

**BCLUW
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

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BCLUW COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2009 Election)		
Doug Benjamin	President	2009
Chris Simpson	Vice President	2009
Matt Garber		2011
Beth Neff		2011
Shane Tiernan		2011
Deb Sams		2009
Brian Feldpausch		2011

(After September 2009 Election)

Matt Garber	President	2011
Brian Feldpausch	Vice President	2011
Chris Simpson		2013
Beth Neff		2011
Mark Gunderson		2013
Doug Benjamin		2013
Shane Tiernan		2009

School Officials

Mike Ashton	Superintendent
Paula Benson	District Secretary/ Treasurer

BRUCE D. FRINK
Certified Public Accountant

Independent Auditor's Report

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
BCLUW 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 BCLUW Community School District, Conrad, Iowa, as of and for the year ended June 30, 2010, 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 BCLUW Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2011 on our consideration of BCLUW Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 32 through 34 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 BCLUW Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

January 12, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

BCLUW COMMUNITY SCHOOL DISTRICT

BCLUW Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- The District performed a number of building and repair projects to its facilities in order to keep them in optimal condition.
- Purchased a new 65 passenger bus - Blue Bird 2011 bus.
- Replaced flooring in Middle School hallways and several areas of the Middle School.
- Purchased and installed library shelving at the Elementary.
- Professionally painted several district classrooms.
- Replaced several doors at the Middle School.
- Elementary school improvement to HVAC systems - 3 new rooftop units.
- Provided 2 additional days of training using Microsoft funds.

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 BCLUW Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report BCLUW 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 as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

Figure A-1
BCLUW Community School District Annual Financial Report

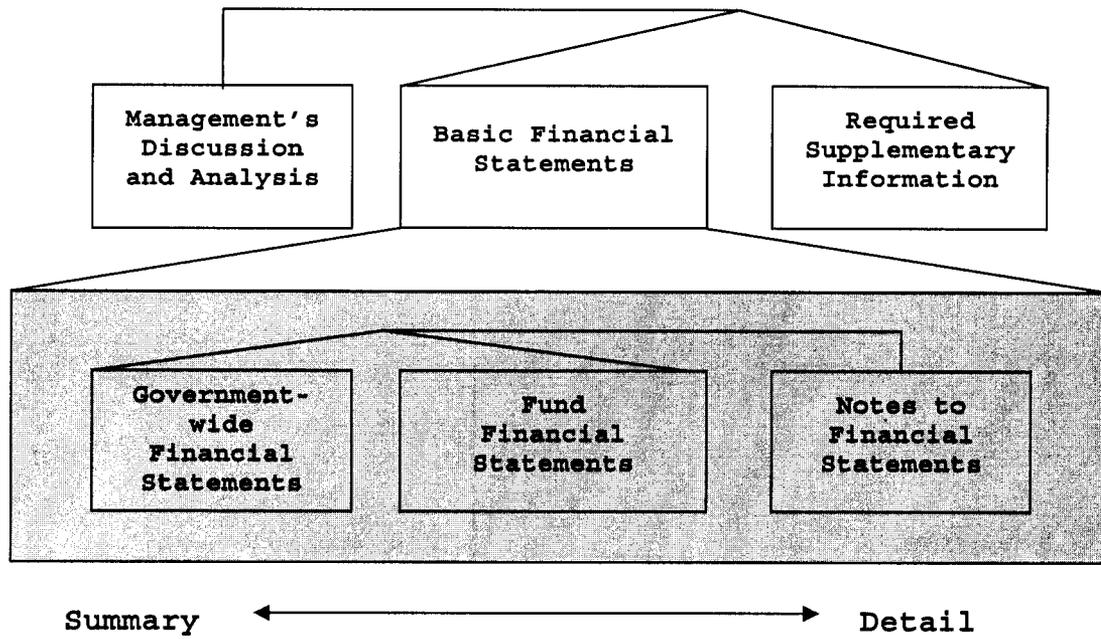


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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	The activities of the District that are not proprietary, such as special education and building maintenance	An activity the District operates similar to private businesses: food services
Required financial statements	<ul style="list-style-type: none"> . Statement of net assets . Statement of activities 	<ul style="list-style-type: none"> . Balance sheet . Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> . Statement of net assets . Statement of revenues, expenses and changes in 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 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 Fund, one type of proprietary fund, is the same as its business type activities but provide more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, 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, 2010 compared to June 30, 2009.

