

FARRAGUT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Farragut Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Robert Lynn	President	2013
Rob Lightfoot	Vice President	2013
Stacie Scroggie	Board Member	2011
Kelly Carey	Board Member	2013
Jenny Varellas	Board Member	2011
Diane Dee Owen	Board Member	2011
Monica Whitehead	Board Member	2011
School Officials		
Jay Lutt	Superintendent	2011
Denise Stevens	District Secretary	2011
Harriette Latimer	District Treasurer	2011
Gruhn Law Firm	Attorney	2011

FARRAGUT COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Farragut 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 28, 2012 on our consideration of Farragut 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 Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 46 are not required parts of the

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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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Farragut Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for seven years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 8, 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.

Handwritten signature in black ink, reading "Nolte, Cornman & Johnson PC". The signature is written in a cursive style with a large, stylized "PC" at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Farragut Community School District provides the 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 \$2,922,646 in fiscal 2010 to \$3,055,336 in fiscal 2011, while General Fund expenditures increased from \$3,077,022 in fiscal 2010 to \$3,198,466 in fiscal 2011. This resulted in a decrease in the District's General Fund balance from \$18,058 in fiscal 2010 to a deficit balance of \$125,072 in fiscal 2011, which is a 792.61% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state sources in fiscal 2011. The increase in expenditures was due primarily to increases in administrative costs.

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 Farragut 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 Farragut 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 Farragut Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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

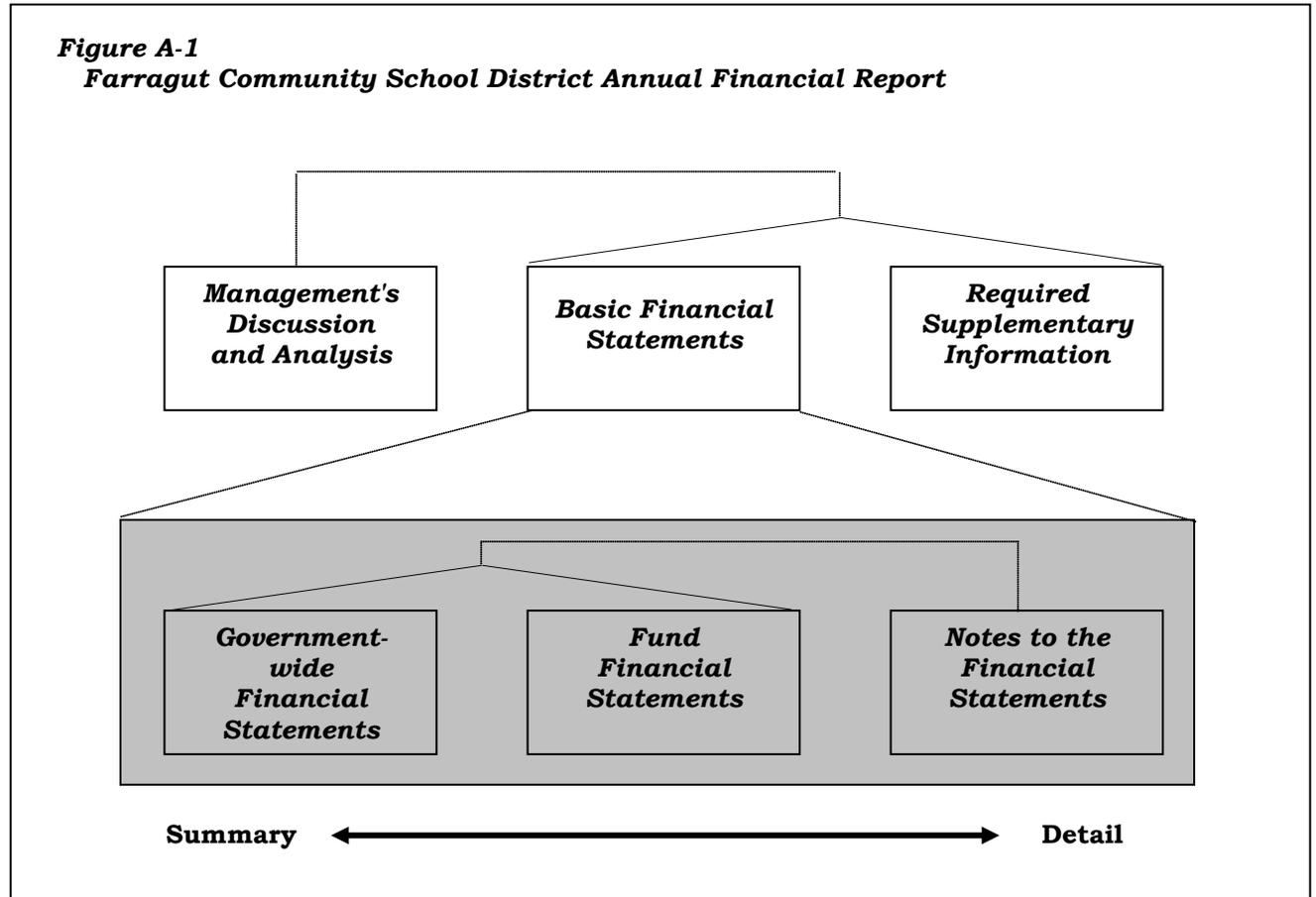


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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.

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, Capital Projects Fund and Debt Service Fund.

