

AMES COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2009

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Ames Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2008 Election)</b>		
Gail Johnston	President	2009
Anita Rollins	Vice President	2009
Mary Jurenka	Board Member	2008
Mike Murray	Board Member	2008
Roy Cakerice	Board Member	2009
Paul Soddors	Board Member	2011
Francis Today	Board Member	2011
<b>Board of Education (After September 2008 Election)</b>		
Gail Johnston	President	2009
Paul Soddors	Vice President	2011
Mary Jurenka	Board Member	2011
Dan Woodin	Board Member	2011
Roy Cakerice	Board Member	2009
Anita Rollins	Board Member	2009
Francis Today	Board Member	2011
<b>School Officials</b>		
Dr. Linda Beyea	Superintendent	2009
Karen Shimp	District Secretary/Treasurer and Chief Financial Officer	2009
Ahlers & Cooney, P.C.	Attorney	2009

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

**Certified Public Accountants**

(a professional corporation)

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Ames 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 Ames Community School District, Ames, Iowa, as of and for the year ended June 30, 2009, 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 Ames Community School District at June 30, 2009, 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 February 11, 2010 on our consideration of Ames Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information

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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 Ames 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 eight years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2000 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 11, 2010

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

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The Ames 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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- Fiscal 2009 General Fund expenses exceeded revenues by \$1.3 million. The deficiency of revenues under expenses resulted in a decrease in the fund balance from \$5.1 million to \$3.7 million. Revenues were \$44.2 million vs. \$41.1 million in fiscal 2008, and expenditures were \$45.5 million vs. \$43.9 million in fiscal 2008. Increased costs related to the increase in negotiated salaries and benefits, busing and utility expenses were the primary reason for the expenses exceeding the revenues.
- The District's October 2008 enrollment decreased from the prior year. The certified enrollment was 4,340, a decrease of 10 students from the prior year.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, 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. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

**Figure A-1**  
**Ames Community School District Annual Financial Report**

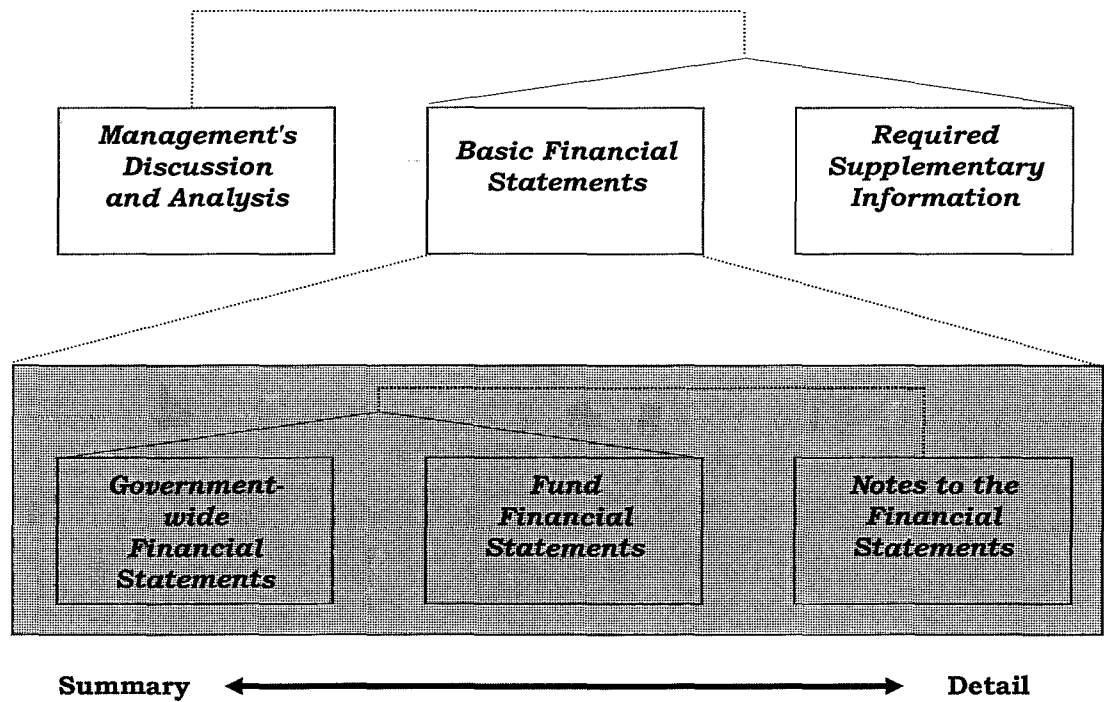


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, e.g., food services	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 net assets</li> <li>• Statement of revenues, expenses and changes in fund 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

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

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency funds.

- **Agency Funds** – These are funds through which the District administers and accounts for certain outside groups.

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 net assets at June 30, 2009 compared to June 30, 2008.

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,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 53,642,776	49,222,715	(798,848)	(839,134)	52,843,928	48,383,581	9.22%
Capital assets	56,933,442	54,597,443	626,351	676,144	57,559,793	55,273,587	4.14%
Total assets	110,576,218	103,820,158	(172,497)	(162,990)	110,403,721	103,657,168	6.51%
Long-term liabilities	19,685,837	20,700,993	907	0	19,686,744	20,700,993	-4.90%
Other liabilities	34,430,999	32,152,490	38,140	18,543	34,469,139	32,171,033	7.14%
Total liabilities	54,116,836	52,853,483	39,047	18,543	54,155,883	52,872,026	2.43%
Net assets:							
Invested in capital assets, net of related debt	39,240,303	35,430,021	626,351	676,144	39,866,654	36,106,165	10.42%
Restricted	8,481,823	5,090,028	0	0	8,481,823	5,090,028	66.64%
Unrestricted	8,737,256	10,446,626	(837,895)	(857,677)	7,899,361	9,588,949	-17.62%
Total net assets	\$ 56,459,382	50,966,675	(211,544)	(181,533)	56,247,838	50,785,142	10.76%