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,
	2010	2009	2010	2009	2010	2009	2009-2010
Current assets	\$ 5,195	5,044	41	33	5,236	5,077	3.13%
Capital assets	<u>5,972</u>	<u>6,273</u>	<u>28</u>	<u>32</u>	<u>6,000</u>	<u>6,305</u>	<u>-4.84%</u>
Total assets	<u>11,167</u>	<u>11,317</u>	<u>69</u>	<u>65</u>	<u>11,236</u>	<u>11,382</u>	<u>-1.28%</u>
Current liabilities	3,460	3,397	-	-	3,460	3,397	1.85%
Non-current liabilities	<u>2,991</u>	<u>3,144</u>	<u>-</u>	<u>-</u>	<u>2,991</u>	<u>3,144</u>	<u>-4.87%</u>
Total liabilities	<u>6,451</u>	<u>6,541</u>	<u>-</u>	<u>-</u>	<u>6,451</u>	<u>6,541</u>	<u>-1.38%</u>
Net Assets							
Invested in capital assets, net of related debt	3,128	3,150	28	32	3,156	3,182	-0.82%
Restricted	361	362	-	-	361	362	-0.28%
Unrestricted	<u>1,227</u>	<u>1,264</u>	<u>41</u>	<u>20</u>	<u>1,268</u>	<u>1,297</u>	<u>-2.24%</u>
Total net assets	<u>\$ 4,716</u>	<u>4,776</u>	<u>69</u>	<u>52</u>	<u>4,785</u>	<u>4,841</u>	<u>-1.16%</u>

The District's combined net assets were 1% less at June 30, 2010 than June 30, 2009. The General Fund balance showed a 5% decrease resulting in a decrease in unrestricted funds and overall fund balance. This was primarily due to a ten percent midyear state aid cut that resulted in the District receiving over \$250,000 less than anticipated.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues:							
Program revenues:							
Charges for service and sales	\$ 523	450	201	213	724	663	9.20%
Operating grants, contributions and interest	1,542	1,347	128	123	1,670	1,470	13.61%
General revenues:							
Property tax	2,671	2,612	-	-	2,671	2,612	2.26%
Income surtax	313	318	-	-	313	318	-1.57%
Statewide sales, services and use tax	380	443	-	-	380	443	-14.22%
Unrestricted state grants	1,867	2,391	-	-	1,867	2,391	-21.92%
Unrestricted investment earnings	17	33	-	-	17	33	-48.48%
Other	10	15	-	-	10	15	-33.33%
Total revenues	7,323	7,609	329	336	7,652	7,945	-3.69%
Program expenses:							
Governmental activities:							
Instruction	4,378	4,385	-	-	4,378	4,385	-0.16%
Support Services	1,962	1,884	-	-	1,962	1,884	4.14%
Non-instructional programs	29	27	325	316	354	343	3.21%
Other expenses	1,014	978	-	-	1,014	978	3.68%
Total expenses	7,383	7,274	325	316	7,708	7,590	1.55%
Change in net assets	\$ (60)	335	4	20	(56)	355	-115.77%

Property tax and unrestricted state grants account for 59% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 82% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,322,836 and expenses were \$7,382,824 for the year ended June 30, 2010.

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, 2010 compared to the year ended June 30, 2009.

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

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-2010	2010	2009	Change 2009-2010
Instruction	\$ 4,378	4,092	6.99%	2,926	2,697	8.49%
Support services	1,962	1,932	1.55%	1,788	1,915	-6.63%
Non-instructional programs	29	8	262.50%	27	8	237.50%
Other expenses	1,014	711	42.62%	736	492	49.59%
Totals	\$ 7,383	6,743	9.49%	5,477	5,112	7.14%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$523,375.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$907,978.
- The net cost of governmental activities was financed with \$2,670,741 in property tax and \$1,866,884 in state foundation aid.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2010 were \$328,500 and expenses were \$324,626. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2010, the District held meal prices steady. The fund balance increased due to cost control measures.

FUND ANALYSIS OF THE DISTRICT'S FUNDS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,483,708, a seven percent increase over last year's ending fund balances of \$1,392,483. The increase was virtually entirely due to an increase in the Capital Projects Fund.

Governmental Fund Highlights

- The General Fund decreased by about \$48,000. Cost control measures, while very effective, were implanted prior to midyear state aid cuts that resulted in revenue and collections being over \$250,000 less than anticipated.
- The District used PPEL Funds and Capital Projects sales tax revenues to complete a number of building and equipment purchases during the year.

Proprietary Fund Highlights

The cash balance increased by 33% during the year. Revenues decreased slightly, but still exceeded expenses resulting in a fund balance increase of approximately \$4,000.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 32 through 34.

The District's receipts were \$1,204,785 less than budgeted receipts, a variance of 14% less than anticipated due to a 10% midyear state aid cut that was not offset by increases in property taxes and federal source revenues.

Total expenditures were greater than budgeted expenditures by 21%. The District amended the budget in May, 2010 allowing for increased expenses of \$26,618. Expenses did not exceed the amended amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$6.0 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 decrease of 5% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$353,402.