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

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the 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 District-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		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 2,418,502	2,263,378	12,177	5,362	2,430,679	2,268,740	7.14%
Capital assets	1,042,926	868,739	0	323	1,042,926	869,062	20.01%
Total assets	3,461,428	3,132,117	12,177	5,685	3,473,605	3,137,802	10.70%
Long-term obligations	25,780	11,596	0	0	25,780	11,596	122.32%
Other liabilities	1,971,132	1,485,190	16,154	1,480	1,987,286	1,486,670	33.67%
Total liabilities	1,996,912	1,496,786	16,154	1,480	2,013,066	1,498,266	34.36%
Net assets:							
Invested in capital assets, net of related debt	1,042,926	868,739	0	323	1,042,926	869,062	20.01%
Restricted	459,867	540,569	0	0	459,867	540,569	-14.93%
Unrestricted	(38,277)	226,023	(3,977)	3,882	(42,254)	229,905	-118.38%
Total net assets	\$ 1,464,516	1,635,331	(3,977)	4,205	1,460,539	1,639,536	-10.92%

The District's combined net assets decreased by 10.92%, or \$178,997, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased 14.93%, or \$80,702, over the prior year. The decrease was primarily due to the decreases in the Capital Projects: Statewide Sales, Services, and Use Tax Fund, Management Levy Fund, and Student Activity Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$272,159, or 118.38%. The decrease in unrestricted net assets is primarily a result of the decrease in General Fund balance.

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

Figure A-4
Changes of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for services	\$ 440,461	294,016	43,961	54,655	484,422	348,671	38.93%
Operating grants and contributions and restricted interest	219,892	709,628	45,896	53,196	265,788	762,824	-65.16%
General revenues:							
Property tax	1,320,225	1,181,401	0	0	1,320,225	1,181,401	11.75%
Income surtax	135,798	151,119	0	0	135,798	151,119	-10.14%
Statewide sales, services and use tax	141,694	175,404	0	0	141,694	175,404	-19.22%
Unrestricted state grants	1,012,863	745,902	0	0	1,012,863	745,902	35.79%
Nonspecific program federal grants	80,560	0	0	0	80,560	0	100.00%
Unrestricted investment earnings	2,177	8,036	14	0	2,191	8,036	-72.74%
Other	39,114	28,774	1,690	0	40,804	28,774	41.81%
Total revenues	3,392,784	3,294,280	91,561	107,851	3,484,345	3,402,131	2.42%
Program expenses:							
Governmental activities:							
Instructional	2,091,190	2,074,875	0	0	2,091,190	2,074,875	0.79%
Support services	1,317,936	1,095,358	0	0	1,317,936	1,095,358	20.32%
Non-instructional programs	0	0	99,743	106,165	99,743	106,165	-6.05%
Other expenses	154,473	199,069	0	0	154,473	199,069	-22.40%
Total expenses	3,563,599	3,369,302	99,743	106,165	3,663,342	3,475,467	5.41%
Changes in net assets	(170,815)	(75,022)	(8,182)	1,686	(178,997)	(73,336)	144.08%
Beginning net assets	1,635,331	1,710,353	4,205	2,519	1,639,536	1,712,872	-4.28%
Ending net assets	\$ 1,464,516	1,635,331	(3,977)	4,205	1,460,539	1,639,536	-10.92%

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 76.95% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.14% of the revenue from business type activities.

The District's total revenues were approximately \$3.48 million of which approximately \$3.39 million was for governmental activities and approximately \$0.09 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.42% increase in revenues and a 5.41% increase in expenses. Property tax increased \$138,824 to fund increases in expenditures. The increase in expenses related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$3,392,784 and expenses were \$3,563,599.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
	Instruction	\$ 2,091,190	2,074,875	0.79%	1,620,600	1,185,329
Support services	1,317,936	1,095,358	20.32%	1,230,170	1,084,566	13.43%
Other expenses	154,473	199,069	-22.40%	52,476	95,763	-45.20%
Totals	\$ 3,563,599	3,369,302	5.77%	2,903,246	2,365,658	22.72%

- The cost financed by users of the District's programs was \$440,461.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$219,892.
- The net cost of governmental activities was financed with \$1,320,225 in property tax, \$135,798 in income surtax, \$141,694 in statewide sales, services and use tax, \$1,012,863 in unrestricted state grants, \$80,560 in nonspecific program federal grants, \$2,177 in interest income and \$39,114 in other general revenues.

Business type Activities

Revenues of the District's business type activity were \$91,561 and expenses were \$99,743. The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$318,841, below last year's ending fund balances of \$652,588. However, the primary reason for the decrease in combined fund balances is due to the decrease in fund balance of the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in local and federal source revenues resulted in an increase in revenues. The increase in salaries and benefits is one of the reasons for the increase in expenditures. The increase in revenues was not enough to offset the increase in expenditures; the net result was a decrease in fund balance from \$18,058 in fiscal 2010 to a deficit fund balance of \$125,072 in fiscal 2011.
- The Capital Projects Accounts balance overall decreased from \$435,689 in fiscal 2010 to \$257,015 in fiscal 2011. During fiscal 2011 the Physical Plant and Equipment Levy Fund was reclassified as a Capital Projects Account due to GASB statement number 54. During the year

ended June 30, 2011 the Statewide Sales, Services and Use Tax Fund balance decreased from \$390,486 to \$196,731, while the Physical Plant and Equipment Levy Fund balance increased during the year ended June 30, 2011 from \$45,203 to \$60,284.

Proprietary Fund Highlights

As of the year ended June 30, 2011, the School Nutrition Fund experienced a decrease in revenues and expenses as compared to June 30, 2010. Overall, net assets decreased from \$4,205 at June 30, 2010 to a deficit \$3,977 at June 30, 2011, representing a decrease of 194.58%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$99,531 less than budgeted revenues, a variance of 2.78%. The most significant variances resulted from the District receiving less in state sources than originally anticipated.

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$1,042,926, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 20.01% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$128,615.

The original cost of the District's capital assets was \$3,969,567. Governmental funds account for \$3,953,103 with the remainder of \$16,464 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2010 as compared to \$248,590 at June 30, 2011. This increase is due to the HVAC work in the District.

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	\$ 15,020	15,020	0	0	15,020	15,020	0.00%
Construction in progress	248,590	0	0	0	248,590	0	100.00%
Land improvements	90,288	108,419	0	0	90,288	108,419	-16.72%
Buildings	513,992	548,337	0	0	513,992	548,337	-6.26%
Machinery and equipment	175,036	196,963	0	323	175,036	197,286	-11.28%
Total	\$ 1,042,926	868,739	0	323	1,042,926	869,062	20.01%

Long-Term Debt

At June 30, 2011, the District had \$25,780 in other long-term debt outstanding. (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 has a net OPEB liability of \$25,780 in the governmental activities.

