

PRESCOTT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2011

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Prescott Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Marnie Cline	President	2013
Doug Birt	Vice President	2011
Deana Bohn	Board Member	2011
Randy Cooper	Board Member	2013
Don Gee	Board Member	2011
<u>School Officials</u>		
Doug Latham	Superintendent	2011
Julie Frederick	Business Manager/ Board Secretary (Resigned August 2010)	2011
Roy Stroud	Business Manager/Board Secretary (Appointed August 2010)	2011
Ahlers & Cooney, P.C.	Attorney	Indefinite

PRESCOTT 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
Prescott Community School District:

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Prescott Community School District, Prescott, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Prescott Community School District at June 30, 2011 and the respective changes in financial position and cash flows, where applicable, thereof 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 26, 2012 on our consideration of the Prescott 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 Governmental Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 7 through 15 and 38 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 Prescott Community School District's basic financial statements. Another auditor previously audited, in accordance with standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$1,166,029 in fiscal 2010 to \$1,149,315 in fiscal 2011, while General Fund expenditures increased from \$965,294 in fiscal 2010 to \$1,050,415 in fiscal 2011. The District's General Fund balance increased from \$346,884 at June 30, 2010 to \$445,784 at June 30, 2011.
- The decrease in General Fund revenues was attributable to a decrease in state and federal sources. The increase in expenditures was due to the increase in instructional expenditures.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

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.

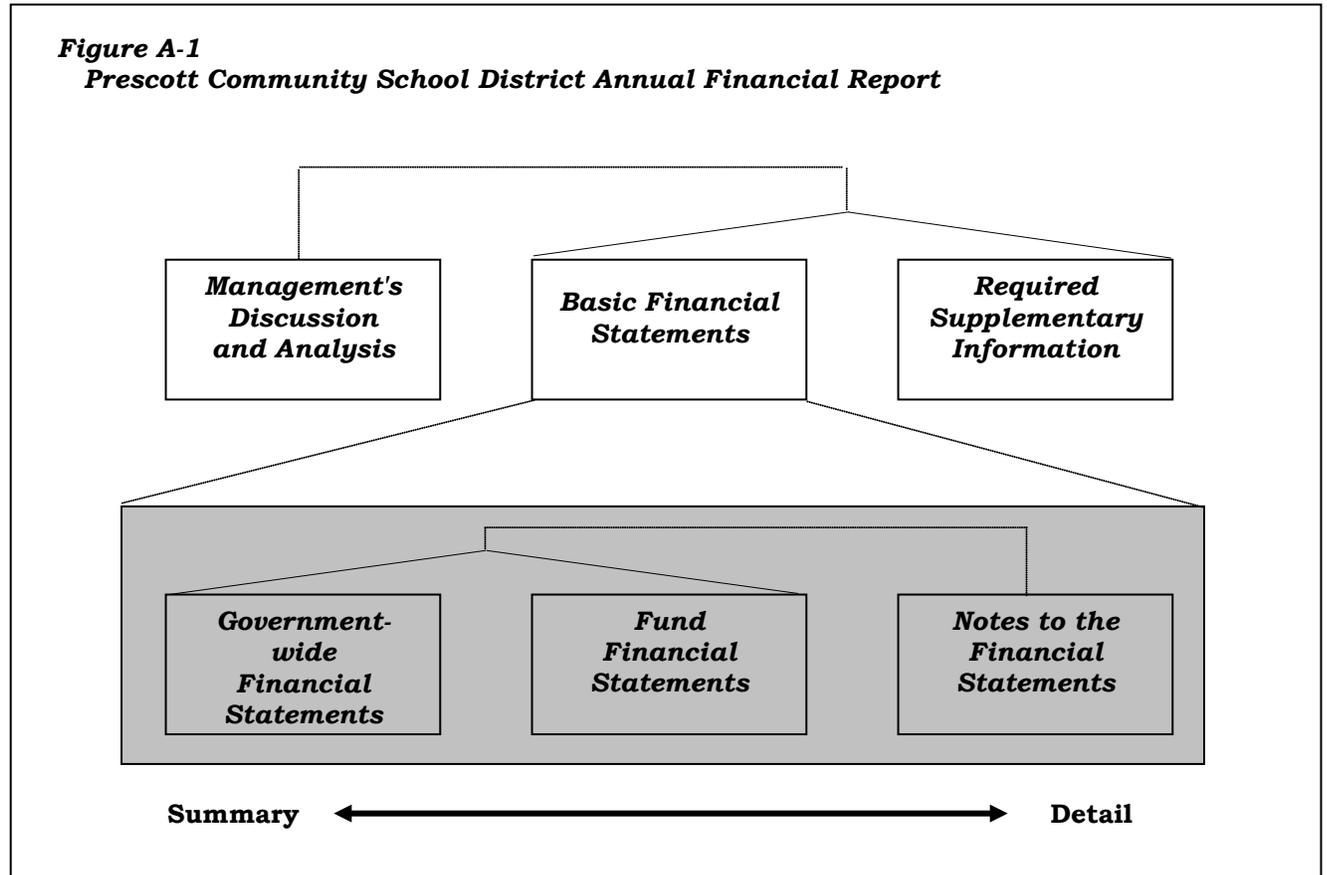


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<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 and Capital Projects Fund.