The District's combined net assets increased by 10.76%, or \$5,462,696, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents 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 \$3,391,795, or 66.64% over the prior year. The increase was primarily a result the increase in the Management Levy Fund balance and Debt Service Fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$1,689,588, or 17.62%. This decrease is due to the decrease in fund balance in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 4,566,723	4,590,391	966,381	878,975	5,533,104	5,469,366	1.17%
Operating grants and contributions and restricted interest	6,524,358	5,286,465	638,773	559,286	7,163,131	5,845,751	22.54%
General revenues:							
Property tax	25,403,746	24,564,148	0	0	25,403,746	24,564,148	3.42%
Income surtax	2,322,528	2,092,101	0	0	2,322,528	2,092,101	11.01%
Statewide sales and services tax	4,424,603	4,170,477	0	0	4,424,603	4,170,477	6.09%
Unrestricted state grants	13,065,278	12,480,423	0	0	13,065,278	12,480,423	4.69%
Unrestricted investment earnings	266,678	654,869	0	3,869	266,678	658,738	-59.52%
Other	635,902	485,339	0	0	635,902	485,339	31.02%
Total revenues	57,209,816	54,324,213	1,605,154	1,442,130	58,814,970	55,766,343	5.47%
Program expenses:							
Governmental activities:							
Instruction	34,298,679	32,315,790	0	0	34,298,679	32,315,790	6.14%
Support services	12,278,035	14,203,878	90,902	20,594	12,368,937	14,224,472	-13.04%
Non-instructional programs	0	0	1,544,263	1,517,035	1,544,263	1,517,035	1.79%
Other expenses	5,140,395	3,982,912	0	0	5,140,395	3,982,912	29.06%
Total expenses	51,717,109	50,502,580	1,635,165	1,537,629	53,352,274	52,040,209	2.52%
Changes in net assets before subsequent event	5,492,707	3,821,633	(30,011)	(95,499)	5,462,696	3,726,134	46.60%
Subsequent event	0	(100,643)	0	0	0	(100,643)	100.00%
Changes in net assets	5,492,707	3,720,990	(30,011)	(95,499)	5,462,696	3,625,491	50.67%
Beginning Net Assets	50,966,675	47,245,685	(181,533)	(86,034)	50,785,142	47,159,651	7.69%
Ending Net Assets	\$ 56,459,382	50,966,675	(211,544)	(181,533)	56,247,838	50,785,142	10.76%

In fiscal 2009, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 79.03% of the revenue from governmental activities while charges for service and seals and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were \$58,814,970 of which \$57,209,816 was for governmental activities and \$1,605,154 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.47% increase in revenues and a 2.52% increase in expenses. Unrestricted state grants increased by \$584,855 to fund increases in expenditures. The increases in expenses related to increases in negotiated salary and benefits as well as increases in expenses in busing and utility costs.

### **Governmental Activities**

Revenues for governmental activities were \$57,209,816 and expenses were \$51,717,109 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Service		
	2009	2008	Change 2008	2009	2008	Change 2008-09
Instruction	\$ 34,298,679	32,315,790	6.14%	24,900,918	24,031,869	3.62%
Support services	12,278,035	14,203,878	-13.56%	12,067,731	13,993,246	-13.76%
Other expenses	5,140,395	3,982,912	29.06%	3,657,379	2,600,609	40.64%
Totals	\$ 51,717,109	50,502,580	2.40%	40,626,028	40,625,724	0.00%

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$4,566,723.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$6,524,358.
- The net cost of governmental activities was financed with \$32,150,877 in local tax, \$13,065,278 in unrestricted state grants, \$266,678 in unrestricted investment earnings and \$635,902 in other general revenues.

### **Business Type Activities**

Revenues of the District's business type activities during the year ended June 30, 2009 were \$1,605,154 and expenses were \$1,635,165. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Ames 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 \$12,952,306, above last year's ending fund balances of \$11,006,439. However, the primary reason for the increase in the combined fund balances is the increase in the Management Levy Fund balance and Debt Service Fund balance.

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## **Governmental Fund Highlights**

- The District's General Fund financial position is the product of many factors. Growth during the year in state and federal sources resulted in an increase in revenues. The increase in revenues was offset by the District's increase in General Fund expenditures, resulting in a decrease in fund balance from \$5,082,409 to \$3,732,272.
- The Management Levy Fund balance increased from \$3,381,377 to \$4,387,729, due to the reduction in early retirement payouts and the District's increase in tax levy to fund future property insurance costs and early retirement incentives payments.
- The Capital Projects Fund balance increased from \$344,300 to \$1,219,874, due to the issuance of revenue bonds.
- The Debt Service Fund balance increased from \$1,691,252 to \$2,633,997, due to the increase in property tax received to be used for bond repayments. The District is required to place all statewide sales and services tax into the debt service to finance the outstanding revenue bonds.

## **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from a deficit \$181,533 at June 30, 2008 to a deficit \$211,544 at June 30, 2009, representing a 16.53% decrease.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$627,794 less than budgeted revenues, a variance of 1.05%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2009, the District had invested \$57.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 4.14% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,763,193.

The original cost of the District's capital assets was \$81,389,063. Governmental funds account for \$80,253,945 with the remainder of \$1,135,118 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$3,619,674 at June 30, 2009, compared to \$713,830 reported at June 30, 2008. This increase resulted primarily from the Northwood construction project as well as various other construction projects.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 4,981,652	4,981,652	0	0	4,981,652	4,981,652	0.00%
Construction in progress	3,619,675	713,830	0	0	3,619,675	713,830	407.08%
Buildings	41,165,528	41,469,997	0	0	41,165,528	41,469,997	-0.73%
Land improvements	5,251,317	5,556,137	0	0	5,251,317	5,556,137	-5.49%
Machinery and equipment	1,915,270	1,875,827	626,351	676,144	2,541,621	2,551,971	-0.41%
Total	\$ 56,933,442	54,597,443	626,351	676,144	57,559,793	55,273,587	4.14%

### Long-Term Debt

At June 30, 2009, the District had \$19,686,744 in total long-term debt outstanding. This represents a decrease of 4.90% 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 outstanding General Obligation Bonds payable of \$1,965,000 at June 30, 2009.

The District also had outstanding Revenue Bonds payable from the Capital Projects Fund of \$15,728,139 at June 30, 2009.

The District had outstanding early retirement payable from the Special Revenue, Management Fund of \$1,044,651 at June 30, 2009.

The District had outstanding termination benefits payable from the General Fund of \$19,943 at June 30, 2009.

The District had outstanding compensated absences payable from the General Fund of \$425,011 at June 30, 2009.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
General obligation bonds	\$ 1,965,000	3,860,000	0	0	1,965,000	3,860,000	-49.09%
Revenue bonds	15,728,139	15,307,422	0	0	15,728,139	15,307,422	2.75%
Early retirement	1,044,651	1,051,557	0	0	1,044,651	1,051,557	-0.66%
Termination benefits	19,943	25,145	0	0	19,943	25,145	-20.69%
Compensated absences	425,011	456,869	0	0	425,011	456,869	-6.97%
Net OPEB liability	503,093	0	907	0	504,000	0	100.00%
Total	\$ 19,685,837	20,700,993	907	0	19,686,744	20,700,993	-4.90%

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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 existing circumstances that could affect its financial health in the future:

- The District has experienced declining enrollment in nine of the past ten years. The enrollment decreased 10.5 students in 2009. Despite growth in the city of Ames, there is little residential growth within the school district's boundaries.
- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District.
- The District has begun negotiating with the teachers for the FY 2011 school year and just completed negotiations with PPME for the 2010 school year. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Corresponding cost reductions may be necessary to offset the cost of negotiated settlements and other cost increases.

## **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 Karen Shimp, District Secretary/Treasurer and Chief Financial Officer, Ames Community School District, 415 Stanton Avenue, Ames, Iowa, 50014-7331.

