TWIN CEDARS COMMUNITY SCHOOL DISTRICT
BUSSEY, IOWA

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

June 30, 2009

Peak & Co., LLP
Certified Public Accountants
1370 NW 114th St., Suite 205
Clive, IA 50325

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Twin Cedars Community School District

Officials

NAME	TITLE	TERM EXPIRES
	Board of Education (Before September, 2008 Election)	
Deb Haselhuhn	President	2009
Abby Mockenhaupt	Vice-President	2008
Kelly Carlson	Board Member	2011
Zack Dunkin	Board Member	2011
Bob Mallory	Board Member	2008
	Board of Education (After September, 2008 Election)	
Deb Haselhuhn	President	2009
Zack Dunkin	Vice-President	2011
Kelly Carlson	Board Member	2011
Steve Gilkerson	Board Member	2009*
Steve Hoehns	Board Member	2011
	School Officials	
Brian Vandersluis	Superintendent	2009
Lana Dunkin	District Secretary/ Treasurer/Business Manager	2009
Ahlers Law Firm	Attorney	2009

* Board term changed per the District's transition plan for changing Board terms from 3 to 1 year, in accordance with Chapter 39.24 of the Code of Iowa.

Twin Cedars Community School District

PEAK & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS
1370 NW 114TH ST., SUITE 205
CLIVE, IA 50325

(515) 277-3077

Independent Auditor's Report

To the Board of Education of
Twin Cedars 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 Twin Cedars Community School District, Bussey, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Twin Cedars 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 principals.

In accordance with Government Auditing Standards, we have also issued our report dated September 9, 2009, on our consideration of Twin Cedars 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 preformed 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 7 through 16 and 39 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Twin Cedars Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, 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.

Peak & Co., LLP
Certified Public Accountants

September 9, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Twin Cedars Community School District provides this Management 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 $4,076,731 in fiscal 2008 to $4,102,391 in fiscal 2009, while General Fund expenditures increased from $4,040,797 in fiscal 2008 to $4,267,270 in fiscal 2009. The District's General Fund balance decreased from $1,108,314 at the end of fiscal 2008 to $943,435 at the end of fiscal 2009, a 14.88% decrease. One factor contributing to the General Fund balance decrease is the districts ever-continuing declining enrollment.

- The increase in General Fund revenues were attributable to a slight increase in per pupil funding from the state that resulted in increased property tax income and state and federal grant revenue in fiscal 2009. The increase in expenditures was due to several factors including increases in salaries and benefits, adding some staff positions and an increase in the cost of educational materials and energy costs. In order to pay for its current obligations, the District had to fund a portion of the current year General Fund expenditures from the carry over fund balance.

- The District continues to make significant improvements to its facilities from the use of PPEL funds and Marion and Mahaska County Local Option Sales Tax revenues. A total of $30,000 from the Local Option Sales Tax revenue was used to provide property tax relief to the District property owners 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 Twin Cedars Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how government services were financed in the short term as well as what remains for future spending. Fund financial statements report Twin Cedars 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 non-major governmental funds.

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

Figure A-1
Twin Cedars Community School District Annual Financial Report

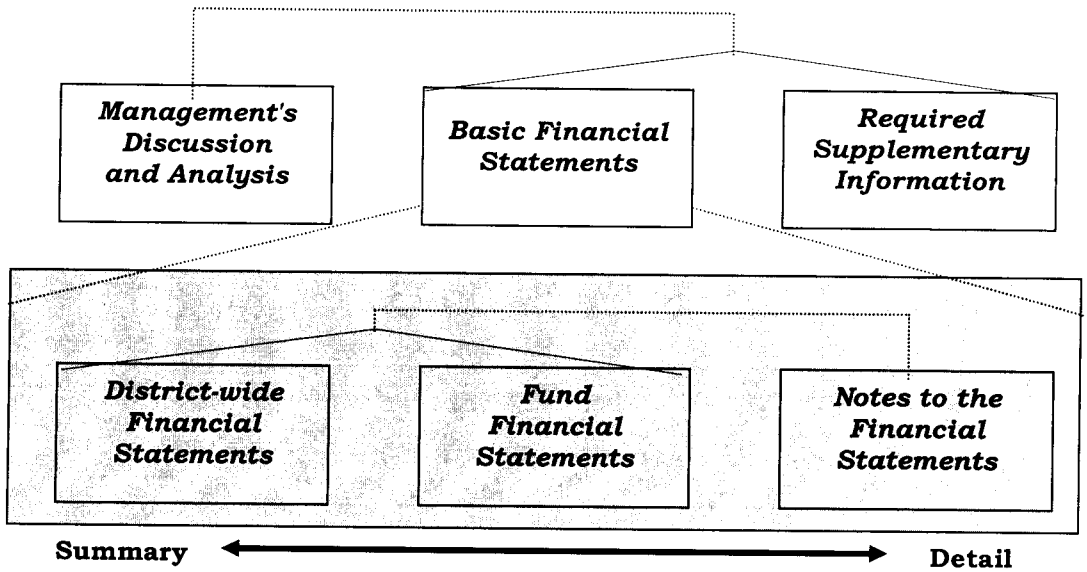

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures and changes in fund balances	• Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows
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
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
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

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 the 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.