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

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

- Agency Fund - The District administers and accounts for revenues collected and expenditures paid for the Prescott Parent-Teacher Organization.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 1,448,146	1,203,313	3,999	1,250	1,452,145	1,204,563	20.55%
Capital assets	267,715	304,110	212	457	267,927	304,567	-12.03%
Total assets	1,715,861	1,507,423	4,211	1,707	1,720,072	1,509,130	13.98%
Other liabilities	740,168	641,676	59,759	59,612	799,927	701,288	14.07%
Total liabilities	740,168	641,676	59,759	59,612	799,927	701,288	14.07%
Net assets:							
Invested in capital assets, net of related debt	267,715	304,110	212	457	267,927	304,567	-12.03%
Restricted	265,118	229,464	-	-	265,118	229,464	15.54%
Unrestricted	442,860	332,173	(55,760)	(58,362)	387,100	273,811	41.37%
Total net assets	\$ 975,693	865,747	(55,548)	(57,905)	920,145	807,842	13.90%

The District's combined net assets increased by 13.90%, or \$112,303, from the prior year. The largest portion of the District's net assets is the unrestricted net assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$35,654, or 15.54% from the prior year. The increase in restricted net assets is a result of an increase in the categorical funding carryover balance as compared to the prior year as well as and increases in fund balance for the Capital Project Accounts.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$113,289, or 41.37%. The increase in unrestricted net assets was a result of the District's increase in General Fund carryover balance.

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

Figure A-4
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for services	\$ 22,265	8,945	17,778	22,173	40,043	31,118	28.68%
Operating grants, contributions and restricted interest	182,141	322,877	21,042	31,276	203,183	354,153	-42.63%
General revenues:							
Property tax	567,635	544,902	-	-	567,635	544,902	4.17%
Statewide sales, services and use tax	64,166	53,538	-	-	64,166	53,538	19.85%
Unrestricted state grants	350,233	299,251	-	-	350,233	299,251	17.04%
Non specific program federal grants	29,220	-	-	-	29,220	-	100.00%
Unrestricted investment earnings	1,971	1,315	-	-	1,971	1,315	49.89%
Other	11,041	5,150	88	79	11,129	5,229	112.83%
Total revenues	1,228,672	1,235,978	38,908	53,528	1,267,580	1,289,506	-1.70%
Program expenses:							
Governmental activities:							
Instruction	799,439	666,289	-	-	799,439	666,289	19.98%
Support services	244,644	298,047	-	-	244,644	298,047	-17.92%
Non-instructional programs	-	-	36,551	71,856	36,551	71,856	-49.13%
Other expenses	74,643	53,835	-	-	74,643	53,835	38.65%
Total expenses	1,118,726	1,018,171	36,551	71,856	1,155,277	1,090,027	5.99%
Changes in net assets	109,946	217,807	2,357	(18,328)	112,303	199,479	-43.70%
Beginning net assets	865,747	647,940	(57,905)	(39,577)	807,842	608,363	32.79%
Ending net assets	\$ 975,693	865,747	(55,548)	(57,905)	920,145	807,842	13.90%

In fiscal 2011, property tax, statewide sales, services and use tax and unrestricted state grants account for 79.93% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.77% of the revenue from business type activities.

The District's total revenues were approximately \$1.27 million of which approximately \$1.23 million was for governmental activities and approximately \$0.04 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.70% decrease in revenues and a 5.99% increase in expenses. Property tax increased \$22,734 to help fund expenditures. The increase in expenses is related to an increase in the instructional functions.

Governmental Activities

Revenues for governmental activities were \$1,228,672 and expenses were \$1,118,726.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
			Change			Change
	2011	2010	2010-11	2011	2010	2010-11
Instruction	\$ 799,439	666,289	19.98%	656,799	356,993	83.98%
Support services	244,644	298,047	-17.92%	222,803	297,273	-25.05%
Other expenses	74,643	53,835	38.65%	34,718	32,083	8.21%
Totals	<u>\$ 1,118,726</u>	<u>1,018,171</u>	<u>9.88%</u>	<u>914,320</u>	<u>686,349</u>	<u>33.22%</u>

- The cost financed by users of the District’s programs was \$22,265.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$182,141.
- The net cost of governmental activities was financed with \$567,635 in property tax, \$64,166 in statewide sales, services and use tax, \$350,233 in unrestricted state grants, \$29,220 in nonspecific program federal grants, \$1,971 in interest income and \$11,041 in other general revenues.

