

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL  
DISTRICT

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

June 30, 2009

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Independent Auditor's Report

To the Board of Education of  
Eldora-New Providence 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 Eldora-New Providence Community School District, Eldora, 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.

Except as discussed in the following paragraph, 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.

The financial statements of Eldora-New Providence School Foundation have not been audited, and we were not engaged to audit the Foundation's financial statements as part of our audit of the Eldora-New Providence Community School District's basic financial statements. The Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Foundation's financial statements and because we did not apply any auditing procedures to the Foundation's financial statements, we do not express an opinion on the discretely presented component unit.

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 Eldora-New Providence 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 reports dated February 1, 2010, on our consideration of Eldora-New Providence Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 14 and 40 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, 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 Eldora-New Providence Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein). We issued unqualified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information and we did not issue an opinion on the discretely presented component unit. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

February 1, 2010

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Eldora-New Providence 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

- General Fund revenues increased from \$7,587,917 in fiscal 2008 to \$7,722,652 in fiscal 2009, while General Fund expenditures decreased from \$7,686,281 in fiscal 2008 to \$7,527,959 in fiscal 2009. The District's General Fund balance increased from a negative \$255,142 in fiscal 2008 to a negative \$89,973 in fiscal 2009, a 65% increase.
- The increase in General Fund revenues was attributable to an increase in property tax and federal grant revenue in fiscal 2009. The decrease in expenditures was due primarily to a reduction in staff costs from the previous year. This reduction in staff costs combined with the increase in revenues were the primary factors contributing to the increase in the General Fund balance in fiscal 2009.
- The Unreserved General Fund balance increased from a negative \$264,358 in fiscal 2008 to a negative \$224,772 in fiscal 2009, while the Reserved General Fund balance for categorical funding increased from \$9,216 in fiscal 2008 to \$134,799 in fiscal 2009. Thus, the total General Fund balance increased from a negative \$255,142 in fiscal 2008 to a negative \$89,973 in fiscal 2009.

### 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 Eldora-New Providence 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 Eldora-New Providence Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

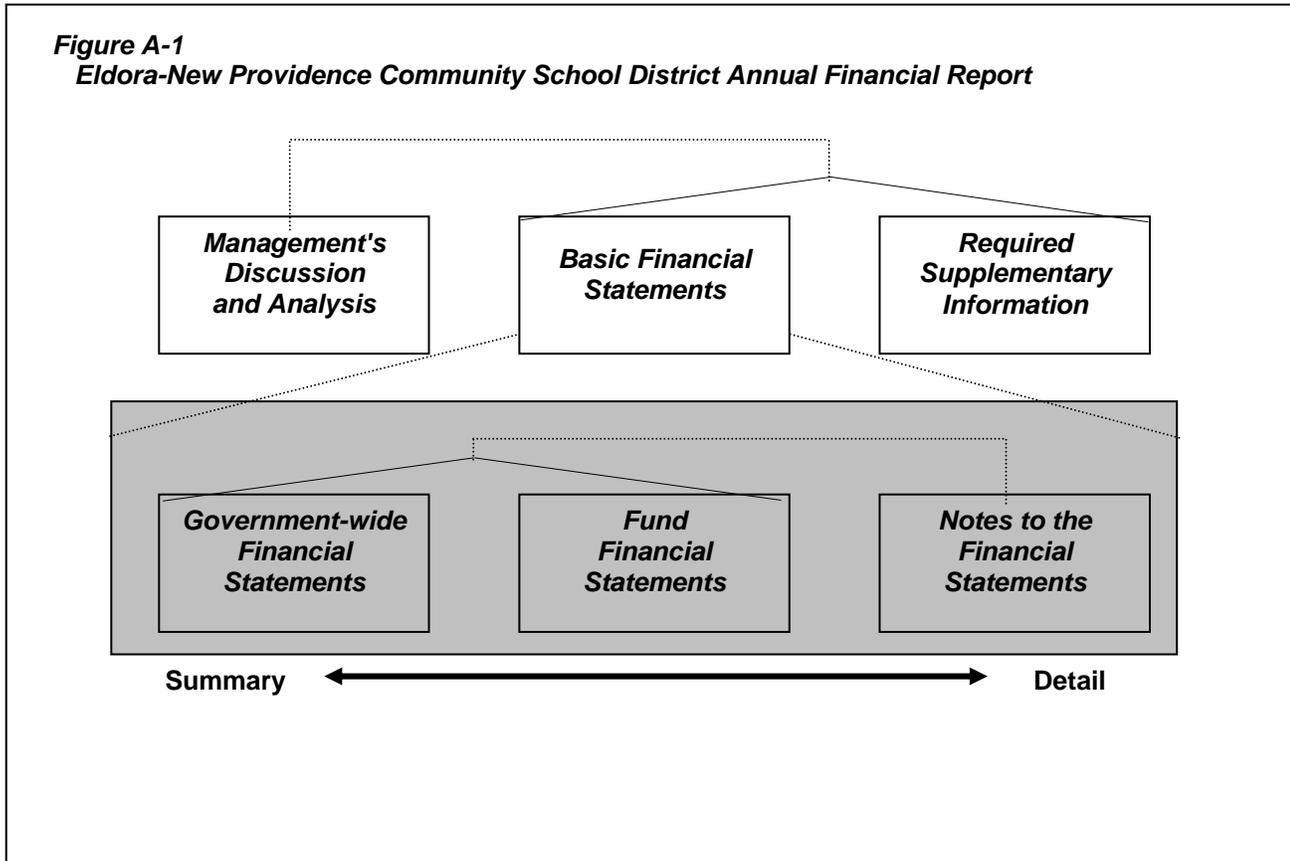


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <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, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial 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 two kinds of funds:

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

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

The required financial statements for 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 and the Daycare Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District current has one internal service fund used to account for the District's partially self-funded insurance plan.

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

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						Percentage Change 2008-2009 %
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	8,028,671	7,193,021	(16,897)	1,301	8,011,774	7,194,322	11.36
Capital assets	7,392,617	5,384,198	119,404	15,056	7,512,021	5,399,254	39.13
<b>Total assets</b>	<b>15,421,288</b>	<b>12,577,219</b>	<b>102,507</b>	<b>16,357</b>	<b>15,523,795</b>	<b>12,593,576</b>	<b>23.27</b>
Long-term liabilities	4,072,862	1,515,570	0	0	4,072,862	1,515,570	168.73
Other liabilities	7,377,198	7,454,450	42,911	22,651	7,420,109	7,477,101	-0.76
<b>Total liabilities</b>	<b>11,450,060</b>	<b>8,970,020</b>	<b>42,911</b>	<b>22,651</b>	<b>11,492,971</b>	<b>8,992,671</b>	<b>27.80</b>
Net Assets:							
Invested in capital assets, net of related debt	3,832,617	4,334,198	119,404	15,056	3,952,021	4,349,254	-9.13
Restricted	535,270	160,127	0	0	535,270	160,127	234.28
Unrestricted	(396,659)	(887,126)	(59,808)	(21,350)	(456,467)	(908,476)	49.75
<b>TOTAL NET ASSETS</b>	<b>3,971,228</b>	<b>3,607,199</b>	<b>59,596</b>	<b>(6,294)</b>	<b>4,030,824</b>	<b>3,600,905</b>	<b>11.94</b>

The District's combined total net assets increased by nearly 12%, or approximately \$430,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$375,000 or 235% over the prior year. The increase was primarily a result of revised implementation of state administrative rules regarding categorical funding in the General Fund plus retaining balances in the Sales Tax Capital Projects Fund and the Debt Service Fund for specific uses in the next fiscal year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$452,000, or 50% (from a negative \$908,476 to a negative \$456,467). This increase in unrestricted net assets was a result of the District's facility renovation and addition projects, especially the timing of receipt of revenues in fiscal 2009 against some expenditures in fiscal 2008.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2008.