   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
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current and other assets	$ 3,235	3,936	52	19	3,287	3,955	-16.9%
Capital assets	2,503	2,501	69	54	2,572	2,555	0.7%
Total assets	5,738	6,437	121	73	5,859	6,510	-10.0%
Long-term liabilities	675	767	-	-	675	767	-12.0%
Other liabilities	1,653	2,175	2	2	1,655	2,177	-24.0%
Total liabilities	2,328	2,942	2	2	2,330	2,944	-20.9%
Net assets							
Invested in capital assets net of related debt	1,848	1,741	69	54	1,917	1,795	6.8%
Restricted	200	152	-	-	200	152	31.6%
Unrestricted	1,362	1,602	50	17	1,412	1,619	-12.8%
Total net assets	$ 3,410	3,495	119	71	3,529	3,566	-1.0%

The District's combined net assets decreased by nearly 1.0%, or approximately $37,000, under 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 $48,000, or 31.6% from the prior year. The increase was primarily a result of an increase in the physical plant and equipment levy fund and monies received from the government that are categorical, which were not spent by June 30, 2009.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately $207,000, or 12.8%. This decrease in unrestricted net assets was the result of the District using carryover fund balance to meet its financial obligations during the year.

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

Figure A-4
Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	2009	2008	2009	2008	2009	2008	2008-2009
Revenues:							
Program revenues:							
Charges for service	$ 504	567	138	108	642	675	-4.9%
Operating grants, contributions and restricted interest	747	627	118	106	865	733	18.0%
Capital grants, contributions and restricted interest	4	16	-	-	4	16	-75.0%
General revenues:							
Property tax	1,139	1,114	-	-	1,139	1,114	2.2%
Income surtax	84	89	-	-	84	89	-5.6%
Statewide sales and service tax	297	276	-	-	297	276	7.6%
Unrestricted state grants	1,927	1,914	-	-	1,927	1,914	0.7%
Unrestricted investment earnings	31	82	-	-	31	82	-62.2%
Other	15	11	23	7	38	18	111.1%
Total revenues	4,748	4,696	279	221	5,027	4,917	2.2%
Program expenses:							
Governmental activities:							
Instruction	3,072	2,779	-	-	3,072	2,779	10.5%
Support services	1,366	1,314	-	-	1,366	1,314	4.0%
Non-instructional programs	1	1	231	234	232	235	-1.3%
Other expenses	394	361	-	-	394	361	9.1%
Total expenses	4,833	4,455	231	234	5,064	4,689	8.0%
Increase (decrease) in net assets	$ (85)	241	48	(13)	(37)	228	-116.3%

In fiscal 2009, property tax and unrestricted state grants account for 64.5% of the revenue from governmental activities while charges for service and operating grants and contributions account for 91.8% of the revenue from the business type activities.

The Districts total revenues were approximately $5.0 million of which $4.7 million was for governmental activities and approximately $279,000 was for business type activities.

As shown in figure A-4, the District as a whole experienced a 2.2% increase in revenues and a 8.0% increase in expenses. The increase in expenses was primarily due to adding some staff positions, increase in salaries and benefits for employees, and increased cost of educational materials and energy costs.

Governmental Activities

Revenues for governmental activities were $4,748,322 and expenses were $4,833,399 for the year ended June 30, 2009. In a different budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	$ 3,072	2,779	10.5%	1,975	1,735	13.8%
Support services	1,366	1,314	4.0%	1,363	1,312	3.9%
Non-instructional programs	1	1	0.0%	1	1	0.0%
Other expenses	394	361	9.1%	240	198	21.2%
Totals	$ 4,833	4,455	8.5%	3,579	3,246	10.3%

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was $503,758. This is mainly open enrollment and Special Education tuition in revenue.
- Federal and state governments subsidized certain programs with grants and contributions totaling $747,037.
- The net cost of governmental activities was financed with $1,520,203 in property and other tax, including local option sales and services tax, and $1,927,031 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were $279,423 representing a 26.34% increase over the prior year while expenses totaled $230,978, a 1.34% decrease under the prior year. The District's business type activities include the School Nutrition Fund. Revenues for these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Twin Cedars 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 $1,511,463, below last year's ending fund balances of $1,691,561. The fund balance decrease is primarily due to deficit spending in the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. We have attempted to match revenues with expenditures in order to avoid deficit spending. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures, requiring the District to use carryover fund balance to meet its financial obligations during the year. The staff and administration have worked hard to keep costs to a minimum while still offering our students the best education possible. The impact of declining enrollment is beginning to have an effect on the General Fund balance.

- The General Fund balance decreased by 14.88% from $1,108,314 to $943,435. The impact of declining enrollment is beginning to have an effect on the General Fund balance.

- The Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund balance increased by $15,715 from fiscal 2008 to fiscal 2009. Revenues increased from the prior year by slightly over $10,000.

- The Debt Service Fund Balance decreased $13,219 due to the District using existing fund balance to pay the District's long term obligations rather than levying additional taxes. Debt Service Funds are categorical and can not be used for any other purpose but to pay debt service.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from $70,819 at June 30, 2008 to $119,264 at June 30, 2009. For fiscal 2009, the District took in $30,230 more in income from meals served but spent $3,127 less for food and related costs. The District has worked hard to not stockpile supplies and to be efficient in the preparation and serving of the food. We hope through the continued use of sound purchasing practices we are able to keep the costs down.

BUDGETARY HIGHLIGHTS

The District's revenues were $140,202 less than budgeted revenues, a variance of 2.72%. The most significant variance resulted from the District receiving more money from federal sources than originally anticipated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested $2.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 0.7% 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 $172,582 for both governmental and business type activities.