BASIC FINANCIAL STATEMENTS

AMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 21,616,185	95,369	21,711,554
Receivables:			
Property tax:			
Delinquent	200,582	0	200,582
Succeeding year	26,382,909	0	26,382,909
Income surtax	1,953,023	0	1,953,023
Interfund	934,846	(934,846)	0
Accounts	61,933	19,856	81,789
Due from other governments	2,480,883	0	2,480,883
Prepaid items	2,016	0	2,016
Inventories	10,399	20,773	31,172
Capital assets, net of accumulated depreciation	56,933,442	626,351	57,559,793
<b>TOTAL ASSETS</b>	<b>110,576,218</b>	<b>(172,497)</b>	<b>110,403,721</b>
<b>LIABILITIES</b>			
Accounts payable	1,880,186	13,821	1,894,007
Salaries and benefits payable	4,958,861	2,701	4,961,562
Incurred but not reported claims	759,120	0	759,120
Interest payable	84,023	0	84,023
Deferred revenue:			
Succeeding year property tax	26,382,909	0	26,382,909
Other	270,829	0	270,829
Unearned revenue	95,071	21,618	116,689
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	415,000	0	415,000
Revenue bonds	3,083,702	0	3,083,702
Early retirement	295,470	0	295,470
Termination benefits	5,202	0	5,202
Compensated absences	425,011	0	425,011
Portion due after one year:			
General obligation bonds	1,550,000	0	1,550,000
Revenue bonds	12,644,437	0	12,644,437
Early retirement	749,181	0	749,181
Termination benefits	14,741	0	14,741
Net OPEB liability	503,093	907	504,000
<b>TOTAL LIABILITIES</b>	<b>54,116,836</b>	<b>39,047</b>	<b>54,155,883</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	39,240,303	626,351	39,866,654
Restricted for:			
Categorical funding	306,440	0	306,440
Management levy	3,343,078	0	3,343,078
Physical plant and equipment levy	580,454	0	580,454
Other special revenue purposes	397,980	0	397,980
Debt service	2,633,997	0	2,633,997
Capital projects	1,219,874	0	1,219,874
Unrestricted	8,737,256	(837,895)	7,899,361
<b>TOTAL NET ASSETS</b>	<b>\$ 56,459,382</b>	<b>(211,544)</b>	<b>56,247,838</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 22,077,905	1,938,237	4,790,298	(15,349,370)	0	(15,349,370)
Special	9,854,247	1,451,453	220,498	(8,182,296)	0	(8,182,296)
Other	2,366,527	997,135	140	(1,369,252)	0	(1,369,252)
	<u>34,298,679</u>	<u>4,386,825</u>	<u>5,010,936</u>	<u>(24,900,918)</u>	<u>0</u>	<u>(24,900,918)</u>
Support services:						
Student	991,864	0	0	(991,864)	0	(991,864)
Instructional staff	811,210	0	0	(811,210)	0	(811,210)
Administration	5,176,551	0	0	(5,176,551)	0	(5,176,551)
Operation and maintenance of plant	3,757,140	0	0	(3,757,140)	0	(3,757,140)
Transportation	1,541,270	179,898	30,406	(1,330,966)	0	(1,330,966)
	<u>12,278,035</u>	<u>179,898</u>	<u>30,406</u>	<u>(12,067,731)</u>	<u>0</u>	<u>(12,067,731)</u>
Other expenditures:						
Facilities acquisitions	1,121,797	0	0	(1,121,797)	0	(1,121,797)
Long-term debt interest	1,013,928	0	0	(1,013,928)	0	(1,013,928)
AEA flowthrough	1,483,016	0	1,483,016	0	0	0
Depreciation(unallocated)*	1,521,654	0	0	(1,521,654)	0	(1,521,654)
	<u>5,140,395</u>	<u>0</u>	<u>1,483,016</u>	<u>(3,657,379)</u>	<u>0</u>	<u>(3,657,379)</u>
Total governmental activities	51,717,109	4,566,723	6,524,358	(40,626,028)	0	(40,626,028)
Business Type activities:						
Support services						
Administration	77,955	0	0	0	(77,955)	(77,955)
Operation and maintenance of plant	12,947	0	0	0	(12,947)	(12,947)
	<u>90,902</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(90,902)</u>	<u>(90,902)</u>
Non-instructional programs:						
Nutrition services	1,544,263	966,381	638,773	0	60,891	60,891
Total business type activities	1,635,165	966,381	638,773	0	(30,011)	(30,011)
Total	<u>\$ 53,352,274</u>	<u>5,533,104</u>	<u>7,163,131</u>	<u>(40,626,028)</u>	<u>(30,011)</u>	<u>(40,656,039)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 20,095,787	0	20,095,787
Debt service				2,194,381	0	2,194,381
Capital outlay				3,113,578	0	3,113,578
Income surtax				2,322,528	0	2,322,528
Local option sales and services tax				4,424,603	0	4,424,603
Unrestricted state grants				13,065,278	0	13,065,278
Unrestricted investment earnings				266,678	0	266,678
Other				635,902	0	635,902
Total general revenues				<u>46,118,735</u>	<u>0</u>	<u>46,118,735</u>
Changes in net assets				5,492,707	(30,011)	5,462,696
Net assets beginning of year				50,966,675	(181,533)	50,785,142
Net assets end of year				<u>\$ 56,459,382</u>	<u>(211,544)</u>	<u>56,247,838</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>ASSETS</b>						
Cash and pooled investments	\$ 6,592,158	1,043,022	1,334,756	2,616,341	4,880,317	16,466,594
Receivables:						
Property tax						
Delinquent	142,868	24,584	0	17,326	15,804	200,582
Succeeding year	22,446,318	3,238,795	0	697,796	0	26,382,909
Income surtax	1,953,023	0	0	0	0	1,953,023
Interfund	934,846	0	0	0	0	934,846
Accounts	49,786	12,147	0	0	0	61,933
Due from other governments	1,838,736	468	641,048	330	301	2,480,883
Inventories	10,399	0	0	0	0	10,399
Prepaid items	2,016	0	0	0	0	2,016
<b>TOTAL ASSETS</b>	<b>\$ 33,970,150</b>	<b>4,319,016</b>	<b>1,975,804</b>	<b>3,331,793</b>	<b>4,896,422</b>	<b>48,493,185</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 609,598	499,767	755,930	0	14,891	1,880,186
Salaries and benefits payable	4,958,110	0	0	0	751	4,958,861
Deferred revenue:						
Succeeding year property tax	22,446,318	3,238,795	0	697,796	0	26,382,909
Income surtax	1,953,023	0	0	0	0	1,953,023
Other	270,829	0	0	0	0	270,829
Unearned revenue	0	0	0	0	95,071	95,071
<b>Total liabilities</b>	<b>30,237,878</b>	<b>3,738,562</b>	<b>755,930</b>	<b>697,796</b>	<b>110,713</b>	<b>35,540,879</b>
Fund balances:						
Reserved for:						
Debt service	0	0	0	2,633,997	0	2,633,997
Inventories	10,399	0	0	0	0	10,399
Categorical funding	306,440	0	0	0	0	306,440
Unreserved:	3,415,433	580,454	1,219,874	0	4,785,709	10,001,470
<b>Total fund balances</b>	<b>3,732,272</b>	<b>580,454</b>	<b>1,219,874</b>	<b>2,633,997</b>	<b>4,785,709</b>	<b>12,952,306</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 33,970,150</b>	<b>4,319,016</b>	<b>1,975,804</b>	<b>3,331,793</b>	<b>4,896,422</b>	<b>48,493,185</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2009