The original cost of the District's capital assets was \$11,045,820. Governmental funds account for \$10,974,232, with the remainder of \$71,588 accounted for in the Business Type, School Nutrition Fund.

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,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 80	80	-	-	80	80	0.00%
Buildings	5,217	5,395	-	-	5,217	5,395	-3.30%
Site improvements	116	122	-	-	116	122	-4.92%
Furniture and equipment	559	676	28	32	587	708	-17.09%
Totals	\$ 5,972	6,273	28	32	6,000	6,305	-4.84%

Long-Term Debt

At June 30, 2010, the District had \$2,685,000 in general obligation bonds outstanding. This represents a decrease of approximately 7% 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. Early retirement liability is payable over the next two years. Capital lease payable, incurred for the purchase of laptop computers, are payable in fiscal 2011 and fiscal 2012.

Figure A-7			
Outstanding Long-Term Obligations			
(Expressed in Thousands)			
Total District		Total Change	
June 30,		June 30,	
2010	2009	2009-2010	
General obligation bonds	\$ 2,685	2,965	-9.44%
Capital lease payable	158	158	100.00%
Early retirement payable	92	20	360.00%
Totals	\$ 2,935	3,143	-6.62%

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:

- TSS money included in salary schedule beginning with this year.
- Reduced teaching staff by 2.0 f.t.e. attrition.
- Increase in health and dental insurance.
- 2.31% contract settlement w/professional staff.
- Continue to see unspent spending authority increase.

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 Mike Ashton, Superintendent, BCLUW Community School District, 610 E Center St, PO Box 670, Conrad, IA 50621

Basic Financial Statements

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
		School Nutrition	
Assets			
Cash and pooled investments	\$ 1,887,925	34,644	1,922,569
Receivables:			
Property tax:			
Current year	27,592	-	27,592
Succeeding year	2,807,480	-	2,807,480
Income surtax - succeeding year	269,811	-	269,811
Due from other governments	142,335	-	142,335
Other receivables	60,026	-	60,026
Inventories	-	6,508	6,508
Capital assets, net of accumulated depreciation	5,971,532	28,117	5,999,649
Total assets	11,166,701	69,269	11,235,970
Liabilities			
Accounts payable	55,718	-	55,718
Salaries and benefits payable	578,452	-	578,452
Accrued interest payable	18,887	-	18,887
Deferred revenue:			
Succeeding year property tax	2,807,480	-	2,807,480
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	295,000	-	295,000
Lease payable	77,456	-	77,456
Early retirement payable	50,202	-	50,202
Portion due after one year:			
General obligation bonds payable	2,390,000	-	2,390,000
Lease payable	80,925	-	80,925
Early retirement payable	55,100	-	55,100
Net OPEB liability	41,477	-	41,477
Total liabilities	6,450,697	-	6,450,697
Net assets			
Invested in capital assets, net of related debt	3,128,151	28,117	3,156,268
Restricted for:			
Management levy	15,637	-	15,637
Student activities	150,721	-	150,721
Physical plant and equipment levy	-	-	-
Public education and recreation levy	1,502	-	1,502
Debt service	31,051	-	31,051
Categorical	390	-	390
Unrestricted	1,388,552	41,152	1,429,704
Total net assets	\$ 4,716,004	69,269	4,785,273

See notes to financial statements.

BCLDW COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
\$ 4,378,217	425,839	1,270,268		(2,682,110)	-	(2,682,110)
Instruction:						
Support services:						
Student services	134,523	-	-	(134,523)	-	(134,523)
Instructional staff services	223,273	-	-	(223,273)	-	(223,273)
Administration services	744,651	97,536	-	(647,115)	-	(647,115)
Operation and maintenance of plant services	539,137	-	13,502	(525,635)	-	(525,635)
Transportation services	320,059	-	-	(320,059)	-	(320,059)
	<u>1,961,643</u>	<u>97,536</u>	<u>13,502</u>	<u>(1,850,605)</u>	<u>-</u>	<u>(1,850,605)</u>
Non-instructional programs:						
Food service operations	28,756	-	-	(28,756)	-	(28,756)
Other expenditures:						
AEA flowthrough	257,444	-	257,444	-	-	-
Long-term debt interest	126,286	-	774	(125,512)	-	(125,512)
Long-term debt services	375	-	-	(375)	-	(375)
Facilities acquisition and construction	281,355	-	415	(280,940)	-	(280,940)
Depreciation (unallocated)*	348,748	-	-	(348,748)	-	(348,748)
	<u>1,014,208</u>	<u>-</u>	<u>258,633</u>	<u>(755,575)</u>	<u>-</u>	<u>(755,575)</u>
Total governmental activities	<u>7,382,824</u>	<u>523,375</u>	<u>1,542,403</u>	<u>(5,317,046)</u>	<u>-</u>	<u>(5,317,046)</u>