Business-Type Activities

Revenues of the District’s business type activities were \$38,908 and expenses were \$36,551. The District’s business type activities include the School Nutrition and Before and After School Funds. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$707,978, which is more than last year’s ending fund balances of \$561,637. The increase in combined fund balances is primarily a result of the increase in fund balances for the General Fund and the Capital Project Accounts.

Governmental Fund Highlights

- The General Fund balance increased from \$346,884 to \$445,784. The decrease in General Fund revenues is a result of decreases in state and federal source revenues. The increase in expenditures is due to increases in the instructional functions. However, General Fund revenues still exceeded expenditures during the year, thus ensuring the increase in General Fund balance.
- The Capital Projects Account balance increased from a restated balance of \$171,273 at the beginning of the fiscal year 2011 to \$236,513 at the end of fiscal 2011. The beginning balance was restated as a result of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54.

Proprietary Fund Highlights

- The School Nutrition Fund net assets decreased from a deficit \$10,427 at June 30, 2010 to a deficit \$19,112 at June 30, 2011, representing a decrease of 83.29%.

- Overall, net assets for the Before and After School Fund increased from a deficit \$47,478 at June 30, 2010 to a deficit \$36,436 at June 30, 2011, representing an increase of 23.26%. However a corrective transfer is required from the Before and After School Fund to the General Fund of \$3,891 for expenses of the before and after school program paid from the General Fund.

BUDGETARY HIGHLIGHTS

The District's revenues were \$160,257 less than budgeted revenues, a variance of 11.22%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$267,927, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 13.68% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$47,981.

The original cost of the District's capital assets was \$920,493. Governmental funds account for \$913,061 with the remainder of \$7,432 in the Proprietary, School Nutrition Funds.

The largest monetary change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$225,224 at June 30, 2010, compared to \$195,719 reported at June 30, 2011. This significant decrease resulted from depreciation expense taken during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total Change 2010-11
	Activities		Activities		School District		
	2011	2010	2011	2010	2011	2010	
Land	\$ 20,000	20,000	-	-	20,000	20,000	0.00%
Buildings	195,719	225,224	-	-	195,719	225,224	-13.10%
Land improvements	10,736	-	-	-	10,736	-	100.00%
Machinery and equipment	41,260	58,886	212	457	41,472	59,343	-30.11%
Total	\$ 267,715	304,110	212	457	267,927	304,567	-13.68%

Long-Term Debt

At June 30, 2011, the District had no long-term debt outstanding.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The 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.
- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.

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 Roy Stroud, Business Manager/Board Secretary, Prescott Community School District, 813 1st Street, Prescott, Iowa, 5085.

PRESCOTT COMMUNITY SCHOOL DISTRICT

Basic Financial Statements

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

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 823,545	-	823,545
Receivables:			
Property tax:			
Delinquent	3,006	-	3,006
Succeeding year	596,085	-	596,085
Due from other funds	5,000	-	5,000
Due from other governments	20,510	2,406	22,916
Inventories	-	1,593	1,593
Capital assets, net of accumulated depreciation	267,715	212	267,927
TOTAL ASSETS	1,715,861	4,211	1,720,072
LIABILITIES			
Excess of warrants issued over bank balance	-	54,759	54,759
Due to other funds	-	5,000	5,000
Accounts payable	92,072	-	92,072
Salaries and benefits payable	35,398	-	35,398
Deferred revenue:			
Succeeding year property tax	596,085	-	596,085
Other	16,613	-	16,613
TOTAL LIABILITIES	740,168	59,759	799,927
NET ASSETS			
Invested in capital assets, net of related debt	267,715	212	267,927
Restricted for:			
Categorical funding	2,924	-	2,924
School infrastructure	233,371	-	233,371
Physical plant and equipment	3,142	-	3,142
Management levy purposes	25,278	-	25,278
Student activities	403	-	403
Unrestricted	442,860	(55,760)	387,100
TOTAL NET ASSETS	\$ 975,693	(55,548)	920,145