Figure A-4

	Change in Net Assets						Percentage Change 2008-2009 %
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	
Revenues							
Program Revenues:							
Charges for services	1,393,898	1,446,796	316,640	275,680	1,710,538	1,722,476	-0.69
Operating grants & contributions	1,217,290	955,596	156,585	151,842	1,373,875	1,107,438	24.06
Capital grants & contributions	14,344	0	0	0	14,344	0	NA
General Revenues:							
Property taxes	2,692,961	2,500,704	0	0	2,692,961	2,500,704	7.69
Income Surtax	188,871	165,644	0	0	188,871	165,644	14.02
Local option sales tax	437,603	400,806	0	0	437,603	400,806	9.18
Unrestricted state grants	2,874,714	2,971,218	0	0	2,874,714	2,971,218	-3.25
Unrestricted investment earnings	73,575	111,724	67	0	73,642	111,724	-34.09
Other revenue	30,508	34,883	0	0	30,508	34,883	-12.54
<b>Total Revenues</b>	<b>8,923,764</b>	<b>8,587,371</b>	<b>473,292</b>	<b>427,522</b>	<b>9,397,056</b>	<b>9,014,893</b>	<b>4.24</b>
Expenses:							
Instruction	5,691,993	5,762,226	0	0	5,691,993	5,762,226	-1.22
Support services	2,026,510	2,086,082	0	0	2,026,510	2,086,082	-2.86
Non-instructional programs	146,914	140,569	528,977	492,942	675,891	633,511	6.69
Other expenditures	572,743	450,690	0	0	572,743	450,690	27.08
<b>Total expenses</b>	<b>8,438,160</b>	<b>8,439,567</b>	<b>528,977</b>	<b>492,942</b>	<b>8,967,137</b>	<b>8,932,509</b>	<b>0.39</b>
<b>Change in net assets before transfers</b>	<b>485,604</b>	<b>147,804</b>	<b>(55,685)</b>	<b>(65,420)</b>	<b>429,919</b>	<b>82,384</b>	
Transfers	(121,575)	(34,053)	121,575	34,053	0	0	
<b>CHANGE IN NET ASSETS</b>	<b>364,029</b>	<b>113,751</b>	<b>65,890</b>	<b>(31,367)</b>	<b>429,919</b>	<b>82,384</b>	
Net assets beginning of year	3,607,199	3,493,448	(6,294)	25,073	3,600,905	3,518,521	
Net assets end of year	3,971,228	3,607,199	59,596	(6,294)	4,030,824	3,600,905	

In fiscal year 2009 property tax and unrestricted state grants account for nearly 60% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 4.24% increase in revenues and only a 0.39% increase in expenses. Property tax increased \$192,257 while unrestricted state grants declined \$96,504. The decreases in expenses in the areas of Instruction and Support Services related primarily to reductions in staff costs.

### Governmental Activities

Revenues for governmental activities were \$8,923,764 and expenses were \$8,438,160. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues, especially in the area of staff costs. In addition, proceeds from the sale of revenue bonds used to support the District's facility renovation and expansion project were received early in the fiscal year. This offset the deficit in the capital projects fund that occurred late in fiscal 2008 and was reported in the District's 2008 audit.

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

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
	\$	\$		\$	\$	
Instruction	5,691,993	5,762,226	-70,233	3,358,758	3,669,097	-310,339
Support Services	2,026,510	2,086,082	-59,572	2,007,750	2,075,811	-68,061
Non-instructional Programs	146,914	140,569	6,345	135,245	83,546	51,699
Other Expenses	572,743	450,690	122,053	310,875	208,721	102,154
<b>TOTAL</b>	<b>8,438,160</b>	<b>8,439,567</b>	<b>-1,407</b>	<b>5,812,628</b>	<b>6,037,175</b>	<b>-224,547</b>

For the year ended June 30, 2009

- The cost financed by users of the District's programs was \$1,393,898. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,217,290.
- The net cost of governmental activities was financed with \$3,319,435 in property and local other taxes and \$2,874,714 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$473,292 and expenses were \$528,977. The District's business type activities include the School Nutrition Fund and the Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2009, the District increased meal prices. However, increased costs of food exceeded the District's projections, resulting in a deficit at the end of the fiscal year in the School Nutrition Fund.

During the year ended June 30, 2009, the District increased Daycare fees. While there was some improvement in the ratio of revenue to expenditures over the previous year, because of a 1.5% Across-The-Board cut in state payments to the District in the General Fund, the District did not make a corresponding transfer to the Daycare Fund of approximately \$27,000 that it made in previous years. Therefore, the Daycare Fund ended the fiscal year with a larger deficit than the preceding year. This deficit, by interagency agreement, is split evenly between the District and the City of Eldora.

### INDIVIDUAL FUND ANALYSIS

As previously noted, Eldora-New Providence 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 a combined fund balance of \$416,004, well above last year's ending fund balances of a negative \$493,127. However, the primary reason for approximately half of the increase in combined fund balances in fiscal 2009 is due to the timing of revenue bond proceeds received in fiscal 2009 compared to some initial construction expenses incurred in late fiscal 2008. In addition

there remained a small amount of unexpended revenue bond receipts in the Capital Projects Fund from the sale of these bonds early in fiscal 2009. The remainder of the increase in the fund balances of the governmental funds was caused by reductions in staff costs in the General Fund. The District also continues to levy for cash reserve to improve its negative General Fund balance.

### **Governmental Fund Highlights**

- The District's improved General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. The increase in revenues was more than the General Fund expenditures enabling some improvement in the District's General Fund balance. While the fund balance remains negative, the trend is positive.
- The General Fund balance increased from a negative \$255,142 to a negative \$89,973, due in part to the reduction in staff costs. This was accomplished without a transfer from the District's Self-Insurance Internal Service Fund, from which a transfer of \$200,000 had been needed in fiscal 2008.
- While the total General Fund balance increased from a negative \$255,142 to a negative \$89,973, most of this improvement was due to an increase in categorical reserve fund balances. Categorical reserve fund balances grew from \$9,216 in fiscal 2008 to \$134,799 in fiscal 2009. The Unreserved General Fund balance increased from a negative \$264,358 to a negative \$224,772.
- The Capital Projects Fund balance increased due to the sale of \$2,900,000 in revenue bonds during fiscal 2009. The District ended fiscal 2009 with a Capital Projects Fund balance of \$260,019 consisting in part from unexpended bond proceeds, which will be expended as the project is completed.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$8,106 at June 30, 2008 to \$103,296 at June 30, 2009, representing an increase of approximately 1,175%. The primary factor behind this increase in the net assets of the School Nutrition Fund is the investment in capital assets as part of the renovation of the Elementary School kitchen.

The District continued the operation of the daycare, in accordance with the agreement with the City of Eldora. The Daycare Fund again operated at a deficit. The fiscal 2009 deficit was larger than the 2008 deficit because the District did not transfer approximately \$27,000 as in previous years from the General Fund to the Daycare Fund. This transfer did not take place due to the reduction in state funding in the General Fund as a result of the 1.5% Across-The-Board cut made by the Governor in fiscal 2009. The deficit, by agreement, is split between the District and the City of Eldora.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Eldora-New Providence Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with the District's facility capital project activities and those associated with the federal stimulus funds.

The District's receipts were \$256,399 more than budgeted receipts, a variance of 2.8%. The most significant variance resulted from the District receiving more federal aid than originally anticipated.

Total expenditures were \$1,626,564 less than budgeted, a variance of 12%. This variance was due primarily to the District's budget for the Capital Projects Fund. It is the District's practice to budget expenditures at or near 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 normally exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget had to be amended to account for the District's renovation and expansion project, the corresponding revenue bonds, the receipt of federal stimulus funds.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$7,512,021, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 39.1% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$381,863.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$6,247,909 at June 30, 2009 compared to \$3,691,625 reported at June 30, 2008. This significant increase resulted from construction activity financed by the issuance of revenue bonds totaling \$2,900,000 in fiscal 2009 for renovation and expansion at both the high school and the elementary school.

