	\$ 182,234	\$ 9,439	\$ -	\$ -
Instructional staff services	89,060	-	-	-
Administration services	691,099	-	-	-
Operation and maintenance of plant services	409,934	45,399	-	-
Transportation services	<u>278,097</u>	<u>-</u>	<u>2,930</u>	<u>-</u>
	<u>\$ 1,650,424</u>	<u>\$ 54,838</u>	<u>\$ 2,930</u>	<u>\$ -</u>
Other expenses:				
Facilities acquisition	\$ 98,430	\$ 32,760	\$ -	\$ 17,137
Long-term debt interest	33,642	-	-	-
AEA flow through	<u>217,172</u>	<u>-</u>	<u>217,172</u>	<u>-</u>
	<u>\$ 349,244</u>	<u>\$ 32,760</u>	<u>\$ 217,172</u>	<u>\$ 17,137</u>
Total governmental activities	\$ 6,117,145	\$ 886,594	\$ 833,484	\$ 42,327
Business-type activities:				
Non-instructional programs:				
Food service operations	<u>246,230</u>	<u>162,742</u>	<u>127,680</u>	<u>-</u>
Total	<u>\$ 6,363,375</u>	<u>\$ 1,049,336</u>	<u>\$ 961,164</u>	<u>\$ 42,327</u>
GENERAL REVENUES:				
Property tax levied for:				
General purposes				
Debt service				
Management levy				
Physical plant and equipment levy				
Unrestricted state grants				
Unrestricted investment earnings				
Local surtax				
Statewide sales, services and use tax				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
\$ (1,747,646)	\$ -	\$ (1,747,646)
(540,175)	-	(540,175)
<u>(392,088)</u>	<u>-</u>	<u>(392,088)</u>
\$ <u>(2,679,909)</u>	\$ -	\$ <u>(2,679,909)</u>
\$ (172,795)	\$ -	\$ (172,795)
(89,060)	-	(89,060)
(691,099)	-	(691,099)
(364,535)	-	(364,535)
<u>(275,167)</u>	<u>-</u>	<u>(275,167)</u>
\$ <u>(1,592,656)</u>	\$ -	\$ <u>(1,592,656)</u>
\$ (48,533)	\$ -	\$ (48,533)
(33,642)	-	(33,642)
<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>(82,175)</u>	\$ -	\$ <u>(82,175)</u>
\$ (4,354,740)	\$ -	\$ (4,354,740)
\$ -	\$ 44,192	\$ 44,192
\$ <u>(4,354,740)</u>	\$ 44,192	\$ <u>(4,310,548)</u>
\$ 1,842,650	\$ -	\$ 1,842,650
204,427	-	204,427
180,304	-	180,304
47,241	-	47,241
2,048,839	-	2,048,839
21,810	111	21,921
202,436	-	202,436
<u>362,321</u>	<u>-</u>	<u>362,321</u>
\$ <u>4,910,028</u>	\$ 111	\$ <u>4,910,139</u>
\$ 555,288	\$ 44,303	\$ 599,591
<u>4,948,383</u>	<u>85,015</u>	<u>5,033,398</u>
\$ <u>5,503,671</u>	\$ <u>129,318</u>	\$ <u>5,632,989</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and pooled investments	\$ 1,905,418	\$ 143,740	\$ 885,662	\$ 276,295	\$ 3,211,115
Receivables:					
Property tax:					
Delinquent	40,299	4,308	996	3,943	49,546
Succeeding year	1,909,663	207,983	49,078	270,000	2,436,724
Accounts	55,170	-	-	2,044	57,214
Accrued interest	-	-	-	1,264	1,264
Due from other funds	3,325	-	46,256	-	49,581
Due from other governments	84,095	-	118,713	-	202,808
	<u>\$ 3,997,970</u>	<u>\$ 356,031</u>	<u>\$ 1,100,705</u>	<u>\$ 553,546</u>	<u>\$ 6,008,252</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 72,473	\$ -	\$ 120,242	\$ 17,955	\$ 210,670
Salaries and benefits payable	449,547	-	-	-	449,547
Due to other funds	3,501	38,190	7,890	-	49,581
Deferred revenue:					
Succeeding year property tax	1,909,663	207,983	49,078	270,000	2,436,724
Other	124,123	-	-	-	124,123
Total liabilities	<u>\$ 2,559,307</u>	<u>\$ 246,173</u>	<u>\$ 177,210</u>	<u>\$ 287,955</u>	<u>\$ 3,270,645</u>
Fund balances:					
Restricted for:					
Categorical funding	\$ 53,452	\$ -	\$ -	\$ -	\$ 53,452
Debt service	-	109,858	-	-	109,858
Management levy purposes	-	-	-	79,977	79,977
Student activities	-	-	-	185,614	185,614
School infrastructure	-	-	465,277	-	465,277
Physical plant and equipment	-	-	458,218	-	458,218
Unassigned	1,385,211	-	-	-	1,385,211
	<u>\$ 1,438,663</u>	<u>\$ 109,858</u>	<u>\$ 923,495</u>	<u>\$ 265,591</u>	<u>\$ 2,737,607</u>
Total liabilities and fund balances	<u>\$ 3,997,970</u>	<u>\$ 356,031</u>	<u>\$ 1,100,705</u>	<u>\$ 553,546</u>	<u>\$ 6,008,252</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDSTO THE STATEMENT OF NET ASSETSJUNE 30, 2011