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 537,259	1,552	22,836	(512,871)	-	(512,871)
Special	136,045	4,963	4,508	(126,574)	-	(126,574)
Other	126,135	15,750	93,031	(17,354)	-	(17,354)
	<u>799,439</u>	<u>22,265</u>	<u>120,375</u>	<u>(656,799)</u>	<u>-</u>	<u>(656,799)</u>
Support services:						
Instructional staff	21,557	-	21,507	(50)	-	(50)
Administration	81,546	-	132	(81,414)	-	(81,414)
Operation and maintenance of plant	90,776	-	12	(90,764)	-	(90,764)
Transportation	50,765	-	190	(50,575)	-	(50,575)
	<u>244,644</u>	<u>-</u>	<u>21,841</u>	<u>(222,803)</u>	<u>-</u>	<u>(222,803)</u>
Other expenses:						
AEA flowthrough	39,925	-	39,925	-	-	-
Depreciation(unallocated)*	34,718	-	-	(34,718)	-	(34,718)
	<u>74,643</u>	<u>-</u>	<u>39,925</u>	<u>(34,718)</u>	<u>-</u>	<u>(34,718)</u>
Total governmental activities	<u>1,118,726</u>	<u>22,265</u>	<u>182,141</u>	<u>(914,320)</u>	<u>-</u>	<u>(914,320)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	36,508	6,693	21,042	-	(8,773)	(8,773)
Other enterprise operations	43	11,085	-	-	11,042	11,042
Total business type activities	<u>36,551</u>	<u>17,778</u>	<u>21,042</u>	<u>-</u>	<u>2,269</u>	<u>2,269</u>
Total primary government	<u>\$ 1,155,277</u>	<u>40,043</u>	<u>203,183</u>	<u>(914,320)</u>	<u>2,269</u>	<u>(912,051)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 553,868	-	553,868
Capital outlay				13,767	-	13,767
Statewide sales, services and use tax				64,166	-	64,166
Unrestricted state grants				350,233	-	350,233
Nonspecific program federal grants				29,220	-	29,220
Unrestricted investment earnings				1,971	-	1,971
Other general revenues				11,041	88	11,129
Total general revenues				<u>1,024,266</u>	<u>88</u>	<u>1,024,354</u>
Changes in net assets				109,946	2,357	112,303
Net assets beginning of year				865,747	(57,905)	807,842
Net assets end of year				<u>\$ 975,693</u>	<u>(55,548)</u>	<u>920,145</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 575,857	227,007	20,681	823,545
Receivables:				
Property tax				
Delinquent	2,933	73	-	3,006
Succeeding year	526,933	44,152	25,000	596,085
Due from other funds	-	-	5,000	5,000
Due from other governments	11,077	9,433	-	20,510
TOTAL ASSETS	\$ 1,116,800	280,665	50,681	1,448,146
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 92,072	-	-	92,072
Salaries and benefits payable	35,398	-	-	35,398
Deferred revenue:				
Succeeding year property tax	526,933	44,152	25,000	596,085
Other	16,613	-	-	16,613
Total liabilities	671,016	44,152	25,000	740,168
Fund balances:				
Restricted for:				
Categorical funding	2,924	-	-	2,924
School infrastructure	-	233,371	-	233,371
Physical plant and equipment	-	3,142	-	3,142
Management levy purposes	-	-	25,278	25,278
Student activities	-	-	403	403
Unassigned	442,860	-	-	442,860
Total fund balances	445,784	236,513	25,681	707,978
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,116,800	280,665	50,681	1,448,146

SEE NOTES TO FINANCIAL STATEMENTS.

PRESCOTT 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) \$ 707,978

*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.

267,715

Net assets of governmental activities(page 18) \$ 975,693

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 553,868	77,933	-	631,801
Tuition	6,515	-	-	6,515
Other	27,338	1,389	35	28,762
State sources	435,020	-	-	435,020
Federal sources	126,574	-	-	126,574
Total revenues	<u>1,149,315</u>	<u>79,322</u>	<u>35</u>	<u>1,228,672</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	522,421	-	7,244	529,665
Special	136,045	-	-	136,045
Other	126,135	-	-	126,135
	<u>784,601</u>	<u>-</u>	<u>7,244</u>	<u>791,845</u>
Support services:				
Instructional staff	21,557	-	-	21,557
Administration	79,485	-	1,322	80,807
Operation and maintenance of plant	78,554	-	6,974	85,528
Transportation	46,293	-	2,294	48,587
	<u>225,889</u>	<u>-</u>	<u>10,590</u>	<u>236,479</u>
Other expenditures:				
Facilities acquisitions	-	14,082	-	14,082
AEA flowthrough	39,925	-	-	39,925
	<u>39,925</u>	<u>14,082</u>	<u>-</u>	<u>54,007</u>
Total expenditures	<u>1,050,415</u>	<u>14,082</u>	<u>17,834</u>	<u>1,082,331</u>
Excess(Deficiency) of revenues over(under) expenditures	98,900	65,240	(17,799)	146,341
Fund balances beginning of year, as restated	<u>346,884</u>	<u>171,273</u>	<u>43,480</u>	<u>561,637</u>
Fund balances end of year	<u>\$ 445,784</u>	<u>236,513</u>	<u>25,681</u>	<u>707,978</u>

SEE NOTES TO FINANCIAL STATEMENTS.