Figure A-6

	<i>Capital Assets (net of depreciation)</i>						
	Governmental		Business type		Total		Percentage
	Activities		Activities		School District		
	2009	2008	2009	2008	2009	2008	2008-2009
\$	\$	\$	\$	\$	\$	%	
Land	252,655	235,570	0	0	252,655	235,570	7.25
Construction in progress	0	469,651	0	0	0	469,651	-100.0
Buildings	6,247,909	3,691,625	0	0	6,247,909	3,691,625	69.25
Improvements	127,148	128,195	0	0	127,148	128,195	-0.8
Equipment & furniture	764,905	859,157	119,404	15,056	884,309	874,213	1.2
<b>TOTAL</b>	<b>7,392,617</b>	<b>5,384,198</b>	<b>119,404</b>	<b>15,056</b>	<b>7,512,021</b>	<b>5,399,254</b>	<b>39.1</b>

### Long-Term Debt

At June 30, 2009 the District had \$4,072,862 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 169% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

In July 2009 the District issued \$1,900,000 in revenue bonds funded by sales tax revenue and \$1,000,000 in Qualified Zone Academic Bonds (QZAB) to pay for renovation and expansion of the high school and elementary school buildings. Planning for the project started in fiscal 2008 and the bonds were sold during fiscal 2009. The District had total outstanding bonded indebtedness at June 30, 2009 of \$3,485,000.

Board policy on licensed early retirement includes a provision that allows teachers with 15 years of service to the District to be paid for up to 105 days of unused sick leave upon retirement from the District. In addition, early retirement plans that culminated in fiscal 2009 provide additional benefits for retired faculty. These retirement benefits created additional liability during fiscal 2009 of approximately \$513,000 to the District.

**Figure A-7**  
**Outstanding Long-Term Obligations**

	<b>Total School District</b>		<b>Percentage</b>
	<b>2009</b>	<b>2008</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>2008-2009</b>
			<b>%</b>
General Obligation Bonds	585,000	950,000	-38.4
QZAB Revenue Bonds	1,000,000	0	NA
Sales Tax Revenue Bonds	1,900,000	0	NA
Energy Management Notes	75,000	100,000	-25.0
Early Retirement/Termination Benefits	113,967	173,218	-34.2
Compensated Absences	398,895	292,352	36.4
	<b>4,072,862</b>	<b>1,515,570</b>	<b>168.7</b>

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

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

- According to information provided by the Hardin, Grundy, and Marshall County Auditors, the District's total taxable valuation will increase slightly for property tax collected in fiscal 2010 and again in fiscal 2011.
- School financing is highly dependent upon student enrollment. The District's October 2009 enrollment decreased by sixteen students. This drop in enrollment will decrease the District's funding for fiscal year 2011. Projections show that the District will continue to experience small declines in enrollment during the next several years.
- The District imposed a cash reserve levy of \$275,000 for fiscal 2010 to help reduce the General Fund balance deficit.
- The District experienced a 1.5% Across-The-Board cut in state funding during fiscal 2009. A 10.0% Across-The Board cut in state funding was announced early in fiscal 2010.
- The State of Iowa's revenue picture is bleak, as evidenced by state revenue collections and is projected to continue to be static at best by the state's Revenue Estimate Committee. This will probably result in future restrictions or outright reductions in state funding for the District.
- The District will receive most of the federal stimulus funding (American Rehabilitation and Reinvestment Act) during fiscal 2010. The majority of this funding is designed to replace state funding that due to the decline in state revenues would have meant a further reduction in District revenues. Since the federal stimulus funding will end in fiscal 2010, and state revenues continue to be static or decline, there are likely to be additional limitations or reductions in the District's future revenues, especially in fiscal 2011.
- The District began a nine-year whole grade sharing agreement with the Hubbard-Radcliffe Community School District during fiscal 2008. Fiscal 2009 was the second year of this agreement. Because more students from the Eldora-New Providence District are being tuitioned to the combined middle school hosted by the Hubbard-Radcliffe District than are being tuitioned by the Hubbard-Radcliffe District to the combined high school hosted by the Eldora-New Providence District, the District has needed to and will continue to need to adjust its staffing levels to account for this difference.

## **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 Randall C. Nichols, Superintendent, or Cindy Bierle, District Secretary/Treasurer and Business Manager, Eldora-New Providence Community School District, 1010 Edgington Avenue, Eldora, Iowa, 50627.

## BASIC FINANCIAL STATEMENTS

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total	Component Unit Eldora-New Providence School Foundation
	\$	\$	\$	
<b>Assets</b>				
Cash and cash equivalents:				
ISCAP	2,622,190	-	2,622,190	-
Other	1,105,461	17,413	1,122,874	174,438
Receivables:				
Property tax:				
Delinquent	52,231	-	52,231	-
Succeeding year	2,892,724	-	2,892,724	-
Accounts	13,946	1,747	15,693	-
Accrued interest ISCAP	14,859	-	14,859	-
Due from other governments	1,213,679	2,494	1,216,173	-
Interfund balances	47,970	(47,970)	-	-
Inventories	7,697	9,419	17,116	-
Unamortized debt issue costs	57,914	-	57,914	-
Capital assets, net of accumulated depreciation	7,392,617	119,404	7,512,021	-
<b>Total assets</b>	<b>15,421,288</b>	<b>102,507</b>	<b>15,523,795</b>	<b>174,438</b>
<b>Liabilities</b>				
Accounts payable	138,096	-	138,096	-
Salaries and benefits payable	602,512	39,978	642,490	-
Due to other governments	1,031,406	-	1,031,406	-
Accrued interest payable	39,537	-	39,537	-
Deferred revenue:				
Succeeding year property tax	2,892,724	-	2,892,724	-
Other	34,075	2,933	37,008	-
ISCAP warrants payable	2,584,000	-	2,584,000	-
ISCAP accrued interest payable	12,464	-	12,464	-
ISCAP premium	42,384	-	42,384	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	380,000	-	380,000	-
Revenue bonds payable	100,000	-	100,000	-
QZAB revenue bonds payable	71,500	-	71,500	-
Energy management notes payable	25,000	-	25,000	-
Termination benefits	43,843	-	43,843	-
Compensated absences	32,000	-	32,000	-