Total fund balances of governmental funds	\$ 2,737,607
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,832,400
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.	(2,299)
Bond issue costs are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.	10,136
Long-term liabilities, including bonds payable, early retirement and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(1,074,173)</u>
Net assets of governmental activities	<u>\$ 5,503,671</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 2,045,086	\$ 204,427	\$ 409,562	\$ 180,304	\$ 2,839,379
Tuition	464,106	-	-	-	464,106
Other	153,388	2,230	39,166	247,616	442,400
State sources	2,694,941	-	17,137	-	2,712,078
Federal sources	214,469	-	-	-	214,469
Total revenues	<u>\$ 5,571,990</u>	<u>\$ 206,657</u>	<u>\$ 465,865</u>	<u>\$ 427,920</u>	<u>\$ 6,672,432</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,548,703	\$ -	\$ -	\$ 72,616	\$ 2,621,319
Special instruction	615,337	-	-	-	615,337
Other instruction	348,671	-	-	241,581	590,252
	<u>\$ 3,512,711</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 314,197</u>	<u>\$ 3,826,908</u>
Support services:					
Student services	\$ 169,571	\$ -	\$ -	\$ -	\$ 169,571
Instructional staff services	77,772	-	-	5,100	82,872
Administration services	620,506	-	-	22,570	643,076
Operation and maintenance of plant services	353,805	-	-	27,644	381,449
Transportation services	264,594	-	-	8,416	273,010
	<u>\$ 1,486,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,730</u>	<u>\$ 1,549,978</u>
Other expenditures:					
Facilities and equipment acquisition	\$ -	\$ -	\$ 534,151	\$ -	\$ 534,151
Long-term debt:					
Principal	-	170,000	-	-	170,000
Interest and fiscal charges	-	34,152	-	-	34,152
AEA flow through	217,172	-	-	-	217,172
	<u>\$ 217,172</u>	<u>\$ 204,152</u>	<u>\$ 534,151</u>	<u>\$ -</u>	<u>\$ 955,475</u>
Total expenditures	<u>\$ 5,216,131</u>	<u>\$ 204,152</u>	<u>\$ 534,151</u>	<u>\$ 377,927</u>	<u>\$ 6,332,361</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 355,859	\$ 2,505	\$ (68,286)	\$ 49,993	\$ 340,071
Other financing sources:					
Sale of real property	\$ 50	\$ -	\$ 3,501	\$ -	\$ 3,551
Total other financing sources	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 3,501</u>	<u>\$ -</u>	<u>\$ 3,551</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ 355,909	\$ 2,505	\$ (64,785)	\$ 49,993	\$ 343,622
Fund balances beginning of year, as restated	1,082,754	107,353	988,280	215,598	2,393,985
Fund balances end of year	<u>\$ 1,438,663</u>	<u>\$ 109,858</u>	<u>\$ 923,495</u>	<u>\$ 265,591</u>	<u>\$ 2,737,607</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES ANDCHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds \$ 343,622

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation/amortization expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 451,020	
Depreciation/amortization expense	<u>(285,090)</u>	165,930

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. 170,000

In the Statement of Activities, a gain (loss) on disposal of capital assets is recognized based on the difference between the cash received and the net book value of the capital assets disposed. (24,874)

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 510

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

Early retirement	\$ 18,781	
Other postemployment benefits	<u>(116,428)</u>	(97,647)

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities. (2,253)

Change in net assets of governmental activities \$ 555,288

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICTSTATEMENT OF NET ASSETS - PROPRIETARY FUNDJUNE 30, 2011

	<u>School Nutrition</u>
ASSETS:	
Cash and cash equivalents	\$ 89,157
Inventories	9,784
Capital assets, net of accumulated depreciation	<u>31,172</u>
Total assets	<u>\$ 130,113</u>
LIABILITIES:	
Salaries and benefits payable	<u>\$ 795</u>
Total liabilities	<u>\$ 795</u>
NET ASSETS:	
Invested in capital assets, net of related debt	\$ 31,172
Unrestricted	<u>98,146</u>
Total net assets	<u>\$ 129,318</u>
Total liabilities and net assets	<u>\$ 130,113</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2011