Total fund balances of governmental funds (page 16) \$ 12,952,306

*Amounts reported for governmental activities in the  
 Statement of Net Assets are different because:*

Capital assets used in governmental activities are not  
 financial resources and, therefore, are not reported as  
 assets in the governmental funds. 56,933,442

Accounts receivable income surtax, are not yet available  
 to finance expenditures of the current fiscal period. 1,953,023

Blending of the Internal Service Funds to be reflected  
 on an entity-wide basis. 4,390,471

Accrued interest payable on long-term liabilities is  
 not due and payable in the current period and, therefore,  
 is not reported as a liability in the governmental funds. (84,023)

Long-term liabilities, including bonds payable, compensated  
 absences, and other postemployment benefits payable, are  
 not due and payable in the current period and, therefore  
 are not reported in governmental funds. (19,685,837)

Net assets of governmental activities (page 14) \$ 56,459,382

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	General	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
REVENUES:						
Local sources:						
Local tax	\$ 20,249,296	3,113,578	4,424,603	2,194,381	2,001,600	31,983,458
Tuition	3,082,361	0	0	0	0	3,082,361
Other	1,273,261	335,845	0	17,410	1,070,338	2,696,854
State sources	17,538,936	990	0	698	636	17,541,260
Federal sources	2,044,097	0	0	0	0	2,044,097
Total revenues	44,187,951	3,450,413	4,424,603	2,212,489	3,072,574	57,348,030
EXPENDITURES:						
Current:						
Instruction:						
Regular	21,249,200	0	0	0	600,530	21,849,730
Special	9,528,999	0	0	0	0	9,528,999
Other	1,450,908	0	0	0	909,881	2,360,789
	32,229,107	0	0	0	1,510,411	33,739,518
Support services:						
Student	994,130	0	0	0	0	994,130
Instructional staff	777,760	0	0	0	0	777,760
Administration	5,154,893	100,736	0	0	11,011	5,266,640
Operation and maintenance of plant	3,374,093	0	0	0	453,222	3,827,315
Transportation	1,525,089	0	0	0	45,957	1,571,046
	11,825,965	100,736	0	0	510,190	12,436,891
Other expenditures:						
Facilities acquisitions	0	2,923,965	2,330,550	0	0	5,254,515
Long-term debt:						
Principal	0	0	0	4,699,283	0	4,699,283
Interest and fiscal charges	0	0	0	1,013,940	0	1,013,940
AEA flowthrough	1,483,016	0	0	0	0	1,483,016
	1,483,016	2,923,965	2,330,550	5,713,223	0	12,450,754
Total expenditures	45,538,088	3,024,701	2,330,550	5,713,223	2,020,601	58,627,163
Excess(deficiency)of revenues over(under) expenditures	(1,350,137)	425,712	2,094,053	(3,500,734)	1,051,973	(1,279,133)
Other financing sources(uses):						
Transfer in	0	0	0	4,443,479	0	4,443,479
Transfer out	0	0	(4,443,479)	0	0	(4,443,479)
Issuance of revenue bonds	0	0	3,225,000	0	0	3,225,000
Total other financing sources(uses)	0	0	(1,218,479)	4,443,479	0	3,225,000
Net change in fund balances	(1,350,137)	425,712	875,574	942,745	1,051,973	1,945,867
Fund balance beginning of year	5,082,409	154,742	344,300	1,691,252	3,733,736	11,006,439
Fund balance end of year	\$ 3,732,272	580,454	1,219,874	2,633,997	4,785,709	12,952,306

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2009

Net change in fund balances - total governmental funds (page 18) \$ 1,945,867

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

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

Expenditures for capital assets	\$ 4,003,156	
Depreciation expense	(1,676,032)	
Gain on disposal of capital assets	8,875	2,335,999

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.

as follows:

Issued	(3,225,000)	
Repaid	4,699,283	1,474,283

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.

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Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 167,419

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.

Early Retirement	\$ 6,906	
Other Termination Benefit	5,202	
Compensated Absences	31,858	
Lawsuit settlement claim	100,643	
Other postemployment benefits	(503,093)	(358,484)

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

(72,389)

**Changes in net assets of governmental activities (page 15) \$ 5,492,707**

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2009

	Business Type Activities - Enterprise Fund School Nutrition	Governmental Activities - Internal Service Fund
ASSETS		
Cash and pooled investments	\$ 95,369	5,149,591
Accounts receivable	19,856	0
Inventories	20,773	0
Capital assets, net of accumulated depreciation	626,351	0
TOTAL ASSETS	762,349	5,149,591
LIABILITIES		
Interfund payable	934,846	0
Accounts payable	13,821	0
Salaries and benefits payable	2,701	0
Net OPEB liability	907	0
Incurred but not reported claims	0	759,120
Unearned revenues	21,618	0
TOTAL LIABILITIES	973,893	759,120
NET ASSETS		
Invested in capital assets	626,351	0
Unrestricted	(837,895)	4,390,471
TOTAL NET ASSETS	\$ (211,544)	4,390,471

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009

	Business Type Activities - Enterprise Fund School Nutrition	Governmental Activities - Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 966,381	5,789,720
OPERATING EXPENSES:		
Support services:		
Administration:		
Services	2,325	0
Other	75,630	0
Operation and maintenance of plant:		
Services	12,947	0
	<u>90,902</u>	<u>0</u>
Non-instructional programs:		
Salaries	21,420	0
Benefits	12,561	5,853,561
Services	841,016	0
Supplies	582,105	8,548
Depreciation	87,161	0
	<u>1,544,263</u>	<u>5,862,109</u>
TOTAL OPERATING EXPENSES	<u>1,635,165</u>	<u>5,862,109</u>
OPERATING LOSS	<u>(668,784)</u>	<u>(72,389)</u>
NON-OPERATING REVENUES:		
State sources	13,812	0
Federal sources	624,961	0
TOTAL NON-OPERATING REVENUES	<u>638,773</u>	<u>0</u>
Changes in net assets	(30,011)	(72,389)
Net assets beginning of year	<u>(181,533)</u>	<u>4,462,860</u>
Net assets end of year	<u>\$ (211,544)</u>	<u>4,390,471</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009

	Business Type Activities - Enterprise Fund School Nutrition	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 860,219	0
Cash received from miscellaneous operating activities	102,626	5,789,720
Cash payments to employees for services	(33,256)	(5,799,282)
Cash payments to suppliers for goods or services	(1,227,603)	(8,548)
Net cash used in operating activities	(298,014)	(18,110)
Cash flows from non-capital financing activities:		
State grants received	13,812	0
Federal grants received	533,365	0
Net cash provided by non-capital financing activities	547,177	0
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(37,368)	0
Net increase(decrease)in cash and cash equivalents	211,795	(18,110)
Cash and cash equivalents at beginning of year	(116,426)	5,167,701
Cash and cash equivalents at end of year	\$ 95,369	5,149,591
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (668,784)	(72,389)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	91,596	0
Depreciation	87,161	0
Decrease in inventories	706	0
Increase in accounts receivable	(9,658)	0
Increase in accounts payable	194,118	0
Decrease in salaries and benefits payable	(182)	0
Increase in incurred but not reported claims	0	54,279
Increase in unearned revenue	6,122	0
Increase in other postemployment benefits payable	907	0
Net cash used in operating activities	\$ (298,014)	(18,110)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 95,369	5,149,591