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total	Component Unit Eldora-New Providence School Foundation
	\$	\$	\$	
Portion due after one year:				
General obligation bonds payable	205,000	-	205,000	-
Revenue bonds payable	1,800,000	-	1,800,000	-
QZAB revenue bonds payable	928,500	-	928,500	-
Energy management notes payable	50,000	-	50,000	-
Termination benefits	70,124	-	70,124	-
Compensated absences	366,895	-	366,895	-
<b>Total liabilities</b>	<b>11,450,060</b>	<b>42,911</b>	<b>11,492,971</b>	<b>-</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	3,832,617	119,404	3,952,021	-
Restricted for:				
Categorical funding	134,799	-	134,799	-
Physical plant and equipment levy	32,881	-	32,881	-
Other special revenue purposes	137,166	-	137,166	-
Sales tax capital projects projects	47,764	-	47,764	-
Debt service	182,660	-	182,660	-
Unrestricted	(396,659)	(59,808)	(456,467)	174,438
<b>Total net assets</b>	<b>3,971,228</b>	<b>59,596</b>	<b>4,030,824</b>	<b>174,438</b>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Instruction:				
Regular	3,469,828	851,476	654,783	-
Special	1,362,417	328,615	165,679	-
Other	859,748	190,904	141,778	-
	<u>5,691,993</u>	<u>1,370,995</u>	<u>962,240</u>	<u>-</u>
Support services:				
Student	152,229	-	-	-
Instructional staff	343,221	-	-	-
Administration	620,987	-	-	-
Operation and maintenance of plant	586,282	170	-	-
Transportation	323,791	11,064	7,526	-
	<u>2,026,510</u>	<u>11,234</u>	<u>7,526</u>	<u>-</u>
Non-instructional programs	<u>146,914</u>	<u>11,669</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	12,339	-	-	14,344
Long-term debt interest	119,371	-	2,090	-
AEA flowthrough	245,434	-	245,434	-
Depreciation (unallocated)*	195,599	-	-	-
	<u>572,743</u>	<u>-</u>	<u>247,524</u>	<u>14,344</u>
Total governmental activities	<u>8,438,160</u>	<u>1,393,898</u>	<u>1,217,290</u>	<u>14,344</u>
<b>Business type activities:</b>				
Non-instructional programs:				
Food service operations	317,199	160,242	135,029	-
Daycare	211,778	156,398	21,556	-
Total business-type activities	<u>528,977</u>	<u>316,640</u>	<u>156,585</u>	<u>-</u>
Total primary government	<u>8,967,137</u>	<u>1,710,538</u>	<u>1,373,875</u>	<u>14,344</u>
<b>Component Units:</b>				
Eldora-New Providence School Foundation	<u>19,340</u>	<u>14,967</u>	<u>7,214</u>	<u>-</u>
Total	<u>8,986,477</u>	<u>1,725,505</u>	<u>1,381,089</u>	<u>14,344</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Transfers				
Total general revenues and transfers				

**Change in net assets**

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(1,963,569)	-	(1,963,569)	-
(868,123)	-	(868,123)	-
(527,066)	-	(527,066)	-
<u>(3,358,758)</u>	<u>-</u>	<u>(3,358,758)</u>	<u>-</u>
(152,229)	-	(152,229)	-
(343,221)	-	(343,221)	-
(620,987)	-	(620,987)	-
(586,112)	-	(586,112)	-
(305,201)	-	(305,201)	-
<u>(2,007,750)</u>	<u>-</u>	<u>(2,007,750)</u>	<u>-</u>
<u>(135,245)</u>	<u>-</u>	<u>(135,245)</u>	<u>-</u>
2,005	-	2,005	-
(117,281)	-	(117,281)	-
-	-	-	-
<u>(195,599)</u>	<u>-</u>	<u>(195,599)</u>	<u>-</u>
<u>(310,875)</u>	<u>-</u>	<u>(310,875)</u>	<u>-</u>
<u>(5,812,628)</u>	<u>-</u>	<u>(5,812,628)</u>	<u>-</u>
-	(21,928)	(21,928)	-
-	<u>(33,824)</u>	<u>(33,824)</u>	<u>-</u>
-	<u>(55,752)</u>	<u>(55,752)</u>	<u>-</u>
-	-	(5,868,380)	-
-	-	-	2,841
<u>(5,812,628)</u>	<u>(55,752)</u>	<u>(5,868,380)</u>	<u>2,841</u>
2,333,997	-	2,333,997	-
307,610	-	307,610	-
51,354	-	51,354	-
188,871	-	188,871	-
437,603	-	437,603	-
2,874,714	-	2,874,714	-
73,575	67	73,642	6,705
30,508	-	30,508	-
<u>(121,575)</u>	<u>121,575</u>	<u>-</u>	<u>-</u>
<u>6,176,657</u>	<u>121,642</u>	<u>6,298,299</u>	<u>6,705</u>
364,029	65,890	429,919	9,546
<u>3,607,199</u>	<u>(6,294)</u>	<u>3,600,905</u>	<u>164,892</u>
<u>3,971,228</u>	<u>59,596</u>	<u>4,030,824</u>	<u>174,438</u>

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2009

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments:				
ISCAP	2,622,190	-	-	2,622,190
Other	609,738	203,578	238,284	1,051,600
Receivables:				
Property tax:				
Delinquent	41,793	-	10,438	52,231
Succeeding year	2,302,451	-	590,273	2,892,724
Accounts	13,790	-	156	13,946
Accrued interest - ISCAP	14,859	-	-	14,859
Inventories	7,697	-	-	7,697
Interfund receivable	47,970	-	-	47,970
Due from other governments	1,143,716	66,441	3,522	1,213,679
<b>Total assets</b>	<b>6,804,204</b>	<b>270,019</b>	<b>842,673</b>	<b>7,916,896</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	125,176	10,000	2,920	138,096
Salaries and benefits payable	602,512	-	-	602,512
Due to other governments	1,031,406	-	-	1,031,406
ISCAP warrants payable	2,584,000	-	-	2,584,000
ISCAP accrued interest payable	12,464	-	-	12,464
ISCAP premium	42,384	-	-	42,384
Deferred revenue:				
Succeeding year property tax	2,302,451	-	590,273	2,892,724
Income surtax	163,231	-	-	163,231
Other	30,553	-	3,522	34,075
Total liabilities	6,894,177	10,000	596,715	7,500,892
Fund balances:				
Reserved for:				
Categorical funding	134,799	-	-	134,799
Debt service	-	212,255	9,942	222,197
Unreserved, reported in:				
General fund	(224,772)	-	-	(224,772)
Special revenue funds	-	-	236,016	236,016
Capital project fund	-	47,764	-	47,764
Total fund balances	(89,973)	260,019	245,958	416,004
<b>Total liabilities and fund balances</b>	<b>6,804,204</b>	<b>270,019</b>	<b>842,673</b>	<b>7,916,896</b>

See notes to financial statements.

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2009

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	416,004
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,392,617
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	163,231
Debt issue costs are expensed in the governmental funds, but are capitalized and amortized over the life of the debt in the Statement of Net Assets.	57,914
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.	(39,537)
An internal service fund is used by the District's management to charge the costs of the sick leave program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	53,861
Long-term liabilities, including bonds payable, notes payable, compensated absences and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(4,072,862)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>3,971,228</u></u>

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Funds Balances  
Governmental Funds

Year ended June 30, 2009

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,331,338	437,603	538,973	3,307,914
Tuition	1,053,973	-	-	1,053,973
Other	247,759	14,344	205,210	467,313
State sources	3,662,752	-	332	3,663,084
Federal sources	426,830	-	-	426,830
Total revenues	<u>7,722,652</u>	<u>451,947</u>	<u>744,515</u>	<u>8,919,114</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,307,538	-	117,421	3,424,959
Special	1,362,417	-	-	1,362,417
Other	663,224	-	184,005	847,229
	<u>5,333,179</u>	<u>-</u>	<u>301,426</u>	<u>5,634,605</u>
Support services:				
Student	152,229	-	-	152,229
Instructional staff	294,447	65,491	-	359,938
Administration	616,221	62,370	-	678,591
Operation and maintenance of plant	454,763	-	35,812	490,575
Transportation	284,772	-	11,391	296,163
	<u>1,802,432</u>	<u>127,861</u>	<u>47,203</u>	<u>1,977,496</u>
Non-instructional programs	146,914	-	-	146,914
Other expenditures:				
Facilities acquisition	-	2,401,356	26,304	2,427,660
Long-term debt:				
Principal	-	-	390,000	390,000
Interest and fiscal charges	-	-	83,350	83,350
AEA flowthrough	245,434	-	-	245,434
	<u>245,434</u>	<u>2,401,356</u>	<u>499,654</u>	<u>3,146,444</u>
Total expenditures	<u>7,527,959</u>	<u>2,529,217</u>	<u>848,283</u>	<u>10,905,459</u>
Excess (deficiency) of revenues over (under) expenditures	<u>194,693</u>	<u>(2,077,270)</u>	<u>(103,768)</u>	<u>(1,986,345)</u>
Other financing sources (uses):				
Proceeds from QZAB revenue bonds	-	1,000,000	-	1,000,000
Bonds issued	-	1,900,000	-	1,900,000
Operating transfers in	-	-	162,755	162,755
Operating transfers out	(29,524)	(137,755)	-	(167,279)
Total other financing sources (uses)	<u>(29,524)</u>	<u>2,762,245</u>	<u>162,755</u>	<u>2,895,476</u>
Net change in fund balances	165,169	684,975	58,987	909,131
Fund balances beginning of year	<u>(255,142)</u>	<u>(424,956)</u>	<u>186,971</u>	<u>(493,127)</u>
Fund balances end of year	<u>(89,973)</u>	<u>260,019</u>	<u>245,958</u>	<u>416,004</u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds to the  
Statement of Activities

