

DELWOOD COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2011

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-16
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 18
Statement of Activities	B 19
Governmental Fund Financial Statements:	
Balance Sheet	C 20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 21
Statement of Revenues, Expenditures and Changes in Fund Balances	E 22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 23
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 24
Statement of Revenues, Expenditures and Changes in Fund Net Assets	H 25
Statement of Cash Flows	I 26
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 27
Statement of Changes in Fiduciary Net Assets	K 28
Notes to Financial Statements	29-40
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	42
Notes to Required Supplementary Information - Budgetary Reporting	43
Schedule of Funding Progress for the Retiree Health Plan	44
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 46
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 47
Capital Projects Accounts:	
Combining Balance Sheet	3 48
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4 49
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	5 50
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 <u>Government Auditing Standards</u>	51-52
Schedule of Findings	53-55

Delwood Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Carmen Gerlach	President	2011
Jody Holtz	Vice President	2013
Sarah Tubbs	Board Member	2013
Ron Filloon	Board Member	2011
Rhonda Denger	Board Member	2011
<b>School Officials</b>		
Sue Goodall	Superintendent	2011
Jane Goodenow	District Secretary/Treasurer	2011
Ahlers & Cooney, P.C.	Attorney	2011

**DELWOOD COMMUNITY SCHOOLS**

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

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

INDEPENDENT AUDITOR'S REPORT

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2012 on our consideration of Delwood Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Delwood Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2010 (which is not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 9, 2012

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Delwood Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,432,480 in fiscal 2010 to \$2,738,730 in fiscal 2011, and General Fund expenditures increased from \$2,417,712 in fiscal 2010 to \$2,477,153 in fiscal 2011. The District's General Fund balance increased from \$612,083 in fiscal 2010 to a balance of \$873,660 in fiscal 2011, an increase of 42.74% over the prior year.
- The increase in General Fund revenues was largely attributable to increases in local and state sources of revenue received during the year ended June 30, 2011. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

### **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 Delwood Community School District as a whole and present an overall view of the District's finances.

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

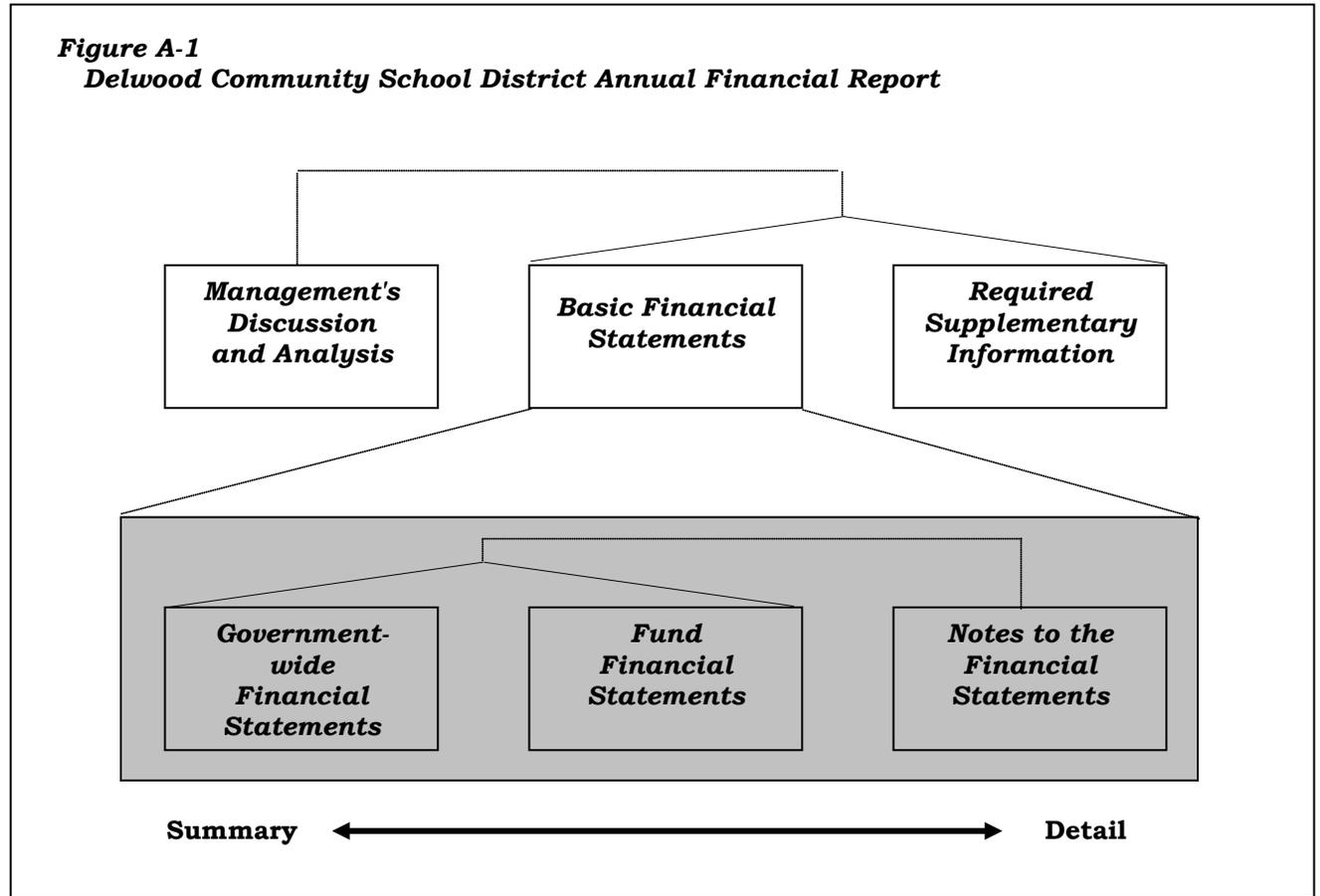


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and 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.

