

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Southeast Warren Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Paul Mead	President	2013
Larrie Williams	Vice President	2011
Ron Miller	Board Member	2013
Marianne Lester	Board Member	2011
Jennifer Mihalovich	Board Member	2011
<b>School Officials</b>		
Delane Galvin	Superintendent	2011
Julie Wilson	Board Secretary and Business Manager	2011
Ahlers & Cooney Law Firm	Attorney	2011

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT

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

**Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3060**

**Telephone (641) 792-1910**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Southeast Warren 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 Southeast Warren Community School District, Liberty Center, 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 Southeast Warren 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 14, 2012 on our consideration of Southeast Warren 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 and Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information

required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southeast Warren Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (none of which are presented herein) and expressed an unqualified opinion 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 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.

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

NOLTE, CORNMAN & JOHNSON, P.C.

March 14, 2012

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

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

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$5,392,578 in fiscal 2010 to \$5,618,737 in fiscal 2011, while General Fund expenditures increased from \$5,155,275 in fiscal 2010 to \$5,262,326 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$562,040 at June 30, 2010 to a balance of \$918,451 at June 30, 2011, a 63.41% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in property tax and state source revenue in fiscal 2011. The increase in expenditures was due primarily to the increase in the instruction functional area.

### **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 Southeast Warren 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 Southeast Warren 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 Southeast Warren Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

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

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

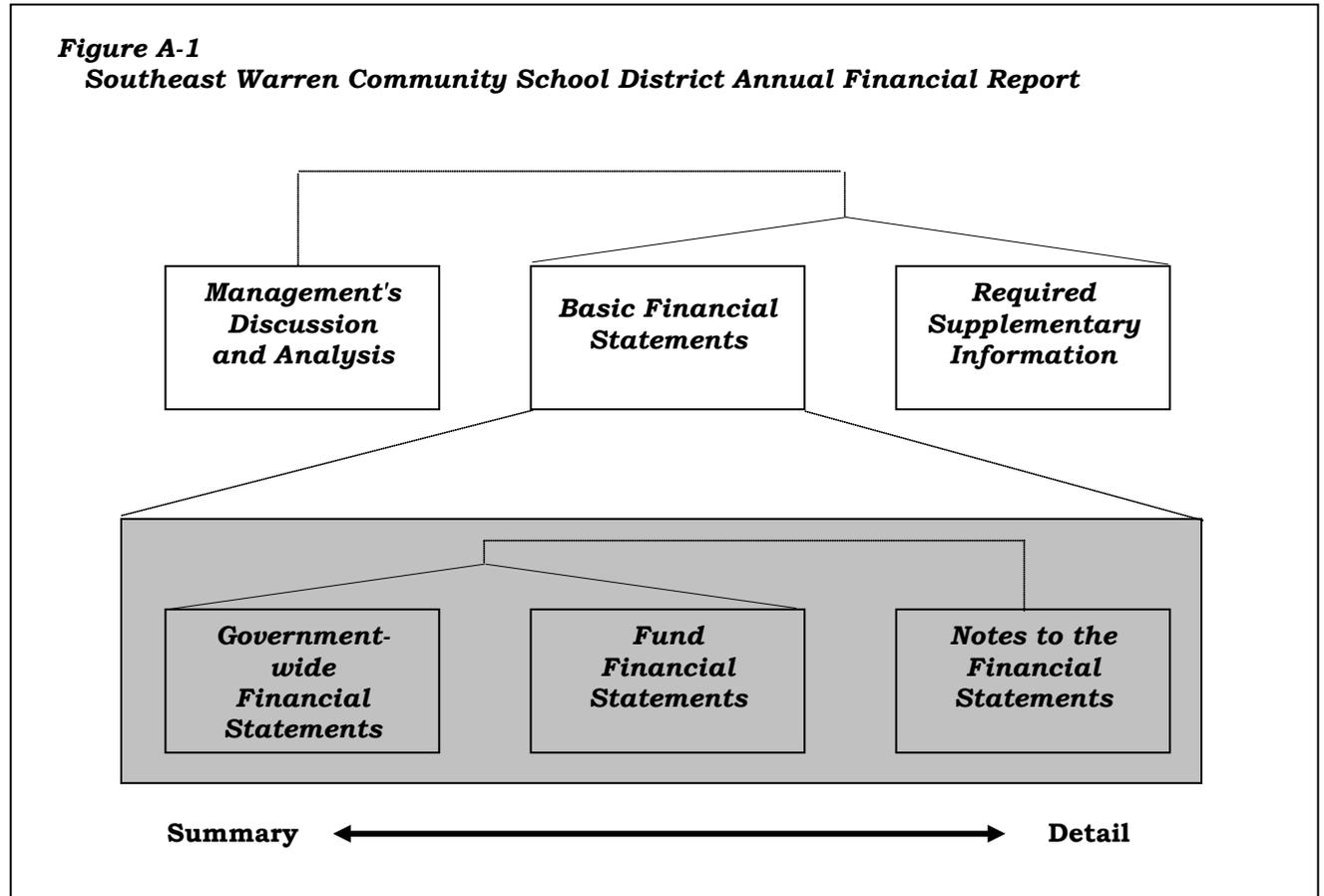


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**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 and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects 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 two enterprise funds, the School Nutrition Fund and Day Care Fund.

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency Fund.

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 6,511,776	4,671,196	110,852	136,431	6,622,628	4,807,627	37.75%
Capital assets	4,758,302	4,484,127	90,248	73,944	4,848,550	4,558,071	6.37%
Total assets	11,270,078	9,155,323	201,100	210,375	11,471,178	9,365,698	22.48%
Long-term obligations	3,591,667	2,410,242	2,182	1,098	3,593,849	2,411,340	49.04%
Other liabilities	3,224,722	2,985,400	35,957	35,021	3,260,679	3,020,421	7.95%
Total liabilities	6,816,389	5,395,642	38,139	36,119	6,854,528	5,431,761	26.19%
Net assets:							
Invested in capital assets, net of related debt	2,268,244	2,209,127	90,248	73,944	2,358,492	2,283,071	3.30%
Restricted	1,448,500	1,052,678	0	0	1,448,500	1,052,678	37.60%
Unrestricted	736,945	497,876	72,713	100,312	809,658	598,188	35.35%
Total net assets	\$ 4,453,689	3,759,681	162,961	174,256	4,616,650	3,933,937	17.35%

The District’s combined net assets increased by 17.35% or \$682,713 compared to the prior year. The largest portion of the District’s net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District’s restricted net assets increased \$395,822 or 37.60% over the prior year. The increase in restricted net assets is attributable in part to the increase in fund balance for the Capital Projects: Statewide Sales, Services and Use Tax Fund and the increase in carryover balances for categorical state funding.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - increased \$211,470 or 35.35%. The increase in unrestricted net assets is attributable to the increase in fund balance for the General Fund.