Year ended June 30, 2009

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		909,131
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense and loss on disposal of capital assets during the current year, as follows:		
Loss on disposal of capital assets	(6,871)	
Expenditures for capital assets	2,384,450	
Depreciation expense	<u>(369,160)</u>	2,008,419
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		11,521
Issuance of long-term debt is a revenue in the governmental funds, but the issuance increases long-term debt in the Statement of Net Assets.		(2,900,000)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		390,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(36,021)
Debt issue costs are expensed in the governmental funds, but are capitalized and amortized over the life of the debt in the Statement of Net Assets.		57,914
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	59,251	
Compensated absences	<u>(106,543)</u>	(47,292)
An internal service fund is used by the District's management to charge the costs of the sick leave program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>(29,643)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>364,029</u></u>

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2009

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
<b>Assets</b>		
Cash and cash equivalents	17,413	53,861
Accounts receivable	1,747	-
Due from other governments	2,494	-
Inventories	9,419	-
Capital assets, net of accumulated depreciation	119,404	-
	<u>150,477</u>	<u>53,861</u>
<b>Total assets</b>	<b>150,477</b>	<b>53,861</b>
<b>Liabilities</b>		
Interfund payable	47,970	-
Salaries and benefits payable	39,978	-
Deferred revenue	2,933	-
	<u>90,881</u>	<u>-</u>
<b>Total liabilities</b>	<b>90,881</b>	<b>-</b>
<b>Net assets</b>		
Invested in capital assets	119,404	-
Unrestricted	(59,808)	53,861
	<u>59,596</u>	<u>53,861</u>
<b>Total net assets</b>	<b>59,596</b>	<b>53,861</b>

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Operating revenues:		
Local sources:		
Charges for service	316,640	5,919
Operating expenses:		
Non-instructional programs:		
Salaries	252,517	31,067
Benefits	80,478	5,463
Purchased services	24,667	-
Supplies	158,612	-
Depreciation	12,703	-
Total operating expenses	528,977	36,530
Operating gain (loss)	(212,337)	(30,611)
Non-operating revenues:		
State sources	3,421	-
Federal sources	145,204	-
Donations	7,960	-
Interest income	67	968
Total non-operating revenues	156,652	968
Gain (loss) before transfers	(55,685)	(29,643)
Capital contributions	117,051	-
Transfers in	4,524	-
Change in net assets	65,890	(29,643)
Net assets beginning of year	(6,294)	83,504
Net assets end of year	59,596	53,861

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	159,657	-
Daycare services	157,860	-
Sale of services to other funds	-	5,919
Cash payments to employees for services	(304,039)	(36,530)
Cash payments to suppliers for goods or services	(170,210)	-
Net cash used by operating activities	<u>(156,732)</u>	<u>(30,611)</u>
Cash flows from non-capital financing activities:		
Loans from (repaid to) other funds	40,442	-
Transfers from (to) General Fund	4,524	-
Donations	7,960	-
State grants received	3,421	-
Federal grants received	125,841	-
Net cash provided by non-capital financing activities	<u>182,188</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>67</u>	<u>968</u>
Net increase (decrease) in cash and cash equivalents	25,523	(29,643)
Cash and cash equivalents at beginning of year	<u>(8,110)</u>	<u>83,504</u>
Cash and cash equivalents at end of year	<u><u>17,413</u></u>	<u><u>53,861</u></u>
<b>Reconciliation of operating gain (loss) to net cash provided (used) by operating activities:</b>		
Operating gain (loss)	(212,337)	(30,611)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	17,810	-
Depreciation	12,703	-
Decrease (increase) in inventories	(4,741)	-
Decrease (increase) in accounts receivable	1,462	-
(Decrease) increase in salaries and benefits payable	28,956	-
(Decrease) increase in deferred revenue	(585)	-
Net cash used by operating activities	<u><u>(156,732)</u></u>	<u><u>(30,611)</u></u>

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

During the year ended June 30, 2009 the District received \$17,810 of federal commodities.

During the year ended June 30, 2009 the School Nutrition Fund received \$117,051 of equipment that was purchased by other funds.

# ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2009

### 1. Summary of Significant Accounting Policies

Eldora-New Providence Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Eldora and New Providence, Iowa and the predominately agricultural territory in a portion of Grundy, Hardin and Marshall Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

#### A. Reporting Entity

For financial reporting purposes, Eldora-New Providence 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 Eldora-New Providence Community School District Foundation has been included as a discretely presented component unit because of the nature and significance of its relationship with the District.

The Eldora-New Providence Community School District Foundation was established to maintain, develop, and expand the facilities and services of the Eldora-New Providence Community School District, and to foster educational opportunities for the students, staff, faculty and the residents of the geographical area served by the Eldora-New Providence Community School District. The Foundation has a December 31, year-end. Foundation financial statements are shown in the Statement of Net Assets and the Statement of Activities in separate columns. As explained in the Independent Auditor's Opinion, the Foundation financial statements have not been audited.

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 County Assessor's 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 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 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 revenues 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 expenditures, including instructional, support and other costs.

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

The District's proprietary funds include the Enterprise, School Nutrition Fund and the Enterprise Daycare Fund. These funds are used to account for the food service operations and child care operations of the District.

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's sick leave payment program.

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

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

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

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

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

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

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

Property Tax Receivable – Property tax in governmental funds is 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 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 became due and collectible in September and March of the fiscal year with a 1 ½% 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.

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 and governmental funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture 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.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	7-30 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. 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 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 are imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

## 2. **Cash and Pooled Investments**

The District's deposits in banks 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:

	Amortized Cost
	\$
Diversified Portfolio	67

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

### 3. 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	Nonmajor – School Nutrition Fund	12,746
General Fund	Nonmajor – Daycare Fund	35,224

The General Fund loaned the School Nutrition and Daycare Funds money for cash flow purposes.

### 4. Interfund Transfers

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

Transfer To	Transfer From	Amount
		\$
Nonmajor - Debt Service Fund	General Fund	25,000
Nonmajor - Debt Service Fund	Capital Projects Fund	137,755
Nonmajor Enterprise – Daycare Fund	General Fund	4,524

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

### 5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2008-09A	6/26/08	6/25/09	-	6,180	-	-
2008-09B	1/21/09	1/21/10	915,589	8,468	904,000	11,888
2009-10A	6/25/09	6/23/10	1,706,601	211	1,680,000	575
Total			<u>2,622,190</u>	<u>14,859</u>	<u>2,584,000</u>	<u>12,463</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	320,000	320,000	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2008-09A	3.500	3.469
2008-09B	3.000	2.110
2009-10A	2.500	0.902

## 6. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	469,651	-	469,651	-
Land	235,570	17,085	-	252,655
Total capital assets not being depr.	<u>705,221</u>	<u>17,085</u>	<u>469,651</u>	<u>252,655</u>
Capital assets being depreciated:				
Buildings	6,598,949	2,740,428	-	9,339,377
Improvements other than buildings	218,679	10,408	-	229,087
Furniture and equipment	2,179,334	86,180	26,650	2,238,864
Total capital assets being deprec.	<u>8,996,962</u>	<u>2,837,016</u>	<u>26,650</u>	<u>11,807,328</u>