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 2,696,747	2,304,997	10,797	10,216	2,707,544	2,315,213	16.95%
Capital assets	1,242,105	1,235,245	6,188	7,364	1,248,293	1,242,609	0.46%
Total assets	<u>3,938,852</u>	<u>3,540,242</u>	<u>16,985</u>	<u>17,580</u>	<u>3,955,837</u>	<u>3,557,822</u>	<u>11.19%</u>
Long-term obligations	10,723	5,428	-	-	10,723	5,428	97.55%
Other liabilities	950,904	905,995	2,515	630	953,419	906,625	5.16%
Total liabilities	<u>961,627</u>	<u>911,423</u>	<u>2,515</u>	<u>630</u>	<u>964,142</u>	<u>912,053</u>	<u>5.71%</u>
Net assets:							
Invested in capital assets, net of related debt	1,242,105	1,235,245	6,188	7,364	1,248,293	1,242,609	0.46%
Restricted	862,599	758,260	-	-	862,599	758,260	13.76%
Unrestricted	872,521	635,314	8,282	9,586	880,803	644,900	36.58%
Total net assets	<u>\$ 2,977,225</u>	<u>2,628,819</u>	<u>14,470</u>	<u>16,950</u>	<u>2,991,695</u>	<u>2,645,769</u>	<u>13.07%</u>

The District's combined net assets increased by 13.07%, or \$345,926, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 13.76% or \$104,339 from the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased 36.58% or \$235,903.

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

Figure A-4							
Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
<b>Revenues and Transfers:</b>							
<b>Program revenues:</b>							
Charges for services	\$ 273,954	192,508	26,763	29,734	300,717	222,242	35.31%
Operating grants, contributions and restricted interest	310,361	460,092	45,192	43,288	355,553	503,380	-29.37%
<b>General revenues:</b>							
Property tax	780,919	751,897	-	-	780,919	751,897	3.86%
Income surtax	92,881	86,735	-	-	92,881	86,735	7.09%
Statewide sales, services and use tax	191,187	172,543	-	-	191,187	172,543	10.81%
Unrestricted state grants	1,229,202	972,055	-	-	1,229,202	972,055	26.45%
Nonspecific program federal grants	77,906	-	-	-	77,906	-	100.00%
Other	18,997	32,309	679	449	19,676	32,758	-39.94%
Transfers	771	593	(771)	(593)	-	-	0.00%
<b>Total revenues and transfers</b>	<b>2,976,178</b>	<b>2,668,732</b>	<b>71,863</b>	<b>72,878</b>	<b>3,048,041</b>	<b>2,741,610</b>	<b>11.18%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instructional	1,806,611	1,783,218	-	-	1,806,611	1,783,218	1.31%
Support services	593,708	561,727	6,353	9,195	600,061	570,922	5.10%
Non-instructional programs	34,780	37,159	67,990	65,444	102,770	102,603	0.16%
Other expenses	127,096	121,374	-	-	127,096	121,374	4.71%
<b>Total expenses</b>	<b>2,562,195</b>	<b>2,503,478</b>	<b>74,343</b>	<b>74,639</b>	<b>2,636,538</b>	<b>2,578,117</b>	<b>2.27%</b>
Change in net assets before special item	413,983	165,254	(2,480)	(1,761)	411,503	163,493	151.69%
Special item	(65,577)	(117,000)	-	-	(65,577)	(117,000)	-43.95%
Change in net assets	348,406	48,254	(2,480)	(1,761)	345,926	46,493	644.04%
Net assets beginning of year	2,628,819	2,580,565	16,950	18,711	2,645,769	2,599,276	1.79%
Net assets end of year	<u>\$ 2,977,225</u>	<u>2,628,819</u>	<u>14,470</u>	<u>16,950</u>	<u>2,991,695</u>	<u>2,645,769</u>	<u>13.07%</u>

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 77.09% of the revenue from governmental activities while charges for services and operating grants and contributions account for nearly all of the revenue from business type activities.

The District's total revenues were approximately \$3.05 million, of which approximately \$2.98 million was for governmental activities and \$0.07 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 11.18% increase in revenues and a 2.27% increase in expenses. State sources increased \$235,859 to fund the increase in expenses. The increase in expenses is related to increases in negotiated salaries and benefits.

### Governmental Activities

Revenues for governmental activities were \$2,976,178 and expenses were \$2,562,195.

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

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 1,806,611	1,783,218	1.31%	1,330,298	1,242,824	7.04%
Support services	593,708	561,727	5.69%	586,601	561,416	4.49%
Non-instructional programs	34,780	37,159	-6.40%	34,780	21,204	64.03%
Other expenses	127,096	121,374	4.71%	26,201	25,434	3.02%
Totals	\$ 2,562,195	2,503,478	2.35%	1,977,880	1,850,878	6.86%

- The cost financed by users of the District's programs was \$273,954.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$310,361.
- The net cost of governmental activities was financed with \$780,919 in property tax, \$92,881 in income surtax, \$191,187 in statewide sales, services and use tax, \$1,229,202 in unrestricted state grants, \$77,906 in nonspecific program federal grants, \$8,787 in interest income and \$10,981 in other income and transfers.