Figure A-7
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-11
Net OPEB Liability	\$ 25,780	11,596	122.32%
Total	\$ 25,780	11,596	122.32%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2005.

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 Gloria McComb, Business Manager, Farragut Community School District, 907 Hartford Avenue, Farragut, Iowa, 51639.

FARRAGUT COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 781,009	9,228	790,237
Receivables:			
Property tax:			
Delinquent	18,240	0	18,240
Succeeding year	1,264,804	0	1,264,804
Income surtax	124,885	0	124,885
Inventories	0	2,949	2,949
Due from other funds	15,521	0	15,521
Due from other governments	214,043	0	214,043
Capital assets, net of accumulated depreciation	1,042,926	0	1,042,926
Total Assets	3,461,428	12,177	3,473,605
Liabilities			
Due to other funds	0	15,521	15,521
Accounts payable	467,284	0	467,284
Salaries and benefits payable	239,044	0	239,044
Deferred revenue:			
Succeeding year property tax	1,264,804	0	1,264,804
Unearned revenue	0	633	633
Long-term liabilities:			
Portion due after one year:			
Net OPEB liability	25,780	0	25,780
Total Liabilities	1,996,912	16,154	2,013,066
Net Assets			
Invested in capital assets, net of related debt	1,042,926	0	1,042,926
Restricted for:			
Categorical funding	13,825	0	13,825
Management levy purposes	89,880	0	89,880
Student activities	99,147	0	99,147
School infrastructure	196,731	0	196,731
Physical plant and equipment	60,284	0	60,284
Unrestricted	(38,277)	(3,977)	(42,254)
Total Net Assets	\$ 1,464,516	(3,977)	1,460,539

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants,		Govern- mental Activities	Business Type Activities	Total
		Charges for Services	Contributions and Restricted Interest			
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,387,839	239,087	39,323	(1,109,429)	0	(1,109,429)
Special	276,002	0	12,607	(263,395)	0	(263,395)
Other	427,349	119,087	60,486	(247,776)	0	(247,776)
	<u>2,091,190</u>	<u>358,174</u>	<u>112,416</u>	<u>(1,620,600)</u>	<u>0</u>	<u>(1,620,600)</u>
Support services:						
Student	56,640	0	0	(56,640)	0	(56,640)
Instructional staff	127,569	0	0	(127,569)	0	(127,569)
Administration	658,589	81,225	1,566	(575,798)	0	(575,798)
Operation and maintenance of plant	299,084	0	3,913	(295,171)	0	(295,171)
Transportation	176,054	1,062	0	(174,992)	0	(174,992)
	<u>1,317,936</u>	<u>82,287</u>	<u>5,479</u>	<u>(1,230,170)</u>	<u>0</u>	<u>(1,230,170)</u>
Other expenses:						
AEA flowthrough	101,997	0	101,997	0	0	0
Depreciation(unallocated)*	52,476	0	0	(52,476)	0	(52,476)
	<u>154,473</u>	<u>0</u>	<u>101,997</u>	<u>(52,476)</u>	<u>0</u>	<u>(52,476)</u>
Total governmental activities	3,563,599	440,461	219,892	(2,903,246)	0	(2,903,246)
Business type activities:						
Non-instructional programs:						
Nutrition services	99,743	43,961	45,896	0	(9,886)	(9,886)
Total business type activities	<u>99,743</u>	<u>43,961</u>	<u>45,896</u>	<u>0</u>	<u>(9,886)</u>	<u>(9,886)</u>
Total	<u>\$ 3,663,342</u>	<u>484,422</u>	<u>265,788</u>	<u>(2,903,246)</u>	<u>(9,886)</u>	<u>(2,913,132)</u>
General Revenues:						
Property tax for:						
General purposes				\$ 1,293,493	0	1,293,493
Capital outlay				26,732	0	26,732
Income surtax				135,798	0	135,798
Statewide sales, services and use tax				141,694	0	141,694
Unrestricted state grants				1,012,863	0	1,012,863
Nonspecific program federal grants				80,560	0	80,560
Unrestricted investment earnings				2,177	14	2,191
Other				39,114	1,690	40,804
Total general revenues				<u>2,732,431</u>	<u>1,704</u>	<u>2,734,135</u>
Changes in net assets				(170,815)	(8,182)	(178,997)
Net assets beginning of year				<u>1,635,331</u>	<u>4,205</u>	<u>1,639,536</u>
Net assets end of year				<u>\$ 1,464,516</u>	<u>(3,977)</u>	<u>1,460,539</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 108,613	482,406	186,346	777,365
Receivables:				
Property tax:				
Delinquent	17,319	369	552	18,240
Succeeding year	1,406,701	63,332	30,000	1,500,033
Income surtax	124,885	0	0	124,885
Due from other funds	15,521	0	0	15,521
Due from other governments	181,499	32,544	0	214,043
Total Assets	\$ 1,854,538	578,651	216,898	2,650,087
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 208,980	258,304	0	467,284
Salaries and benefits payable	239,044	0	0	239,044
Deferred revenue:				
Succeeding year property tax	1,406,701	63,332	30,000	1,500,033
Income surtax	124,885	0	0	124,885
Total liabilities	1,979,610	321,636	30,000	2,331,246
Fund balances:				
Restricted for:				
Categorical funding	13,825	0	0	13,825
Management levy purposes	0	0	89,880	89,880
Student activities	0	0	99,147	99,147
School infrastructure	0	196,731	0	196,731
Physical plant and equipment	0	60,284	0	60,284
Assigned	12,000	0	0	12,000
Unassigned:				
General	(150,897)	0	0	(150,897)
Student activities	0	0	(2,129)	(2,129)
Total fund balances	(125,072)	257,015	186,898	318,841
Total Liabilities and Fund Balances	\$ 1,854,538	578,651	216,898	2,650,087

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20) \$ 318,841

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

Capital assets used in governmental activities are not
 financial resources and, therefore, are not reported as
 assets in in the governmental funds. 1,042,926