The original cost of the District's capital assets was $5.4 million. Governmental funds account for $5.3 million, with the remainder of $0.1 million accounted for in the Proprietary, School Nutrition Fund.

During the year, the major increases in assets were the costs incurred to perform building repairs, renovations and facility improvements, and new vehicles.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	$ 22	22	-	-	22	22	0.0%
Construction in progress	-	100	-	-	-	100	-100.0%
Buildings	1,282	1,349	-	-	1,282	1,349	-5.0%
Improvements other than buildings	708	647	-	-	708	647	9.4%
Furniture and equipment	491	383	69	54	560	437	28.1%
Totals	$ 2,503	2,501	69	54	2,572	2,555	0.7%

Long-Term Debt

At June 30, 2009, the District had $674,996 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 12.0% 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.

Figure A-7
Outstanding Long-term Obligations
(Expressed in Thousands)

	Total District June 30, 2009	Total District June 30, 2008	Total Change June 30, 2008-2009
General obligation bonds	$ 350	410	-14.6%
Revenue bonds	305	350	-12.9%
Early retirement	16	-	100.0%
Compensated absenses	4	7	-42.9%
Totals	$ 675	767	-12.0%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District experienced a decrease in enrollment in the fall of 2009. The District has gone from serving 502 students in 2006 to 450 in 2009, a decrease of 52 students over the past three years. This will negatively affect our General Fund balances in the future.

- The District has taken measures to maintain the current facilities. Improvements to the gym, outdoor athletic facilities, exterior and interior doors, some flooring and work done on the driveway and parking lot were completed. The District has continued to improve it's equipment and this year will be replacing the roof at the High School Building and Elementary gym. Proceeds for these improvements have come from Local Option Sales Tax and PPEL Funds. Several projects remain to be completed in the upcoming year to get the District's facilities to a level of acceptance.

- Fiscal 2009 negotiations with the Twin Cedars Education Association for the 2009-10 school year took more money than the new monies received by the Twin Cedars Community School District. The District will negotiate a new agreement during fiscal 2010 for the 2010-2011 school year. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Because of the District's decline in enrollment over the past three years, this will significantly impact General Fund balances.

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 Brian VanderSluis, Superintendent, Twin Cedars Community School District, 2204 HWY G71, Bussey, Iowa, 50044.

Basic Financial Statements

Twin Cedars Community School District

Exhibit A

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:			
Other	$ 1,843,606	42,958	1,886,564
Receivables:			
Property tax:			
Delinquent	24,264	-	24,264
Succeeding year	1,187,483	-	1,187,483
Accounts	-	2,637	2,637
Accrued interest:			
ISCAP	4,112	-	4,112
Due from other funds	1,702	-	1,702
Due from other governments	174,219	-	174,219
Inventories	-	4,852	4,852
Prepaid expenses	-	1,360	1,360
Capital assets, net of accumulated depreciation	2,503,215	69,159	2,572,374
Total assets	5,738,601	120,966	5,859,567
Liabilities			
Accounts payable	13,191	-	13,191
Salaries and benefits payable	364,231	-	364,231
Due to other governments	26,312	-	26,312
Due to other funds	-	1,702	1,702
Accrued interest payable	7,888	-	7,888
Deferred revenue:			
Succeeding year property tax	1,187,483	-	1,187,483
Other	54,110	-	54,110
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	65,000	-	65,000
Revenue bonds	45,000	-	45,000
Early retirement	4,413	-	4,413
Compensated absences	4,111	-	4,111
Portion due after one year:			
General obligation bonds	285,000	-	285,000
Revenue bonds	260,000	-	260,000
Early retirement	11,472	-	11,472
Total liabilities	2,328,211	1,702	2,329,913
Net assets			
Invested in capital assets, net of related debt	1,848,215	69,159	1,917,374
Restricted for:			
Catergorical funding	25,458	-	25,458
Management levy	48,205	-	48,205
Physical plant and equipment levy	84,400	-	84,400
Other special revenue purposes	42,098	-	42,098
Unrestricted	1,362,014	50,105	1,412,119
Total net assets	$ 3,410,390	119,264	3,529,654

See notes to financial statements.

Twin Cedars Community School District

Exhibit B

Statement of Activities

Year ended June 30, 2009

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs							
Governmental activities:							
Instruction:							
Regular instruction	$ 1,736,123	343,027	360,613	-	(1,032,483)	-	(1,032,483)
Special instruction	611,392	27,119	171,450	-	(412,823)	-	(412,823)
Other instruction	724,138	133,612	60,526	-	(530,000)	-	(530,000)
	3,071,653	503,758	592,589	-	(1,975,306)	-	(1,975,306)
Support services:							
Student	150,045	-	-	-	(150,045)	-	(150,045)
Instructional staff	71,986	-	-	-	(71,986)	-	(71,986)
Administration	413,303	-	-	-	(413,303)	-	(413,303)
Operation and maintenance of plant	422,547	-	-	-	(422,547)	-	(422,547)
Transportation	308,095	-	3,080	-	(305,015)	-	(305,015)
	1,365,976	-	3,080	-	(1,362,896)	-	(1,362,896)
Non-instructional programs	875	-	-	-	(875)	-	(875)
Other expenditures:							
Facilities acquisition	147,324	-	-	3,860	(143,464)	-	(143,464)
Long-term debt interest	28,863	-	157	-	(28,706)	-	(28,706)
AEA flowthrough	151,211	-	151,211	-	-	-	-
Depreciation (unallocated)*	67,497	-	-	-	(67,497)	-	(67,497)
	394,895	-	151,368	3,860	(239,667)	-	(239,667)
Total governmental activities	4,833,399	503,758	747,037	3,860	(3,578,744)	-	(3,578,744)
Business type activities:							
Non-instructional programs:							
Food service operations	230,978	138,167	118,232	-	-	25,421	25,421
Total	$ 5,064,377	641,925	865,269	3,860	(3,578,744)	25,421	(3,553,323)
General Revenues:							
Property tax levied for:							
General purposes					$ 1,036,691	-	1,036,691
Debt service					48,088	-	48,088
Capital outlay					54,016	-	54,016
Statewide sales and services tax					296,977	-	296,977
Income surtax					84,431	-	84,431
Unrestricted state grants					1,927,031	-	1,927,031
Unrestricted investment earnings					31,052	134	31,186
Other					15,381	22,890	38,271
Total general revenues					3,493,667	23,024	3,516,691
Change in net assets					(85,077)	48,445	(36,632)
Net assets beginning of year					3,495,467	70,819	3,566,286
Net assets end of year					$ 3,410,390	119,264	3,529,654