### Business type Activities

Revenues of the District's business type activities were \$71,863 and expenses were \$74,343. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,665,245, above last year's ending fund balance of \$1,323,269.

### Governmental Fund Highlights

- The District's General Fund balance increased from \$612,083 on June 30, 2010 to \$873,660 on June 30, 2011. The improvement in the District's General Fund financial position is the product of many factors. Increased revenues from local and state sources more than covered the modest increase in expenses.

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- The Capital Projects Fund increased from a restated balance of \$657,403 at the beginning of fiscal year 2011 to \$736,604 at the end of fiscal year 2011. The beginning balance was restated as a result of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54. The Statewide Sales, Services and Use Tax Fund revenues increased \$18,048 and expenses decreased \$43,968 when compared to the previous year. Physical Plant and Equipment Levy Fund revenues decreased \$24,002 and expenses decreased \$54,730 when compared to the previous year.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$16,950 at June 30, 2010 to \$14,470 at June 30, 2011, representing a decrease of approximately 14.63%. For fiscal 2011, the decrease in net assets was due primarily to less revenue received from charges for services.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Delwood Community School District amended its budget one time by \$30,646 to reflect additional staffing and technology and food service expenditures.

The District's revenues were \$17,658 more than budgeted revenues, a variance of 0.58%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were \$355,524 less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures higher than expected to allow for unexpected categorical funding, substitute expenses for long term leaves, textbooks and computers. A line-item budget with prior year's comparisons, known expenditures and allowances for unexpected expenditures during the year is created before the budget is submitted in April. The line-item budget is updated several times during the year. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2011, the District had invested \$1,248,293, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.46% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$85,006.

The original cost of the District's capital assets was \$2,526,965. Governmental funds account for \$2,494,302 with the remainder of \$32,663 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements, net of depreciation, totaled \$19,246 at June 30, 2010, compared to \$17,500 reported at June 30, 2011.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 600	600	-	-	600	600	0.00%
Buildings	1,032,702	1,018,822	-	-	1,032,702	1,018,822	1.36%
Land improvements	17,500	19,246	-	-	17,500	19,246	-9.07%
Machinery and equipment	191,303	196,577	6,188	7,364	197,491	203,941	-3.16%
Total	\$ 1,242,105	1,235,245	6,188	7,364	1,248,293	1,242,609	0.46%

### Long-Term Debt

At June 30, 2011, the District had \$10,723 in long-term debt outstanding. This represents an increase of 97.55% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District reported total net OPEB liability of \$10,723 at June 30, 2011.

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-11
Net OPEB liability	\$ 10,723	5,428	97.55%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- With the unstable economy the Delwood Board of Education and administration continue to seek out cost cuts and look for new sources of revenues to maintain our programs and educational opportunities for students. While the board wished to reduce their fund balance, they chose to slightly increase the levy rate, uncertain if the state would choose again make cuts during the year.
- Open enrollment students have helped us to maintain our classroom sizes and financial stability. We plan to continue to offer two full classes of preschool.
- The District has continued to support a quality before and after school program with the assistance of grants and parent fees. The District feels these programs offer a safe environment with additional educational opportunities.
- The District has continued to offer a morning and afternoon preschool for multi-aged 3,4 and 5 year olds working and playing together to prepare students for the transition into kindergarten. The District offers daycare for the balance of the day, to accommodate parents work schedules and offer stability for the student. The District received 60% of state cost per pupil as state aid for all of the four year olds. The District views this as

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another step offering educational opportunities for children, while remaining economically steady.

- Since 2006-07, the District has combined the principal and superintendent position reducing administrative expenditures and allowing more funding for the education of Delwood students.
- Delwood again offered summer school opportunities for K-6 students. The programs were funded with empowerment grants and parent fees. The programs were well attended, and considered a success.
- Insurance costs slightly decreased for work comp, property, casualty, and transportation. The rates for employee health insurance increased 14.93% for 2010-2011.
- The Delwood Community School District and the Delwood Education Association settled, including Teacher Quality, on a 3.99% package increase for 2010/2011.
- 2010-2011 was the 24<sup>th</sup> year of a Whole Grade Sharing Agreement with Maquoketa Community School District for the 7-12 grade students. Currently the District pays 92% of the state per pupil cost. We also forward the per pupil cost for teacher quality, teacher quality professional development and Statewide Sales, Services and Use Tax under 28E agreements. The District provides the transportation for their students. The District feels this is giving students in both districts additional educational opportunities.
- The District has remained financially stable and has projected to remain independent for years to come. While the District has one of the lowest levy rates of the state, the District has the ability to levy more due to its \$3,000,000 carry over “spending authority” and the Educational Improvement Program adopted by voters in 1990 that can be funded through both property tax and income surtax.
- The District continues to offer a strong education as evidenced by student achievement data.
- The District has a very experienced teaching staff that supports student learning and a very supportive non-certified staff. Delwood offers many professional development opportunities for our instructional and administrative staff.
- The District maintains reliable transportation vehicles, modern equipment and technology, modern media center and retains their building in quality condition.

## **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 Jane L. Goodenow, District Secretary/Treasurer and Business Manager or Superintendent Sue Goodall, Delwood Community School District, 311 Delmar Avenue, P.O. Box 292, Delmar, Iowa 52037.