Functions/Programs:

Governmental activities:

Instruction:

Support services:

- Student services
- Instructional staff services
- Administration services
- Operation and maintenance of plant services
- Transportation services

Non-instructional programs:

Food service operations

Other expenditures:

- AEA flowthrough
- Long-term debt interest
- Long-term debt services
- Facilities acquisition and construction
- Depreciation (unallocated)*
- Total governmental activities

BCLDW COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:					
Non-instructional programs:					
Food service operations	324,626	200,948	127,552	3,874	3,874
Total	<u>\$ 7,707,450</u>	<u>724,323</u>	<u>1,669,955</u>	<u>3,874</u>	<u>(5,313,172)</u>
General revenues:					
Property tax levied for:					
General purposes			\$ 2,055,635	-	2,055,635
Management fund			124,933	-	124,933
Debt service			397,299	-	397,299
Capital outlay			66,448	-	66,448
Public education and recreation			26,426	-	26,426
Income surtax			313,446	-	313,446
Statewide sales, services and use tax			380,061	-	380,061
Unrestricted state grants			1,866,884	-	1,866,884
Unrestricted investment earnings			16,481	-	16,481
Other			9,445	-	9,445
Total general revenues			<u>5,257,058</u>	<u>-</u>	<u>5,257,058</u>
Change in net assets			(59,988)	3,874	(56,114)
Net assets beginning of year			4,775,992	65,395	4,841,387
Net assets end of year			<u>\$ 4,716,004</u>	<u>69,269</u>	<u>4,785,273</u>

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

See notes to financial statements.

BCLJW COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General	Management Levy	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Assets						
Cash and pooled investments	\$ 1,506,047	160,505	45,900	8,562	166,911	1,887,925
Receivables:						
Property tax:						
Current year	21,310	1,295	4,038	-	949	27,592
Succeeding year	2,165,163	160,000	385,013	-	97,304	2,807,480
Income surtax - succeeding year	269,811	-	-	-	-	269,811
Due from other governments	35,717	-	-	106,618	-	142,335
Other receivables	60,026	-	-	-	-	60,026
Total assets	\$ 4,058,074	321,800	434,951	115,180	265,164	5,195,169
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 55,718	-	-	-	-	55,718
Salaries and benefits payable	578,452	-	-	-	-	578,452
Deferred revenue:						
Succeeding year property tax	2,165,163	160,000	385,013	-	97,304	2,807,480
Succeeding year income surtax	269,811	-	-	-	-	269,811
Total liabilities	3,069,144	160,000	385,013	-	97,304	3,711,461
Fund balances:						
Reserved for:						
Debt service	-	-	49,938	-	-	49,938
Categorical programs	390	-	-	-	-	390
Unreserved, reported in						
Capital projects	-	-	-	115,180	-	115,180
Special revenue funds	-	161,800	-	-	167,860	329,660
General Fund	988,540	-	-	-	-	988,540
Total fund balances	988,930	161,800	49,938	115,180	167,860	1,483,708
Total liabilities and fund balances	\$ 4,058,074	321,800	434,951	115,180	265,164	5,195,169

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

Total fund balances of governmental funds (Exhibit C)	\$ 1,483,708
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Income surtax receivable at June 30, 2010 is not available to finance expenditures of the current fiscal period.	269,811
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,971,532
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.	(18,887)
Long-term liabilities, including general obligation bonds, capital leases and early retirement, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(2,990,160)</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 4,716,004</u>

See notes to financial statements.

BCLDW COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General	Management Levy	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:						
Local sources:						
Local tax	\$ 2,363,107	124,933	397,299	380,061	92,874	3,358,274
Tuition	394,461	-	-	-	-	394,461
Other	163,341	13,432	774	415	332,363	510,325
State sources	2,514,445	-	-	-	-	2,514,445
Federal sources	539,357	-	-	-	-	539,357
Total revenues	5,974,711	138,365	398,073	380,476	425,237	7,316,862
Expenditures:						
Current:						
Instruction	3,885,760	13,375	-	-	352,743	4,251,878
Support services:						
Student services	134,523	-	-	-	-	134,523
Instructional staff services	223,273	-	-	-	-	223,273
Administration services	723,721	20,093	-	837	-	744,651
Operation and maintenance of plant services	480,728	51,009	-	-	7,400	539,137
Transportation services	298,665	21,394	-	-	-	320,059
Total support services	1,860,910	92,496	-	837	7,400	1,961,643
Non-instructional programs:						
Food service operations	-	9,811	-	-	-	9,811
Community service operations	18,945	-	-	-	-	18,945
Total non-instructional programs	18,945	9,811	-	-	-	28,756