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ <u>162,742</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 95,380
Benefits	25,509
Purchased services	1,493
Supplies	120,365
Depreciation	<u>3,483</u>
Total operating expenses	\$ <u>246,230</u>
Operating loss	\$ <u>(83,488)</u>
Non-operating revenues:	
Interest income	\$ 111
State sources	2,664
Federal sources	105,209
Food distribution	<u>19,807</u>
Total non-operating revenues	\$ <u>127,791</u>
Change in net assets	\$ 44,303
Net assets beginning of year	<u>85,015</u>
Net assets end of year	<u>\$ 129,318</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICTSTATEMENT OF CASH FLOWS - PROPRIETARY FUNDYEAR ENDED JUNE 30, 2011

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 162,742
Cash paid to employees for services	(120,094)
Cash paid to suppliers for goods or services	<u>(103,498)</u>
Net cash used by operating activities	<u>\$ (60,850)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 2,664
Federal grants received	<u>105,209</u>
Net cash provided by non-capital financing activities	<u>\$ 107,873</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ (16,237)</u>
Net cash used by capital and related financing activities	<u>\$ (16,237)</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 111</u>
	<u>\$ 111</u>
Net change in cash and cash equivalents	\$ 30,897
Cash and cash equivalents beginning of year	<u>58,260</u>
Cash and cash equivalents end of year	<u>\$ 89,157</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (83,488)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	18,010
Depreciation	3,483
Decrease in inventories	363
Decrease in accounts payable	(13)
Increase in salaries and benefits payable	<u>795</u>
Net cash used by operating activities	<u>\$ (60,850)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$19,807 of federal commodities.

See notes to financial statements.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2011

	<u>Agency Funds</u>	
	<u>Employee Flex Account</u>	<u>Athletic Boosters</u>
ASSETS:		
Cash and pooled investments	\$ 3,131	\$ -
Accounts receivable	<u>65</u>	<u>2,044</u>
Total assets	<u>\$ 3,196</u>	<u>\$ 2,044</u>
LIABILITIES:		
Due to others	<u>\$ 3,196</u>	<u>\$ 2,044</u>
Total liabilities	<u>\$ 3,196</u>	<u>\$ 2,044</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Akron-Westfield Community School District (the District) is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic areas served include the Cities of Akron and Westfield, Iowa, the predominant agricultural territory in Plymouth County, and the Elk-Point Jefferson School District in Union County, South Dakota through the Interstate School District Compact. 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 (GASB).

- A. Reporting Entity - For financial reporting purposes, the 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 GASB 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 District has no component units which meet the GASB criteria.

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

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 the following categories:

Invested in Capital Assets, Net of Related Debt - Consists of capital assets, net of accumulated depreciation/amortization 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 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 Project 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.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

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 District reports the following major proprietary fund:

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

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

The Employee Flex Account Fund is used to account for employee contributions to flexible spending accounts and for disbursements made to those employees for the eligible expenses they incur.

The Athletic Boosters Fund is used to account for revenues earned and expenditures incurred by the District's Athletic Boosters.

- 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.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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, compensated absences and special termination benefits 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.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2 percent 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.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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>	
Land	\$ 2,000
Building and improvements	10,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

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

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within 60 days after year-end.

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

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 balance 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.

Unassigned - All amounts not included in other spendable 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.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, no expenditures exceeded the amounts budgeted.

NOTE 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 ensure 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 Diversified Portfolio which are valued at an amortized cost of \$218 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk - The investments in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 3 - DUE FROM AND DUE TO OTHER FUNDS:

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

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
PPEL	General	<u>\$ 3,501</u>
Capital Projects	PPEL	<u>\$ 4,565</u>
Capital Projects	Debt Service	<u>\$ 38,190</u>
General	PPEL	<u>\$ 3,325</u>

The above interfund borrowings were the result of the following:

- Proceeds from the sale of real property were incorrectly deposited in the General Fund.
- The Capital Projects Fund eliminated negative cash balances during the year experienced in the PPEL Fund.
- The Capital Projects Fund eliminated negative cash balances during the year experienced in the Debt Service Fund.
- PPEL Fund expenses were incorrectly paid out of the General Fund.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 4 - CAPITAL ASSETS:

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

	Balance Beginning <u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	Balance End <u>of Year</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 11,388	\$ -	\$ -	\$ 11,388
Construction in progress	<u>-</u>	<u>269,019</u>	<u>-</u>	<u>269,019</u>
Total capital assets not being depreciated	<u>\$ 11,388</u>	<u>\$ 269,019</u>	<u>\$ -</u>	<u>\$ 280,407</u>
Capital assets being depreciated:				
Buildings	\$ 6,771,802	\$ 126,156	\$ 88,251	\$ 6,809,707
Improvements other than buildings	223,607	-	-	223,607
Furniture and equipment	<u>1,599,944</u>	<u>55,845</u>	<u>148,042</u>	<u>1,507,747</u>
Total capital assets being depreciated	<u>\$ 8,595,353</u>	<u>\$ 182,001</u>	<u>\$ 236,293</u>	<u>\$ 8,541,061</u>
Less accumulated depreciation for:				
Buildings	\$ 3,329,695	\$ 197,522	\$ 63,377	\$ 3,463,840
Improvements other than buildings	190,797	8,998	-	199,795
Furniture and equipment	<u>1,394,905</u>	<u>78,570</u>	<u>148,042</u>	<u>1,325,433</u>
Total accumulated depreciation	<u>\$ 4,915,397</u>	<u>\$ 285,090</u>	<u>\$ 211,419</u>	<u>\$ 4,989,068</u>
Total capital assets being depreciated, net	<u>\$ 3,679,956</u>	<u>\$ (103,089)</u>	<u>\$ 24,874</u>	<u>\$ 3,551,993</u>
Governmental activities capital assets, net	<u>\$ 3,691,344</u>	<u>\$ 165,930</u>	<u>\$ 24,874</u>	<u>\$ 3,832,400</u>
Business-type activities:				
Furniture and equipment	\$ 96,913	\$ 16,507	\$ 4,981	\$ 108,439
Less accumulated depreciation	<u>78,765</u>	<u>3,483</u>	<u>4,981</u>	<u>77,267</u>
Business-type activities capital assets, net	<u>\$ 18,148</u>	<u>\$ 13,024</u>	<u>\$ -</u>	<u>\$ 31,172</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 4 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 138,986
Special	32,626
Other	<u>31,296</u>
	<u>\$ 202,908</u>

Support services:

Student	\$ 8,991
Instructional staff	4,394
Administration	34,097
Operation and maintenance of plant	20,225
Transportation	<u>14,475</u>
	<u>\$ 82,182</u>

Total depreciation expense - governmental activities \$ 285,090

Business-type activities:

Food service operations	<u>\$ 3,483</u>
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NOTE 5 - LONG-TERM LIABILITIES:

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

	Balance Beginning <u>of Year</u>	<u>Additions</u>	<u>Reductions</u>	Balance End <u>of Year</u>	Due Within <u>One Year</u>
General obligation refunding bonds	\$ 880,000	\$ -	\$ 170,000	\$ 710,000	\$ 180,000
Early retirement	148,498	30,117	48,898	129,717	44,100
Net OPEB liability	<u>118,028</u>	<u>116,428</u>	<u>-</u>	<u>234,456</u>	<u>-</u>
Total	<u>\$ 1,146,526</u>	<u>\$ 146,545</u>	<u>\$ 218,898</u>	<u>\$ 1,074,173</u>	<u>\$ 224,100</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED):

General Obligation Refunding Bonds - Details of the District's June 30, 2011 general obligation refunding bonds indebtedness are as follows:

Year Ending	Bond Issue of December 1, 2004			
	<u>June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>
2012		3.70%	\$ 180,000	\$ 27,583
2013		3.85%	185,000	20,923
2014		4.00%	195,000	13,800
2015		4.00%	<u>150,000</u>	<u>6,000</u>
Total			<u>\$ 710,000</u>	<u>\$ 68,306</u>

These bonds are direct obligations and pledge the full faith and credit of the District.

Early Retirement - During 1993, and revised in December 2010, the District's Board of Education established an early retirement policy. All licensed professional employees who have completed at least 15 years of service with the District and are at least 55 of age on or before June 30 are eligible to make application for retirement benefits. Benefits are payable in two equal installments on January 20 of the two succeeding years after retirement. Benefits are based upon thirty percent of the employee's current salary. In addition, the District provides a monthly benefit of \$300 for employees retiring in fiscal year 2004, \$425 for employees retiring in fiscal years 2005 through 2009, and \$475 for employees retiring in fiscal year 2010 and thereafter until the earlier of the employee's death or reaching age 65.

At June 30, 2011, the District had obligations to nine participants with a total liability of \$129,717 extending through the year ending June 30, 2017. Early retirement benefits paid during the year ended June 30, 2011 totaled \$48,898. The total liability for early retirement is recorded in the government-wide financial statements.

NOTE 6 - 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.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 6 - PENSION AND RETIREMENT BENEFITS (CONTINUED):

Plan members are required to contribute 4.50 percent of their annual covered salary and the District is required to contribute 6.95 percent of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$230,712, \$227,272, and \$224,744, respectively, equal to the required contributions for each year.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Plan Description - The District operates a single-employer benefit plan which provides medical and prescription drug benefits. There are 79 active and 9 retired members in the plan. Retired participants must be age 55 or older at retirement. The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 202,331
Interest on net OPEB obligation	5,300
Adjustment to annual required contribution	<u>(6,900)</u>
Annual OPEB cost	\$ 200,731
Contributions made	<u>(84,303)</u>
Increase in net OPEB obligation	\$ 116,428
Net OPEB obligation beginning of year	<u>118,028</u>
Net OPEB obligation end of year	<u><u>\$ 234,456</u></u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

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 implicit contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District had an implicit contribution of \$84,303 to the medical plan.