BASIC FINANCIAL STATEMENTS

DELWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,647,893	7,452	1,655,345
Receivables:			
Property tax:			
Delinquent	13,171	-	13,171
Succeeding year	829,573	-	829,573
Income surtax	79,356	-	79,356
Accrued interest	857	-	857
Accounts	3,215	73	3,288
Due from other funds	1,864	-	1,864
Due from other governments	112,428	-	112,428
Prepaid expenses	8,390	-	8,390
Inventories	-	3,272	3,272
Capital assets, net of accumulated depreciation	1,242,105	6,188	1,248,293
<b>Total assets</b>	<b>3,938,852</b>	<b>16,985</b>	<b>3,955,837</b>
<b>Liabilities</b>			
Accounts payable	35	-	35
Salaries and benefits payable	121,296	-	121,296
Due to other funds	-	1,864	1,864
Deferred revenue:			
Succeeding year property tax	829,573	-	829,573
Unearned revenue	-	651	651
Long-term liabilities:			
Portion due after one year:			
Net OPEB liability	10,723	-	10,723
<b>Total liabilities</b>	<b>961,627</b>	<b>2,515</b>	<b>964,142</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,242,105	6,188	1,248,293
Restricted for:			
Categorical funding	71,014	-	71,014
Management levy purposes	43,825	-	43,825
Student activities	11,156	-	11,156
School infrastructure	473,280	-	473,280
Physical plant and equipment	263,324	-	263,324
Unrestricted	872,521	8,282	880,803
<b>Total net assets</b>	<b>\$ 2,977,225</b>	<b>14,470</b>	<b>2,991,695</b>

SEE NOTES TO FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,186,537	195,190	42,220	(949,127)	-	(949,127)
Special	469,707	58,577	22,684	(388,446)	-	(388,446)
Other	150,367	20,187	137,455	7,275	-	7,275
	<u>1,806,611</u>	<u>273,954</u>	<u>202,359</u>	<u>(1,330,298)</u>	<u>-</u>	<u>(1,330,298)</u>
Support services:						
Student	23,927	-	321	(23,606)	-	(23,606)
Instructional staff	41,705	-	5,908	(35,797)	-	(35,797)
Administration	213,292	-	180	(213,112)	-	(213,112)
Operation and maintenance of plant	153,795	-	-	(153,795)	-	(153,795)
Transportation	160,989	-	698	(160,291)	-	(160,291)
	<u>593,708</u>	<u>-</u>	<u>7,107</u>	<u>(586,601)</u>	<u>-</u>	<u>(586,601)</u>
Non-instructional programs	34,780	-	-	(34,780)	-	(34,780)
Other expenditures:						
AEA flowthrough	100,895	-	100,895	-	-	-
Depreciation(unallocated)*	26,201	-	-	(26,201)	-	(26,201)
	<u>127,096</u>	<u>-</u>	<u>100,895</u>	<u>(26,201)</u>	<u>-</u>	<u>(26,201)</u>
Total governmental activities	2,562,195	273,954	310,361	(1,977,880)	-	(1,977,880)
Business Type activities:						
Support services:						
Administration	6,189	-	-	-	(6,189)	(6,189)
Operation and maintenance of plant	164	-	-	-	(164)	(164)
	<u>6,353</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,353)</u>	<u>(6,353)</u>
Non-instructional programs:						
Nutrition services	67,990	26,763	45,192	-	3,965	3,965
Total business type activities	<u>74,343</u>	<u>26,763</u>	<u>45,192</u>	<u>-</u>	<u>(2,388)</u>	<u>(2,388)</u>
Total	\$ <u>2,636,538</u>	<u>300,717</u>	<u>355,553</u>	<u>(1,977,880)</u>	<u>(2,388)</u>	<u>(1,980,268)</u>
<b>General Revenues and Transfers:</b>						
General Revenues:						
Property tax levied for:						
General purposes				\$ 780,919	-	780,919
Income surtax				92,881	-	92,881
Statewide sales, services and use tax				191,187	-	191,187
Unrestricted state grants				1,229,202	-	1,229,202
Nonspecific program federal grants				77,906	-	77,906
Unrestricted investment earnings				8,787	26	8,813
Other				10,210	653	10,863
Transfers				771	(771)	-
Total general revenues and transfers				<u>2,391,863</u>	<u>(92)</u>	<u>2,391,771</u>
Changes in net assets before special item				413,983	(2,480)	411,503
Special item				(65,577)	-	(65,577)
Changes in net assets				348,406	(2,480)	345,926
Net assets beginning of year				2,628,819	16,950	2,645,769
Net assets end of year				\$ <u>2,977,225</u>	<u>14,470</u>	<u>2,991,695</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	Capital			Total
	General	Projects	Nonmajor	
<b>Assets</b>				
Cash and pooled investments	\$ 889,540	703,484	53,627	1,646,651
Receivables:				
Property tax:				
Delinquent	12,749	-	422	13,171
Succeeding year	804,573	-	25,000	829,573
Income surtax	79,356	-	-	79,356
Accrued interest	284	559	14	857
Accounts	447	1,850	918	3,215
Due from other funds	1,864	-	-	1,864
Due from other governments	81,717	30,711	-	112,428
Prepaid expenses	8,390	-	-	8,390
<b>Total assets</b>	<b>\$ 1,878,920</b>	<b>736,604</b>	<b>79,981</b>	<b>2,695,505</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 35	-	-	35
Salaries and benefits payable	121,296	-	-	121,296
Deferred revenue:				
Succeeding year property tax	804,573	-	25,000	829,573
Income surtax	79,356	-	-	79,356
Total liabilities	1,005,260	-	25,000	1,030,260
Fund balances:				
Nonspendable	8,390	-	-	8,390
Restricted for:				
Categorical funding	71,014	-	-	71,014
Management levy purposes	-	-	43,825	43,825
Student activities	-	-	11,156	11,156
School infrastructure	-	473,280	-	473,280
Physical plant and equipment	-	263,324	-	263,324
Unassigned	794,256	-	-	794,256
Total fund balances	873,660	736,604	54,981	1,665,245
<b>Total liabilities and fund balances</b>	<b>\$ 1,878,920</b>	<b>736,604</b>	<b>79,981</b>	<b>2,695,505</b>