BCLUW COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General	Management Levy	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Expenditures (continued):						
Other expenditures:						
AEA flowthrough	257,444	-	-	-	-	257,444
Long-term debt:						
Principal	-	-	280,000	-	-	280,000
Interest	-	-	117,163	-	-	117,163
Services	-	-	375	-	-	375
Facilities acquisition and construction	-	-	-	234,815	93,563	328,378
	<u>257,444</u>	<u>-</u>	<u>397,538</u>	<u>234,815</u>	<u>93,563</u>	<u>983,360</u>
Total expenditures	<u>6,023,059</u>	<u>115,682</u>	<u>397,538</u>	<u>235,652</u>	<u>453,706</u>	<u>7,225,637</u>
Net change in fund balance	(48,348)	22,683	535	144,824	(28,469)	91,225
Fund balances beginning of year	<u>1,037,278</u>	<u>139,117</u>	<u>49,403</u>	<u>(29,644)</u>	<u>196,329</u>	<u>1,392,483</u>
Fund balances end of year	<u>\$ 988,930</u>	<u>\$ 161,800</u>	<u>\$ 49,938</u>	<u>\$ 115,180</u>	<u>\$ 167,860</u>	<u>\$ 1,483,708</u>

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

Net change in fund balances - total governmental funds (Exhibit E) \$ 91,225

Amounts reported for governmental activities in the Statement of Activities
are different because:

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities. This figure represents the change from the prior fiscal year.

5,974

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

Capital outlay	\$ 47,023	
Depreciation expense	<u>(348,748)</u>	(301,725)

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.

Repayments		280,000
------------	--	---------

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

Early retirement	(84,862)	
Other postemployment benefits	<u>(41,477)</u>	(126,339)

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.

(9,123)

Change in net assets of governmental activities (Exhibit B) \$ (59,988)

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ <u>200,948</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	99,694
Benefits	14,640
Services	6,061
Supplies	199,577
Depreciation	<u>4,654</u>
Total operating expenses	<u>324,626</u>
Operating (loss)	<u>(123,678)</u>
Non-operating revenues:	
State sources	2,986
Federal sources	124,501
Interest income	<u>65</u>
	<u>127,552</u>
Net income	3,874
Net assets beginning of year	<u>65,395</u>
Net assets end of year	<u>\$ <u>69,269</u></u>

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2010

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 200,948
Cash payments to employees for services	(114,334)
Cash payments to suppliers for goods or services	<u>(185,076)</u>
Net cash (used by) operating activities	<u>(98,462)</u>
Cash flows from non-capital financing activities:	
State grants received	2,986
Federal grants received	<u>104,483</u>
Net cash provided by non-capital financing activities	<u>107,469</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	(515)
Cash flows from investing activities:	
Interest on investments	<u>65</u>
Net decrease in cash and cash equivalents	8,557
Cash and cash equivalents beginning of year	<u>26,087</u>
Cash and cash equivalents end of year	<u>\$ 34,644</u>
Reconciliation of operating (loss) to net cash (used by) operating activities:	
Operating (loss)	\$ (123,678)
Adjustments to reconcile operating (loss) to net cash provided by (used by) operating activities:	
Depreciation	4,654
Commodities used	20,018
Decrease in inventory	<u>544</u>
Net cash (used by) operating activities	<u>\$ (98,462)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received federal commodities valued at \$20,018.

See notes to financial statements.

BCLUW COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

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

BCLUW Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Beaman, Conrad, Liscomb, Union and Whitten, Iowa, and agricultural territory in Hardin, Grundy and Marshall Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Grundy and Hardin County Assessor's Conference Boards.

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental 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 other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenue 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 Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

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

The District reports the following major proprietary fund:

The District's major proprietary funds 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 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 Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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 and Cash Equivalents - The cash balances of most District funds are invested. Investments are stated at fair value except for 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 are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current 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 by April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
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 receivables and other receivables not collected within sixty days after year-end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivables 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 who have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2010.

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

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amended amounts budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and Investments

The District's deposits at June 30, 2010 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.