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

	Figure A-4						
	Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
2011	2010	2011	2010	2011	2010	2010-11	
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 364,246	490,969	224,807	239,795	589,053	730,764	-19.39%
Operating grants, contributions and restricted interest	558,112	1,081,926	109,174	106,364	667,286	1,188,290	-43.84%
Capital grants, contributions and restricted interest	25,000	0	0	0	25,000	0	100.00%
General revenues:							
Property tax	2,186,603	2,043,540	0	0	2,186,603	2,043,540	7.00%
Income surtax	200,103	235,726	0	0	200,103	235,726	-15.11%
Statewide sales, services and use tax	395,180	326,928	0	0	395,180	326,928	20.88%
Unrestricted state grants	2,830,651	2,175,564	0	0	2,830,651	2,175,564	30.11%
Nonspecific program federal grants	53,416	0	0	0	53,416	0	100.00%
Other	32,412	26,239	3,293	2,017	35,705	28,256	26.36%
Transfers	(9,204)	0	9,204	0	0	0	0.00%
Total revenues	6,636,519	6,380,892	346,478	348,176	6,982,997	6,729,068	3.77%
Program expenses:							
Governmental activities:							
Instruction	3,875,628	3,826,567	0	0	3,875,628	3,826,567	1.28%
Support services	1,613,124	1,560,622	18,765	16,050	1,631,889	1,576,672	3.50%
Non-instructional programs	5,780	7,713	339,008	345,607	344,788	353,320	-2.41%
Other expenses	447,979	531,723	0	0	447,979	531,723	-15.75%
Total expenses	5,942,511	5,926,625	357,773	361,657	6,300,284	6,288,282	0.19%
Changes in net assets	694,008	454,267	(11,295)	(13,481)	682,713	440,786	54.89%
Net assets beginning of year	3,759,681	3,305,414	174,256	187,737	3,933,937	3,493,151	12.62%
Net assets end of year	\$ 4,453,689	3,759,681	162,961	174,256	4,616,650	3,933,937	17.35%

In fiscal 2011, local tax (property tax, income surtax and statewide sales, services and use tax) and unrestricted state grants account for 84.57% of the revenue from governmental activities while charges for services and operating grants and contributions account for 96.39% of the revenue from business type activities.

The District's total revenues were approximately \$6.98 million of which approximately \$6.64 million was for governmental activities and approximately \$0.34 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 3.77% in revenues and a 0.19% increase in expenses. The increase in revenues can be attributable to the increase in property tax and state sources of revenues during fiscal 2011.

### Governmental Activities

Revenues for governmental activities were \$6,636,519 and expenses were \$5,942,511.

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.

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 3,875,628	3,826,567	1.28%	3,182,007	2,474,148	28.61%
Support services	1,613,124	1,560,622	3.36%	1,581,857	1,558,570	1.49%
Non-instructional programs	5,780	7,713	-25.06%	5,780	7,713	-25.06%
Other expenses	447,979	531,723	-15.75%	225,509	313,299	-28.02%
Totals	\$ 5,942,511	5,926,625	0.27%	4,995,153	4,353,730	14.73%

- The cost financed by users of the District's programs was \$364,246.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$583,112.
- The net cost of governmental activities was financed with \$2,186,603 in property tax, \$200,103 in income surtax, \$395,180 in statewide sales, services and use tax, \$2,830,651 in unrestricted state grants, \$53,416 in nonspecific program federal grants, \$6,477 in interest income and \$16,731 of other revenues net of transfers.

### Business type Activities

Revenues of the District's business type activities were \$346,478 and expenses were \$357,773. The District's business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

As previously noted, the Southeast Warren 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 \$3,107,172, above last year's ending net assets of \$1,494,765. This increase was primarily the result of the District issuing \$1,500,000 of revenue bonds, which will be used for a gym and wrestling room addition.

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## **Governmental Fund Highlights**

- The District's General Fund financial position is the product of many factors. Revenues increased due to additional taxes levied and an increase in state source revenues. The increase in expenses was due to increasing salary and benefit costs.
- The Capital Projects Accounts balance increased from a restated balance of \$682,257 at the beginning of the fiscal year 2011 to \$1,989,879. The beginning balance was restated as a result of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54. The increase in fund balance was a result of the District issuing \$1,500,000 in revenue bonds which will be used for a gym/wrestling room addition.

## **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$150,854 at June 30, 2010 to \$145,511 at June 30, 2011, representing a decrease of approximately 3.54%. The Day Care Fund net assets decreased from \$23,402 at June 30, 2010, to \$17,450 at June 30, 2011, representing a decrease of 25.43%.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Southeast Warren Community School District amended its annual budget one time to reflect additional expenditures in the other expenditures functions.

The District's revenues were \$432,019 less than budgeted revenues, a variance of 5.83%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2011, the District had invested approximately \$4.85 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 6.37% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$276,025.

The original cost of the District's capital assets was \$8,315,977. Governmental funds account for \$8,080,989 with the remainder of \$234,988 in the Proprietary, School Nutrition Fund and the Proprietary, Day Care 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 compared to \$329,058 at June 30, 2011. This was a result of the District beginning work on a gym/wrestling room addition at the high school.

Figure A-6  
Capital Assets, Net of Depreciation

	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
Land	\$ 30,174	15,174	0	0	30,174	15,174	98.85%
Construction in progress	329,058	0	0	0	329,058	0	100.00%
Buildings	3,698,953	3,813,194	0	0	3,698,953	3,813,194	-3.00%
Land improvements	283,123	283,408	0	0	283,123	283,408	-0.10%
Machinery and equipment	416,994	372,351	90,248	73,944	507,242	446,295	13.66%
Total	\$ 4,758,302	4,484,127	90,248	73,944	4,848,550	4,558,071	6.37%

### Long-Term Debt

At June 30, 2011, the District had long-term debt outstanding of \$3,593,849 in general obligation bonds, revenue bonds, compensated absences, and other post employment benefits. This represents an increase of approximately 49.04% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$2,035,000 at June 30, 2011.

The District had outstanding Revenue Bonds payable from the Capital Projects: Statewide Sales Services and Use Tax Fund of \$1,500,000 at June 30, 2011.

The District also had total outstanding compensated absences of \$23,531 at June 30, 2011.

The District had a net OPEB liability of \$33,136 in the governmental activities and \$2,182 in the business type activities.