PRESCOTT 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)	\$	146,341
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, depreciation expense, and loss on disposal in the current year are as follows:		
Capital outlays	\$ 33,212	
Depreciation expense	(47,736)	
Loss on disposal	(21,871)	(36,395)
Changes in net assets of governmental activities(page 19)	\$	109,946

SEE NOTES TO FINANCIAL STATEMENTS.

PRESCOTT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Before and After School Fund	Total
<u>ASSETS</u>			
Due from other governments	\$ 2,406	-	2,406
Inventories	1,593	-	1,593
Capital assets, net of accumulated depreciation	212	-	212
TOTAL ASSETS	4,211	-	4,211
<u>LIABILITIES</u>			
Excess of warrants issued over bank balance	23,323	31,436	54,759
Due to other funds	-	5,000	5,000
TOTAL LIABILITIES	23,323	36,436	59,759
<u>NET ASSETS</u>			
Invested in capital assets	212	-	212
Unrestricted	(19,324)	(36,436)	(55,760)
Total net assets	\$ (19,112)	(36,436)	(55,548)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Before and After School Fund	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 6,693	11,085	17,778
Miscellaneous	88	-	88
TOTAL OPERATING REVENUES	6,781	11,085	17,866
OPERATING EXPENSES:			
Non-instructional programs:			
Food service operations:			
Salaries	14,909	-	14,909
Benefits	4,467	-	4,467
Supplies	16,887	-	16,887
Depreciation	245	-	245
	36,508	-	36,508
Other enterprise operations:			
Supplies	-	43	43
TOTAL OPERATING EXPENSES	36,508	43	36,551
OPERATING INCOME(LOSS)	(29,727)	11,042	(18,685)
NON-OPERATING REVENUES:			
State sources	294	-	294
Federal sources	20,748	-	20,748
TOTAL NON-OPERATING REVENUES	21,042	-	21,042
Change in net assets	(8,685)	11,042	2,357
Net assets beginning of year	(10,427)	(47,478)	(57,905)
Net assets end of year	\$ (19,112)	(36,436)	(55,548)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities:		
	Enterprise Fund		
	School Nutrition	Before and After School Fund	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 6,693	-	6,693
Cash received from fees for daycare services	-	11,085	11,085
Cash received from miscellaneous operating activities	88	-	88
Cash payments to employees for services	(22,795)	-	(22,795)
Cash payments to suppliers for goods or services	(15,929)	(43)	(15,972)
Net cash provided by(used in) operating activities	<u>(31,943)</u>	<u>11,042</u>	<u>(20,901)</u>
Cash flows from non-capital financing activities:			
State grants received	294	-	294
Federal grants received	17,041	-	17,041
Net cash provided by non-capital financing activities	<u>17,335</u>	<u>-</u>	<u>17,335</u>
Net increase(decrease) in cash and cash equivalents	(14,608)	11,042	(3,566)
Cash and cash equivalents at beginning of year	<u>(8,715)</u>	<u>(42,478)</u>	<u>(51,193)</u>
Cash and cash equivalents at end of year	<u>\$ (23,323)</u>	<u>(31,436)</u>	<u>(54,759)</u>
Reconciliation of operating income(loss) to net cash provide by(used in) operating activities:			
Operating income(loss)	\$ (29,727)	11,042	(18,685)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	1,301	-	1,301
Depreciation	245	-	245
Increase in inventories	(343)	-	(343)
Decrease in salaries and benefits payable	(3,419)	-	(3,419)
Net cash provided by(used in) operating activities	<u>\$ (31,943)</u>	<u>11,042</u>	<u>(20,901)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$1,301.

SEE NOTES TO FINANCIAL STATEMENTS.

PRESCOTT COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

	<u>Agency</u>
ASSETS	
Cash and pooled investments	<u>\$ 3,716</u>
LIABILITIES	
Due to other groups	<u><u>\$ 3,716</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

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

Note 1. Summary of Significant Accounting Policies

The Prescott Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through sixth. Additionally, the District either operates a Before and After School program for residents of the District. The geographic area served includes the City of Prescott, Iowa, and the predominate agricultural territory in Adams 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 Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Prescott 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 Prescott Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but 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 Adams 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 activities of the District, with omission of the fiduciary funds. 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 the following categories:

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

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

Unrestricted net 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 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 the following non-major proprietary funds:

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

The Enterprise, Before and After School Fund is used to account for the before and after school programs offered by the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

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 - restricted and then unassigned fund balances.

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

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

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

D. Assets, Liabilities and Fund Balances

Cash, Pooled Investments and Cash Equivalents - The cash balance 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 taxes in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 the amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The Enterprise Fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

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

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-40 years
Land improvements	20-40 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2011, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2011.