SEE NOTES TO FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2011

<b>Total fund balances of governmental funds(page 20)</b>	<b>\$ 1,665,245</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,242,105
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	1,242
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	79,356
Long-term liabilities, including other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(10,723)</u>
 <b>Net assets of governmental activities(page 18)</b>	 <b><u><u>\$ 2,977,225</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011

	Capital			Total
	General	Projects	Nonmajor	
Revenues:				
Local sources:				
Local tax	\$ 842,065	191,187	24,991	1,058,243
Tuition	253,472	-	-	253,472
Other	27,337	5,056	10,187	42,580
Intermediate sources	840	-	-	840
State sources	1,434,639	-	13	1,434,652
Federal sources	178,876	-	-	178,876
Total revenues	<u>2,737,229</u>	<u>196,243</u>	<u>35,191</u>	<u>2,968,663</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,203,429	11,982	2,530	1,217,941
Special	469,183	-	-	469,183
Other	145,279	-	5,088	150,367
	<u>1,817,891</u>	<u>11,982</u>	<u>7,618</u>	<u>1,837,491</u>
Support services:				
Student	23,927	-	-	23,927
Instructional staff	34,882	2,248	-	37,130
Administration	205,822	-	6,075	211,897
Operation and maintenance of plant	129,877	750	12,086	142,713
Transportation	130,502	-	7,079	137,581
	<u>525,010</u>	<u>2,998</u>	<u>25,240</u>	<u>553,248</u>
Non-instructional programs	<u>33,357</u>	<u>-</u>	<u>1,135</u>	<u>34,492</u>
Other expenditures:				
Facilities acquisitions	-	36,485	-	36,485
AEA flowthrough	100,895	-	-	100,895
	<u>100,895</u>	<u>36,485</u>	<u>-</u>	<u>137,380</u>
Total expenditures	<u>2,477,153</u>	<u>51,465</u>	<u>33,993</u>	<u>2,562,611</u>
Excess of revenues over expenditures	260,076	144,778	1,198	406,052
Other financing sources(uses):				
Proceeds from sale of equipment	730	-	-	730
Transfer in	771	-	-	771
Special item	-	(65,577)	-	(65,577)
Total other financing sources(uses)	<u>1,501</u>	<u>(65,577)</u>	<u>-</u>	<u>(64,076)</u>
Net changes in fund balances	261,577	79,201	1,198	341,976
Fund balances beginning of year, as restated	<u>612,083</u>	<u>657,403</u>	<u>53,783</u>	<u>1,323,269</u>
Fund balances end of year	<u>\$ 873,660</u>	<u>736,604</u>	<u>54,981</u>	<u>1,665,245</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ 341,976

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

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

Capital expenditures	\$ 90,690	
Depreciation expense	<u>(83,830)</u>	6,860

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 6,744

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (1,879)

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

Other postemployment benefits		<u>(5,295)</u>
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Changes in net assets of governmental activities(page 19) \$ 348,406

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Activities:	Governmental
	Enterprise	Activities:
	Fund	Internal
	School	Service
	Nutrition	Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 7,452	1,242
Receivables:		
Accounts	73	-
Inventories	3,272	-
Capital assets, net of accumulated depreciation	6,188	-
<b>Total assets</b>	<b>16,985</b>	<b>1,242</b>
<b>Liabilities</b>		
Due to other funds	1,864	-
Unearned revenues	651	-
<b>Total liabilities</b>	<b>2,515</b>	<b>-</b>
<b>Net Assets</b>		
Invested in capital assets	6,188	-
Unrestricted	8,282	1,242
<b>Total net assets</b>	<b>\$ 14,470</b>	<b>1,242</b>

SEE NOTES TO FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2011

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 26,763	-
Contributions	26	-
Miscellaneous	653	9,730
Total operating revenues	<u>27,442</u>	<u>9,730</u>
Operating expenses:		
Support services:		
Administration:		
Salaries	4,514	-
Benefits	1,675	-
Services	-	11,609
	<u>6,189</u>	<u>11,609</u>
Operation and maintenance of plant:		
Services	<u>164</u>	<u>-</u>
Non-instructional programs:		
Food services operations:		
Salaries	22,556	-
Benefits	3,237	-
Services	7,286	-
Supplies	33,735	-
Depreciation	1,176	-
	<u>67,990</u>	<u>-</u>
Total operating expenses	<u>74,343</u>	<u>11,609</u>
Operating loss	(46,901)	(1,879)
Non-operating revenues:		
Interest	26	-
State sources	730	-
Federal sources	44,436	-
Total non-operating revenues	<u>45,192</u>	<u>-</u>
Change in net assets before other financing uses	(1,709)	(1,879)
Other financing uses:		
Transfers out	<u>(771)</u>	<u>-</u>
Change in net assets	(2,480)	(1,879)
Net assets beginning of year	<u>16,950</u>	<u>3,121</u>
Net assets end of year	<u>\$ 14,470</u>	<u>1,242</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2011