Figure A-7  
Outstanding Long-Term Obligations

	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
General obligation bonds	\$ 2,035,000	2,275,000	0	0	2,035,000	2,275,000	-10.55%
Revenue bonds	1,500,000	0	0	0	1,500,000	0	100.00%
Early retirement	0	95,144	0	0	0	95,144	-100.00%
Compensated absences	23,531	23,415	0	0	23,531	23,415	0.50%
Net OPEB obligation	33,136	16,683	2,182	1,098	35,318	17,781	98.63%
Total	\$ 3,591,667	2,410,242	2,182	1,098	3,593,849	2,411,340	49.04%

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## **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:

- Low allowable growth over several years and enrollment fluctuations is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- On July 1, 2011 the IPERS employers' contribution rate increased to 8.07%. This will increase the Southeast Warren Community Schools' employer benefit costs over the next year.
- The Daycare facilities the District has is a definite asset to drawing more students to the District and increasing revenues. Hopefully, this trend will continue to help maintain the health of the District.

## **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 Julie Wilson, District Business Manager, Southeast Warren Community School District, 16331 Tyler Street, Liberty Center, Iowa, 50145.

BASIC FINANCIAL STATEMENTS

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 3,669,992	101,996	3,771,988
Receivables:			
Property tax:			
Delinquent	47,022	0	47,022
Succeeding year	2,204,067	0	2,204,067
Income surtax	209,538	0	209,538
Accounts	18,976	1,099	20,075
Due from other governments	362,181	0	362,181
Inventories	0	7,757	7,757
Capital assets, net of accumulated depreciation	4,758,302	90,248	4,848,550
<b>Total assets</b>	<b>11,270,078</b>	<b>201,100</b>	<b>11,471,178</b>
<b>Liabilities</b>			
Accounts payable	164,267	8,427	172,694
Salaries and benefits payable	555,529	25,274	580,803
Due to other governments	153,934	0	153,934
Interest payable	29,656	0	29,656
Deferred revenue:			
Succeeding year property tax	2,204,067	0	2,204,067
Other	117,269	0	117,269
Unearned revenue	0	2,256	2,256
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	245,000	0	245,000
Compensated absences	23,531	0	23,531
Portion due after one year:			
General obligation bonds	1,790,000	0	1,790,000
Revenue bonds	1,500,000	0	1,500,000
Net OPEB liability	33,136	2,182	35,318
<b>Total liabilities</b>	<b>6,816,389</b>	<b>38,139</b>	<b>6,854,528</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	2,268,244	90,248	2,358,492
Restricted for:			
Categorical funding	304,721	0	304,721
School infrastructure	677,912	0	677,912
Physical plant and equipment	141,025	0	141,025
Debt service	163,596	0	163,596
Management levy purposes	122,111	0	122,111
Student activities	39,135	0	39,135
Unrestricted	736,945	72,713	809,658
<b>Total net assets</b>	<b>\$ 4,453,689</b>	<b>162,961</b>	<b>4,616,650</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 2,204,934	156,381	104,086	0	(1,944,467)	0	(1,944,467)
Special	869,572	64,503	60,999	0	(744,070)	0	(744,070)
Other	801,122	140,620	167,032	0	(493,470)	0	(493,470)
	<u>3,875,628</u>	<u>361,504</u>	<u>332,117</u>	<u>0</u>	<u>(3,182,007)</u>	<u>0</u>	<u>(3,182,007)</u>
Support services:							
Student	110,970	0	0	0	(110,970)	0	(110,970)
Instructional staff	124,865	0	3,335	0	(121,530)	0	(121,530)
Administration	547,599	0	0	0	(547,599)	0	(547,599)
Operation and maintenance of plant	475,143	0	0	25,000	(450,143)	0	(450,143)
Transportation	354,547	2,742	190	0	(351,615)	0	(351,615)
	<u>1,613,124</u>	<u>2,742</u>	<u>3,525</u>	<u>25,000</u>	<u>(1,581,857)</u>	<u>0</u>	<u>(1,581,857)</u>
Non-instructional programs:							
Food service operations	2,621	0	0	0	(2,621)	0	(2,621)
Other enterprise operations	3,159	0	0	0	(3,159)	0	(3,159)
	<u>5,780</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,780)</u>	<u>0</u>	<u>(5,780)</u>
Other expenses:							
Long-term debt interest	93,330	0	0	0	(93,330)	0	(93,330)
AEA flowthrough	222,470	0	222,470	0	0	0	0
Depreciation(unallocated)*	132,179	0	0	0	(132,179)	0	(132,179)
	<u>447,979</u>	<u>0</u>	<u>222,470</u>	<u>0</u>	<u>(225,509)</u>	<u>0</u>	<u>(225,509)</u>
Total governmental activities	5,942,511	364,246	558,112	25,000	(4,995,153)	0	(4,995,153)
Business type activities:							
Support services:							
Administration	1,479	0	0	0	0	(1,479)	(1,479)
Operation and maintenance of plant	17,286	0	0	0	0	(17,286)	(17,286)
	<u>18,765</u>	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>0</u>	<u>(18,765)</u>	<u>(18,765)</u>
Non-instructional programs:							
Food service operations	253,794	147,130	104,044	0	0	(2,620)	(2,620)
Day care operations	85,214	77,677	5,130	0	0	(2,407)	(2,407)
	<u>339,008</u>	<u>224,807</u>	<u>109,174</u>	<u>0</u>	<u>0</u>	<u>(5,027)</u>	<u>(5,027)</u>
Total business type activities	357,773	224,807	109,174	0	0	(23,792)	(23,792)
Total	\$ 6,300,284	589,053	667,286	25,000	(4,995,153)	(23,792)	(5,018,945)
<b>General Revenues and Transfers:</b>							