Less accumulated depreciation for:				
Buildings	2,907,324	184,144	-	3,091,468
Improvements other than buildings	90,484	11,455	-	101,939
Furniture and equipment	<u>1,320,177</u>	<u>173,561</u>	<u>19,779</u>	<u>1,473,959</u>
Total accumulated depreciation	<u>4,317,985</u>	<u>369,160</u>	<u>19,779</u>	<u>4,667,366</u>
Total capital assets being depreciated, net	<u>4,678,977</u>	<u>2,467,856</u>	<u>6,871</u>	<u>7,139,962</u>
Governmental activities capital assets, net	<u>5,384,198</u>	<u>2,484,941</u>	<u>476,522</u>	<u>7,392,617</u>
	Balance			Balance End
	Beginning of			of Year
	Year	Increases	Decreases	
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	192,336	117,051	12,275	297,112
Less accumulated depreciation	<u>177,280</u>	<u>12,703</u>	<u>12,275</u>	<u>177,708</u>
Business type activities capital assets, net	<u>15,056</u>	<u>104,348</u>	<u>-</u>	<u>119,404</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	24,477
Other	12,519
Support services:	
Instructional staff support	63,113
Administration services	310
Operation and maintenance of plant services	39,164
Transportation	<u>33,978</u>
	173,561
Unallocated depreciation	<u>195,599</u>
Total depreciation expense – governmental activities	<u>369,160</u>
Business type activities:	
Food services	<u>12,703</u>

## 7 Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	950,000	-	365,000	585,000	380,000
QZAB revenue bonds	-	1,000,000	-	1,000,000	71,500
Sales tax revenue bonds	-	1,900,000	-	1,900,000	100,000
Energy management notes	100,000	-	25,000	75,000	25,000
Termination benefits	173,218	-	59,251	113,967	43,843
Compensated absences	292,352	137,610	31,067	398,895	32,000
<b>Total</b>	<b>1,515,570</b>	<b>3,037,610</b>	<b>480,318</b>	<b>4,072,862</b>	<b>652,343</b>

#### Termination Benefits

The District offered a voluntary early retirement plan to its certified employees during the year ended June 30, 2008. Eligible employees must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences and must have completed 15 years of service in the most recent 15 years. The application for early retirement is subject to approval by the Board of Education.

Under the 2008 plan the District will cover medical insurance for up to seven years or until age 65 for the employee.

At June 30, 2009, the District has obligations to nine participants with a total liability of \$113,967. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$59,251.

#### 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 May, 1998			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	4.45	380,000	26,135	406,135
2011	4.50	205,000	9,225	214,225
		<u>585,000</u>	<u>35,360</u>	<u>620,360</u>

Qualified Zone Academy Revenue Bonds – The District issued \$1,000,000 of qualified zone academy revenue bonds in July 2008. The bonds were issued to finance remodeling of existing school facilities that have been designated qualified zone academy projects. The bonds are interest free. The annual payments will be made from the statewide sales tax.

Year Ending June 30,	Interest Rates	Principal
	%	\$
2010	-	71,500
2011	-	71,500
2012	-	71,500
2013	-	71,500
2014	-	71,500
2015-2019	-	357,500
2020-2023	-	285,000
		1,000,000

### Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue of July 2008			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	4.29	100,000	79,365	179,365
2011	4.29	105,000	74,968	179,968
2012	4.29	110,000	70,356	180,356
2013	4.29	115,000	65,530	180,530
2014	4.29	120,000	60,490	180,490
2015-2019	4.29	685,000	218,898	903,898
2020-2024	4.29	665,000	58,452	723,452
		1,900,000	628,059	2,528,059

The District has pledged future statewide sales and services tax revenues to repay the \$2,900,000 bonds issued in July 2008. The bonds were issued for the purpose of financing a school addition and remodeling. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2024. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 60% of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$3,528,059. For the current year, no principal and \$40,755 of interest was paid on the bonds and total statewide sales and services tax revenues were \$437,603.

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

- Proceeds from the statewide sales and services tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose for which the local option sales tax may be used. The District has not set aside monies in the required sinking fund, but has reserved Capital Projects Fund fund balance for the portion necessary to make the July, 2009 revenue bond debt payments.

### Energy Management Capital Loan Notes

The District issued \$250,000 of notes at no interest on June 30, 2002. The proceeds of the notes were used to purchase and install a wind generator. Details of the District's energy management capital loan notes are as follows:

Year Ending June 30,	June 30, 2002 Issue		
	Principal	Interest	Total
	\$	\$	\$
2010	25,000	-	25,000
2011	25,000	-	25,000
2012	25,000	-	25,000
	<u>75,000</u>	<u>-</u>	<u>75,000</u>

During the year ended June 30, 2009, the District's General Fund made principal payments totaling \$25,000 under the note agreements.

### **8. 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 covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$263,199, \$242,803, and \$215,255 respectively, equal to the required contributions for each year.

### **9. Risk Management**

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

### **10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$245,434 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.

### **11. Fund Balance Deficits**

The General Fund has a \$224,772 deficit unreserved fund balance, the Nonmajor Daycare Fund has a \$43,700 deficit unrestricted net assets, and the Nonmajor School Nutrition Fund has a \$16,108 deficit unrestricted net assets at June 30, 2009.

## 12. Operating Lease

The District entered into a contract to lease copy machines. The payments the District will make over the next year are as follows:

<u>Year Ended June 30</u>	<u>Lease Payment</u>
2010	\$ 10,380

## 13. Construction Commitment

The District has entered into contracts totaling \$116,641 for roofing and fire safety improvements. As of June 30, 2009 no costs been incurred against the contracts.

REQUIRED SUPPLEMENTARY INFORMATION

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,829,200	324,667	5,153,867	4,998,145	4,998,145	155,722
State sources	3,663,084	3,421	3,666,505	3,777,862	3,777,862	(111,357)
Federal sources	426,830	145,204	572,034	360,000	360,000	212,034
Total revenues	<u>8,919,114</u>	<u>473,292</u>	<u>9,392,406</u>	<u>9,136,007</u>	<u>9,136,007</u>	<u>256,399</u>
Expenditures/Expenses:						
Instruction	5,634,605	-	5,634,605	5,165,000	6,000,000	365,395
Support services	1,977,496	-	1,977,496	2,316,000	2,316,000	338,504
Non-instructional programs	146,914	528,977	675,891	745,000	745,000	69,109
Other expenditures	3,146,444	-	3,146,444	782,518	4,000,000	853,556
Total expenditures/expenses	<u>10,905,459</u>	<u>528,977</u>	<u>11,434,436</u>	<u>9,008,518</u>	<u>13,061,000</u>	<u>1,626,564</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,986,345)	(55,685)	(2,042,030)	127,489	(3,924,993)	1,882,963
Other financing sources (uses) net	<u>2,895,476</u>	<u>121,575</u>	<u>3,017,051</u>	<u>-</u>	<u>2,900,000</u>	<u>117,051</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	909,131	65,890	975,021	127,489	(1,024,993)	2,000,014
Balance beginning of year	<u>(493,127)</u>	<u>(6,294)</u>	<u>(499,421)</u>	<u>(65,100)</u>	<u>(65,100)</u>	<u>(434,321)</u>
Balance end of year	<u>416,004</u>	<u>59,596</u>	<u>475,600</u>	<u>62,389</u>	<u>(1,090,093)</u>	<u>1,565,693</u>

ELDORA-NEW PROVIDENCE 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 Internal Service, 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 function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$4,052,482.