The District had no investments at June 30, 2010.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 80,000	-	-	80,000
Capital assets being depreciated:				
Buildings	9,120,077	-	-	9,120,077
Site Improvements	136,068	-	-	136,068
Furniture and Equipment	1,609,991	47,023	18,927	1,638,087
Total capital assets being depreciated	10,866,136	47,023	18,927	10,894,232
Less accumulated depreciation for:				
Buildings	3,725,137	178,130	-	3,903,267
Site Improvements	13,606	6,803	-	20,409
Furniture and Equipment	934,136	163,815	18,927	1,079,024
Total accumulated depreciation	4,672,879	348,748	18,927	5,002,700
Total capital assets being depreciated, net	6,193,257	(301,725)	-	5,891,532
Governmental activities, capital assets, net	\$ 6,273,257	(301,725)	-	5,971,532
Business type activities:				
Furniture and equipment	\$ 71,588	515	-	72,103
Less accumulated depreciation	39,332	4,654	-	43,986
Business type activities capital assets, net	\$ 32,256	(4,139)	-	28,117
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 348,748
Business Type activities:				
Food service operations				\$ 4,654

(4) 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, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members were required to contribute 4.30% of their annual covered payroll and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$251,104, \$230,924, and \$216,518 respectively, equal to the required contributions for each year.

(5) 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 \$257,444 for year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(6) Risk Management

BCLUW 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.

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Capital Lease Payable	General Obligation Bonds	Early Retirement	Other Post- employment Benefit	Total
Balance beginning of year	\$158,381	2,965,000	20,440	-	3,143,821
Additions	-	-	105,302	41,477	146,779
Reductions	-	280,000	20,440	-	300,440
Balance end of year	<u>\$158,381</u>	<u>2,685,000</u>	<u>105,302</u>	<u>41,477</u>	<u>2,990,160</u>

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2011	3.75%	\$ 295,000	106,663	401,663
2012	4.00	300,000	95,600	395,600
2013	4.00	315,000	83,600	398,600
2014	4.00	325,000	71,000	396,000
2015	4.00	340,000	58,000	398,000
2016	4.00	355,000	44,400	399,400
2017	4.00	370,000	30,200	400,200
2018	4.00	385,000	15,400	400,400
Total		<u>\$2,685,000</u>	<u>504,863</u>	<u>3,189,863</u>

Capital Lease Payable

The District entered into a lease purchase with GE Capital for the acquisition of 250 laptop computers. A down payment of \$87,454.90 was made in June 30, 2010. Two additional payments of \$87,454.90 are due in July, 2010 and 2011.

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2011	6.14%	\$ 77,456	9,999	87,455
2012	6.14	80,925	6,530	87,455
Total		<u>\$158,381</u>	<u>16,529</u>	<u>174,910</u>

Early Retirement Payable

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed eight years of service to the District. Employees must complete an application which must be approved by the Board of Education. The early retirement incentive for each eligible employee is 33% of current year salary, less supplemental pay or extended contract pay. Early retirement benefits paid during the year ended June 30, 2010, totaled \$20,440. A long-term liability has been recorded on the Statement of Net Assets (Exhibit A) representing the District's commitment to fund early retirement.

(8) **Related Party Transactions**

The District had \$4,545 of business transactions between the District and District officials during the year ended June 30, 2010. These are described in the Schedule of Findings and Questioned Costs on page 47.

(9) **Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 66 active members and 1 retired member in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$43,182
Interest on net OPEB Obligation	-
Adjustment to annual required contribution	-
Annual OPEB Cost	<u>43,182</u>
Contributions made	<u>(1,705)</u>
Increase in net OPEB obligation	41,477
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$41,477</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District implicitly contributed \$1,705 to the medical plan. Plan eligible for benefits contributed \$0 or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$43,182	3.9%	\$41,477

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$358,724, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$358,724. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,776,000 and the ratio of the UAAL to covered payroll was 9.5%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as Required Supplementary Information, in the section following the Notes to Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$512 per month for retirees less than age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Required Supplementary Information

BCLUW 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, 2010

	Governmental Fund Types		Proprietary Fund Type		Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual		Actual			Original	Final	
Revenues:								
Local sources	\$ 4,263,060		201,013		4,464,073	5,357,049	5,357,049	(892,976)
State sources	2,514,445		2,986		2,517,431	3,334,298	3,334,298	(816,867)
Federal sources	539,357		124,501		663,858	158,800	158,800	505,058
Total revenues	<u>7,316,862</u>		<u>328,500</u>		<u>7,645,362</u>	<u>8,850,147</u>	<u>8,850,147</u>	<u>(1,204,785)</u>
Expenditures/Expenses:								
Instruction	4,251,878		-		4,251,878	4,890,000	4,890,000	638,122
Support services	1,961,643		-		1,961,643	2,228,440	2,228,440	266,797
Non-instructional programs	28,756		324,626		353,382	366,306	380,000	26,618
Other expenditures	983,360		-		983,360	1,659,970	1,659,970	676,610
Total expenditures/expenses	<u>7,225,637</u>		<u>324,626</u>		<u>7,550,263</u>	<u>9,144,716</u>	<u>9,158,410</u>	<u>1,608,147</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	91,225		3,874		95,099	(294,569)	(308,263)	403,362
Other financing sources (uses)	-		-		-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	91,225		3,874		95,099	(294,569)	(308,263)	403,362
Balance beginning of year	1,392,483		65,395		1,457,878	1,687,212	1,687,212	(229,334)
Balance end of year	<u>\$ 1,483,708</u>		<u>69,269</u>		<u>1,552,977</u>	<u>1,392,643</u>	<u>1,378,949</u>	<u>174,028</u>

See accompanying independent auditor's report.