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 26,947	-
Cash received from miscellaneous operating activities	679	9,730
Cash payments to employees for services	(31,982)	-
Cash payments to suppliers for goods or services	(37,183)	(11,609)
Net cash used by operating activities	<u>(41,539)</u>	<u>(1,879)</u>
Cash flows from non-capital financing activities:		
Transfer to General Fund	(771)	-
Loan from General Fund	1,864	-
State grants received	730	-
Federal grants received	39,399	-
Net cash provided by non-capital financing activities	<u>41,222</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	26	-
Net decrease in cash and cash equivalents	(291)	(1,879)
Cash and cash equivalents at beginning of year	<u>7,743</u>	<u>3,121</u>
Cash and cash equivalents at end of year	<u>\$ 7,452</u>	<u>1,242</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss	\$ (46,901)	(1,879)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities consumed	5,037	-
Depreciation	1,176	-
Increase in inventories	(1,035)	-
Decrease in accounts receivable	163	-
Increase in unearned revenue	21	-
Net cash used by operating activities	<u>\$ (41,539)</u>	<u>(1,879)</u>

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

During the year ended June 30, 2011, the District received \$5,037 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2011

	Private Purpose Trust
	Scholarships
<b>Assets</b>	
Cash and pooled investments	\$ 131,306
Interest receivable	377
<b>Total assets</b>	<b>131,683</b>
<b>Liabilities</b>	
	-
<b>Net Assets</b>	
Restricted for scholarships	\$ 131,683

SEE NOTES TO FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT  
 STATEMENT CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest	\$ 1,834
Deductions:	
Instruction:	
Scholarships awarded	2,356
Change in net assets	(522)
Net assets beginning of year	132,205
Net assets end of year	\$ 131,683

SEE NOTES TO FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011

**(1) Summary of Significant Accounting Policies**

The Delwood Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through sixth. Additionally, the District either operates or sponsors various after school programs for the community. The geographic area served includes the Cities of Delmar and Elwood, Iowa, and the predominate agricultural territory in Clinton and Jackson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

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

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

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

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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 that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

The District's proprietary funds are the School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets, Liabilities and Fund 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, they have a maturity date no longer than twelve months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the

Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

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

Asset Class	Amount
Land	\$ 2,000
Buildings	2,000
Land improvements	2,000
Intangibles	20,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

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

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

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

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

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be intact or are not expected to be converted to cash.

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 imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Accounting

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

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This

chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit of 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 Direct Government Obligations Portfolio which are valued at an amortized cost of \$230,002 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

**(3) Due From and Due to Other Funds**

Receivable Fund	Payable Fund	Amount
General	Enterprise, School Nutrition	<u>\$ 1,864</u>

The Enterprise, School Nutrition Fund is repaying the General Fund for salary reimbursement.

**(4) Transfers**

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

Transfer to	Transfer from	Amount
General	Enterprise, School Nutrition	<u>\$ 771</u>

The School Nutrition Fund transferred the above amount to the General Fund for after school snack reimbursement.

**(5) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Machinery and equipment	\$ 32,663	-	-	32,663
Less accumulated depreciation	25,299	1,176	-	26,475
Business type activities capital assets, net	<u>\$ 7,364</u>	<u>(1,176)</u>	-	<u>6,188</u>

	Balance			Balance
	Beginning			End
	of Year	Increases	Decreases	of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 600	-	-	600
Total capital assets not being depreciated	600	-	-	600
Capital assets being depreciated:				
Buildings	1,345,870	38,335	-	1,384,205
Land improvements	44,768	-	-	44,768
Machinery and equipment	1,022,978	52,355	10,604	1,064,729
Total capital assets being depreciated	2,413,616	90,690	10,604	2,493,702
Less accumulated depreciation for:				
Buildings	327,048	24,455	-	351,503
Land improvements	25,522	1,746	-	27,268
Machinery and equipment	826,401	57,629	10,604	873,426
Total accumulated depreciation	1,178,971	83,830	10,604	1,252,197
Total capital assets being depreciated, net	1,234,645	6,860	-	1,241,505
Governmental activities capital assets, net	\$ 1,235,245	6,860	-	1,242,105

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 16,219
Support services:		
Instructional staff		4,366
Administration		345
Operation and maintenance of plant		13,786
Transportation		22,913
		<u>57,629</u>
Unallocated depreciation		<u>26,201</u>
Total governmental activities depreciation expense		<u>\$ 83,830</u>
Business type activities:		
Food services		<u>\$ 1,176</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance		Balance	Due
	Beginning		End of	Within
	of Year	Additions	Deletions	Year
				One Year
Net OPEB liability	\$ 5,428	5,295	-	10,723
				-

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$69,682, \$65,324 and \$58,083, respectively, equal to the required contributions for each year.

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

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 10 active and 1 retired members in the plan. Participants must be age 55 or older at age of retirement.