Blending of the Internal Service Fund to be reflected
 on an entity-wide basis. 3,644

Accounts receivable income surtax, are not yet available
 to finance expenditures of the current fiscal period. 124,885

Long-term liabilities, including other postemployment
 benefits payable are not due and payable in the current
 period and, therefore, are not reported as liabilities
 in the governmental funds. (25,780)

Net assets of governmental activities(page 18) \$ 1,464,516

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,386,994	168,426	39,949	1,595,369
Tuition	144,609	0	0	144,609
Other	210,418	1,071	125,654	337,143
State sources	1,146,805	0	0	1,146,805
Federal sources	166,510	0	0	166,510
TOTAL REVENUES	3,055,336	169,497	165,603	3,390,436
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,375,288	0	0	1,375,288
Special	275,010	0	0	275,010
Other	299,685	0	126,120	425,805
	1,949,983	0	126,120	2,076,103
Support services:				
Student	56,234	0	0	56,234
Instructional staff	108,739	7,926	0	116,665
Administration	629,129	0	25,048	654,177
Operation and maintenance of plant	206,756	0	21,803	228,559
Transportation services	145,628	9,549	4,575	159,752
	1,146,486	17,475	51,426	1,215,387
Other expenditures:				
Facilities acquisitions	0	330,696	0	330,696
AEA flowthrough	101,997	0	0	101,997
	101,997	330,696	0	432,693
TOTAL EXPENDITURES	3,198,466	348,171	177,546	3,724,183
Net change in fund balances	(143,130)	(178,674)	(11,943)	(333,747)
Fund balance beginning of year, as restated	18,058	435,689	198,841	652,588
Fund balance end of year	\$ (125,072)	257,015	186,898	318,841

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT 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) \$ (333,747)

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

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

Expenditures for capital assets	\$ 302,479	
Depreciation expense	<u>(128,292)</u>	174,187

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 581

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 2,348

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

Other postemployment benefits (14,184)

Changes in net assets of governmental activities(page 19) \$ (170,815)

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Cash and pooled investments	\$ 9,228	3,644
Inventories	2,949	0
TOTAL ASSETS	12,177	3,644
LIABILITIES		
Due to other funds	15,521	0
Unearned revenue	633	0
TOTAL LIABILITIES	16,154	0
NET ASSETS		
Unrestricted	(3,977)	3,644
TOTAL NET ASSETS	\$ (3,977)	3,644

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 43,961	0
Miscellaneous	1,690	10,562
TOTAL OPERATING REVENUES	<u>45,651</u>	<u>10,562</u>
OPERATING EXPENSES:		
Support services:		
Administration:		
Benefits	0	9,986
Non-instructional programs:		
Food service operations:		
Salaries	47,619	0
Benefits	6,889	0
Supplies	44,652	0
Depreciation	323	0
Other	260	0
	<u>99,743</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>99,743</u>	<u>9,986</u>
OPERATING INCOME(LOSS)	<u>(54,092)</u>	<u>576</u>
NON-OPERATING REVENUES:		
State sources	878	0
Federal sources	45,018	0
Interest income	14	5
TOTAL NON-OPERATING REVENUES	<u>45,910</u>	<u>5</u>
Changes in net assets	(8,182)	581
Net assets beginning of year	<u>4,205</u>	<u>3,063</u>
Net assets end of year	<u>\$ (3,977)</u>	<u>3,644</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business type Activities - Enterprise Fund School Nutrition	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 43,818	0
Cash received from miscellaneous operating activities	1,690	10,562
Cash payments to employees for services	(55,212)	(9,986)
Cash payments to suppliers for goods or services	(38,346)	0
Net cash provided by(used in) operating activities	(48,050)	576
Cash flows from non-capital financing activities:		
Borrowings from General Fund	15,521	0
State grants received	878	0
Federal grants received	39,239	0
Net cash provided by non-capital financing activities	55,638	0
Cash flows from investing activities:		
Interest on investments	14	5
Net increase in cash and cash equivalents	7,602	581
Cash and cash equivalents at beginning of year	1,626	3,063
Cash and cash equivalents at end of year	\$ 9,228	3,644
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (54,092)	576
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	5,779	0
Depreciation	323	0
Decrease in inventories	787	0
Decrease in salaries and benefits payable	(704)	0
Decrease in unearned revenue	(143)	0
Net cash provided by(used in) operating activities	\$ (48,050)	576

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$5,779.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust
	Scholarship
ASSETS	
Cash and pooled investments	\$ 33,130
TOTAL ASSETS	33,130
 TOTAL LIABILITIES	 0
 NET ASSETS	
Restricted for scholarships	25,635
Unrestricted	7,495
TOTAL NET ASSETS	\$ 33,130

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest	\$ 96
Contributions	1,300
Total additions	1,396
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	1,725
Change in net assets	(329)
Net assets beginning of year	33,459
Net assets end of year	\$ 33,130

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounting Policies

The Farragut Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the City of Farragut, Iowa, and the agricultural area in Fremont County. 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, Farragut 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 Farragut 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 Fremont 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 service.

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 that are imposed by management, but 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 Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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 also reports two non-major proprietary funds:

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 employee's flexible spending plan. 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 funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals 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 during the fiscal year on a cash basis. At the end of the fiscal year, for reporting purposes, the District prepares the financial statements on an accrual basis by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 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	\$ 1,000
Buildings	10,000
Land improvements	10,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	10,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-15 years

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

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

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

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, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

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

Assigned - Amounts are not available for appropriation but are set aside for a specific purpose. The assigned balance is for the Farragut Virtual Academy.

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 Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011 expenditures in the support services functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

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

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

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Government Obligations Portfolio which are valued at an amortized cost of \$207,996 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Nutrition	<u>\$ 15,521</u>

The General Fund is repaying the School Nutrition Fund for salaries and benefits.

(4) **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant

sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2010-11A	6/30/2010	6/23/2011	\$ 0	300,000	300,000	0

During the year ended June 30, 2011 the District paid \$2,947 of interest on the ISCAP warrants.