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,837,057	0	1,837,057
Capital outlay					38,064	0	38,064
Debt service					311,482	0	311,482
Income surtax					200,103	0	200,103
Statewide sales, services and use tax					395,180	0	395,180
Unrestricted state grants					2,830,651	0	2,830,651
Nonspecific program federal grants					53,416	0	53,416
Unrestricted investment earnings					6,477	72	6,549
Other					25,935	3,221	29,156
Transfers					(9,204)	9,204	0
Total general revenues and transfers					<u>5,689,161</u>	<u>12,497</u>	<u>5,701,658</u>
Changes in net assets					694,008	(11,295)	682,713
Net assets beginning of year					<u>3,759,681</u>	<u>174,256</u>	<u>3,933,937</u>
Net assets end of year					<u>\$ 4,453,689</u>	<u>162,961</u>	<u>4,616,650</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments	\$ 1,575,054	1,909,007	185,931	3,669,992
Receivables:				
Property tax:				
Delinquent	37,357	819	8,846	47,022
Succeeding year	1,762,177	39,721	402,169	2,204,067
Income surtax	209,538	0	0	209,538
Accounts	17,376	0	1,600	18,976
Due to other funds	0	0	5,486	5,486
Due from other governments	135,935	226,246	0	362,181
<b>Total assets</b>	<b>\$ 3,737,437</b>	<b>2,175,793</b>	<b>604,032</b>	<b>6,517,262</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Due to other funds	\$ 0	5,486	0	5,486
Accounts payable	20,539	140,707	3,021	164,267
Salaries and benefits payable	555,529	0	0	555,529
Due to other governments	153,934	0	0	153,934
Deferred revenue:				
Succeeding year property tax	1,762,177	39,721	402,169	2,204,067
Income surtax	209,538	0	0	209,538
Other	117,269	0	0	117,269
<b>Total liabilities</b>	<b>2,818,986</b>	<b>185,914</b>	<b>405,190</b>	<b>3,410,090</b>
Fund balances:				
Restricted for:				
Categorical funding	304,721	0	0	304,721
Construction	0	1,044,942	0	1,044,942
School infrastructure	0	677,912	0	677,912
Debt service	0	126,000	37,596	163,596
Physical plant and equipment	0	141,025	0	141,025
Management levy purposes	0	0	122,111	122,111
Student activities	0	0	39,135	39,135
Unassigned	613,730	0	0	613,730
<b>Total fund balances</b>	<b>918,451</b>	<b>1,989,879</b>	<b>198,842</b>	<b>3,107,172</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,737,437</b>	<b>2,175,793</b>	<b>604,032</b>	<b>6,517,262</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>	\$ 3,107,172
 <b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,758,302
Accrued interest payable in the long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(29,656)
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period.	209,538
Long-term liabilities, including bonds payable, other postemployment benefits payable and compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(3,591,667)</u>
<b>Net assets of governmental activities(page 18)</b>	<u><u>\$ 4,453,689</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN 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
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,933,073	433,244	411,357	2,777,674
Tuition	189,092	0	0	189,092
Other	59,020	3,886	159,140	222,046
State sources	3,196,246	26	284	3,196,556
Federal sources	231,143	25,000	0	256,143
<b>TOTAL REVENUES</b>	<b>5,608,574</b>	<b>462,156</b>	<b>570,781</b>	<b>6,641,511</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	2,178,051	6,589	105,826	2,290,466
Special	865,689	0	0	865,689
Other	658,761	0	154,192	812,953
	<b>3,702,501</b>	<b>6,589</b>	<b>260,018</b>	<b>3,969,108</b>
Support services:				
Student	109,422	0	0	109,422
Instructional staff	91,782	28,201	0	119,983
Administration	484,220	25,946	8,216	518,382
Operation and maintenance of plant	402,152	49,623	25,703	477,478
Transportation	249,779	84,671	17,590	352,040
	<b>1,337,355</b>	<b>188,441</b>	<b>51,509</b>	<b>1,577,305</b>
Non-instructional programs:				
Food service operations	0	0	3,159	3,159
Other enterprise operations	0	0	2,621	2,621
	<b>0</b>	<b>0</b>	<b>5,780</b>	<b>5,780</b>
Other expenditures:				
Facilities acquisitions	0	425,386	0	425,386
Long-term debt:				
Principal	0	0	240,000	240,000
Interest and fiscal charges	0	0	77,969	77,969
AEA flowthrough	222,470	0	0	222,470
	<b>222,470</b>	<b>425,386</b>	<b>317,969</b>	<b>965,825</b>
<b>TOTAL EXPENDITURES</b>	<b>5,262,326</b>	<b>620,416</b>	<b>635,276</b>	<b>6,518,018</b>
Excess(Deficiency) of revenues over(under) expenditures	346,248	(158,260)	(64,495)	123,493
Other financing sources(uses):				
Sale of equipment	10,163	0	0	10,163
Transfer in	0	0	12,869	12,869
Transfer out	0	(12,869)	0	(12,869)
Revenue bond issuance	0	1,500,000	0	1,500,000
Discount on bond issuance	0	(26,004)	0	(26,004)
Premium on bond issuance	0	4,755	0	4,755
<b>Total other financing sources(uses)</b>	<b>10,163</b>	<b>1,465,882</b>	<b>12,869</b>	<b>1,488,914</b>
Net change in fund balances	356,411	1,307,622	(51,626)	1,612,407
Fund balance beginning of year, as restated	562,040	682,257	250,468	1,494,765
Fund balance end of year	\$ 918,451	1,989,879	198,842	3,107,172