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Budgeting and Budgetary Control - The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to 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 Direct Government Obligations Portfolio which are valued at an amortized cost of \$487,791 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Note 3. Due from and Due to Other Funds

At June 30, 2011 the interfund receivables and payables consisted of the following:

Receivable Fund	Payable Fund	Amount
Special Revenue: Management Levy	Enterprise: Before and After School Fund	\$ <u>5,000</u>

The Enterprise: Before and After School Fund is repaying the Special Revenue Management Levy Fund for funds borrowed for cash flow purposes.

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 20,000	-	-	20,000
Total capital assets not being depreciated	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Capital assets being depreciated:				
Buildings	559,106	-	7,645	551,461
Land improvements	-	15,949	-	15,949
Machinery and equipment	353,467	17,263	45,079	325,651
Total capital assets being depreciated	<u>912,573</u>	<u>33,212</u>	<u>52,724</u>	<u>893,061</u>
Less accumulated depreciation for:				
Buildings	333,882	29,505	7,645	355,742
Land improvements	-	5,213	-	5,213
Machinery and equipment	294,581	13,018	23,208	284,391
Total accumulated depreciation	<u>628,463</u>	<u>47,736</u>	<u>30,853</u>	<u>645,346</u>
Total capital assets being depreciated, net	<u>284,110</u>	<u>(14,524)</u>	<u>(21,871)</u>	<u>247,715</u>
Governmental activities capital assets, net	<u>\$ 304,110</u>	<u>(14,524)</u>	<u>(21,871)</u>	<u>267,715</u>
Business type activities:				
Machinery and equipment	\$ 7,432	-	-	7,432
Less accumulated depreciation	6,975	245	-	7,220
Total accumulated depreciation	<u>\$ 457</u>	<u>(245)</u>	<u>-</u>	<u>212</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 9,981
Support services:	
Administration	739
Operation and maintenance of plant	120
Transportation	<u>2,178</u>
	13,018
Unallocated depreciation	<u>34,718</u>
Total governmental activities depreciation expense	<u>\$ 47,736</u>
Business type activities:	
Food services	<u>\$ 245</u>

Note 5. 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 \$23,629, \$21,845 and \$22,744 respectively, equal to the required contributions for each year.

Note 6. Risk Management

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

Note 7. 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 \$39,925 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.

Note 8. Deficit Unrestricted Net Assets

The District had deficit unrestricted net assets in the Enterprise, School Nutrition Fund of \$19,324 and total deficit net assets of \$19,112. The District also had deficit unrestricted net assets in the Enterprise, Before and After School Fund of \$36,436.

Note 9. Categorical Funding

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

Program	Amount
Statewide voluntary preschool	\$ 1,500
Nonpublic transportation	190
Market factor	483
Professional development for model core curriculum	751
	<hr/>
Total	\$ 2,924

Note 10. 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 reclassification is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010 as previously reported	\$ 183,205	\$ (11,932)
Change in fund type classification per implementation of GASB Statement No. 54	<u>(11,932)</u>	<u>11,932</u>
Balance July 1, 2010 as restated	<u><u>\$ 171,273</u></u>	<u><u>\$ -</u></u>

PRESCOTT COMMUNITY SCHOOL DISTRICT

Required Supplementary Information

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 667,078	17,866	684,944	693,982	693,982	(9,038)
State sources	435,020	294	435,314	553,480	553,480	(118,166)
Federal sources	126,574	20,748	147,322	180,375	180,375	(33,053)
Total revenues	<u>1,228,672</u>	<u>38,908</u>	<u>1,267,580</u>	<u>1,427,837</u>	<u>1,427,837</u>	<u>(160,257)</u>
Expenditures/Expenses:						
Instruction	791,845	-	791,845	868,426	868,426	76,581
Support services	236,479	-	236,479	372,838	372,838	136,359
Non-instructional programs	-	36,551	36,551	69,000	69,000	32,449
Other expenditures	54,007	-	54,007	60,193	60,193	6,186
Total expenditures/expenses	<u>1,082,331</u>	<u>36,551</u>	<u>1,118,882</u>	<u>1,370,457</u>	<u>1,370,457</u>	<u>251,575</u>
Excess of revenues over expenditures/expenses	146,341	2,357	148,698	57,380	57,380	91,318
Balances beginning of year	<u>561,637</u>	<u>(57,905)</u>	<u>503,732</u>	<u>340,880</u>	<u>340,880</u>	<u>162,852</u>
Balances end of year	<u>\$ 707,978</u>	<u>(55,548)</u>	<u>652,430</u>	<u>398,260</u>	<u>398,260</u>	<u>254,170</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