(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
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 15,020	0	0	15,020
Construction in progress	0	248,590	0	248,590
Total capital assets not being depreciated	15,020	248,590	0	263,610
Capital assets being depreciated:				
Buildings	1,871,568	0	0	1,871,568
Land improvements	363,818	0	0	363,818
Machinery and equipment	1,400,218	53,889	0	1,454,107
Total capital assets being depreciated	3,635,604	53,889	0	3,689,493
Less accumulated depreciation for:				
Buildings	1,323,231	34,345	0	1,357,576
Land improvements	255,399	18,131	0	273,530
Machinery and equipment	1,203,255	75,816	0	1,279,071
Total accumulated depreciation	2,781,885	128,292	0	2,910,177
Total capital assets being depreciated, net	853,719	(74,403)	0	779,316
Governmental activities capital assets, net	\$ 868,739	174,187	0	1,042,926

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 16,464	0	0	16,464
Less accumulated depreciation	16,141	323	0	16,464
Business type activities capital assets, net	\$ 323	(323)	0	0

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 6,042
Support services:		
Instructional staff		16,339
Administration		580
Operation and maintenance		27,008
Transportation		25,847
		<u>75,816</u>
Unallocated depreciation		<u>52,476</u>
		<u>\$ 128,292</u>
Business type activities:		
Food services		<u>\$ 323</u>

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Net OPEB Liability	\$ 11,596	14,184	0	25,780	0
Total	\$ 11,596	14,184	0	25,780	0

(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 salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$117,045, \$107,139 and \$108,483 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 28 active and 2 retired members in the plan.

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

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

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

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

Annual required contribution	\$ 16,526
Interest on net OPEB obligation	290
Adjustment to annual required contribution	(1,186)
Annual OPEB cost	<u>15,630</u>
Amortization of unfunded actuarial accrued liability	(1,446)
Increase in net OPEB obligation	<u>14,184</u>
Net OPEB obligation - beginning of year	<u>11,596</u>
 Net OPEB obligation - end of year	 <u><u>\$ 25,780</u></u>

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

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	\$ 15,451	24.90%	\$ 11,596
2011	\$ 15,630	9.25%	\$ 25,780

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 \$137,329, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$137,329. The covered payroll (annual payroll of active employees covered by the plan) was \$1,372,311 million, and the ratio of the UAAL to the covered payroll was 10.01%. As of June 30, 2011, there were no trust fund assets.

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

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

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The health cost trend rate for basis of the actuarial was 6% per year.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from 2006 Society of Actuaries Study. 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 a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and

protection in the following categories: medical, and prescription drugs. District contributions to ISEBA for the year ended June 30, 2011 were \$284,418.

The District is exposed to various risks to 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. 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 \$101,997 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's ending restricted balances for categorical funding as of June 30, 2010 are comprised of the following projects:

Project	Amount
Limited english proficiency	\$ 1,288
Beginning teacher mentoring	729
Beginning administrator mentoring	1,500
Gifted and talented	5,939
Professional development	4,369
Total	<u>\$ 13,825</u>

(12) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2011, the District exceeded its budget amount in the support services function.

(13) Deficit Fund Balance/Net Assets

At June 30, 2011, the Nutrition Fund had deficit unrestricted net assets of \$3,977, The District also had a deficit unrestricted net assets balance in the governmental activities of \$38,277. There were negative unassigned balances in the Activity fund of \$2,129.

(14) Accounting Change/Restatement

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

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 390,486	45,203
Change in fund type classification per implementation of GASB Statement No. 54	45,203	(45,203)
Balances July 1, 2010, as restated	\$ 435,689	-

FARRAGUT COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

FARRAGUT 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 Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,077,121	45,665	2,122,786	1,859,148	1,859,148	263,638
State sources	1,146,805	878	1,147,683	1,589,880	1,589,880	(442,197)
Federal sources	166,510	45,018	211,528	132,500	132,500	79,028
Total revenues	<u>3,390,436</u>	<u>91,561</u>	<u>3,481,997</u>	<u>3,581,528</u>	<u>3,581,528</u>	<u>(99,531)</u>
Expenditures/Expenses:						
Instruction	2,076,103	0	2,076,103	2,419,112	2,419,112	343,009
Support services	1,215,387	0	1,215,387	1,156,918	1,156,918	(58,469)
Non-instructional programs	0	99,743	99,743	124,000	124,000	24,257
Other expenditures	432,693	0	432,693	467,712	467,712	35,019
Total expenditures/expenses	<u>3,724,183</u>	<u>99,743</u>	<u>3,823,926</u>	<u>4,167,742</u>	<u>4,167,742</u>	<u>343,816</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(333,747)	(8,182)	(341,929)	(586,214)	(586,214)	244,285
Balance beginning of year	<u>652,588</u>	<u>4,205</u>	<u>656,793</u>	<u>669,609</u>	<u>669,609</u>	<u>12,816</u>
Balance end of year	<u>\$ 318,841</u>	<u>(3,977)</u>	<u>314,864</u>	<u>83,395</u>	<u>83,395</u>	<u>257,101</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT 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.

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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures in the support services functional area exceeded the amount budgeted.