BCLUW COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$13,694.

During the year ended June 30, 2010, expenditures did not exceed the amended amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$0	\$359	\$359	0.0%	\$3,776	9.5%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

BCLUW COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

	Special Revenue			
	Physical Plant and Equipment Levy	Student Activity	Public Education and Recreation Levy	Total
Assets				
Cash and pooled investments	\$ 14,962	150,721	1,228	166,911
Property tax receivable:				
Current year	675	-	274	949
Succeeding year	69,481	-	27,823	97,304
Total assets	\$ 85,118	150,721	29,325	265,164
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 69,481	-	27,823	97,304
Unreserved fund balances	15,637	150,721	1,502	167,860
Total liabilities and fund balances	\$ 85,118	150,721	29,325	265,164

See accompanying independent auditor's report.

BCLUW COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Special Revenue			Total
	Physical Plant and Equipment Levy	Student Activity	Public Education and Recreation Levy	
Revenues:				
Local sources:				
Local tax	\$ 66,448	-	26,426	92,874
Other	70	332,293	-	332,363
Total revenues	<u>66,518</u>	<u>332,293</u>	<u>26,426</u>	<u>425,237</u>
Expenditures:				
Instruction	-	333,305	19,438	352,743
Support services:				
Plant operation and maintenance	-	-	7,400	7,400
Other expenditures:				
Facility acquisition and construction services	93,563	-	-	93,563
Total expenditures	<u>93,563</u>	<u>333,305</u>	<u>26,838</u>	<u>453,706</u>
(Deficiency) of revenues (under) expenditures	(27,045)	(1,012)	(412)	(28,469)
Fund balances beginning of year	<u>42,682</u>	<u>151,733</u>	<u>1,914</u>	<u>196,329</u>
Fund balances end of year	<u>\$ 15,637</u>	<u>150,721</u>	<u>1,502</u>	<u>167,860</u>

See accompanying independent auditor's report.

BCLW COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama/Thespians	7,975	3,447	6,922	4,500
Speech	475	-	342	133
Vocal Music	1,637	3,672	4,619	690
Band	879	12,559	10,231	3,207
Middle School Instrumental	90	137	227	-
HS Mathletes	920	672	397	1,195
Athletic	30,271	134,073	136,305	28,039
Class of 2011	4,806	20,633	21,639	3,800
Talented and Gifted MS	727	2,466	3,192	1
Class of 2011	-	130	59	71
Cheerleaders	1,379	5,858	5,686	1,551
Science Club	-	3,328	3,327	1
MS Theme Day	3	2,209	2,197	15
Middle School Vocal Music	758	40	-	798
Class of 2010	4,001	1	4,002	-
Elementary Activities	20,958	3,512	1,406	23,064
Parent/Educator Partnership	7,838	25,892	25,916	7,814
FCCLA	2,651	473	2,168	956
Technology Club	204	-	-	204
Comet Café	1,670	4,451	2,864	3,257
Library Club	944	6,308	7,118	134
Art Club	-	3,248	3,121	127
Interest	12,347	2,495	6,034	8,808
Letterwinners	3,158	916	1,056	3,018
Little League	522	4,915	3,704	1,733
Yearbook 2009	3,469	-	3,469	-
National Art Honor Society	300	1,316	1,077	539
MS Athletic	14,549	5,892	9,889	10,552
Class of 2012	39	18,573	9,519	9,093
MS Conflict Managers	121	-	-	121
Special Olympics	-	270	127	143
National Honor Society	1,475	947	589	1,833
Padlock	671	288	-	959
Student Council	1,329	5,392	5,458	1,263
Summer Concessions	12,095	24,039	23,947	12,187
High School Activities	4,150	2,627	3,703	3,074
2010 Yearbook	-	18,276	9,582	8,694
STOPP	51	-	-	51
MS Activities	9,271	12,631	12,806	9,096
Total	151,733	331,686	332,698	150,721

See accompanying independent auditor's report.