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN 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) \$ 1,612,407

*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. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 532,463	
Depreciation expense	<u>(258,288)</u>	274,175

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issuances exceeded repayments, as follows:

Issued	(1,500,000)	
Repaid	<u>240,000</u>	(1,260,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (15,361)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 4,212

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

Early retirement	95,144	
Compensated absences	(116)	
Other postemployment benefits	<u>(16,453)</u>	<u>78,575</u>

Changes in net assets of governmental activities(page 19) \$ 694,008

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	School Nutrition	Day Care	Total
<b>Assets</b>			
Cash and pooled investments	\$ 78,696	23,300	101,996
Accounts receivable	1,099	0	1,099
Inventories	7,757	0	7,757
Capital assets, net of accumulated depreciation	88,917	1,331	90,248
<b>Total assets</b>	<b>176,469</b>	<b>24,631</b>	<b>201,100</b>
<b>Liabilities</b>			
Accounts payable	1,471	6,956	8,427
Salaries and benefits payable	25,274	0	25,274
Unearned revenues	2,256	0	2,256
Net OPEB liability	1,957	225	2,182
<b>Total liabilities</b>	<b>30,958</b>	<b>7,181</b>	<b>38,139</b>
<b>Net Assets</b>			
Invested in capital assets	88,917	1,331	90,248
Unrestricted	56,594	16,119	72,713
<b>Total net assets</b>	<b>\$ 145,511</b>	<b>17,450</b>	<b>162,961</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 147,130	77,677	224,807
Miscellaneous	3,118	103	3,221
<b>TOTAL OPERATING REVENUES</b>	<b>150,248</b>	<b>77,780</b>	<b>228,028</b>
OPERATING EXPENSES:			
Support services:			
Administration:			
Services	44	0	44
Other	1,435	0	1,435
	<b>1,479</b>	<b>0</b>	<b>1,479</b>
Operation and maintenance of plant:			
Salaries	7,535	0	7,535
Benefits	1,100	0	1,100
Services	4,987	739	5,726
Supplies	0	2,925	2,925
	<b>13,622</b>	<b>3,664</b>	<b>17,286</b>
Total support services	<b>15,101</b>	<b>3,664</b>	<b>18,765</b>
Non-instructional programs:			
Food service operations:			
Salaries	72,957	0	72,957
Benefits	31,013	0	31,013
Services	134	0	134
Supplies	130,193	0	130,193
Other	195	0	195
Depreciation	17,471	0	17,471
	<b>251,963</b>	<b>0</b>	<b>251,963</b>
Day care operations:			
Salaries	0	58,413	58,413
Benefits	0	7,754	7,754
Supplies	0	18,781	18,781
Depreciation	0	266	266
	<b>0</b>	<b>85,214</b>	<b>85,214</b>
Total non-instructional programs	<b>251,963</b>	<b>85,214</b>	<b>337,177</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>267,064</b>	<b>88,878</b>	<b>355,942</b>
<b>OPERATING LOSS</b>	<b>(116,816)</b>	<b>(11,098)</b>	<b>(127,914)</b>
NON-OPERATING REVENUES(EXPENSES):			
Loss on disposal	(1,831)	0	(1,831)
State sources	2,391	0	2,391
Federal sources	101,653	5,130	106,783
Interest income	56	16	72
<b>TOTAL NON-OPERATING REVENUES(EXPENSES)</b>	<b>102,269</b>	<b>5,146</b>	<b>107,415</b>
Change in net assets before capital contributions	(14,547)	(5,952)	(20,499)
Capital contributions	9,204	0	9,204
Changes in net assets	(5,343)	(5,952)	(11,295)
Net assets beginning of year	150,854	23,402	174,256
Net assets end of year	<b>\$ 145,511</b>	<b>17,450</b>	<b>162,961</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from operating activities*	\$ 146,367	77,677	224,044
Cash received from miscellaneous operating activities	3,118	103	3,221
Cash payments to employees for services	(110,973)	(66,055)	(177,028)
Cash payments to suppliers for goods or services	(121,968)	(23,233)	(145,201)
Net cash used in operating activities	(83,456)	(11,508)	(94,964)
Cash flows from non-capital financing activities:			
State grants received	2,391	0	2,391
Federal grants received	99,772	5,130	104,902
Net cash provided by non-capital financing activities	102,163	5,130	107,293
Cash flows from capital and related financing activities:			
Purchase of capital assets	(26,668)	0	(26,668)
Cash flows from investing activities:			
Interest on investments	56	16	72
Net decrease in cash and cash equivalents	(7,905)	(6,362)	(14,267)
Cash and cash equivalents at beginning of year	86,601	29,662	116,263
Cash and cash equivalents at end of year	\$ 78,696	23,300	101,996
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (116,816)	(11,098)	(127,914)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	12,683	0	12,683
Depreciation	17,471	266	17,737
Decrease in inventories	1,133	0	1,133
Increase in accounts receivable	(623)	0	(623)
Increase(Decrease) in accounts payable	1,204	(788)	416
Increase in salaries and benefits payable	660	0	660
Decrease in unearned revenue	(140)	0	(140)
Increase in other postemployment benefits	972	112	1,084
Net cash used in operating activities	\$ (83,456)	(11,508)	(94,964)

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

\* Cash received from operating activities is comprised of cash received from the sale of lunches and breakfasts in the School Nutrition Fund and fees charged by the District to users of the District provided daycare program.

During the year ended June 30, 2011, the District received Federal commodities valued at \$17,291.

During the year ended June 30, 2011, the District received capital contributions from the Capital Projects: Physical Plant and Equipment Levy Fund of \$9,204.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 FIDUCIARY FUND  
 JUNE 30, 2011

	<u>Agency</u>
<b>Assets</b>	
Cash and pooled investments	\$ 1,859
Accounts receivable	157
<b>Total assets</b>	<u><u>\$ 2,016</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 594
Due to other groups	1,422
<b>Total liabilities</b>	<u><u>\$ 2,016</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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

The Southeast Warren Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominately agricultural territory in Warren and Lucas counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Southeast Warren 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 Southeast Warren 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 Warren and Lucas Counties Assessors' Conference Board.

B. Basis of Presentation

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

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

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

*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 and proprietary 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.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District while the Day Care Fund is used to account for childcare services provided by the District to employees and other families in the community.

The District reports the following fiduciary fund:

The District's fiduciary fund is the Agency Fund. 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 do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary 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 - 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 funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

#### D. Assets, Liabilities and Fund 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 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 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	\$ 1,500
Buildings	1,500
Land improvements	1,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

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

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

Due to Other Governments - Due to other governments represents amounts due to the State of Iowa, local educational agencies, and other governments.

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 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.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General 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.

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits 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 Direct Government Obligations Portfolio which are valued at an amortized cost of \$2,299,157 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.

(3) **Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 12,869</u>

The amount transferred from the Capital Projects Fund to the Debt Service Fund is Lucas County statewide sales, services and use tax that can be used for debt service obligations according to the revenue purpose statement for Lucas County.

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

At June 30, 2011 the interfund receivable and payable consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 5,486</u>

The amount of the interfund payable from the Capital Projects Fund to the Debt Service Fund is Lucas County statewide sales and service tax for the months of July and August that can be used for debt service obligations according to the revenue purpose statement for Lucas County.

(5) Capital Assets

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

	Balance			Balance
	Beginning			End
	of Year	Increases	Decreases	of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 15,174	15,000	0	30,174
Construction in progress	0	329,058	0	329,058
Total capital assets not being depreciated	15,174	344,058	0	359,232
Capital assets being depreciated:				
Buildings	5,797,156	0	0	5,797,156
Improvements other than buildings	359,292	17,653	0	376,945
Machinery and equipment	1,420,017	170,752	43,113	1,547,656
Total capital assets being depreciated	7,576,465	188,405	43,113	7,721,757
Less accumulated depreciation for:				
Buildings	1,983,962	114,241	0	2,098,203
Improvements other than buildings	75,884	17,938	0	93,822
Machinery and equipment	1,047,666	126,109	43,113	1,130,662
Total accumulated depreciation	3,107,512	258,288	43,113	3,322,687
Total capital assets being depreciated, net	4,468,953	(69,883)	0	4,399,070
Governmental activities capital assets, net	\$ 4,484,127	274,175	0	4,758,302
	Balance			Balance
	Beginning			End
	of Year	Increases	Decreases	of Year
Business type activities:				
Machinery and equipment	\$ 215,696	35,872	16,580	234,988
Less accumulated depreciation	141,752	17,737	14,749	144,740
Business type activities capital assets, net	\$ 73,944	18,135	1,831	90,248