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

See notes to financial statements.

Twin Cedars Community School District

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2009

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments:				
Other	$ 1,336,346	333,676	173,584	1,843,606
Receivables:				
Property tax:				
Delinquent	20,608	-	3,656	24,264
Succeeding year	971,683	-	215,800	1,187,483
Accrued interest:				
ISCAP	4,112	-	-	4,112
Due from other funds	1,702	-	9,275	10,977
Due from other governments	93,717	54,303	26,199	174,219
Total assets	$ 2,428,168	387,979	428,514	3,244,661
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 6,725	-	6,466	13,191
Salaries and benefits payable	364,231	-	-	364,231
Due to other governments	26,312	-	-	26,312
Due to other funds	9,275	-	-	9,275
Deferred revenue:				
Succeeding year property tax	971,683	-	215,800	1,187,483
Other	106,507	-	26,199	132,706
Total liabilities	1,484,733	-	248,465	1,733,198
Fund balances:				
Reserved for debt service	-	-	31,545	31,545
Reserved for categorical funding	25,458	-	-	25,458
Unreserved	917,977	387,979	148,504	1,454,460
Total fund balances	943,435	387,979	180,049	1,511,463
Total liabilities and fund balances	$ 2,428,168	387,979	428,514	3,244,661

See notes to financial statements.

Twin Cedars Community School District

Exhibit D

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

June 30, 2009

Total fund balances of governmental funds (page 20)	$ 1,511,463
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,503,215
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	78,596
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.	(7,888)
Long-term liabilities, including bonds payable, early retirement and compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(674,996)
Net assets of governmental activities (page 18)	$ 3,410,390

See notes to financial statements.

Twin Cedars Community School District

Exhibit E

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

Year ended June 30, 2009

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	$ 1,022,651	296,977	199,563	1,519,191
Tuition	353,033	-	-	353,033
Other	51,841	3,860	145,476	201,177
Intermediate sources	1,000	-	-	1,000
State sources	2,448,851	-	168	2,449,019
Federal sources	225,015	-	-	225,015
Total revenues	4,102,391	300,837	345,207	4,748,435
Expenditures:				
Current:				
Instruction:				
Regular	1,698,379	-	21,859	1,720,238
Special	607,832	-	3,560	611,392
Other	581,539	-	137,758	719,297
	2,887,750	-	163,177	3,050,927
Support services:				
Student	149,222	-	823	150,045
Instructional staff	71,530	-	456	71,986
Administration	405,765	-	14,584	420,349
Operation and maintenance of plant	355,050	-	51,595	406,645
Transportation	246,742	118,464	28,103	393,309
	1,228,309	118,464	95,561	1,442,334
Non-instructional programs	-	-	875	875
Other expenditures:				
Facilities acquisition	-	132,820	15,434	148,254
Long-term debt:				
Principal	-	-	105,000	105,000
Interest and fiscal charges	-	-	29,932	29,932
AEA flowthrough	151,211	-	-	151,211
	151,211	132,820	150,366	434,397
Total expenditures	4,267,270	251,284	409,979	4,928,533
Excess (deficiency) of revenues over (under) expenditures	(164,879)	49,553	(64,772)	(180,098)
Other financing sources (uses):				
Operating transfers in	-	-	73,468	73,468
Operating transfers out	-	(73,468)	-	(73,468)
Total other financing sources (uses)	-	(73,468)	73,468	-
Net change in fund balances	(164,879)	(23,915)	8,696	(180,098)
Fund balances beginning of year	1,108,314	411,894	171,353	1,691,561
Fund balances end of year	$ 943,435	387,979	180,049	1,511,463

See notes to financial statements.

Twin Cedars Community School District

Exhibit F

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

Year ended June 30, 2009

Net change in fund balances - total governmental funds (page 22)		$ (180,098)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are 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 in the current year, as follows:		
Expenditures for capital assets	$ 166,007	
Depreciation expense	(163,604)	2,403
Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds.		(110)
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		105,000
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.		1,069
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement	(15,888)	
Compensated absences	2,547	(13,341)
Change in net assets of governmental activities (page 19)		$ (85,077)

See notes to financial statements.

Twin Cedars Community School District

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2009

	School Nutrition
Assets	
Cash and cash equivalents	$ 42,958
Accounts receivable	2,637
Inventories	4,852
Prepaid expenses	1,360
Capital assets, net of accumulated depreciation	69,159
Total assets	120,966
Liabilities	
Due to other funds	1,702
Total liabilities	1,702
Net Assets	
Invested in capital assets	69,159
Unrestricted	50,105
Total net assets	$ 119,264

See notes to financial statements.