PRESCOTT COMMUNITY SCHOOL DISTRICT

Other Supplementary Information

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

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 20,278	403	20,681
Receivables:			
Property tax:			
Succeeding year	25,000	-	25,000
Due from other funds	5,000	-	5,000
TOTAL ASSETS	\$ 50,278	403	50,681
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 25,000	-	25,000
Fund balances:			
Restricted for:			
Management levy purposes	25,278	-	25,278
Student activities	-	403	403
Total fund balances	25,278	403	25,681
TOTAL LIABILITIES AND FUND BALANCES	\$ 50,278	403	50,681

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PRESCOTT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT 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:			
Other	\$ 35	-	35
TOTAL REVENUES	35	-	35
EXPENDITURES:			
Current:			
Instruction			
Regular	7,244	-	7,244
Support services:			
Administration	1,322	-	1,322
Operation and maintenance of plant	6,974	-	6,974
Transportation	2,294	-	2,294
TOTAL EXPENDITURES	17,834	-	17,834
Net change in fund balances	(17,799)	-	(17,799)
Fund balances beginning of year, as restated	43,077	403	43,480
Fund balances end of year	\$ 25,278	403	25,681

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PRESCOTT 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	\$ 223,938	3,069	227,007
Receivables:			
Property tax:			
Delinquent	-	73	73
Succeeding year	-	44,152	44,152
Due from other governments	9,433	-	9,433
TOTAL ASSETS	\$ 233,371	47,294	280,665
LIABILITIES AND FUND BALANCES			
Liabilities:			
Succeeding year property tax	\$ -	44,152	44,152
Fund balances:			
Restricted for:			
School infrastructure	233,371	-	233,371
Physical plant and equipment	-	3,142	3,142
Total fund balances	233,371	3,142	236,513
TOTAL LIABILITIES AND FUND BALANCES	\$ 233,371	47,294	280,665

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PRESCOTT 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	\$ 64,166	13,767	77,933
Other	82	1,307	1,389
TOTAL REVENUES	64,248	15,074	79,322
EXPENDITURES:			
Current:			
Other expenditures:			
Facilities acquisition	14,082	-	14,082
TOTAL EXPENDITURES	14,082	-	14,082
Net change in fund balances	50,166	15,074	65,240
Fund balances beginning of year, as restated	183,205	(11,932)	171,273
Fund balances end of year	\$ 233,371	3,142	236,513

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Pre-school	\$ 158	-	-	158
Student accounts	94	-	-	94
Band	151	-	-	151
TOTALS	\$ 403	-	-	403

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PRESCOTT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITES
AGENCY FUND
YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 4,358	4,087	4,729	3,716
LIABILITIES				
Due to other groups	\$ 4,358	4,087	4,729	3,716

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PRESCOTT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:										
Local sources:										
Local tax	\$ 631,801	598,441	533,168	511,927	476,570	444,195	396,154	426,058	511,255	477,271
Tuition	6,515	8,163	11,966	42,939	30,453	28,604	15,304	37,595	41,294	26,207
Other	28,762	7,245	14,089	57,658	32,657	29,227	56,148	16,046	11,616	51,574
Intermediate sources	-	-	-	-	-	-	-	150	-	-
State sources	435,020	467,984	549,505	519,182	508,711	522,902	512,440	467,726	463,612	449,117
Federal sources	126,574	154,145	139,941	93,730	108,413	66,904	47,684	79,663	67,230	23,225
Total	\$ 1,228,672	1,235,978	1,248,669	1,225,436	1,156,804	1,091,832	1,027,730	1,027,238	1,095,007	1,027,394
Expenditures:										
Instruction:										
Regular	\$ 529,665	485,382	556,951	559,500	560,175	467,916	475,073	453,652	512,219	418,379
Special	136,045	192,750	127,556	124,912	122,440	129,482	140,840	129,003	118,326	97,333
Other	126,135	357	17,749	5,451	2,135	8,524	45,329	62,309	57,289	57,418
Support services:										
Student	-	-	-	-	-	-	-	-	-	7,211
Instructional staff	21,557	52,760	157,589	127,546	115,130	67,490	26,287	5,171	3,142	1,636
Administration	80,807	103,587	120,462	189,028	167,701	163,985	152,885	140,753	138,267	140,972
Operation and maintenance of plant	85,528	74,366	74,034	71,335	72,489	68,192	58,444	58,242	57,708	48,723
Transportation	48,587	49,051	57,339	64,349	64,050	74,337	55,631	52,619	118,351	96,985
Central support	-	-	-	-	-	-	-	-	-	88
Non-instructional programs	-	-	-	-	-	-	288	236	359	-
Other expenditures:										
Facilities acquisitions	14,082	13,219	28,831	83,286	43,236	73,489	40,522	101,136	18,467	41,067
AEA flow-through	39,925	40,616	36,342	35,544	34,871	34,117	33,187	32,909	35,085	34,449
Total	\$ 1,082,331	1,012,088	1,176,853	1,260,951	1,182,227	1,087,532	1,028,486	1,036,030	1,059,213	944,261

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

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

To the Board of Education of the
Prescott 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 Prescott 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 26, 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 Prescott 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 Prescott Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Prescott Community School District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Prescott 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 Prescott 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 Prescott Community School District and other parties to whom Prescott 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 Prescott 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 26, 2012

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

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

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 the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

I-B-11 Accurate Posting of Receipts - We noted during our audit that receipts were not always being posted to the correct fund or account number.