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$91,596.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2009

	<u>Agency</u>
ASSETS	
Cash and pooled investments	\$ 37,987
Due from other governments	90,388
Due from other groups	73,282
TOTAL ASSETS	<u>\$ 201,657</u>
LIABILITIES	
Excess of warrants issued over bank balance	\$ 109,256
Accounts payable	52,612
Due to other groups	39,789
TOTAL LIABILITIES	<u>\$ 201,657</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2009

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

The Ames 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. The geographic area served primarily includes the City of Ames, Iowa. 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, Ames 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 Ames 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Story County Assessors' Conference Board.

**B. Basis of Presentation**

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

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

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

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

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

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 Special Revenue, Physical Plant and Equipment Levy Fund is utilized to account for major equipment purchases and capital improvements.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through Enterprise Funds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund, Health Insurance Fund. The Nutrition Fund is used to account for the food service operations of the District. The Health Insurance Fund is used to account for the self-funded health insurance operations of the District.

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

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

#### C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and

unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

#### D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust and IPASeducation which are 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Interfund Receivables and Payables - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2009 balances of interfund accounts receivable or payable have been recorded.

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.

Prepaid Items - The District prepaid items from the General Fund. Items prepaid include life insurance purchased for the 2009-10 year.

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

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

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

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

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

Unearned Revenue - Unearned revenues are monies collected for student fees and 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 balance sheet in the Enterprise, School Nutrition Fund. The student fees are fees for the next year. The student fee balances are reflected on the balance sheet in the General Fund and Special Revenue Fund, Student Activity 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 at June 30, 2009. 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, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

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, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 84,851</u>

At June 30, 2009, the District had investments in the IPASeducation as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 5,636,710</u>

The investments are valued at an amortized cost 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. The investments in the IPASeducation are registered and not subject to rating.

**(3) Transfers**

The detail of transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 4,443,479</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise, School Nutrition	<u>\$ 934,846</u>

The Enterprise, School Nutrition Fund is repaying the General fund for salaries and benefits. The balance will be repaid by June 30, 2010.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,981,652	0	0	4,981,652
Construction in progress	713,830	3,818,209	912,364	3,619,675
Total capital assets not being depreciated	<u>5,695,482</u>	<u>3,818,209</u>	<u>912,364</u>	<u>8,601,327</u>
Capital assets being depreciated:				
Buildings	59,375,391	874,395	0	60,249,786
Land improvements	7,742,550	37,970	0	7,780,520
Machinery and equipment	3,471,366	184,946	34,000	3,622,312
Total capital assets being depreciated	<u>70,589,307</u>	<u>1,097,311</u>	<u>34,000</u>	<u>71,652,618</u>
Less accumulated depreciation for:				
Buildings	17,905,394	1,178,864	0	19,084,258
Land improvements	2,186,413	342,790	0	2,529,203
Machinery and equipment	1,595,539	154,378	42,875	1,707,042
Total accumulated depreciation	<u>21,687,346</u>	<u>1,676,032</u>	<u>42,875</u>	<u>23,320,503</u>
Total capital assets being depreciated, net	<u>48,901,961</u>	<u>(578,721)</u>	<u>(8,875)</u>	<u>48,332,115</u>
Governmental activities capital assets, net	<u>\$ 54,597,443</u>	<u>3,239,488</u>	<u>903,489</u>	<u>56,933,442</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 1,139,359	37,368	41,609	1,135,118
Less accumulated depreciation	463,215	87,161	41,609	508,767
Business-type activities capital assets, net	<u>\$ 676,144</u>	<u>(49,793)</u>	<u>0</u>	<u>626,351</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 65,614
Support services:	
Administration	7,617
Operation and maintenance	46,636
Transportation	34,511
	<u>154,378</u>
Unallocated depreciation	<u>1,521,654</u>
Total governmental activities depreciation expense	<u>\$ 1,676,032</u>
Business type activities:	
Food services	<u>\$ 87,161</u>

#### (6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 3,860,000	0	1,895,000	1,965,000	415,000
Revenue Bonds	15,307,422	3,225,000	2,804,283	15,728,139	3,083,702
Early Retirement	1,051,557	238,451	245,357	1,044,651	295,470
Other Termination Benefit	25,145	0	5,202	19,943	5,202
Compensated Absences	456,869	425,011	456,869	425,011	425,011
Net OPEB liability	0	503,093	0	503,093	0
Total	<u>\$ 20,700,993</u>	<u>4,391,555</u>	<u>5,406,711</u>	<u>19,685,837</u>	<u>4,224,385</u>
Business type activities:					
Net OPEB liability	<u>\$ 0</u>	<u>907</u>	<u>0</u>	<u>907</u>	<u>0</u>

### General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of March 1, 2004			
	Interest Rates	Principal	Interest	Total
2010	3.50	415,000	282,797	697,797
2011	3.50	430,000	268,272	698,272
2012	3.05	450,000	253,223	703,223
2013	3.25	465,000	239,498	704,498
2014	3.45	205,000	224,385	429,385
Total		<u>\$ 1,965,000</u>	<u>1,268,175</u>	<u>3,233,175</u>

### Revenue Bonds Payable

Details of the District's June 30, 2009 local option (statewide) sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	2006 Series A		2006 Series B	
		Principal	Interest	Principal	Interest
2010	4.65 %	\$ 1,431,397	262,105	1,431,397	262,105
2011	4.65	1,499,395	194,108	1,499,395	194,108
2012	4.65	1,570,622	122,881	1,570,622	122,881
2013	4.65	1,645,232	48,270	1,645,232	48,270
2014	4.65	140,581	545	140,581	545
Total		<u>\$ 6,287,227</u>	<u>627,909</u>	<u>6,287,227</u>	<u>627,909</u>

Year Ending June 30,	Issue Dated January 14, 2009			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2010	4.80 %	\$ 220,908	146,558	3,083,702	524,210	3,607,912
2011	4.80	231,747	135,719	3,230,537	388,216	3,618,753
2012	4.80	243,120	124,347	3,384,364	245,762	3,630,126
2013	4.80	255,049	112,417	3,545,513	96,540	3,642,053
2014	4.80	267,565	99,902	548,727	1,090	549,817
2015-2019	4.80	1,548,133	289,198	1,548,133	289,198	1,837,331
2020-2021	4.80	387,163	10,928	387,163	10,928	398,091
Total		<u>\$ 3,153,685</u>	<u>919,069</u>	<u>15,728,139</u>	<u>1,555,944</u>	<u>17,284,083</u>

The District has pledged future local option (statewide) sales and services tax revenues to repay the \$20,000,000 bonds issued in March 2006 and the \$3,225,000 bonds issued in January 2009. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure and are payable through 2014 and 2021 respectively. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax

revenues received by the District. 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 a high percentage of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$17,284,083. For the current year, \$2,804,283 in principal and \$712,520 in interest was paid on the bonds and total statewide sales and services tax revenues were \$4,424,603.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) All proceeds from the local option (statewide) sales and services tax shall be placed in a revenue account.
- b) 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.
- c) In each month commencing October 1, 2007 receipts of the local option (statewide) sales and services tax after deposits to the sinking fund shall be deposited in the reserve fund until there is on deposit in the reserve fund the amount of \$1,000,000.
- 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.