Twin Cedars Community School District

Exhibit H

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

Year ended June 30, 2009

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	$ 138,167
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	98,622
Benefits	14,822
Purchased services	7,754
Supplies	100,802
Depreciation	8,978
Total operating expenses	230,978
Operating loss	(92,811)
Non-operating revenues (expenses):	
State sources	2,839
Federal sources	115,393
Interest income	134
Asset donation from governmental funds	24,515
Loss on fixed asset disposition	(1,625)
Total non-operating revenues	141,256
Net gain	48,445
Net assets beginning of year	70,819
Net assets end of year	$ 119,264

See notes to financial statements.

Twin Cedars Community School District

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	$ 136,256
Cash paid to employees for services	(113,444)
Cash paid to suppliers for goods and services	(88,300)
Net cash used by operating activities	(65,488)
Cash flows from non-capital financing activities:	
State grants received	2,839
Federal grants received	98,729
Operating transfers in	-
Net cash provided by non-capital financing activities	101,568
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(1,454)
Net cash used by capital and related financing activities	(1,454)
Cash flows from investing activities:	
Interest on investments	134
Net increase in cash and cash equivalents	34,760
Cash and cash equivalents beginning of year	8,198
Cash and cash equivalents end of year	$ 42,958
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (92,811)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	16,664
Depreciation	8,978
Decrease in inventories	3,880
(Increase) in accounts receivable	(1,911)
(Decrease) in due to other funds	(288)
Net cash used by operating activities	$ (65,488)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received $16,664 of federal commodities. In addition, the District also received donated assets from governmental funds with a value of $24,515.

See notes to financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Twin Cedars Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominate agricultural territory of Marion and Mahaska 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, Twin Cedars 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. Twin Cedars Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marion 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 that do not meet 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 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 and proprietary funds. 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 that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating 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 reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary 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 that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is

deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% 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 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 applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
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:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been

recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivable, and other receivables not collected within sixty days after year end.

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in 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 that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgets and Budgetary Accounting

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	$ 1,453,737

The investments are valued at an amortized cost pursuant of 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) DUE FROM AND DUE TO OTHER FUNDS

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

Receivable Fund	Payable Fund	Amount
General	Proprietary: School Nutrition	$ 1,702
Special Revenue: Physical Plant and Equipment Levy	General	9,275
Total		$ 10,977

The above represents Nutrition Fund payroll which was accrued as a liability in the General Fund, and the correction if the incorrect recoding of a transaction.

(4) INTERFUND TRANSFERS

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	$ 73,468

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 Schools 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 at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09A	6/26/2008	6/25/2009	$ -	4,112	-	-
Total			$ -	4,112	-	-

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 that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity during the year ended June 30, 2009.

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

Series	Interest Rates on Warrants	Interest Rates on Investment
2008-09A	3.500%	3.469%

(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
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 22,375	-	-	22,375
Construction in progress	99,524	-	99,524	-
Total capital assets not being depreciated	121,899	-	99,524	22,375
Capital assets being depreciated:				
Buildings	3,374,877	-	-	3,374,877
Improvements other than buildings	817,779	100,453	-	918,232
Furniture and equipment	848,284	165,078	-	1,013,362
Total capital assets being depreciated	5,040,940	265,531	-	5,306,471
Less accumulated depreciation for:				
Buildings	2,025,789	67,497	-	2,093,286
Improvements other than buildings	171,288	38,693	-	209,981
Furniture and equipment	464,950	57,414	-	522,364
Total accumulated depreciation	2,662,027	163,604	-	2,825,631
Total capital assets being depreciated, net	2,378,913	101,927	-	2,480,840
Governmental activities capital assets, net	$ 2,500,812	101,927	99,524	2,503,215

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	$ 85,051	25,969	1,950	109,070
Less accumulated depreciation	31,258	8,978	325	39,911
Business type activities capital assets, net	$ 53,793	16,991	1,625	69,159

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Other	$ 4,841
Support services:	
Administration	1,461
Operation and maintenance of plant	42,055
Transportation	47,750
	96,107
Unallocated	67,497
Total depreciation expense - governmental activities	$ 163,604
Business type activities:	
Food service operations	$ 8,978

(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	$ 410,000	-	60,000	350,000	65,000
Revenue bonds	350,000	-	45,000	305,000	45,000
Early retirement	-	15,885	-	15,885	4,413
Compensated absences	6,658	4,111	6,658	4,111	4,111
Total	$ 766,658	19,996	111,658	674,996	118,524

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of November 1, 1998 Interest Rates	Principal	Interest	Total
2010	4.30%	$ 65,000	15,382	80,382
2011	4.30%	65,000	12,588	77,588
2012	4.40%	70,000	9,792	79,792
2013	4.45%	75,000	6,712	81,712
2014	4.50%	75,000	3,375	78,375
Total		$ 350,000	47,849	397,849

Revenue Bonds

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 April 1, 2005 Interest Rates	Principal	Interest	Total
2010	3.25%	$ 45,000	9,736	54,736
2011	3.40%	50,000	8,155	58,155
2012	3.40%	50,000	6,455	56,455
2013	3.40%	50,000	4,755	54,755
2014	3.50%	55,000	2,943	57,943
2015	3.60%	55,000	990	55,990
Total		$ 305,000	33,034	338,034

The District has pledged future local option (statewide) sales and services tax revenues to repay the $435,000 bonds issued in April 2005. The bonds were issued for the purpose of financing a portion of the costs of major school improvements. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through fiscal year 2015. 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 19 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the notes is $338,034. For the current year, principal and interest paid on the bonds and total local option (statewide) sales and services tax revenues were $56,199 and $296,977, respectively.