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>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2010	\$ 202,331	41.7%	\$ 118,028
2011	200,731	42.0%	234,456

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 \$1.505 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.505 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3.019 million and the ratio of the UAAL to covered payroll was 49.9 percent. 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

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 Alternative Measurement Method was used. The actuarial assumptions includes a 4.5 percent discount rate based on the District's funding policy. The projected annual medical trend rate is 10 percent. The ultimate medical trend rate is 5 percent. The medical trend rate is reduced 1 percent each year until reaching the 5 percent ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables, applied on a gender-specific basis.

Projected claim costs of the medical plan are estimated between \$413 to \$993 per month based on coverage for retirees less than age 65. The salary increase rate was assumed to be 3.0 percent per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 8 - 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.

NOTE 9 - 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 \$217,172 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.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 10 - CONSTRUCTION COMMITMENTS:

The District had entered into various construction contracts totaling \$373,659 for improvements to land and building. As of June 30, 2011, costs of \$155,810 had been incurred against the contracts. The balance of \$217,849 remaining at June 30, 2011 will be paid as work on the contracts progress.

NOTE 11 - LEASE COMMITMENT:

The District is using operating leases to rent copier equipment. The minimum lease payments required are as follows:

Year Ending <u>June 30,</u>	Lease <u>Payment</u>
2012	\$ 22,626
2013	21,672
2014	<u>3,147</u>
	<u>\$ 47,445</u>

NOTE 12 - ACCOUNTING CHANGE/RESTATEMENT:

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital <u>Projects</u>	Special Revenue, Physical Plant and Equipment <u>Levy</u>
Balances June 30, 2010, as previously reported	\$ 465,131	\$ 523,149
Change in fund type classification per implementation of GASB Statement No. 54	<u>523,149</u>	<u>(523,149)</u>
Balances July 1, 2010, as restated	<u>\$ 988,280</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

AKRON-WESTFIELD 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

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total Actual</u>
Revenues:			
Local sources	\$ 3,745,885	\$ 162,853	\$ 3,908,738
State sources	2,712,078	2,664	2,714,742
Federal sources	<u>214,469</u>	<u>125,016</u>	<u>339,485</u>
Total revenues	<u>\$ 6,672,432</u>	<u>\$ 290,533</u>	<u>\$ 6,962,965</u>
Expenditures/Expenses:			
Instruction	\$ 3,826,908	\$ -	\$ 3,826,908
Support services	1,549,978	-	1,549,978
Non-instructional programs	-	246,230	246,230
Other expenditures	<u>955,475</u>	<u>-</u>	<u>955,475</u>
Total expenditures/expenses	<u>\$ 6,332,361</u>	<u>\$ 246,230</u>	<u>\$ 6,578,591</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ 340,071	\$ 44,303	\$ 384,374
Other financing sources, net	<u>3,551</u>	<u>-</u>	<u>3,551</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	\$ 343,622	\$ 44,303	\$ 387,925
Balances beginning of year	<u>2,393,985</u>	<u>85,015</u>	<u>2,479,000</u>
Balances end of year	<u>\$ 2,737,607</u>	<u>\$ 129,318</u>	<u>\$ 2,866,925</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
<u>Original</u>	<u>Final</u>	
\$ 4,002,107	\$ 4,002,107	\$ (93,369)
2,956,090	2,956,090	(241,348)
<u>324,137</u>	<u>324,137</u>	<u>15,348</u>
<u>\$ 7,282,334</u>	<u>\$ 7,282,334</u>	<u>\$ (319,369)</u>
\$ 4,770,686	\$ 4,770,686	\$ 943,778
1,977,548	1,977,548	427,570
344,762	344,762	98,532
<u>1,546,584</u>	<u>1,546,584</u>	<u>591,109</u>
<u>\$ 8,639,580</u>	<u>\$ 8,639,580</u>	<u>\$ 2,060,989</u>
\$ (1,357,246)	\$ (1,357,246)	\$ 1,741,620
<u>700</u>	<u>700</u>	<u>2,851</u>
<u>\$ (1,356,546)</u>	<u>\$ (1,356,546)</u>	<u>\$ 1,744,471</u>

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2011, the District had no budget amendments.