OTHER SUPPLEMENTARY INFORMATION

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds				Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Debt Service	
	\$	\$	\$	\$	\$
Cash and pooled investments	62,376	140,030	31,888	3,990	238,284
Receivables:					
Property tax:					
Delinquent	3,493	-	993	5,952	10,438
Succeeding year	205,000	-	53,737	331,536	590,273
Accounts	100	56	-	-	156
Due from other governments	-	-	3,522	-	3,522
<b>Total assets</b>	<b>270,969</b>	<b>140,086</b>	<b>90,140</b>	<b>341,478</b>	<b>842,673</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Accounts payable	-	2,920	-	-	2,920
Deferred revenue:					
Succeeding year property tax	205,000	-	53,737	331,536	590,273
Other	-	-	3,522	-	3,522
Total liabilities	205,000	2,920	57,259	331,536	596,715
Fund balances:					
Reserved for debt service	-	-	-	9,942	9,942
Unreserved fund balance reported in:					
Special revenue funds	65,969	137,166	32,881	-	236,016
Total fund balances	65,969	137,166	32,881	9,942	245,958
<b>Total liabilities and fund balances</b>	<b>270,969</b>	<b>140,086</b>	<b>90,140</b>	<b>341,478</b>	<b>842,673</b>

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2009

	Special Revenue Funds				Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Debt Service	
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	180,009	-	51,354	307,610	538,973
Other	10,709	191,974	437	2,090	205,210
State sources	111	-	32	189	332
Total revenues	<u>190,829</u>	<u>191,974</u>	<u>51,823</u>	<u>309,889</u>	<u>744,515</u>
Expenditures:					
Current:					
Instruction:					
Regular	117,421	-	-	-	117,421
Other	-	184,005	-	-	184,005
Support services:					
Operation and maintenance of plant	32,942	2,870	-	-	35,812
Transportation	7,041	-	4,350	-	11,391
Other expenditures:					
Facilities acquisition	-	-	26,304	-	26,304
Long-term debt:					
Principal	-	-	-	390,000	390,000
Interest and fiscal charges	-	-	-	83,350	83,350
Total expenditures	<u>157,404</u>	<u>186,875</u>	<u>30,654</u>	<u>473,350</u>	<u>848,283</u>
Excess (deficiency) of revenues over (under) expenditures	33,425	5,099	21,169	(163,461)	(103,768)
Other financing sources (uses):					
Operating transfers in	-	-	-	162,755	162,755
Net change in fund balance	33,425	5,099	21,169	(706)	58,987
Fund balances beginning of year	<u>32,544</u>	<u>132,067</u>	<u>11,712</u>	<u>10,648</u>	<u>186,971</u>
Fund balances end of year	<u>65,969</u>	<u>137,166</u>	<u>32,881</u>	<u>9,942</u>	<u>245,958</u>

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2009

	Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	17,413	-	17,413
Accounts receivable	-	1,747	1,747
Due from other governments	-	2,494	2,494
Inventories	9,419	-	9,419
Capital assets, net of accumulated depreciation	119,404	-	119,404
<b>Total assets</b>	<b>146,236</b>	<b>4,241</b>	<b>150,477</b>
<b>Liabilities</b>			
Interfund payable	12,746	35,224	47,970
Salaries and benefits payable	27,261	12,717	39,978
Deferred revenue	2,933	-	2,933
<b>Total liabilities</b>	<b>42,940</b>	<b>47,941</b>	<b>90,881</b>
<b>Net assets</b>			
Invested in capital assets	119,404	-	119,404
Unrestricted	(16,108)	(43,700)	(59,808)
<b>Total net assets</b>	<b>103,296</b>	<b>(43,700)</b>	<b>59,596</b>

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets  
Nonmajor Enterprise Funds

Year ended June 30, 2009

	Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	160,242	156,398	316,640
Operating expenses:			
Non-instructional programs:			
Salaries	112,150	140,367	252,517
Benefits	44,443	36,035	80,478
Purchased services	-	24,667	24,667
Supplies	147,903	10,709	158,612
Depreciation	12,703	-	12,703
Total operating expenses	317,199	211,778	528,977
Operating gain (loss)	(156,957)	(55,380)	(212,337)
Non-operating revenues:			
State sources	2,866	555	3,421
Federal sources	132,163	13,041	145,204
Donations	-	7,960	7,960
Interest income	67	-	67
Total non-operating revenues	135,096	21,556	156,652
Gain (loss) before capital contributions and transfers	(21,861)	(33,824)	(55,685)
Capital contributions	117,051	-	117,051
Transfers in	-	4,524	4,524
Change in net assets	95,190	(29,300)	65,890
Net assets beginning of year	8,106	(14,400)	(6,294)
Net assets end of year	103,296	(43,700)	59,596

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2009

	Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	159,657	-	159,657
Daycare services	-	157,860	157,860
Cash payments to employees for services	(129,332)	(174,707)	(304,039)
Cash payments to suppliers for goods or services	(134,834)	(35,376)	(170,210)
Net cash used by operating activities	<u>(104,509)</u>	<u>(52,223)</u>	<u>(156,732)</u>
Cash flows from non-capital financing activities:			
Loans from other funds	12,746	27,696	40,442
Transfers from General Fund	-	4,524	4,524
Donations	-	7,960	7,960
State grants received	2,866	555	3,421
Federal grants received	114,353	11,488	125,841
Net cash provided by non-capital financing activities	<u>129,965</u>	<u>52,223</u>	<u>182,188</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>67</u>	<u>-</u>	<u>67</u>
Net increase (decrease) in cash and cash equivalents	25,523	-	25,523
Cash and cash equivalents at beginning of year	<u>(8,110)</u>	<u>-</u>	<u>(8,110)</u>
Cash and cash equivalents at end of year	<u>17,413</u>	<u>-</u>	<u>17,413</u>
<b>Reconciliation of operating gain (loss) to net cash provided (used) by operating activities:</b>			
Operating gain (loss)	(156,957)	(55,380)	(212,337)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	17,810	-	17,810
Depreciation	12,703	-	12,703
Decrease (increase) in inventories	(4,741)	-	(4,741)
Decrease (increase) in accounts receivable	-	1,462	1,462
(Decrease) increase in salaries and benefits payable	27,261	1,695	28,956
(Decrease) increase in deferred revenue	(585)	-	(585)
Net cash used by operating activities	<u>(104,509)</u>	<u>(52,223)</u>	<u>(156,732)</u>

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Elementary challenge	1,838	15,816	16,587	-	1,067
MS athletics general	164	-	-	(164)	-
Drama club	390	-	-	-	390
HS vocal music	1,975	12,935	11,530	-	3,380
HS instrumental music	4,038	1,125	1,726	-	3,437
Music resale	-	422	212	-	210
Performance team	-	5,636	4,877	-	759
HS athletics general	7,459	4,829	2,967	(200)	9,121
South Hardin uniform fund	19,534	135	-	(811)	18,858
South Hardin signs/records	-	379	1,170	791	-
HS athletic resale	29	-	-	-	29
HS basketball	3,645	15,519	12,291	(1,500)	5,373
HS athletic medical	505	-	145	-	360
HS athletic clinics	322	-	110	-	212
HS baseball/softball	1,395	7,319	9,034	1,250	930
HS track	3,865	7,931	7,446	(800)	3,550
HS track resurfacing	25,135	1,286	2,859	1,400	24,962
HS cross country	469	2,328	3,328	1,600	1,069
HS tennis	520	2,198	2,344	-	374
HS golf	258	1,284	4,410	2,868	-
Cheerleaders	1,354	10,531	10,424	-	1,461
HS football	6,143	12,401	9,998	(3,200)	5,346
Football fund raisers	668	14,142	14,061	-	749
HS wrestling	9,766	4,008	6,922	-	6,852
HS volleyball	3,353	5,114	5,390	(700)	2,377
HS student council	2,079	731	2,752	-	58
Get a grip	1,916	3,000	2,496	-	2,420
National Honor Society	5,161	3,066	3,002	-	5,225
FFA	8,703	14,189	14,612	-	8,280
Spanish club	687	-	-	-	687
Class of 2006	-	45	-	(45)	-
Class of 2008	885	-	50	(835)	-
Class of 2009	139	1,721	2,177	810	493
Class of 2010	10,060	2,143	9,734	855	3,324
Class of 2011	630	14,895	8,045	870	8,350
Class of 2012	-	60	8	885	937
HS concessions, donations	5,348	17,030	2,136	(8,133)	12,109
HS annual/2007	1,335	-	1,173	(162)	-
HS annual/2008	2,299	1,085	4,610	1,226	-
HS annual/2009	-	8,671	8,249	3,995	4,417
<b>Total</b>	<b>132,067</b>	<b>191,974</b>	<b>186,875</b>	<b>-</b>	<b>137,166</b>

## ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	3,307,914	3,065,083	2,807,471	2,435,057	2,218,849	2,146,596
Tuition	1,053,973	1,089,985	476,037	432,390	450,521	539,036
Other	467,313	506,318	595,340	353,876	287,871	371,978
State sources	3,663,084	3,681,270	3,144,613	3,037,791	2,916,933	2,808,713
Federal sources	426,830	243,776	256,781	241,466	239,826	245,777
Total revenues	<u>8,919,114</u>	<u>8,586,432</u>	<u>7,280,242</u>	<u>6,500,580</u>	<u>6,114,000</u>	<u>6,112,100</u>
Expenditures:						
Instruction:						
Regular	3,424,959	3,446,073	2,546,190	2,379,427	2,443,073	2,424,608
Special	1,362,417	1,441,756	1,012,515	911,520	1,033,569	1,076,093
Other	847,229	825,586	742,927	687,808	523,538	531,043
Support services:						
Student	152,229	167,077	152,211	292,966	266,640	262,857
Instructional staff	359,938	296,240	333,836	313,084	125,522	120,932
Administration	678,591	652,480	665,812	562,549	574,249	572,346
Operation and maintenance	490,575	584,854	503,120	507,324	396,198	415,384
Transportation	296,163	298,044	269,662	158,180	143,738	162,906
Non-instructional programs	146,914	140,569	176,273	-	2,782	2,528
Other expenditures:						
Facilities acquisition	2,427,660	478,000	34,003	32,923	135,720	38,687
Long-term debt:						
Principal	390,000	440,000	420,000	395,000	435,246	616,823
Interest and other charges	83,350	61,662	79,400	96,062	114,037	141,831
AEA flowthrough	245,434	240,201	213,293	197,357	191,554	195,946
Total expenditures	<u>10,905,459</u>	<u>9,072,542</u>	<u>7,149,242</u>	<u>6,534,200</u>	<u>6,385,866</u>	<u>6,561,984</u>

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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  
Eldora-New Providence 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 Eldora-New Providence 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 1, 2010. We did not issue an opinion on the Eldora-New Providence School Foundation, which is included in the District's financial statements as a discretely presented component unit, because we were not engaged to and did not audit the Foundation. 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 Eldora-New Providence 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 Eldora-New Providence Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Eldora-New Providence 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 and other 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 Eldora-New Providence 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 Eldora-New Providence Community School District's financial statements that is more than inconsequential will not be prevented or detected by Eldora-New Providence Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses 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 Eldora-New Providence 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. However, of the significant deficiencies described above, we believe items 09-I-A and 09-I-B are material weaknesses.

#### Compliance and Other Matters

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

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.

Eldora-New Providence Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Eldora-New Providence 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 Eldora-New Providence Community School District and other parties to whom Eldora-New Providence Community School District may report. 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 Eldora-New Providence 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.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

February 1, 2010

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

09-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks, and bank reconciliations, preparation and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

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

Conclusion: Response accepted.

09-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009, did not exceed the amounts budgeted.

09-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

09-II-C Travel Expenses: 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.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Pat Ryan, Board Member and Athletic Official	Referee fees	430

The transaction does not appear to represent a conflict of interest since the dollar amount was less than \$2,500.

09-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

09-II-F Board Minutes: We noted no transactions requiring board approval that had not been approved by the Board.

09-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

09-II-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

09-II-I Certified Annual Report (CAR): The Certified Annual Report was certified timely to the Iowa Department of Education.

09-II-J Categorical Funding: Except as noted, no instances were noted of categorical funding being used to supplant rather than supplement other funds. The District allocated \$17,006 for administrative costs to the District's home school assistance and TAG programs. The \$17,006 cost allocation does not appear to be an allowable cost for this program in accordance with Chapter 256D.2 of the Code of Iowa and Iowa Department of Education administrative rules. The District made the adjustment to reserved fund balance before the CAR was certified.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting (continued):

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation: In the future, the District should not allocate administrative costs to categorical funding and all categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

Response: As recommended, we will refrain from charging administrative costs to categorical funding and we have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales 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		-
Statewide sales and services tax revenue		437,603
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	8,233	
Equipment	65,491	
Prior year interfund payable to General Fund	50,000	
Debt service for school infrastructure:		
General obligation debt	97,000	
Revenue debt	40,755	261,479
		<u>176,124</u>
Ending balance		<u>176,124</u>

09-II-L Financial Condition: The District has a General Fund deficit unreserved fund balance of \$224,772, the Daycare Fund has a deficit unrestricted net assets balance of \$43,700 and the School Nutrition Fund has a deficit unrestricted net assets of \$16,108 at June 30, 2009.

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

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting (continued):

District Response: The District has made budget cuts and implemented a cash reserve levy to reduce the General Fund deficit. The Daycare Center is a joint effort with the City of Eldora and the City is going to help offset District deficits.

Conclusion: Response accepted.

09-II-M Use of School Vehicles: We noted that one maintenance employee has use of a school vehicle for commuting from home to school. This is a taxable fringe benefit.

Recommendation: The District should review and follow Internal Revenue Service guidelines for determining the taxable portion of the personal use of the vehicle.

District Response: We will follow the relevant IRS guidelines.

Conclusion: Response accepted.

09-II-N Interfund loans: On June 16, 2008 the Iowa Department of Education issued a Declaratory Order covering interfund loans. The Order states that all loans between funds must be approved by the board of directors, interest must be paid on the interfund loan and the loan must be repaid before the October 1 after each year-end.

We noted that the General Fund loans the Daycare Fund monies for cash flow as needed.

Recommendation: The District should follow the June 16, 2008 Declaratory Order with respect to the interfund loan to the Daycare Fund.

District Response: We will investigate a permanent transfer to the Daycare Fund so that it will have cash for operations.

Conclusion: Response accepted.

08-II-O Signature on Checks: We noted someone other than the Board President signed School Nutrition Fund and Student Activity Fund checks. All District checks are to be signed by the Board President and Board Secretary. The Board may designate another individual to sign for the Board President. The District could not locate board authorization for a person other than the Board President to sign School Nutrition Fund and Activity Fund checks.

Recommendation: The District should revise its check signing procedures. If a person other than the Board President is allowed to sign checks, that person should be designated annually and that designation should be noted in the board minutes.

District Response: We will review our procedures and make any necessary changes to be in compliance with the Code of Iowa.

Conclusion: Response accepted.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting (continued):

09-II-P Revenue Bonds: The District has not established the Sinking Account required by the revenue bond resolution. Each month the District is to set aside in a sinking account 1/6 of the next interest payment and 1/12 of the next principal payment.

Recommendation: The District should establish the required sinking account and make the monthly transfers to the Sinking Account as required by the bond resolution. The Sinking Account should be part of the Debt Service Fund.

District Response: We will establish a Sinking Account and begin making monthly transfers.

Conclusion: Response accepted.