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

a) All proceeds from the local option (statewide) sales and service tax shall be placed in a Revenue Account.

b) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

c) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

At June 30, 2009, the Sinking Account was not entirely backed by cash. As of June 30, 2009, $50,434 of cash was required to be in the Sinking Account, but only $30,520 of cash was in the Sinking Account. As a result, it does not appear the District complied with the revenue bond provisions during the year ended June 30, 2009.

Early Retirement

In March 2009, the District approved a voluntary early retirement plan for employees. Eligible employees must have completed 34 years of full-time service to the District and must be between the ages of 55 and 57 on or before June 30 of the year in which the licensed employee wishes to retire. The application for early retirement was subject to approval by the Board of Education.

Upon retirement, the licensed employee is eligible to continue participation in the District's group insurance plan at the District's expense for three years by meeting the requirements of the insurer.

At June 30, 2009, the District has obligations to one participant with a total liability of $15,885. Actual early retirement expenditures for the year ended June 30, 2009 totaled $0.

(8) OPERATING LEASES

The District has entered into operating leases for copy machines at $1,749 per month. Future minimum lease payments in relation to these leases are as follows:

Year Ended June 30,	Amount
2010	$ 20,988
2011	20,988
2012	12,243
	$ 54,219

During the fiscal year, payments made under these lease agreements were $19,980.

(9) PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual 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 $167,362, $143,621 and $128,805, respectively, equal to the required contributions for each year.

(10) RISK MANAGEMENT

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

(11) 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 $151,211 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.

Required Supplementary Information

Twin Cedars 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 Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts	Budget to Actual Variance
Revenues:					
Local sources	$ 2,073,401	138,301	2,211,702	2,348,635	(136,933)
Intermediate sources	1,000	-	1,000	118,000	(117,000)
State sources	2,449,019	2,839	2,451,858	2,461,535	(9,677)
Federal sources	225,015	115,393	340,408	217,000	123,408
Total revenues	4,748,435	256,533	5,004,968	5,145,170	(140,202)
Expenditures/Expenses:					
Instruction	3,050,927	-	3,050,927	3,835,570	784,643
Support services	1,442,334	-	1,442,334	1,749,115	306,781
Non-instructional programs	875	230,978	231,853	291,204	59,351
Other expenditures	434,397	-	434,397	1,199,627	765,230
Total expenditures/expenses	4,928,533	230,978	5,159,511	7,075,516	1,916,005
Excess (deficiency) of revenues over (under) expenditures/expenses	(180,098)	25,555	(154,543)	(1,930,346)	1,775,803
Other financing sources, net	-	22,890	22,890	-	22,890
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(180,098)	48,445	(131,653)	(1,930,346)	1,798,693
Balances beginning of year	1,691,561	70,819	1,762,380	1,980,919	(218,539)
Balances end of year	$ 1,511,463	119,264	1,630,727	50,573	1,580,154

See accompanying independent auditor's report.

Twin Cedars Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2009

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated 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. The District did not amend the budget during the year.

During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

Twin Cedars Community School District

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Assets					
Cash and pooled investments	$ 46,725	43,664	52,675	30,520	173,584
Receivables:					
Property tax:					
Delinquent	1,480	-	1,151	1,025	3,656
Succeeding year	80,000	-	57,368	78,432	215,800
Due from other funds	-	-	9,275	-	9,275
Due from other governments	-	-	26,199	-	26,199
Total assets	$ 128,205	43,664	146,668	109,977	428,514
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ -	1,566	4,900	-	6,466
Deferred revenue:					
Succeeding year property tax	80,000	-	57,368	78,432	215,800
Other	-	-	26,199	-	26,199
Total liabilities	80,000	1,566	88,467	78,432	248,465
Fund balances:					
Reserved for debt service	-	-	-	31,545	31,545
Unreserved	48,205	42,098	58,201	-	148,504
Total fund balances	48,205	42,098	58,201	31,545	180,049
Total liabilities and fund balances	$ 128,205	43,664	146,668	109,977	428,514

See accompanying independent auditor's report.

Twin Cedars Community School District

Schedule 2

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

Year ended June 30, 2009

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Revenues:					
Local sources:					
Local tax	$ 69,381	-	82,141	48,041	199,563
Other	8,530	133,612	3,177	157	145,476
State sources	68	-	53	47	168
Total revenues	77,979	133,612	85,371	48,245	345,207
Expenditures					
Current:					
Instruction:					
Regular	11,225	-	10,634	-	21,859
Special	3,560	-	-	-	3,560
Other	3,357	134,401	-	-	137,758
Support services:					
Student	823	-	-	-	823
Instructional staff	456	-	-	-	456
Administration	14,584	-	-	-	14,584
Operation and maintenance of plant	22,507	-	29,088	-	51,595
Transportation	13,603	-	14,500	-	28,103
Non-instructional programs	875	-	-	-	875
Other expenditures:					
Facilities acquisition	-	-	15,434	-	15,434
Long-term debt:					
Principal	-	-	-	105,000	105,000
Interest and fiscal charges	-	-	-	29,932	29,932
Total expenditures	70,990	134,401	69,656	134,932	409,979
Excess (deficiency) of revenues over (under) expenditures	6,989	(789)	15,715	(86,687)	(64,772)
Other financing sources (uses):					
Operating transfers in	-	-	-	73,468	73,468
Total other financing sources (uses)	-	-	-	73,468	73,468
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	6,989	(789)	15,715	(13,219)	8,696
Fund balances beginning of year	41,216	42,887	42,486	44,764	171,353
Fund balances end of year	$ 48,205	42,098	58,201	31,545	180,049

See accompanying independent auditor's report.