During the year ended June 30, 2011, no expenditures in the functional areas exceeded the amounts budgeted.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE

RETIREE HEALTH PLAN (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year ended</u> <u>June 30,</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value</u> <u>of Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
2010	July 1, 2009	\$ -	\$ 1,505	\$ 1,505	0.0%	\$ 2,630	57.2%
2011	July 1, 2009	-	1,505	1,505	0.0%	3,019	49.9%

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

OTHER SUPPLEMENTARY INFORMATION

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011

ASSETS

	<u>Special Revenue</u>		
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Total</u>
Cash and pooled investments	\$ 84,552	\$ 191,743	\$ 276,295
Receivables:			
Property tax:			
Delinquent	3,943	-	3,943
Succeeding year	270,000	-	270,000
Accounts	-	2,044	2,044
Accrued interest	-	1,264	1,264
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 358,495</u>	<u>\$ 195,051</u>	<u>\$ 553,546</u>

LIABILITIES AND FUND BALANCES

Liabilities:			
Accounts payable	\$ 8,518	\$ 9,437	\$ 17,955
Deferred revenue:			
Succeeding year property tax	270,000	-	270,000
Total liabilities	<u>\$ 278,518</u>	<u>\$ 9,437</u>	<u>\$ 287,955</u>
Fund balances:			
Restricted for:			
Management levy purposes	\$ 79,977	\$ -	\$ 79,977
Student activities	-	185,614	185,614
Total fund balance	<u>\$ 79,977</u>	<u>\$ 185,614</u>	<u>\$ 265,591</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 358,495</u>	<u>\$ 195,051</u>	<u>\$ 553,546</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2011

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 180,304	\$ -	\$ 180,304
Other	8,261	239,355	247,616
Total revenues	<u>\$ 188,565</u>	<u>\$ 239,355</u>	<u>\$ 427,920</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 72,616	\$ -	\$ 72,616
Other instruction	-	241,581	241,581
	<u>\$ 72,616</u>	<u>\$ 241,581</u>	<u>\$ 314,197</u>
Support services:			
Instructional staff services	\$ 5,100	\$ -	\$ 5,100
Administration services	22,570	-	22,570
Operation and maintenance of plant services	27,644	-	27,644
Transportation services	8,416	-	8,416
	<u>\$ 63,730</u>	<u>\$ -</u>	<u>\$ 63,730</u>
Total expenditures	<u>\$ 136,346</u>	<u>\$ 241,581</u>	<u>\$ 377,927</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 52,219	\$ (2,226)	\$ 49,993
Fund balances beginning of year, as restated	<u>27,758</u>	<u>187,840</u>	<u>215,598</u>
Fund balances end of year	<u>\$ 79,977</u>	<u>\$ 185,614</u>	<u>\$ 265,591</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECT ACCOUNTS

JUNE 30, 2011

ASSETS

	<u>Capital Projects</u>		<u>Total</u>
	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	
Cash and pooled investments	\$ 447,187	\$ 438,475	\$ 885,662
Receivables:			
Property tax:			
Delinquent	-	996	996
Succeeding year	-	49,078	49,078
Due from other funds	42,755	3,501	46,256
Due from other governments	<u>92,731</u>	<u>25,982</u>	<u>118,713</u>
 Total assets	 <u>\$ 582,673</u>	 <u>\$ 518,032</u>	 <u>\$ 1,100,705</u>

LIABILITIES AND FUND BALANCES

Liabilities:			
Accounts payable	\$ 117,396	\$ 2,846	\$ 120,242
Due to other funds	-	7,890	7,890
Deferred revenue:			
Succeeding year property tax	-	49,078	49,078
Total liabilities	<u>\$ 117,396</u>	<u>\$ 59,814</u>	<u>\$ 177,210</u>
 Fund balances:			
Restricted for:			
School infrastructure	\$ 465,277	\$ -	\$ 465,277
Physical plant and equipment	-	458,218	458,218
Total fund balance	<u>\$ 465,277</u>	<u>\$ 458,218</u>	<u>\$ 923,495</u>
 Total liabilities and fund balances	 <u>\$ 582,673</u>	 <u>\$ 518,032</u>	 <u>\$ 1,100,705</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES INFUND BALANCES - CAPITAL PROJECT ACCOUNTSYEAR ENDED JUNE 30, 2011

	<u>Capital Projects</u>		
	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 362,321	\$ 47,241	\$ 409,562
Other	25,456	13,710	39,166
State sources	-	17,137	17,137
Total revenues	<u>\$ 387,777</u>	<u>\$ 78,088</u>	<u>\$ 465,865</u>
Expenditures:			
Other expenditures:			
Facilities and equipment acquisition	<u>\$ 387,631</u>	<u>\$ 146,520</u>	<u>\$ 534,151</u>
	<u>\$ 387,631</u>	<u>\$ 146,520</u>	<u>\$ 534,151</u>
Total expenditures	<u>\$ 387,631</u>	<u>\$ 146,520</u>	<u>\$ 534,151</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 146</u>	<u>\$ (68,432)</u>	<u>\$ (68,286)</u>
Other financing sources:			
Sale of real property	\$ -	\$ 3,501	\$ 3,501
Total other financing sources	<u>\$ -</u>	<u>\$ 3,501</u>	<u>\$ 3,501</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ 146	\$ (64,931)	\$ (64,785)
Fund balances beginning of year	<u>465,131</u>	<u>523,149</u>	<u>988,280</u>
Fund balances end of year	<u>\$ 465,277</u>	<u>\$ 458,218</u>	<u>\$ 923,495</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2011