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 2,997
Other		4,558
Support services:		
Student		732
Instructional staff		2,837
Administration		10,256
Operation and maintenance of plant		17,532
Transportation		87,197
		<u>126,109</u>
Unallocated depreciation		<u>132,179</u>
		<u>\$ 258,288</u>
Business type activities:		
Food services		\$ 17,471
Day care		266
Total business type activities depreciation expense		<u>\$ 17,737</u>

**(6) Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 2,275,000	0	240,000	2,035,000	245,000
Revenue Bonds	0	1,500,000	0	1,500,000	0
Early retirement	95,144	0	95,144	0	0
Compensated absences	23,415	23,531	23,415	23,531	23,531
Net OPEB liability	16,683	16,453	0	33,136	0
Total	<u>\$ 2,410,242</u>	<u>1,539,984</u>	<u>358,559</u>	<u>3,591,667</u>	<u>268,531</u>
Business type Activities:					
Net OPEB liability	<u>\$ 1,098</u>	<u>1,084</u>	<u>0</u>	<u>2,182</u>	<u>0</u>

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 27, 2009				
	Interest Rates		Principal	Interest	Total
2012	3.250	% \$	245,000	70,169	315,169
2013	3.250		255,000	62,206	317,206
2014	3.250		265,000	53,919	318,919
2015	3.250		275,000	45,306	320,306
2016	3.375		280,000	36,025	316,025
2017	3.500		295,000	26,225	321,225
2018	3.700		300,000	15,900	315,900
2019	4.000		120,000	4,800	124,800
Total			\$ 2,035,000	314,550	2,349,550

#### Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2011				
	Interest Rates		Principal	Interest	Total
2012	2.000	% \$	0	42,810	42,810
2013	2.000		25,000	56,830	81,830
2014	2.000		65,000	55,930	120,930
2015	2.250		70,000	54,493	124,493
2016	2.250		70,000	52,917	122,917
2017-2021	2.750-3.400		380,000	233,288	613,288
2022-2026	4.000-4.500		455,000	157,262	612,262
2027-2030	4.500-5.000		435,000	44,875	479,875
Total			\$ 1,500,000	698,405	2,198,405

The District has pledged future statewide sales, services and use tax revenues to repay \$1,500,000 of bonds issued in April 2011. The bonds were issued for the purpose of financing future school infrastructure projects in the District. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 22 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,198,405. For the current year, \$0 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$198,192.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$126,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the

bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.

- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

#### Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to fifty percent of the employee's base salary. Payment will be made in one lump sum in September. Early retirement benefits paid during the year ended June 30, 2011, totaled \$95,144.

#### **(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 \$213,913, \$211,025, and \$198,176, respectively, equal to the required contributions for each year.

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

Plan Description - The District operates a single-employer retiree benefit plan which provides medical, prescription drug and dental benefits for retirees and their spouses. There are 90 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 48,462
Interest on net OPEB obligation	800
Adjustment to annual required contribution	(1,044)
Annual OPEB cost	<u>48,218</u>
Contributions made	<u>(30,681)</u>
Increase in net OPEB obligation	17,537
Net OPEB obligation beginning of year	<u>17,781</u>
Net OPEB obligation end of year	<u><u>\$ 35,318</u></u>

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

For the year ended June 30, 2011, the District contributed \$30,681 to the medical plan. Plan members eligible for benefits contributed \$117,739, or 79% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 48,462	63.31%	\$ 17,781
2011	48,218	63.63%	35,318

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 \$430,673, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$430,673. The covered payroll (annual payroll of active employees covered by the plan) was \$2,952,877, and the ratio of the UAAL to covered payroll was 14.58%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2009 actuarial valuation date, the Alternative Measurement Method, a simplified version of the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

The projected claim costs of the medical and dental plan for retirees under age 65 are illustrated per month in the following table.

	Protector 100	Protector 200	Protector 750	Dental Coverage
Single	\$ 398.58	\$ 386.77	\$ 340.37	\$ 35.05
With Spouse	1,015.12	985.05	866.86	99.59

The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$222,470 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) Construction Commitment**

The District has entered into contracts totaling \$1,782,402 for a gym/wrestling room addition. As of June 30, 2011, costs of \$319,019 had been incurred against the contracts. The balance of \$1,463,383 remaining at June 30, 2011 will be paid as work on the project progresses.

**(12) Categorical Funding**

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

Programs	Amount
Professional development	\$ 15,846
Talented and gifted	28,222
Professional development for model core curriculum	19,826
Beginning teacher mentoring and induction program	1,576
Salary improvement program	27,233
Four-year-old preschool	108,475
Early intervention	22,654
Weighted at-risk programs	38,948
Returning dropouts and dropout prevention programs	<u>41,941</u>
Total	<u><u>\$ 304,721</u></u>

**(13) Accounting Change/Restatement**

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

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010 as previously reported	\$ 528,366	153,891
Change in fund type classification per implementation of GASB Statement No. 54	153,891	(153,891)
Balance July 1, 2010 as restated	<u><u>\$ 682,257</u></u>	<u><u>\$ 0</u></u>

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE 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	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 3,188,812	228,100	3,416,912	3,626,405	3,626,405	(209,493)
State sources	3,196,556	2,391	3,198,947	3,470,699	3,470,699	(271,752)
Federal sources	256,143	106,783	362,926	313,700	313,700	49,226
Total revenues	6,641,511	337,274	6,978,785	7,410,804	7,410,804	(432,019)
Expenditures/Expenses:						
Instruction	3,969,108	0	3,969,108	4,559,670	4,559,670	590,562
Support services	1,577,305	18,765	1,596,070	2,096,194	2,096,194	500,124
Non-instructional programs	5,780	339,008	344,788	497,676	497,676	152,888
Other expenditures	965,825	0	965,825	1,441,393	2,041,393	1,075,568
Total expenditures/expenses	6,518,018	357,773	6,875,791	8,594,933	9,194,933	2,319,142
Excess(Deficiency) of revenues over(under) expenditures/expenses	123,493	(20,499)	102,994	(1,184,129)	(1,784,129)	1,887,123
Other financing sources, net	1,488,914	9,204	1,498,118	3,261	3,261	1,494,857
Excess(Deficiency) of revenues over(under) expenditures/expenses	1,612,407	(11,295)	1,601,112	(1,180,868)	(1,780,868)	3,381,980
Balance beginning of year	1,494,765	174,256	1,669,021	1,374,924	1,374,924	294,097
Balance end of year	\$ 3,107,172	162,961	3,270,133	194,056	(405,944)	3,676,077