Twin Cedars Community School District

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
H.S. Tag	$ 1,207	587	987	-	807
Biology	411	395	408	-	398
Honor Society	514	-	141	-	373
Co-Ed Athletics	2,946	31,595	32,494	-	2,047
Boys Athletics	5,397	22,453	21,606	-	6,244
Boys Basketball	-	1,599	1,250	-	349
Football	551	2,143	2,456	-	238
Baseball	1,570	118	638	-	1,050
Girls Athletics	3,972	19,059	18,754	-	4,277
Softball	130	-	125	-	5
Activity Tickets	1,570	420	1,098	-	892
Boys Track	220	30	-	-	250
Girls Basketball	178	3,533	3,216	-	495
Volleyball	539	1,488	1,485	-	542
Pep Club	661	753	517	-	897
Yearbook	6,445	4,218	3,251	-	7,412
FFA	2,978	13,269	12,438	-	3,809
H.S. Student Council	623	412	822	-	213
Elem. Student Council	(166)	6,034	4,965	-	903
Elem. Fundraisers	-	829	919	-	(90)
Technology Club	-	573	152	-	421
Science Club	194	-	-	-	194
H.S. Music	196	-	-	-	196
H.S. Colorguard	8	-	-	-	8
Class of 2008	2,564	-	858	(1,706)	-
Class of 2009	4,307	11,005	14,832	1,706	2,186
Class of 2010	1,647	6,057	5,061	(225)	2,418
Class of 2011	332	2,536	1,424	225	1,669
Class of 2012	724	-	-	-	724
Class of 2013	93	160	125	-	128
Class of 2014	-	270	125	-	145
Art Club	395	395	408	-	382
Cheerleaders	492	1,809	844	-	1,457
Drill Team	2,189	1,872	3,002	-	1,059
Total	$ 42,887	133,612	134,401	-	42,098

See accompanying independent auditor's report.

Twin Cedars Community School District

Schedule 4

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	$ 1,519,191	1,461,397	1,478,546	1,458,722	1,397,579	1,205,560
Tuition	353,033	403,511	424,002	408,503	419,604	363,672
Other	201,177	285,813	394,363	277,689	180,712	166,176
Intermediate sources	1,000	1,000	4,000	-	259	3,677
State sources	2,449,019	2,363,267	2,182,695	2,241,092	2,033,027	1,899,892
Federal sources	225,015	177,260	114,229	168,480	187,471	180,871
Total	$ 4,748,435	4,692,248	4,597,835	4,554,486	4,218,652	3,819,848
Expenditures:						
Instruction:						
Regular	$ 1,720,238	1,617,640	1,559,467	1,461,801	1,666,724	1,535,124
Special	611,392	570,309	452,342	497,621	438,539	406,274
Other	719,297	655,178	574,753	620,710	540,050	416,960
Support services:						
Student	150,045	133,446	110,566	47,096	75,559	99,427
Instructional staff	71,986	52,360	74,889	144,663	56,041	70,516
Administration	420,349	419,711	416,607	372,084	310,662	405,059
Operation and maintenance of plant	406,645	426,512	389,404	276,500	231,380	252,735
Transportation	393,309	313,953	346,069	228,280	292,898	277,058
Non-instructional programs	875	890	892	25,383	19,896	782
Other expenditures:						
Facilities acquisition	148,254	204,637	324,412	389,650	160,561	29,941
Long-term debt:						
Principal	105,000	151,355	97,253	57,145	52,043	46,946
Interest and other charges	29,932	36,232	40,008	39,148	30,080	31,063
AEA flowthrough	151,211	147,150	137,266	134,159	130,759	131,635
Total	$ 4,928,533	4,729,373	4,523,928	4,294,240	4,005,192	3,703,520

See accompanying independent auditor's report.

PEAK & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS
1370 NW 114TH ST., SUITE 205
CLIVE, IA 50325

(515) 277-3077

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
Twin Cedars 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 Twin Cedars 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 September 9, 2009. 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 Twin Cedars 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 Twin Cedars Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Twin Cedars Community School District's internal control over financial reporting.

Our consideration of the 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 a design in the 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 Twin Cedars 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 that a remote likelihood a misstatement of Twin Cedars Community School District's financial statements that is more than inconsequential will not be prevented or detected by Twin Cedars Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in the 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 Twin Cedars 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 I-A-09, I-B-09, I-C-09 and I-D-09 are material weaknesses.

Compliance and Other Matters

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

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

Twin Cedars Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Twin Cedars 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 the Twin Cedars Community School District and other parties to whom the Twin Cedars 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 the Twin Cedars 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.

Peak & Co., LLP
Certified Public Accountants

September 9, 2009

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are sometimes all done by the same person.

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

Response – We will consider this.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-09 Fixed Assets – Fixed assets were not periodically counted and reconciled to the fixed asset listing by an independent person. Also, a perpetual record of fixed assets is not kept. Generally accepted accounting principles require an accurate fixed asset listing be maintained.