FARRAGUT 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
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 139,709	\$ 139,709	0.0%	\$ 1,611,000	8.67%
2011	July 1, 2009	\$ -	\$ 137,329	\$ 137,329	0.0%	\$ 1,372,311	10.01%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 89,328	97,018	186,346
Receivables:			
Property tax			
Delinquent	552	0	552
Succeeding year	30,000	0	30,000
TOTAL ASSETS	\$ 119,880	97,018	216,898
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 30,000	0	30,000
Total liabilities	30,000	0	30,000
Fund balances:			
Restricted for:			
Management levy purposes	89,880	0	89,880
Student activities	0	99,147	99,147
Unassigned	0	(2,129)	(2,129)
Total fund balances	89,880	97,018	186,898
TOTAL LIABILITIES AND FUND BALANCES	\$ 119,880	97,018	216,898

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 39,949	0	39,949
Other	6,567	119,087	125,654
TOTAL REVENUES	<u>46,516</u>	<u>119,087</u>	<u>165,603</u>
EXPENDITURES:			
Current:			
Instruction:			
Other	0	126,120	126,120
Support services:			
Administration	24,119	929	25,048
Operation and maintenance of plant	21,803	0	21,803
Transportation	4,575	0	4,575
TOTAL EXPENDITURES	<u>50,497</u>	<u>127,049</u>	<u>177,546</u>
Net change in fund balances	(3,981)	(7,962)	(11,943)
Fund balance beginning of year, as restated	93,861	104,980	198,841
Fund balance end of year	<u>\$ 89,880</u>	<u>97,018</u>	<u>186,898</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 422,491	59,915	482,406
Receivables:			
Property tax			
Delinquent	0	369	369
Succeeding year	0	63,332	63,332
Due from other governments	32,544	0	32,544
TOTAL ASSETS	\$ 455,035	123,616	578,651
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 258,304	0	258,304
Deferred revenue:			
Succeeding year property tax	0	63,332	63,332
Total liabilities	258,304	63,332	321,636
Fund Balances:			
Restricted for:			
School infrastructure	196,731	0	196,731
Physical plant and equipment	0	60,284	60,284
Total fund balances	196,731	60,284	257,015
TOTAL LIABILITIES AND FUND BALANCES	\$ 455,035	123,616	578,651

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 141,694	26,732	168,426
Other	922	149	1,071
TOTAL REVENUES	<u>142,616</u>	<u>26,881</u>	<u>169,497</u>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	7,926	0	7,926
Transportation	0	9,549	9,549
Other expenditures:			
Facilities acquisition	328,445	2,251	330,696
TOTAL EXPENDITURES	<u>336,371</u>	<u>11,800</u>	<u>348,171</u>
Net change in fund balances	(193,755)	15,081	(178,674)
Fund balance beginning of year, as restated	<u>390,486</u>	<u>45,203</u>	<u>435,689</u>
Fund balance end of year	<u>\$ 196,731</u>	<u>60,284</u>	<u>257,015</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletics	\$ 7,952	30,174	38,933	(807)
Pep Club	3,375	1,604	2,837	2,142
Jr High Cheerleaders	1,056	0	0	1,056
Drama	5,932	345	50	6,227
French	329	0	0	329
FFA	5,260	9,678	10,999	3,939
FCCLA	1,849	1,395	1,951	1,293
Yearbook	2,580	7,254	7,675	2,159
Miscellaneous Activities	525	1,387	1,420	492
Vocal Music	2,307	3,221	3,077	2,451
Resale	13,562	10,269	6,651	17,180
Art Resale	825	3,664	3,544	945
Student Council	546	0	27	519
Concessions	480	13,994	14,095	379
Instrumental Music	(62)	14,711	14,994	(345)
Tournament Fund	6,328	7,951	6,829	7,450
Vending	6,311	579	2,077	4,813
Pictures	3,118	216	750	2,584
Greenhouse	550	0	406	144
Class of 2010	580	0	0	580
Class of 2011	1,753	2,167	3,357	563
Class of 2012	1,122	3,241	2,860	1,503
Class of 2013	1,041	1,931	909	2,063
Class of 2014	0	2,097	0	2,097
Past Classes	9,777	10	101	9,686
Investments	26,635	2,351	2,168	26,818
Honor Society	1,311	414	0	1,725
CPR	10	0	0	10
Postage	(160)	434	1,251	(977)
ISJIT	88	0	88	0
Total	\$ 104,980	119,087	127,049	97,018

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

		Private Purpose Trust - Scholarship Fund									
		Helen Limbacher Memorial	Harold Penwell Memorial	W.F. & Lucile Dreyer Memorial	Bruce Gruber Memorial	Clark - Campbell Memorial	Class of 48 Scholarship	Scott Memorial	Richards Memorial	Elizabeth O'Brien Memorial	Total
ASSETS											
Cash and pooled investments	\$	2,881	21,044	2,202	202	2,608	25	2,500	500	1,168	33,130
TOTAL ASSETS		2,881	21,044	2,202	202	2,608	25	2,500	500	1,168	33,130
NET ASSETS											
Restricted for scholarships		2,600	18,420	1,503	0	2,112	0	0	0	1,000	25,635
Unrestricted		281	2,624	699	202	496	25	2,500	500	168	7,495
TOTAL NET ASSETS	\$	2,881	21,044	2,202	202	2,608	25	2,500	500	1,168	33,130

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Private Purpose Trust - Scholarship Fund									
	Helen Limbacher Memorial	Harold Penwell Memorial	W.F. & Lucile Dreyer Memorial	Bruce Gruber Memorial	Clark - Campbell Memorial	Class of 48 Scholarship	Scott Memorial	Richards Memorial	Elizabeth O'Brien Memorial	Total
ADDITIONS:										
Local sources:										
Interest	\$ 18	29	19	0	19	0	0	0	11	96
Contributions	100	100	0	100	0	0	1,000	0	0	1,300
TOTAL ADDITIONS	118	129	19	100	19	0	1,000	0	11	1,396
DEDUCTIONS:										
Instruction:										
Regular:										
Scholarships awarded	0	600	0	0	125	0	1,000	0	0	1,725
Change in net assets	118	(471)	19	100	(106)	0	0	0	11	(329)
Net assets beginning of year	2,763	21,515	2,183	102	2,714	25	2,500	500	1,157	33,459
Net assets end of year	\$ 2,881	21,044	2,202	202	2,608	25	2,500	500	1,168	33,130