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

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

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

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

Annual required contribution	\$ 6,900
Interest on net OPEB obligation	136
Adjustment to annual required contribution	(610)
Annual OPEB cost	<u>6,426</u>
Contributions made	<u>(1,131)</u>
Increase in net OPEB obligation	5,295
Net OPEB obligation beginning of year	<u>5,428</u>
Net OPEB obligation end of year	<u><u>\$ 10,723</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$56,820 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:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 6,315	14.05%	\$ 5,428
2011	6,426	17.60%	10,723

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 \$49,969, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$49,969. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$374,094 and the ratio of the UAAL to covered payroll was 13.36%. 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. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques

designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual health care cost trend rate is 6.00% for the year ended June 30, 2011.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$425 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$100,895 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Special Item**

The District participates in a 28E sharing agreement with the Maquoketa Community School District. During the year ended June 30, 2011, Delwood Community School District paid Maquoketa CSD \$65,577 of its statewide sales, services and use tax revenue received per provisions of the 28E sharing agreement. The agreement is supervised by a Facility Improvement Program Committee which includes Board members from each District.

**(12) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and Talented Programs	\$ 39,311
Four-year-old Preschool State Aid	27,055
Teacher Salary Supplement	1,348
Professional Development for Model Core Curriculum	753
Professional Development	1,633
Market Factor Incentives	914
	<hr/>
Total	\$ 71,014
	<hr/> <hr/>

**(13) Accounting Change/Restatement**

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

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously stated	\$ 360,142	297,261
Change in fund type classification per implementation of GASB Statement No. 54	297,261	(297,261)
	<hr/>	<hr/>
Balances July 1, 2010, as restated	\$ 657,403	-
	<hr/> <hr/>	<hr/> <hr/>

REQUIRED SUPPLEMENTARY INFORMATION

DELWOOD COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
<b>Revenues:</b>						
Local sources	\$ 1,354,295	27,468	1,381,763	1,268,671	1,268,671	113,092
Intermediate sources	840	-	840	-	-	840
State sources	1,434,652	730	1,435,382	1,578,070	1,578,070	(142,688)
Federal sources	178,876	44,436	223,312	176,898	176,898	46,414
Total revenues	<u>2,968,663</u>	<u>72,634</u>	<u>3,041,297</u>	<u>3,023,639</u>	<u>3,023,639</u>	<u>17,658</u>
<b>Expenditures/Expenses:</b>						
Instruction	1,837,491	-	1,837,491	1,929,177	1,950,000	112,509
Support services	553,248	6,353	559,601	668,136	668,136	108,535
Non-instructional programs	34,492	67,990	102,482	112,177	122,000	19,518
Other expenditures	137,380	-	137,380	252,342	252,342	114,962
Total expenditures/expenses	<u>2,562,611</u>	<u>74,343</u>	<u>2,636,954</u>	<u>2,961,832</u>	<u>2,992,478</u>	<u>355,524</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	406,052	(1,709)	404,343	61,807	31,161	373,182
Other financing sources(uses), net	(64,076)	(771)	(64,847)	(120,000)	(120,000)	55,153
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	341,976	(2,480)	339,496	(58,193)	(88,839)	428,335
Balances beginning of year	<u>1,323,269</u>	<u>16,950</u>	<u>1,340,219</u>	<u>988,602</u>	<u>988,602</u>	<u>351,617</u>
Balances end of year	<u>\$ 1,665,245</u>	<u>14,470</u>	<u>1,679,715</u>	<u>930,409</u>	<u>899,763</u>	<u>779,952</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DELWOOD COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2011

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. 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, the District adopted one budget amendment, increasing budgeted expenditures by \$30,646.

DELWOOD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE  
 RETIREE HEALTH PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 49,969	49,969	0.00%	\$ 367,988	13.58%
2011	July 1, 2009	-	49,969	49,969	0.00%	374,094	13.36%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

DELWOOD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 42,485	11,142	53,627
Receivables:			
Property tax:			
Delinquent	422	-	422
Succeeding year	25,000	-	25,000
Accrued interest	-	14	14
Accounts	918	-	918
<b>Total assets</b>	<b>\$ 68,825</b>	<b>11,156</b>	<b>79,981</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 25,000	-	25,000
Total liabilities	25,000	-	25,000
Fund Balances:			
Restricted for:			
Management levy purposes	43,825	-	43,825
Student activities	-	11,156	11,156
Total fund balances	43,825	11,156	54,981
<b>Total liabilities and fund balances</b>	<b>\$ 68,825</b>	<b>11,156</b>	<b>79,981</b>

Note: Student Activity Fund consists of two accounts, 5th/6th Grade Trip and Student Council.

DELWOOD COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2011

	Special Revenue		
	Manage-	Student	Total
	ment Levy	Activity	
Revenues:			
Local sources:			
Local tax	\$ 24,991	-	24,991
Other	3,665	6,522	10,187
State sources	13	-	13
Total revenues	<u>28,669</u>	<u>6,522</u>	<u>35,191</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,530	-	2,530
Other	-	5,088	5,088
	<u>2,530</u>	<u>5,088</u>	<u>7,618</u>
Support services:			
Administration	6,075	-	6,075
Operation and maintenance of plant	12,086	-	12,086
Transportation	7,079	-	7,079
	<u>25,240</u>	<u>-</u>	<u>25,240</u>
Non-instructional programs	1,135	-	1,135
Total expenditures	<u>28,905</u>	<u>5,088</u>	<u>33,993</u>
Net change in fund balances	(236)	1,434	1,198
Fund balances beginning of year, as restated	<u>44,061</u>	<u>9,722</u>	<u>53,783</u>
Fund balances end of year	<u>\$ 43,825</u>	<u>11,156</u>	<u>54,981</u>