Recommendation – To provide additional control over the proper recording of fixed assets, fixed assets should be periodically counted and reconciled to the fixed asset listing by a person who does not have custody of the fixed assets. Also, a perpetual fixed asset listing should be kept.

Response – We will review this situation.

Conclusion – Response accepted.

I-C-09 Financial Reporting – During the audit, we identified material amounts of receivables, payables, and capital asset additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, payables, and capital asset additions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables, and capital asset transactions.

Conclusion – Response accepted.

I-D-09 Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Twin Cedars Community School District does not have the internal resources to prepare the full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles in preparing full-disclosure financial statements for external reporting purposes is difficult. However, we recommend that District officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than to rely on external assistance.

Response – We recognize our limitations; however, it is not fiscally responsible to add additional staff for this purpose.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Part II: Other Findings Related to Required Statutory Reporting

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

II-B-09 Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-09 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-09 Business Transactions – No business transactions between the District and District officials or employees were noted.

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

II-F-09 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

II-G-09 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2008 was understated by 3 students.

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

II-H-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and District's investment policy were noted.

II-I-09 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

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

II-K-09 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		$ 411,894
Statewide sales and services tax revenue		300,837
Expenditures/transfers out:		
School infrastructure:		
Land	$ -	
Buildings	-	
Equipment	118,464	
Other improvements	132,820	
Debt service for school infrastructure:		
General obligation debt	17,269	
Revenue debt	56,199	324,752
Ending balance		$ 387,979

II-L-09 Disbursements – While the Board approved the list of bills, the Board President does not sign the list of bills approved. Without this, there is less assurance that the actual bills paid by the District were approved by the Board.

Recommendation – The Board President should sign the list of approved bills, with a list retained by the District.

Response – We will review this area and take action as necessary.

Conclusion – Response accepted.

II-M-09 Construction Project – The District entered into a concrete construction project during the prior fiscal year. It is unclear if the contractor obtained the materials used on this project sales tax free or if the District should apply for a sales tax refund on this project. In addition, formal change orders were not always used when there were changes to the scope of the project, or to extend the completion date of the project.

Recommendation – In the future, the District should provide a sales tax exemption certificate to the contractor on construction projects. In addition, formal change orders should be used and approved when there are changes to the scope of the project or to extend the completion date of the project.

Response – We were unaware of this requirement until the auditor brought it to our attention. We will implement this recommendation in the future.

Conclusion – Response accepted.

II-N-09 Payroll – Instances were noted where there was not documented support for employee payroll deductions. An instance was noted where an employee contract was not signed, and an employee I9 form could not be located.

Recommendation – The District implement procedures to ensure there is adequate support for employee payroll withholdings. In addition, all contracts should be signed by the employee, and that all employees have a completed I9 form on file.

Response – We will implement these recommendations.

Conclusion – Response accepted.

II-O-09 Deficit Balance - The Student Activity Account, Elementary Fundraisers had a deficit balance at June 30, 2009.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit in order to return this account to a sound financial position.

Response – The District will continue to investigate alternatives in order to eliminate deficits in the student activity account by the end of the fiscal year.

Conclusion – Response accepted.

II-P-09 Physical Plant and Equipment Levy – The District paid for some equipment from the Physical Plant and Equipment Levy Fund which individually cost less than $500 per unit. Based on Section 298.3 of the Code of Iowa, it does not appear that this type of expense is an allowable use of these funds.

Recommendation – The District review all disbursements from the Physical Plant and Equipment Levy Fund for propriety, and make corrective transfers, if necessary.

Response – We will implement this recommendation.

Conclusion – Response accepted.

II-Q-09 Revenue Bonds – The District is making the required transfers to the Sinking Account in the Debt Service Fund as required pursuant to the revenue bond provisions. However, the District used some of these Sinking Account monies to pay off general obligation debt. Therefore, the Sinking Account in the Debt Service Fund was insufficient by $19,914 as of June 30, 2009.

Recommendation – The District implement procedures to ensure compliance with the revenue bond provisions in the future.

Response – This was a calculation error on our part. This will be corrected in the future.

Conclusion – Response accepted.

II-R-09 Miscellaneous – For Activity Fund fundraisers, there are no documented procedures in place to reconcile the cash receipts to the amount of money that should have been collected based on the quantity of merchandise purchased for resale or gross profit percentage.

The District has not filed a state gas tax refund claim form in several years.

The District does not appear to have procedures in place to ensure all tuition due from other Districts are actually received by the District. As a result, we identified four students open enrolled in to the District for which the District never billed the neighboring Districts.

Recommendation – The District should implement procedures for Activity Fund fundraisers which documents the reconciliation of actual monies collected to the amount of money which should have been collected based on the quantity of merchandise purchased for resale or gross profit percentages. Also, the District should file for a state gas tax refund. In addition, the District should implement procedures to ensure all tuition due from other Districts are billed and received.

Response – We will implement these recommendations.

Conclusion – Response accepted.

II-S-09 Public Hearing – The District published a notice of public hearing on a construction project, but the notice of public hearing was not published between four and twenty days in advance of the hearing as required by Chapter 26.12 of the Code of Iowa. The Board minutes did not document that a public hearing was in fact held on the date indicated in the notice of public hearing.

Recommendation – The District implement procedures to ensure that a notice of public hearing and public hearings are held as required by the Code of Iowa.

Response – We will implement this recommendation on future construction projects.

Conclusion – Response accepted.