ACCOUNT:	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intrafund Transfers	Balance End of Year
Ag. and industrial arts resale	\$ 3,282	\$ -	\$ -	\$ -	\$ 3,282
Art club	1,864	600	583	-	1,881
Art-Science trip	188	17,127	17,127	(188)	-
Athletics	61,255	75,227	77,986	(13)	58,483
Athletic banquet	1,777	1,388	1,098	(153)	1,914
Athletic pop	22,835	3,427	3,023	-	23,239
AW store	485	-	-	-	485
Class of 2013	-	-	883	883	-
Class of 2012	-	7,587	6,714	-	873
Class of 2010	294	-	-	(294)	-
Class of 2009	1,499	-	-	(1,499)	-
Climate committee	(10)	284	336	10	(52)
Coaches towels	2,861	-	-	(2,861)	-
Community service day	250	-	-	-	250
Concessions	5,510	16,157	15,974	-	5,693
Drill team	3,559	11,023	10,853	-	3,729
Family Career Community Leader of America	1,974	-	-	-	1,974
Flags	602	-	-	-	602
Future Farmers of America	8,409	21,690	24,557	-	5,542
High school student council	2,644	3,171	2,779	677	3,713
High school outing donation	435	861	863	-	433
History day	-	10,142	10,142	-	-
Home economics	386	-	-	-	386
Interest/Student management	20,963	3,461	5,419	3,428	22,433
Lakeside lab	2,985	7,509	9,192	-	1,302
Middle school student council	6,630	6,277	5,733	-	7,174
Music boosters	11,383	5,756	2,428	-	14,711
Music - instrumental	3,520	6,261	5,134	-	4,647
Music - vocal	4,619	12,816	12,546	-	4,889
National Honor Society	266	119	385	-	-
PBS	2,546	1,275	2,080	-	1,741
Pep club	5,334	437	1,006	-	4,765
Pictures	1,871	-	-	-	1,871
Project prom	1,893	7,318	6,658	-	2,553
Revolving	(933)	1,444	-	10	521
Scholarship	511	-	-	-	511
Speech	1,673	6,662	6,424	-	1,911
TAG	154	152	152	-	154
Thespians	1,452	2,024	3,054	-	422
Western Roundup	2,874	9,160	8,452	-	3,582
Total	\$ 187,840	\$ 239,355	\$ 241,581	\$ -	\$ 185,614

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<u>ASSETS</u>				
Employee Flex Account:				
Cash and pooled investments	\$ 3,985	\$ 53,034	\$ 53,888	\$ 3,131
Accounts receivable	249	65	249	65
Total assets	<u>\$ 4,234</u>	<u>\$ 53,099</u>	<u>\$ 54,137</u>	<u>\$ 3,196</u>
<u>LIABILITIES</u>				
Due to others	<u>\$ 4,234</u>	<u>\$ 53,099</u>	<u>\$ 54,137</u>	<u>\$ 3,196</u>
Total liabilities	<u>\$ 4,234</u>	<u>\$ 53,099</u>	<u>\$ 54,137</u>	<u>\$ 3,196</u>
<u>ASSETS</u>				
Athletic Boosters:				
Cash and pooled investments	\$ -	\$ 12,687	\$ 12,687	\$ -
Accounts receivable	715	2,044	715	2,044
Total assets	<u>\$ 715</u>	<u>\$ 14,731</u>	<u>\$ 13,402</u>	<u>\$ 2,044</u>
<u>LIABILITIES</u>				
Due to others	<u>\$ 715</u>	<u>\$ 14,731</u>	<u>\$ 13,402</u>	<u>\$ 2,044</u>
Total liabilities	<u>\$ 715</u>	<u>\$ 14,731</u>	<u>\$ 13,402</u>	<u>\$ 2,044</u>