**(7) Termination Benefits**

Early Retirement

The District offers a voluntary early retirement plan to its certified and support staff employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

Early retirement incentive for each eligible employee approved by the Board will be based on the number of days of accumulated sick leave (maximum of 165 days) times 15% of the employee's per diem salary. For this purpose, per diem salary is defined as base salary plus longevity pay. The employee will receive an additional \$15 for each day of accumulated sick leave (maximum of 165 days).

The District shall contribute the lump sum amount of the employee's retirement compensation directly in an account for the employee under the District's Employer Sponsored 403(b) Special Pay Deferral Plan, as a non-elective employer contribution, within 60 days of the employee's retirement effective date; provided, however, that the amount of such contribution shall not exceed the application limitations under section 403(b) and other applicable provisions of the Internal Revenue Code of 1986, as amended.

As part of the early retirement incentive, the District will pay a fixed dollar amount per month for single medical insurance coverage until the retiree reaches age 65. The dollar amount (currently \$411.86) will be the single premium for plan 4 (\$1,000 deductible). The rate in effect at the retirement effective date will be the rate provided by the District. The District's contribution toward medical insurance will not increase after established at the retirement effective date.

Early retirement benefits paid during the year ended June 30, 2009, totaled \$245,357. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

#### Other Termination Benefit

The District offered a special termination benefit for an employee that resigned during the year ended June 30, 2007. The District agreed to pay a fixed amount per month for single medical insurance coverage until the employee reaches age 65. Health and dental insurance will be paid until April 2013 at the rate of \$433.54. The District also agreed to pay life insurance for one year at the rate of \$65.

A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

#### **(8) Bond Defeasement**

On June 1, 2007, the District advance refunded \$2,000,000 of outstanding general obligation bonds. The proceeds of the refunding issued have been placed in an irrevocable escrow account. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunded bonds. The bonds are callable on June 1, 2011. At June 30, 2009, \$2,000,000 of such bonds are outstanding. Repayment of principal and interest for the year was \$0 and \$0.

On June 1, 2008, the District advance refunded \$2,050,000 of outstanding general obligation bonds. The proceeds of the refunding issued have been placed in an irrevocable escrow account. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunded bonds. The bonds are callable on June 1, 2011. At June 30, 2009, \$2,050,000 of such bonds are outstanding. Repayment of principal and interest for the year was \$0 and \$0.

On June 1, 2009, the District advance refunded \$1,500,000 of outstanding general obligation bonds. The proceeds of the refunding issued have been placed in an irrevocable escrow account. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunded bonds. The bonds are callable on June 1, 2011. At June 30, 2009, \$1,500,000 of such bonds are outstanding. Repayment of principal and interest for the year was \$0 and \$0.

#### **(9) 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 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Plan members were required to contribute 3.90% of their annual salary and the District was required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Plan members were required to contribute 3.70% of their annual salary and the District was required to contribute 5.75% of annual covered payroll for the year ended June 30, 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$1,794,217, \$1,457,827 and \$1,458,879 respectively, equal to the required contributions for each year.

**(10) Other Postemployment Benefits (OPEB)**

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 509 active and 60 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with First Administrators. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 1,259,000
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	1,259,000
Contributions made	(755,000)
Increase in net OPEB obligation	504,000
Net OPEB obligation beginning of year	0
	<hr/>
Net OPEB obligation end of year	<u>\$ 504,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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, 2009.

For the year ended June 30, 2009, the District contributed \$755,000 to the medical plan. Plan members eligible for benefits contributed \$469,000, or 38.32% 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, 2009 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 1,259,000	59.97%	\$ 504,000

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$10,919,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,919,000. The covered payroll (annual payroll of active employees covered by the plan was \$27,365,886, and the ratio of the UAAL to covered payroll was 39.90%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, 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, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2006 and applying termination factors used in the IPERS Actuarial Report as of June 30, 2006.

Projected claim costs of the medical plan for retirees less than age 65 are \$1098.75 per month under the Basic Plan, \$899.61 per month under Plan A, \$846.47 per month under Plan B, and \$780.17 per month under Plan C. Projected claim costs of the medical plan for retirees who have attained age 65 is \$880.81 for all plans. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **(11) Risk Management**

The District has a self-funded health and dental insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess \$75,000 in insured claims for any one covered individual. Settled aggregate stop-loss claims have not exceeded the commercial coverage in any of the past two years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$3,933,960 at April 30, 2009, the last date for which information is available. The incurred but not recorded and unpaid claims liability of \$759,120 reported in the plan at April 30, 2009, is based on the requirements of GASB Statement Number 10, is included as a liability on the Statement of Net Assets.

In addition, the District is exposed to various risks to loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

#### **(12) 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 \$1,483,016 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(13) Construction Commitment**

The District has entered into contracts for a variety of projects including: a turf replacement project at the high school, the Northwood renovation project, a sprinkler line system at the high school, and a new doors project. As of June 30, 2009, costs of

\$3,619,675 had been incurred against the contracts. The balance remaining on these contracts at June 30, 2009 will be paid as work on the project progresses and will be capitalized upon completion.

**(14) Deficit Net Assets**

The Enterprise Fund, Nutrition Fund had deficit unrestricted, undesignated net assets of \$837,895 at June 30, 2009.