Recommendation - The District should review procedures in place to ensure that cash receipts are being posted accurately to the accounting system.

Response - We are now posting from receipts to ensure all revenues are posted to the correct fund and account number.

Conclusion - Response accepted.

I-C-11 IASB Insurance Dividend - It was noted that the property insurance dividend from IASB was received in the General Fund. The property insurance dividend is considered a return of insurance premium and since the property insurance premiums were paid from the Management Levy Fund, the most logical fund to receipt the dividend would be to the Management Levy Fund.

Recommendation - The District needs to make a corrective transfer from the General Fund to the Management Levy Fund for \$1,505.

Response - The District has performed the corrective transfer as requested and will receipt future dividends into the Management Levy Fund.

Conclusion - Response accepted.

II-D-11 Parent-Teacher Organization(PTO) - We noted during our audit, that the PTO uses the District's Federal Identification Number for an account at Okey Vernon 1st National Bank. The bank statements, revenues and expenditures for the PTO are processed by an individual that is not an employee of the District. This results in numerous compliance issues for the District which includes the following:

- Chapter 12C.2 of the Code of Iowa requires that the District's Board of Directors shall approve all financial institutions that will be depositories of the District. The name of the financial institutions and maximum amount of deposits held by each institution shall be entered of record in the District's Board minutes. Currently, Okey Vernon 1st National Bank is not a Board approved depository of the District.
- Chapter 279.29 of the Code of Iowa requires that the District's Board of Directors shall audit and allow all claims against the District. Currently, officials of the PTO audit and allow all claims.
- Chapter 291.1 and Chapter 291.8 of the Code of Iowa require the Board President and Board Secretary to sign all checks. Pursuant to Chapter 291.1, the Board President may designate an individual to sign warrants on his/her behalf. However, pursuant to Chapter 291.8, the Board Secretary may not designate an individual to sign on his/her behalf. Currently, PTO officials are signing all checks.
- Chapter 291.6 of the Code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. Currently, the individual that is not an employee of the District is retaining bank statements and other financial information relevant to the PTO.
- Chapter 291.7 of the Code of Iowa requires the Board Secretary to file monthly financial statements and reports with the District's Board of Directors. To effectively govern, the District's Board of Directors must have current information for all District funds. Currently, the District's Board of Directors does not receive any financial information related to the PTO.

Recommendation - Because the PTO is operating under the District's Federal Identification Number, the PTO account is considered a District asset that should be following the same Code of Iowa requirements as well as internal controls that the District follows.

The District should contact officials of the PTO and request the bank statements and all financial records to be turned over to the District. The District's Board of Directors should approve Okey Vernon 1st National Bank as a depository of the District or move the account to another bank that is approved by the Board of Directors.

Response - The Board has approved transferring the funds to the District and will move the money from Okey Vernon 1st National Bank to an approved District depository.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.

II-B-11 Questionable Disbursements - We noted no expenditures 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.

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

Response - In the future the District will publish all minutes within two weeks as required.

Conclusion - Response accepted.

II-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.

II-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-11 Financial Condition - At June 30, 2011, the District had deficit unrestricted net assets in the Enterprise, School Nutrition Fund of \$19,234 and total deficit net assets of \$19,112. The District also had deficit unrestricted net assets in the Enterprise, Before and After School Fund of \$36,436.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - The board is aware of the deficits and is working to correct these negative funds.

Conclusion - Response accepted.

II-M-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 District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	183,205
Revenues:			
Sales tax revenues	\$	64,166	
Other local revenues		82	64,248
			<u>247,453</u>
Expenditures:			
Equipment			14,082
			<u>14,082</u>
Ending balance		\$	<u><u>233,371</u></u>

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

II-N-11 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - The District will obtain written authorization from each employee who wants to receive a payroll check by mail.

Conclusion - Response accepted.

II-O-11 Corrective Transfer - We noted during our audit that fees collected for the District's Before and After School Program were recorded properly into the Enterprise: Before & Afterschool Fund; however, expenditures for the program were paid from the General Fund.

Recommendation - The District needs to make a corrective transfer from the Enterprise: Before & After School Fund to the General Fund in the amount of \$3,891.24 to repay the General Fund for expenditures paid that should have been paid by the Before & After School Fund.

Response - The District will make the required corrective transfer.

Conclusion - Response accepted.