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT 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	\$ 1,595,369	1,504,397	1,483,012	1,270,110	1,158,628	1,157,033	1,170,737	1,305,766
Tuition	144,609	294,016	236,566	236,834	152,738	147,971	132,128	123,960
Other	337,143	161,352	172,695	171,622	186,833	187,644	166,577	166,260
State sources	1,146,805	1,044,757	1,171,283	1,371,746	1,329,290	1,212,495	1,106,808	999,729
Federal sources	166,510	286,231	62,135	113,815	118,282	172,347	145,366	109,835
Total	\$ 3,390,436	3,290,753	3,125,691	3,164,127	2,945,771	2,877,490	2,721,616	2,705,550
Expenditures:								
Instruction	\$ 2,076,103	2,064,542	1,899,115	1,973,650	1,854,019	1,752,966	1,728,973	1,693,963
Support services:								
Student	56,234	64,406	50,376	41,456	45,467	42,975	43,245	18,856
Instructional staff	116,665	126,603	84,670	83,512	82,493	95,038	101,722	77,121
Administration	654,177	524,899	460,691	435,581	465,806	443,897	384,918	376,357
Operation and maintenance of plant	228,559	245,558	221,408	248,816	239,083	321,961	259,290	245,947
Transportation	159,752	179,431	133,534	127,690	186,688	172,451	212,024	101,714
Other expenditures:								
Facilities acquisitions	330,696	35,123	43,458	202,662	111,370	53,506	57,576	121,788
Long-term debt:								
Principal	0	0	0	80,000	75,000	75,000	70,000	65,000
Interest and fiscal charges	0	0	0	2,920	3,989	6,932	9,683	11,238
AEA flow-through	101,997	102,458	94,294	92,952	91,571	88,117	86,793	87,703
Total	\$ 3,724,183	3,343,020	2,987,546	3,289,239	3,155,486	3,052,843	2,954,224	2,799,687

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

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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
Farragut 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 Farragut 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 28, 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 Farragut 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 Farragut Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Farragut 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.

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 misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-11, I-B-11, I-C-11 and I-D-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings as items I-E-11, I-F-11, I-G-11, and I-H-11 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Farragut 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.

Farragut 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 Farragut 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 Farragut Community School District and other parties to whom Farragut Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2012

FARRAGUT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

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. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

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

Response - We have one person receipting revenues for Hot Lunch, another for Activities, and another for General Fund. Each of these people do reconcile each account but the Business Manager oversees the accounts for input into the software system and also now has access to the bank reconciliations for all funds.

Conclusion - Response accepted.

I-B-11 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAPP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. There were no adjustments in the Nutrition Fund made for the changes in inventories, capital assets, student lunch account balances or commodities received. Governmental fixed assets, receivables and payables had no adjustments made at year end.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every District. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - The District now has a different Board Secretary and all GAAP adjustments will be made at the end of the year. The District will make every effort to provide accurate financial information. The Board Secretary will continue to attend training that is offered, including end of the year training.

Conclusion - Response accepted.

I-C-11 Subsidiary Record Keeping - We noted during our audit that the District's Student

Activity Fund is currently using a “one write system” for record keeping. The system originally provided an option to write the check which had a carbon strip that would simultaneously record the check to the check register and onto a ledger card.

However, the District is currently not using the “one write system” to maximize efficiency. The District is currently writing checks, typing a check listing in the disbursement ledger and then writing the same transaction on the ledger card. The transactions are entered again since the “one write system” does not integrate into the District’s Uniform Financial Accounting system.

We also noted that the School Nutrition Fund’s financial records are being maintained on Quicken. It appeared that the District was not reconciling the Student Activity Fund or School Nutrition Fund subsidiary records to the District’s Uniform Financial Accounting system in a timely manner.

Recommendation - The District needs to integrate the financial transactions of the Student Activity Fund and the School Nutrition Fund on the District’s Uniform Financial Accounting system. District personnel should receive additional training on how to properly maintain the official records on the District’s Uniform Financial Accounting system.

The District may maintain subsidiary records for District activities, but all official records of the District shall be maintained on the District’s Uniform Financial Accounting system. If subsidiary records are maintained, the records must be reconciled to the official records monthly.

Response - School Nutrition Fund is now in the District’s Uniform Financial Accounting System. A training session will be attended this summer to integrate the other funds.

Conclusion - Response accepted.

I-D-11 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements to the general ledger on a timely basis.

Recommendation - The District should reconcile bank statement balances to financial statement bank balances on a monthly basis.

Response - The bank statements balances are reconciled to financial statement bank balances on a monthly basis at this time and shall continue to be forward.

Conclusion - Response accepted.

I-E-11 Payroll Tax Reporting - We noted during our audit, that it appeared the District was not filing quarterly payroll reports in a timely manner. The District was paying penalties to the Internal Revenue Service and Iowa Workforce Development for late filing. It also appeared that Iowa Public Employee Retirement System(IPERS) payments for August and September of 2010 were not paid timely.

Recommendation - The District should review procedures in place to ensure that quarterly payroll reports are filed timely to avoid penalties. The District should ask for abatement of penalties and/or contact their insurance agent for coverage under the District’s errors and omissions insurance.

Response - We have now changed business managers as well as procedures that will be followed.

Conclusion - Response accepted.

- I-F-11 Accounts Utilizing the District's Federal Identification Number - We noted during our audit, that the District has four bank accounts and one Certificate of Deposit that were created using the District's Federal Identification Number but were not being maintained on the District's financial statements. Through discussion with District officials, it was determined that the four bank accounts and the Certificate of Deposit were not owned by the District, but rather by outside organizations associated with the District.

Recommendation - The District should contact the bank and have them contact the owners of these accounts and correct the Federal Identification Number to that of the owners of the accounts. The District should not allow other organizations to use its Federal Identification Number. The District should research any additional unfamiliar accounts and take necessary steps to remedy the situation.

Response - The District has contacted the owners of the accounts that are not those of the District and informed them on the need to use their own Federal Identification Number.

Conclusion - Response accepted.

- I-G-11 Timely Deposits - We noted during our audit that deposits were prepared but may not be taken to the bank for deposit until several days later.

Recommendation - Better internal control is achieved if deposits are made when receipts are collected. The District should review procedures to ensure that all the deposits are made timely.

Response - All deposits will be made timely.

Conclusion - Response accepted.