**(15) Categorical Funding**

Categorical funding balances for the District as of June 30, 2009 were as follows:

Project	Amount
Professional Development	\$ 83,435
Child Development	1,104
Salary Improvement Program	9,281
Transportation aid	13,468
Market Factor	30,437
Early Intervention	1,997
State Decategorization Grant	3,804
Early Childhood Programs Grant	38,855
Beginning Teacher Mentoring	8,393
Market Factor Incentives	30,601
Model Core Curriculum	79,957
LEP Weighting	5,108
Total	<u>\$ 306,440</u>

REQUIRED SUPPLEMENTARY INFORMATION

AMES COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES  
AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual	Actual			Variance -
						Positive
						(Negative)
Revenues:						
Local sources	\$ 37,762,673	966,381	38,729,054	39,691,034	39,691,034	(961,980)
State sources	17,541,260	13,812	17,555,072	18,154,944	18,154,944	(599,872)
Federal sources	2,044,097	624,961	2,669,058	1,735,000	1,735,000	934,058
Total revenues	57,348,030	1,605,154	58,953,184	59,580,978	59,580,978	(627,794)
Expenditures:						
Instruction	33,739,518	0	33,739,518	37,161,187	37,161,187	3,421,669
Support services	12,436,891	90,902	12,527,793	14,322,500	14,322,500	1,794,707
Non-instructional programs	0	1,544,263	1,544,263	1,800,965	1,800,965	256,702
Other expenditures	12,450,754	0	12,450,754	10,058,524	14,183,524	1,732,770
Total expenditures	58,627,163	1,635,165	60,262,328	63,343,176	67,468,176	7,205,848
Excess(deficiency) of revenues over(under) expenditures	(1,279,133)	(30,011)	(1,309,144)	(3,762,198)	(7,887,198)	6,578,054
Other financing sources, net	3,225,000	0	3,225,000	0	0	3,225,000
Excess(deficiency)of revenues and other financing sources over(under) expenditures	1,945,867	(30,011)	1,915,856	(3,762,198)	(7,887,198)	9,803,054
Balance beginning of year	11,006,439	(181,533)	10,824,906	12,574,163	12,574,163	1,749,257
Balance end of year	\$ 12,952,306	(211,544)	12,740,762	8,811,965	4,686,965	11,552,311

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2009

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund. 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 amendment increasing budgeted expenditures by \$4,125,000.

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

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)
July 1, 2008	\$ 0	\$ 10,919,000	\$ 10,919,000	0.00%	\$ 27,365,886	39.90%

See Note 10 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

AMES COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2009

	Nonmajor Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total Special Revenue Funds
ASSETS			
Cash and pooled investments	\$ 4,378,228	502,089	4,880,317
Receivables:			
Property tax:			
Delinquent	15,804	0	15,804
Due from other governments	301	0	301
TOTAL ASSETS	\$ 4,394,333	502,089	4,896,422
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 5,853	9,038	14,891
Salaries and benefits payable	751	0	751
Unearned revenue	0	95,071	95,071
	6,604	104,109	110,713
Fund balances:			
Unreserved	4,387,729	397,980	4,785,709
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,394,333	502,089	4,896,422

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2009

	Nonmajor Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total Special Revenue Funds
REVENUES:			
Local sources:			
Local tax	\$ 2,001,600	0	2,001,600
Other	68,879	1,001,459	1,070,338
State sources	636	0	636
TOTAL REVENUES	2,071,115	1,001,459	3,072,574
EXPENDITURES:			
Current:			
Instruction:			
Regular	600,530	0	600,530
Other	0	909,881	909,881
Support services:			
Administration	11,011	0	11,011
Operation and maintenance of plant	453,222	0	453,222
Transportation	0	45,957	45,957
TOTAL EXPENDITURES	1,064,763	955,838	2,020,601
Net change in fund balances	1,006,352	45,621	1,051,973
FUND BALANCE BEGINNING OF YEAR	3,381,377	352,359	3,733,736
FUND BALANCE END OF YEAR	\$ 4,387,729	397,980	4,785,709

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
District-wide	\$ 1,422	0	0	1,422
Edwards	148	16	164	0
Fellows	1,180	143	255	1,068
Meeker	2,208	718	757	2,169
Mitchell	1,174	208	714	668
Sawyer	3,380	2,593	3,264	2,709
Wilson-Beardshear	2,453	1,348	1,268	2,533
Middle School	174,211	220,425	242,795	151,841
High School	166,183	776,008	706,621	235,570
Total	\$ 352,359	1,001,459	955,838	397,980

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2009

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b><u>AMES EDUCATION FOUNDATION</u></b>				
<b>ASSETS</b>				
Due from other governments	\$ 74,500	90,388	74,500	90,388
Due from other groups	54	44,399	54	44,399
	<u>\$ 74,554</u>	<u>134,787</u>	<u>74,554</u>	<u>134,787</u>
<b>LIABILITIES</b>				
Excess of warrants issued over bank balance	\$ 74,500	96,888	74,500	96,888
Accounts payable	54	37,899	54	37,899
	<u>\$ 74,554</u>	<u>134,787</u>	<u>74,554</u>	<u>134,787</u>
<b><u>VOCATIONAL CONSORTIUM</u></b>				
Cash and pooled investments	\$ 48,569	0	48,569	0
Due from other governments	209,202	0	209,202	0
Due from other groups	24,015	28,883	24,015	28,883
	<u>\$ 281,786</u>	<u>28,883</u>	<u>281,786</u>	<u>28,883</u>
<b>LIABILITIES</b>				
Excess of warrants issued over bank balance	\$ 0	12,368	0	12,368
Accounts payable	261,500	4,808	261,500	4,808
Due to other groups	20,286	11,707	20,286	11,707
	<u>\$ 281,786</u>	<u>28,883</u>	<u>281,786</u>	<u>28,883</u>
<b><u>HS/MS/ELEMENTARY AGENCY</u></b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ 15,543	37,987	15,543	37,987
Due from other groups	911	0	911	0
	<u>\$ 16,454</u>	<u>37,987</u>	<u>16,454</u>	<u>37,987</u>
<b>LIABILITIES</b>				
Excess of warrants issued over bank balance	\$ 0	0	0	0
Accounts payable	993	9,905	993	9,905
Due to other groups	15,461	28,082	15,461	28,082
	<u>\$ 16,454</u>	<u>37,987</u>	<u>16,454</u>	<u>37,987</u>
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ 64,112	37,987	64,112	37,987
Due from other governments	283,702	90,388	283,702	90,388
Due from other groups	24,980	73,282	24,980	73,282
	<u>\$ 372,794</u>	<u>201,657</u>	<u>372,794</u>	<u>201,657</u>
<b>LIABILITIES</b>				
Excess of warrants issued over bank balance	\$ 74,500	109,256	74,500	109,256
Accounts payable	262,547	52,612	262,547	52,612
Due to other groups	35,747	39,789	35,747	39,789
	<u>\$ 372,794</u>	<u>201,657</u>	<u>372,794</u>	<u>201,657</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Revenues:										
Local sources:										
Local tax	\$ 31,983,458	30,691,122	31,123,168	29,817,748	29,875,333	28,146,387	24,485,168	21,956,153	20,912,758	19,411,030
Tuition	3,082,361	3,238,431	3,432,356	2,881,124	2,674,002	2,084,827	1,888,407	1,957,873	2,024,685	1,876,859
Other	2,696,854	2,558,348	2,720,224	2,648,452	1,830,736	1,540,697	1,667,320	2,003,493	2,327,363	2,148,534
Intermediate sources	0	0	38,904	0	0	0	0	0	0	0
State sources	17,541,260	16,307,190	14,731,416	14,017,998	14,134,624	13,937,110	14,218,846	15,067,261	15,790,359	15,331,037
Federal sources	2,044,097	1,393,518	1,101,449	1,182,298	1,455,320	966,725	963,395	1,144,545	847,647	691,222
Total	\$ 57,348,030	54,188,609	53,147,517	50,547,620	49,970,015	46,675,746	43,223,136	42,129,325	41,902,812	39,458,682
Expenditures:										
Instruction:										
Regular	\$ 21,849,730	19,410,797	17,926,058	16,760,663	17,174,548	17,607,918	17,352,060	17,575,379	16,805,036	16,649,366
Special	9,528,999	7,956,259	7,275,595	6,915,251	6,378,855	7,348,660	6,676,468	6,145,957	5,911,673	5,651,448
Other	2,360,789	4,792,984	4,539,801	4,528,819	3,909,347	2,234,282	2,407,881	2,875,534	3,057,757	2,587,289
Support services:										
Student	994,130	939,490	824,229	745,104	797,409	1,745,654	1,603,668	1,951,005	1,876,573	1,913,500
Instructional staff	777,760	784,867	812,896	781,440	1,365,352	1,398,942	1,449,101	1,706,715	1,263,996	1,427,024
Administration	5,266,640	5,356,752	4,814,437	5,552,988	3,647,865	2,486,807	2,402,344	2,493,396	2,377,041	2,776,160
Operation and maintenance of plant	3,827,315	3,855,316	3,791,228	3,569,330	3,258,440	3,113,517	2,988,780	2,787,963	5,671,413	2,781,070
Transportation	1,571,046	1,473,055	1,387,985	1,387,587	1,170,207	795,050	739,955	772,605	717,582	790,046
Central support	0	0	0	0	0	289,631	264,321	316,337	799,853	135,534
Non-instructional programs	0	0	0	0	0	2,400	24,839	25,887	0	7,844
Other expenditures:										
Facilities acquisitions	5,254,515	3,242,708	2,975,650	13,249,013	25,733,717	9,000,261	2,469,179	2,009,980	1,896,486	2,196,213
Long-term debt:										
Principal	4,699,283	5,459,028	5,028,550	905,000	865,000	1,170,000	1,700,000	1,750,000	1,835,000	1,521,791
Interest and other charges	1,013,940	1,113,059	1,265,962	550,218	512,918	222,796	154,894	282,740	321,543	290,245
AEA flow-through	1,483,016	1,382,303	1,296,411	1,221,693	1,217,993	1,235,782	1,315,387	1,318,239	1,355,796	1,309,025
Total	\$ 58,627,163	55,766,618	51,938,802	56,167,106	66,031,651	48,651,700	41,548,877	42,011,737	43,889,749	40,036,555