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTIONALL GOVERNMENTAL FUNDSFOR THE LAST SEVEN YEARS

	Modified Accrual Basis						
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:							
Local sources:							
Local tax	\$ 2,839,379	\$ 2,688,692	\$ 2,667,371	\$ 2,582,687	\$ 2,626,442	\$ 2,527,810	\$ 2,361,791
Tuition	464,106	542,708	497,991	529,388	582,247	656,329	579,088
Other	442,400	554,409	517,681	491,531	574,622	569,013	486,195
State sources	2,712,078	2,359,204	2,678,934	2,576,808	2,466,557	2,315,907	2,466,637
Federal sources	<u>214,469</u>	<u>521,659</u>	<u>203,349</u>	<u>165,957</u>	<u>180,968</u>	<u>236,879</u>	<u>177,232</u>
Total	<u>\$ 6,672,432</u>	<u>\$ 6,666,672</u>	<u>\$ 6,565,326</u>	<u>\$ 6,346,371</u>	<u>\$ 6,430,836</u>	<u>\$ 6,305,938</u>	<u>\$ 6,070,943</u>
Expenditures:							
Instruction:							
Regular instruction	\$ 2,621,319	\$ 2,660,779	\$ 2,661,681	\$ 2,592,924	\$ 2,417,078	\$ 2,268,824	\$ 2,169,018
Special instruction	615,337	743,909	677,068	639,231	585,123	558,794	546,674
Other instruction	590,252	680,969	621,408	604,438	660,313	695,396	717,219
Support services:							
Student services	169,571	196,574	177,720	179,291	173,562	169,917	161,488
Instructional staff services	82,872	87,339	83,968	128,926	98,475	138,848	156,101
Administration services	643,076	608,856	610,846	511,506	504,489	518,034	512,645
Operation and maintenance of plant services	381,449	520,512	420,374	529,775	558,584	651,804	421,483
Transportation services	273,010	288,794	306,733	326,744	358,803	364,074	328,578
Non-instructional programs	-	-	-	-	-	-	500
Other expenditures:							
Facilities and equipment acquisition	534,151	250,522	452,057	156,079	340,670	33,686	516
Long-term debt:							
Principal	170,000	170,000	160,000	245,903	257,501	109,989	217,611
Interest and other charges	34,152	39,712	45,153	53,613	62,198	148,392	154,390
AEA flow through	<u>217,172</u>	<u>212,813</u>	<u>182,896</u>	<u>174,153</u>	<u>169,290</u>	<u>162,508</u>	<u>184,103</u>
Total	<u>\$ 6,332,361</u>	<u>\$ 6,460,779</u>	<u>\$ 6,399,904</u>	<u>\$ 6,142,583</u>	<u>\$ 6,186,086</u>	<u>\$ 5,820,266</u>	<u>\$ 5,570,326</u>



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
Akron-Westfield 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 Akron-Westfield Community School District (the 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 November 30, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. 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 deficiency in internal control described in Part I of the accompanying Schedule of Findings as Item I-A-11 to be a material weakness.



To the Board of Education
Akron-Westfield Community School District

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the 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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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.

The District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit the 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 the District and other parties to whom the 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 the 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.

November 30, 2011
Sioux City, Iowa

King, Reinsch, Prosser & Co., L.L.P.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

MATERIAL WEAKNESSES:

I-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Incompatible duties, for internal control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or fraud. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for some accounting and financial duties.

Recommendation - The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. However, the District has recently implemented certain oversight and review procedures over cash receipts and disbursements aimed at reducing the risk of errors or fraud.

The Board of Education and Superintendent must remain actively involved in the financial affairs of the District. Policies and procedures should be continually reviewed and improved when necessary.

Response - The District understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. The District will review its procedures and implement changes as deemed necessary.

Conclusion - Response accepted.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Statutory Reporting

- II-A-11 Certified Budget - Expenditures for the year ended June 30, 2011 did not exceed the certified budget amount.
- II-B-11 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees noted.
- II-D-11 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-11 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 ensure that the coverage is adequate for current operations.
- II-F-11 Board Minutes - No transactions requiring Board approval that had not been approved by the Board were noted.
- II-G-11 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-11 Deposits and Investments - 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 were noted.
- II-J-11 Certified Annual Report - The Certified Annual Report was certified timely to the Department of Education.
- II-K-11 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.

AKRON-WESTFIELD COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Statutory Reporting (Continued)

II-L-11 Statewide Sales, Services and Use Tax - No instances of noncompliance 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 District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	179,044
Revenues/transfers in:			
Sales tax revenues	\$	362,321	
Other local revenues		<u>25,456</u>	<u>387,777</u>
			\$ 566,821
Expenditures/transfers out:			
School infrastructure construction	\$	343,379	
Equipment		28,079	
Other		<u>16,173</u>	<u>387,631</u>
Ending balance			<u>\$ 179,190</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of <u>Taxable Valuation</u>	Property Tax <u>Dollars Reduced</u>
Physical plant and equipment levy (PPEL)	\$ 0.30961	\$ 44,252

II-M-11 Deficit Balances - One student activity account had a deficit balance at June 30, 2011.

Recommendation - The District should continue to investigate alternatives to eliminate this deficit in order to return this account to a sound financial condition.

Response - The District will try to eliminate or minimize such deficits in the student activity accounts at the end of the fiscal year.

Conclusion - Response accepted.