- I-H-11 Payroll Procedures - We noted during our audit that the District issued an accounts payable check to an employee from the Student Activity Fund. Later, when the employee's next payroll check was issued, the amount of the accounts payable check was deducted from the employee's payroll check.

Recommendation - The District should issue payroll checks only from the appropriate fund. In the future, if there is an instance where the payroll is in error or an adjustment needs to be made, the District should make the adjustment within the payroll system.

Response - With the change in Business Managers procedures will be done within the Payroll system only.

Conclusion - Response accepted.

Other Matters:

- I-I-11 Commodity Pricing - We noted during our audit of the School Nutrition Fund that the District did not price the commodity inventory using the correct values provided by the Iowa Department of Education.

Recommendation - The District should review procedures in place for calculation of commodity inventory at year end.

Response - Commodity inventory at year end will be done in the correct manner.

Conclusion - Response accepted.

FARRAGUT 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 disbursements for the year ended June 30, 2011, exceeded the budgeted amount in the support services function.

We also noted during our audit that the District conducted a public hearing for the fiscal 2011 budget on April 12, 2010. However, we were unable to obtain documentation to ensure that the hearing was preceded by a notice in the local paper at least ten days but not more than twenty days prior to the hearing as required by Chapter 24.9 of the Code of Iowa.

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

The District should retain documentation to support the hearing was preceded by a notice to be in compliance with Chapter 24.9 of the Code of Iowa.

Response - Documentation procedures have been changed to be in compliance with Chapter 24.9 of the Code of Iowa.

Conclusion - Response accepted.

- 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 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. However, we noted that the minutes were not always published in a timely manner. We also noted that the Board Minutes were not all signed by the Board President and Board Secretary.

Recommendation - The District should publish the minutes within two weeks of the Board Meeting as required by 279.35 of the Code of Iowa. The District should also Review procedures in place to ensure that the Board Minutes are being signed by the Board President and Board Secretary.

Response - Board minutes will be published in a timely manner and signed as required by 279.35 of the Code of Iowa.

Conclusion - Response accepted.

- II-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-11 Supplementary Weighting - No variances in the basic enrollment data 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.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit:

Beginning Balance		\$ 390,486
Statewide sales, services and use tax revenue	\$ 141,694	
Other local revenue	922	142,616
	<u> </u>	<u> </u>
		533,102
Expenditures/Transfers out:		
School infrastructure:	\$ 268,043	
Equipment	65,447	
Other improvements	2,881	336,371
	<u> </u>	<u> </u>
Ending balance		<u><u>\$ 196,731</u></u>

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

- II-M-11 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The Board President will sign all contracts entered into by the District to be in Compliance with Chapter 291.1 of the Code of Iowa.

Conclusion - Response accepted.

- II-N-11 District and Regional Rents - We noted during our audit that the District receives money for use of facilities when hosting district and regional events. The District currently receipts district and regional rents into the Student Activity Fund.

Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response - The receipts to the District for Regional payments for athletic events is now being receipted to the General Fund.

Conclusion - Response accepted.

- II-O-11 Check Signatures - We noted during our audit, instances of unauthorized signatures on the District's checks as well as instances of the District's Board Secretary not signing checks. Chapter 291.8 of the Code of Iowa requires that the District's Board Secretary sign all District checks. The Board Secretary cannot designate an individual to sign on his/her behalf. Chapter 291.1 of the Code of Iowa requires the District's Board President to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf.

Recommendation - The District should review procedures in place to ensure that the proper signatures are on all checks in order to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - All payments are signed by the Board President and Board Secretary as per Chapter 291.1 and 291.8 of the Code of Iowa.

Conclusion - Response accepted.

- II-P-11 Accounts Not on the District's Books - During our audit we noted that the Iowa Schools Joint Investment Trust account for the Student Activity Fund is not recorded on the District's books.

Recommendation - Per Chapter 291.6 of the Code of Iowa, it is the responsibility of the Board Secretary to record all transactions and account for all financial transactions of the District. The District should make the necessary changes to include this account on the District's books

Response - The Board Secretary had not been made aware of the ISJIT account, she is now aware of this account.

Conclusion - Response accepted.

- II-Q-11 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

Pictures Account: The Pictures account is comprised of revenues from Lifetouch picture commissions.

Recommendation - Commissions are not identified as allowable in any fund and therefore the most appropriate fund to receipt Lifetouch picture commissions would be the General

Fund. In the future, Lifetouch picture commissions should be receipted to the General Fund.

Response - Receipts from Lifetouch picture commissions will be receipted in the General Fund in the future.

Conclusion - Response accepted.

Other accounts: We noted that there is a Postage, Memorials and Investments accounts in the Student Activity Fund.

Recommendation - The Postage account does not appear to be a student run organization or cocurricular activity. Postage used in the Student Activity Fund should be expensed to the club or organizational account that used the postage.

The balance in the Investments account should be reallocated to the individual student activity accounts that benefit from the investments.

The balance in the Memorials account is used for scholarships to benefit students. The most logical fund to record transactions related to scholarships is the Private Purpose Trust Fund.

Response - These accounts will be transferred to the appropriate accounts.

Conclusion - Response accepted.

Old Class Accounts: The District's Student Activity Fund has a Class of 2010 account.

Recommendation - Upon graduation, the remaining balance in old class accounts should be redistributed to other individual activity fund accounts, used as startup funds for the next incoming class or transferred to another student activity fund account.

Response - The Board was made aware of the accounts left by graduating classes and have given the business manager direction for distribution of these funds.

Conclusion - Response accepted.

II-R-11 Interfund Loans - We noted during our audit that the District has an interfund loan that was on the balance sheet in the prior year and still on the current year balance sheets. As of June 30, 2011, the District has a loan between the General Fund and Nutrition Fund that has not been repaid.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must seek external borrowing options to repay the interfund loans.

Recommendation - The District should seek and obtain external borrowings to comply with the declaratory ruling in order to repay the interfund loan.

Response - The District is aware of the declaratory order issued by the Department of Education, but the District feels that, issuing anticipatory warrants would impose unnecessary issuance and origination costs to the District.

Conclusion - Response acknowledged.