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	\$ 103,384
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	521,577
			<u>624,961</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
DISTRICT DEFINED IDEA SUBGRANT - HIGH COST FUND	84.027	FY 09	<u>60,234</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 09	<u>40,326</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	<u>13,059</u>
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	FY 09	<u>24,096</u>
SPECIAL EDUCATION-STATE PROGRAM IMPROVEMENT GRANTS FOR CHILDREN WITH DISABILITIES	84.323	FY 09	<u>3,104</u>
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 09	<u>36,321</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 08	44,664
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 09	87,967
			<u>132,631</u>

AMES COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT (CONTINUED):			
DEPARTMENT OF EDUCATION (CONTINUED):			
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 08	15,173
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 09	28,295
			<u>43,468</u>
TITLE I CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	0225-G	438,486
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	0225-D	48,855
TITLE I BASISC LEA GRANTS STABILIZATION	84.389	FY 09	32,894
			<u>520,235</u>
STATE FISCAL STABILIZATION FUND- EDUCATIONAL STATE GRANTS	84.394	FY 09	<u>353,035</u>
SPECIAL EDUCATION CLUSTER:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 09	220,498
SPECIAL EDUCATION - GRANTS TO STATES	84.391	FY 09	2,578
			<u>223,076</u>
TOTAL			<u>\$ 2,074,546</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Ames Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

## **Certified Public Accountants**

(a professional corporation)

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

To the Board of Education of the  
Ames 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 Ames Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 11, 2010. 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 Ames Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Ames Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ames 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies including deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Ames Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Ames Community School District's financial statements that is more than inconsequential will not be prevented or detected by Ames Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Ames Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ames 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 noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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.

Ames Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Ames 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 Ames Community School District and other parties to whom Ames Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Ames 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.

February 11, 2010

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

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### Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of  
Ames Community School District

#### Compliance

We have audited the compliance of Ames Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Ames Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Ames Community School District's management. Our responsibility is to express an opinion on Ames Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ames Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Ames Community School District's compliance with those requirements.

In our opinion, Ames Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

#### Internal Control Over Compliance

The management of Ames Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Ames Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ames Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined below.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 11, 2010

AMES COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
  - CFDA Number 84.394 - State Fiscal Stabilization Fund - Grants to States
  - Clustered Programs:  
Special Education Cluster
  - CFDA Number 84.027 - Special Education - Grants to States (Part B)
  - CFDA Number 84.391 - Special Education - Grants to States
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Ames Community School District qualified as a low-risk auditee.

AMES COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

AMES COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget - District expenditures/expenses for the year ended June 30, 2009, did not exceed the amount budgeted.

IV-B-09 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.

IV-C-09 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.

IV-D-09 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Cris Berger, Activities Accountant Spouse of owner of Benchmark USA	Popcorn	\$244

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

IV-E-09 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.

IV-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-09 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.

IV-I-09 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.

IV-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenues 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 and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance	\$	0
Statewide sales and services tax revenue		4,424,603
Expenditures/transfers out:		
Debt service for school infrastructure:		
Revenue debt	\$ 4,424,603	4,424,603
Ending balance	\$	<u>0</u>

IV-L-09 Financial Condition - The Enterprise Fund - Nutrition Fund had deficit unrestricted, net assets of \$837,895 at June 30, 2009.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit. The District may want to do a five-year workout plan for the Enterprise Fund - Nutrition Fund to improve the balance to a solvent position.

Response - The District will work on a plan to improve the balance of the Nutrition Fund to a solvent position. In 2009, the District received bids, and entered into a new contract with Chartwells providing for improved financial performance. The District also increased meal prices. We will review the enterprise financial plan on an annual basis and make adjustments that may be necessary to improve the fund balance to a solvent position.

Conclusion - Response accepted.

IV-M-09 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2009, the Enterprise, School Nutrition Fund owes the General fund \$934,846.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year end financial statements must be repaid to their respective funds on or before October 1<sup>st</sup> of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - Although the District has a plan for repayment, it appears that to comply with the declaratory ruling that the District should issue anticipatory warrants to repay the interfund loans.

Response - The District will work on a plan to repay the interfund loans. The plan will look to minimize the interest costs to the Nutrition Fund, and ultimately the taxpayers of the District, by identifying a repayment program internally based on the cash flow generated by the Nutrition Fund or by issuing anticipatory warrants to repay the loan. The plan will be reviewed on an annual basis to make the adjustments necessary to maintain the repayment of the debt while rebuilding the solvency of the Nutrition Fund.

Conclusion - Response accepted.

IV-N-09 Officials Contracts - We noted during our audit that the Board President was not signing athletic officials contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into to comply with Chapter 291.1 of the Code of Iowa.

Response - The District will revise the process for signatures on athletic officials contracts to assure compliance with State law and Board policy.

Conclusion - Response accepted.