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$600,000.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 430,673	\$ 430,673	0.00%	\$ 2,933,775	14.68%
2011	July 1, 2009	0	430,673	430,673	0.00%	2,952,877	14.58%

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

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

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
<b>Assets</b>					
Cash and pooled investments	\$ 119,963	40,556	160,519	25,412	185,931
Receivables:					
Property tax:					
Delinquent	2,148	0	2,148	6,698	8,846
Succeeding year	100,000	0	100,000	302,169	402,169
Accounts	0	1,600	1,600	0	1,600
Due from other funds	0	0	0	5,486	5,486
<b>Total assets</b>	<b>\$ 222,111</b>	<b>42,156</b>	<b>264,267</b>	<b>339,765</b>	<b>604,032</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 0	3,021	3,021	0	3,021
Deferred revenue:					
Succeeding year property tax	100,000	0	100,000	302,169	402,169
<b>Total liabilities</b>	<b>100,000</b>	<b>3,021</b>	<b>103,021</b>	<b>302,169</b>	<b>405,190</b>
Fund balances:					
Restricted for:					
Management levy purposes	122,111	0	122,111	0	122,111
Student activities	0	39,135	39,135	0	39,135
Debt service	0	0	0	37,596	37,596
<b>Total fund balances</b>	<b>122,111</b>	<b>39,135</b>	<b>161,246</b>	<b>37,596</b>	<b>198,842</b>
<b>Total liabilities and fund balances</b>	<b>\$ 222,111</b>	<b>42,156</b>	<b>264,267</b>	<b>339,765</b>	<b>604,032</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 99,875	0	99,875	311,482	411,357
Other	9,584	149,471	159,055	85	159,140
State sources	69	0	69	215	284
TOTAL REVENUES	109,528	149,471	258,999	311,782	570,781
EXPENDITURES:					
Current:					
Instruction:					
Regular	105,826	0	105,826	0	105,826
Other	0	154,192	154,192	0	154,192
Support services:					
Administration	7,766	0	7,766	450	8,216
Operation and maintenance of plant	25,420	283	25,703	0	25,703
Transportation	17,590	0	17,590	0	17,590
Non-instructional:					
Food service operations	3,159	0	3,159	0	3,159
Other enterprise operations	2,621	0	2,621	0	2,621
Other expenditures:					
Long-term debt:					
Principal	0	0	0	240,000	240,000
Interest and fiscal charges	0	0	0	77,969	77,969
TOTAL EXPENDITURES	162,382	154,475	316,857	318,419	635,276
Deficiency of revenues under expenditures	(52,854)	(5,004)	(57,858)	(6,637)	(64,495)
Other financing sources:					
Transfer in	0	0	0	12,869	12,869
Net change in fund balances	(52,854)	(5,004)	(57,858)	6,232	(51,626)
Fund balance beginning of year, as restated	174,965	44,139	219,104	31,364	250,468
Fund balance end of year	\$ 122,111	39,135	161,246	37,596	198,842

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN 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
<b>Assets</b>			
Cash and pooled investments	\$ 1,765,212	143,795	1,909,007
Receivables:			
Property tax:			
Delinquent	0	819	819
Succeeding year	0	39,721	39,721
Due from other governments	226,246	0	226,246
<b>Total assets</b>	<b>\$ 1,991,458</b>	<b>184,335</b>	<b>2,175,793</b>
<b>Liabilities and fund balances</b>			
Liabilities:			
Due to other funds	\$ 5,486	0	5,486
Accounts payable	137,118	3,589	140,707
Deferred revenue			
Succeeding year property tax	0	39,721	39,721
Total liabilities	142,604	43,310	185,914
Fund balances:			
Restricted for:			
Construction	1,044,942	0	1,044,942
School infrastructure	677,912	0	677,912
Debt service	126,000	0	126,000
Physical plant and equipment	0	141,025	141,025
Total fund balances	1,848,854	141,025	1,989,879
<b>Total liabilities and fund balances</b>	<b>\$ 1,991,458</b>	<b>184,335</b>	<b>2,175,793</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN 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	\$ 395,180	38,064	433,244
Other	3,735	151	3,886
State sources	0	26	26
Federal sources	25,000	0	25,000
TOTAL REVENUES	423,915	38,241	462,156
EXPENDITURES:			
Current:			
Instruction:			
Regular	0	6,589	6,589
Support services:			
Instructional staff	28,201	0	28,201
Adminstration	25,946	0	25,946
Operation and maintenance of plant	40,419	9,204	49,623
Transportation	84,671	0	84,671
Other expenditures:			
Facilities acquisitions	390,072	35,314	425,386
TOTAL EXPENDITURES	569,309	51,107	620,416
Deficiency of revenues under expenditures	(145,394)	(12,866)	(158,260)
Other financing sources(uses):			
Transfer out	(12,869)	0	(12,869)
Revenue bond issuance	1,500,000	0	1,500,000
Discount on bond issuance	(26,004)	0	(26,004)
Premium on bond issuance	4,755	0	4,755
Total other financing sources(uses)	1,465,882	0	1,465,882
Net change in fund balances	1,320,488	(12,866)	1,307,622
Fund balances beginning of year, as restated	528,366	153,891	682,257
Fund balances end of year	\$ 1,848,854	141,025	1,989,879