Note: Student Activity Fund consists of two accounts, 5th/6th Grade Trip and Student Council.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DELWOOD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 440,448	263,036	703,484
Receivables:			
Accrued interest	271	288	559
Accounts	1,850	-	1,850
Due from other governments	30,711	-	30,711
<b>Total assets</b>	<b>\$ 473,280</b>	<b>263,324</b>	<b>736,604</b>
<b>Liabilities and Fund Balances</b>			
Liabilities	-	-	-
Fund balances:			
Restricted for:			
School infrastructure	473,280	-	473,280
Physical plant and equipment	-	263,324	263,324
Total fund balances	473,280	263,324	736,604
<b>Total liabilities and fund balances</b>	<b>\$ 473,280</b>	<b>263,324</b>	<b>736,604</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DELWOOD COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 191,187	-	191,187
Other	2,143	2,913	5,056
Total revenues	<u>193,330</u>	<u>2,913</u>	<u>196,243</u>
Expenditures:			
Instruction:			
Regular	-	11,982	11,982
Support Services:			
Instructional staff	-	2,248	2,248
Operation and maintenance of plant	-	750	750
Other expenditures:			
Facilities acquisitions	14,615	21,870	36,485
Total expenditures	<u>14,615</u>	<u>36,850</u>	<u>51,465</u>
Excess(deficiency) of revenues over(under) expenditures	178,715	(33,937)	144,778
Other financing uses:			
Special item	(65,577)	-	(65,577)
Net change in fund balances	113,138	(33,937)	79,201
Fund balances beginning of year, as restated	<u>360,142</u>	<u>297,261</u>	<u>657,403</u>
Fund balances end of year	<u>\$ 473,280</u>	<u>263,324</u>	<u>736,604</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DELWOOD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 1,058,243	1,003,820	986,686	964,425	978,434	853,716	951,294	985,164
Tuition	253,472	175,787	163,233	110,758	109,445	85,099	119,719	87,935
Other	42,580	50,455	61,877	95,783	116,591	147,000	77,472	94,632
Intermediate sources	840	13,645	53,884	-	-	-	-	-
State sources	1,434,652	1,198,707	1,230,235	1,414,762	1,140,186	1,251,350	1,048,176	1,089,315
Federal sources	178,876	218,030	75,143	67,504	62,198	76,866	83,296	79,661
<b>Total</b>	<b>\$ 2,968,663</b>	<b>2,660,444</b>	<b>2,571,058</b>	<b>2,653,232</b>	<b>2,406,854</b>	<b>2,414,031</b>	<b>2,279,957</b>	<b>2,336,707</b>
Expenditures:								
Instruction:								
Regular	\$ 1,217,941	1,163,098	1,310,955	1,129,347	1,048,161	995,246	972,818	1,174,642
Special	469,183	457,989	505,550	365,641	448,685	427,745	421,871	142,863
Other	150,367	165,015	998	96,809	77,582	2,637	35,532	6,082
Support services:								
Student	23,927	23,644	24,427	21,463	17,766	24,034	29,342	68,414
Instructional staff	37,130	30,427	43,539	42,737	42,876	96,775	104,658	78,877
Administration	211,897	215,748	210,107	201,347	187,222	240,482	226,621	209,030
Operation and maintenance of plant	142,713	135,041	155,143	134,315	135,942	140,984	155,101	131,227
Transportation	137,581	215,020	156,910	234,964	150,036	133,769	137,182	100,440
Non-instructional programs	34,492	36,864	33,070	30,951	29,535	25,236	30,369	5,883
Other expenditures:								
Facilities acquisition	36,485	22,807	73,334	142,429	118,679	79,766	297,230	557,670
Long-term debt:								
Principal	-	-	205,000	65,000	60,000	60,000	55,000	55,000
Interest and other charges	-	-	9,247	12,510	15,810	19,110	22,135	18,870
AEA flow-through	100,895	95,940	89,534	89,062	80,430	79,033	76,804	79,308
<b>Total</b>	<b>\$ 2,562,611</b>	<b>2,561,593</b>	<b>2,817,814</b>	<b>2,566,575</b>	<b>2,412,724</b>	<b>2,324,817</b>	<b>2,564,663</b>	<b>2,628,306</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

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

To the Board of Education of the  
Delwood 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 Delwood Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 9, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a certain 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 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 II of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delwood Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

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.

Delwood Community School 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 Delwood Community School District's responses and, accordingly, we express no opinion on them.

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

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

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 9, 2012

DELWOOD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

I-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - The administrative team including the superintendent/principal, superintendent/building secretary, business coordinator/board secretary and the Delwood School Board continue to review the accounting system procedures to reveal any discrepancies and implement changes to improve the internal control as necessary. Due to our size we do not have enough staff to split the duties as they should be but are comfortable assuming each other's positions in their absence and feel by constantly cross-checking and training it would reveal errors or omissions.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

DELWOOD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011

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

- II-A-11 Certified Budget - District expenditures for the year ended June 30, 2011, did not exceed the amount budgeted.
- II-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 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 were 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 insure that the coverage is adequate for current operations.
- II-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- 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 - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 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		\$ 360,142
Revenues:		
Sales tax revenues	\$ 191,187	
Other local revenues	2,143	193,330
		<u>553,472</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 12,764	
Other	1,851	
28E agreement payment	65,577	80,192
		<u>80,192</u>
Ending balance		<u><u>\$ 473,280</u></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 Taxable Valuation	Property Tax Dollars Reduced
Physical plant and equipment levy	<u>\$ 1.00000</u>	<u>\$ 65,910</u>