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN 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
JR High Sports Fundraiser	\$ 0	765	458	307
Drama	2,773	2,714	3,350	2,137
Speech	0	1,040	1,040	0
Vocal Music	0	1,656	1,357	299
Vocal-NY Trip	555	9,308	7,929	1,934
Instrumental Music	0	434	434	0
Band Trip-HS	577	0	211	366
Band Trip-JH	178	80	255	3
I-Music Flags	279	17	223	73
Cheerleaders	130	1,174	1,304	0
JH Cheer	583	0	0	583
Dance Team	2,892	15,454	15,512	2,834
Dance Team-JH	0	665	15	650
Athletic Gates	1,184	22,541	23,442	283
Tournaments	1,514	2,210	2,049	1,675
Uniforms	4,705	5,047	9,379	373
Basketball-Boys	4,097	851	1,217	3,731
Basketball-Girls	2,599	3,664	3,959	2,304
Volleyball	0	2,219	2,056	163
Volleyball Camp	325	0	325	0
Weightlifting	1,201	0	0	1,201
Track	0	342	342	0
Cross Country	0	192	192	0
Golf	0	965	758	207
Football	1,398	656	1,283	771
Baseball	0	5,722	5,217	505
Wrestling	135	3,745	3,004	876
Softball	2,805	3,146	3,273	2,678
Class of 2010 Trip	567	0	567	0
Class of 2011	489	994	1,343	140
Class of 2011 Trip	0	3,018	2,184	834
Class of 2012	0	4,866	4,807	59
Class of 2012 Trip	646	0	418	228
Class of 2013	54	17	0	71
Science Club	0	100	0	100
FBLA	69	1,225	1,269	25
FFA	5,985	22,421	21,670	6,736
FCCLA	0	1,651	1,651	0
Nat. Honor Society	433	47	160	320
Spanish Club	540	1,025	1,565	0
Yearbook	(6,430)	6,430	0	0
SH Student Council	268	510	778	0
JH Student Council	54	0	0	54
Student Teacher Assoc.	113	850	806	157
Est. Comm. Pride	16	0	16	0
Wii-Fit/Nutrition	208	0	208	0
ELP Trips	804	0	0	804
JR-SR High Activities	26	527	553	0
High School Fundraiser	7,860	15,039	22,636	263
JEL/SADD	497	70	0	567
Elem Yearbook	2,253	1,813	1,909	2,157
Primary Activities	755	0	0	755
Intermed. Activities	1,002	1,367	1,092	1,277
Intermed. Band	0	2,850	2,219	631
Interest Income	0	44	40	4
Total	\$ 44,139	149,471	154,475	39,135

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 165	62,615	60,921	1,859
Accounts receivable	36	157	36	157
<b>Total assets</b>	<b>\$ 201</b>	<b>62,772</b>	<b>60,957</b>	<b>2,016</b>
<b>Liabilities</b>				
Accounts payable	\$ 36	594	36	594
Due to other groups	165	62,178	60,921	1,422
<b>Total liabilities</b>	<b>\$ 201</b>	<b>62,772</b>	<b>60,957</b>	<b>2,016</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN 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	\$ 2,777,759	2,580,083	2,405,131	2,254,898	2,292,590	2,216,414	2,184,579	1,935,298
Tuition	189,092	240,287	212,240	179,254	188,992	196,436	192,380	150,073
Other	221,961	270,382	335,985	265,637	313,790	296,544	232,777	246,347
Intermediate sources	0	0	0	2,833	3,406	0	0	0
State sources	3,196,556	2,758,557	3,319,237	3,270,365	2,983,104	2,814,914	2,724,681	2,605,662
Federal sources	256,143	498,933	135,322	140,719	129,633	163,051	163,066	180,250
Total	\$ 6,641,511	6,348,242	6,407,915	6,113,706	5,911,515	5,687,359	5,497,483	5,117,630
Expenditures:								
Current:								
Instruction:								
Regular	\$ 2,290,466	2,192,182	2,241,793	2,295,864	2,063,809	1,914,385	1,824,019	1,896,490
Special	865,689	898,350	938,870	906,039	953,522	900,548	811,582	751,279
Other	812,953	691,771	577,490	592,087	548,885	578,639	523,212	442,153
Support services:								
Student	109,422	165,429	141,964	167,076	146,860	149,252	146,397	89,499
Instructional staff	119,983	136,850	195,754	191,217	211,074	166,824	169,643	143,206
Administration	518,382	513,316	521,191	519,584	507,387	509,590	461,651	441,472
Operation and maintenance of plant	477,478	411,757	435,655	446,675	442,698	458,116	404,320	403,734
Transportation	352,040	395,598	371,303	421,353	261,682	289,579	191,592	214,966
Non-instructional programs:								
Food service operations	3,159	3,013	0	0	0	0	0	0
Other enterprise operations	2,621	4,700	0	0	0	0	0	0
Other expenditures:								
Facilities acquisitions	425,386	94,249	127,396	371,858	93,361	85,882	184,592	6,069
Long-term debt:								
Principal	240,000	240,000	195,000	190,000	180,000	213,705	160,000	155,000
Interest and fiscal charges	77,969	79,574	133,868	134,115	143,115	158,693	159,615	167,265
AEA flow-through	222,470	218,424	202,817	195,233	184,399	171,073	167,064	165,576
Total	\$ 6,518,018	6,045,213	6,083,101	6,431,101	5,736,792	5,596,286	5,203,687	4,876,709

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

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

To the Board of Education of the  
Southeast Warren 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 Southeast Warren 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 14, 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 Southeast Warren Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southeast Warren Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southeast Warren Community School District's internal control over financial reporting.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast Warren Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do

not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

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.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Southeast Warren 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 14, 2012

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

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

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

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

Conclusion - Response accepted.

OTHER MATTERS:

I-B-11 Board Policies - We noted during our audit that the District has an employee using a District owned cell phone. However, the District has not developed and implemented a policy regarding the usage of this cell phone.

Recommendation - The District should implement the necessary policies.

Response - We will develop and implement a policy for district cell phone use.

Conclusion - Response accepted.

SOUTHEAST WARREN 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 did not exceed the amount budgeted.
- II-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-11 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tina Schneider, Teacher Spouse performed concrete work	Services	\$6,594
Julene Ripperger, Bus Driver/Custodian Spouse performed snow removal services	Services	\$4,713

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions do not appear to represent a conflict of interest.

- II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-11 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services 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		\$ 528,366
Revenues:		
Sales tax revenues	\$ 395,180	
Other local revenues	3,735	
Federal revenues	25,000	
Sale of long-term debt	1,500,000	
Other	4,755	1,928,670
		<u>2,457,036</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 390,072	
Other	205,241	
Transfers to other funds:		
Debt service fund	12,869	608,182
		<u>608,182</u>
Ending balance		<u><u>\$ 1,848,854</u></u>

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

	<u>Rate of Levy</u>	<u>Property</u>
	<u>Reduction</u>	<u>Tax</u>
	<u>Per \$1,000</u>	<u>Dollars</u>
	<u>of Taxable</u>	<u>Reduced</u>
	<u>Valuation</u>	
Debt service levy	<u>\$ 0.11143</u>	<u>\$ 12,869</u>

II-M-11 Checks Outstanding - We noted during our audit that the District had checks outstanding for over a year included in the bank reconciliations of the Student Activity and Nutrition Fund.

Recommendation - The District should determine if the outstanding checks should be reissued, voided or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the District must do so annually before November 1<sup>st</sup> as required by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Response - The District will monitor outstanding checks closely to ensure there are no checks outstanding for over a year.

Conclusion - Response accepted.

II-N-11 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 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.

Response - In the future all contracts will be signed by the Board President.

Conclusion - Response accepted.