BCLJW COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 3,358,274	\$ 3,379,165	3,163,985	3,072,460	2,941,371	2,945,727	2,816,819
Tuition	394,461	354,162	323,887	327,063	260,390	321,512	287,034
Other	510,325	531,636	554,796	469,174	553,728	544,805	797,781
State sources	2,514,445	3,060,564	2,906,756	2,560,037	2,367,946	2,369,727	2,180,190
Federal sources	539,357	289,694	269,196	216,894	116,345	119,713	131,944
Total	\$ 7,316,862	\$ 7,615,221	7,218,620	6,645,628	6,239,780	6,301,484	6,213,768
Expenditures:							
Instruction	\$ 4,251,878	\$ 4,375,857	4,117,522	3,789,341	3,578,529	3,350,907	3,307,690
Support services:							
Student services	134,523	97,344	94,920	84,866	83,931	130,615	76,351
Instructional staff	223,273	230,109	200,159	193,510	182,949	190,780	163,751
Administration	744,651	747,875	703,427	683,912	659,495	638,098	600,092
Operation and maintenance of plant	539,137	548,564	569,301	505,318	530,856	501,264	450,808
Transportation	320,059	333,571	364,021	338,074	325,388	303,943	270,448
Non-instructional programs							
Food service operations	9,811	7,060	5,648	5,828	5,380	681	200
Community service operations	18,945	19,685	2,435	17,357	1,982	-	-
Other expenditures:							
Facilities acquisition	328,378	752,409	459,174	651,064	367,709	362,559	292,055
Debt service:							
Principal	280,000	275,000	250,000	235,000	225,000	215,000	200,000
Interest and services	117,538	127,825	168,688	179,145	207,324	199,801	210,550
AEA flowthrough	257,444	223,513	215,223	194,442	180,550	181,168	182,058
Total	\$ 7,225,637	\$ 7,738,812	7,150,518	6,877,857	6,349,093	6,074,816	5,754,003

See accompanying independent auditor's report.

BCLUW COMMUNITY SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2008

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY10	\$ 20,639
Food Distribution (non-cash)	10.555	FY10	20,018
National School Lunch Program	10.555	FY10	<u>83,844</u>
			<u>124,501</u>
Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	FY10	49,089
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	10,852
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY10	1,489
Improving Teacher Quality - States Grants	84.367	FY10	20,197
Grants for Assessments and Related Activities	84.369	FY10	4,186
Vocational Education - Basic Grants to States	84.048	FY10	3,193
ARRA - State Fiscal Stabilization Fund			
Education State Grants Cluster			
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act			
State Aid	84.394	FY10	261,744
Teacher Professional Development	84.394	FY10	2,440
Instructional Support	84.394	FY10	14,756
Carol M. White Physical Education Program	84.215F	FY10	55,477
Area Education Agency 267			
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	68,360
Special Education - Grants to States (IDEA Part B)	84.027	FY10	<u>31,251</u>
Total			<u>\$ 647,535</u>

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

See accompanying independent auditor's report.

BRUCE D. FRINK
Certified Public Accountant

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

To the Board of Education of the
BCLUW 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 BCLUW Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 12, 2011. 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 BCLUW 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 BCLUW Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of BCLUW Community School District's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

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- Iowa Society of Certified Public Accountants

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- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BCLUW 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 instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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.

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

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



BRUCE D. FRINK
Certified Public Accountant

January 12, 2011

BRUCE D. FRINK
Certified Public Accountant

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

To the Board of Education of
BCLUW Community School District:

Compliance

We have audited the compliance of BCLUW Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. BCLUW Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of BCLUW Community School District's management. Our responsibility is to express an opinion on BCLUW Community School District's compliance based on our audit.

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

In our opinion BCLUW Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

The management of BCLUW Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered BCLUW Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of BCLUW Community School District's internal control over compliance.

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- Data Processing Services
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- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

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

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

January 12, 2011

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act. Included in this are State Aid, Teacher Professional Development and Instructional Support Funds.

Clustered programs:

 - CFDA Number 10.553: School Breakfast Program
 - CFDA Number 10.555: National School Lunch Program (including noncash commodities)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) BCLUW Community School District did not qualify as a low-risk auditee.

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

II-A-10 SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

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

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

II-B-10 AUDITOR DRAFTING OF THE FINANCIAL STATEMENTS AND RELATED FOOTNOTE DISCLOSURES

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2010
U.S. Department of Agriculture
Passed through Iowa Department of Education

CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
Federal Award Year: 2010
US Department of Education
Passed through Iowa Department of Education

III-A-10 SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

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

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - Expenditures for the year ended June 30, 2010, did not exceed the amended certified budget amounts in any of the four functions. The District did not exceed its unspent authorized budget for the year ended June 30, 2010.

IV-B-10 Questionable Expenditures - 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.

IV-C-10 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.

BCLUW COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

IV-D-10 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Benjamin Trophy Company Spouse of Board Member	Fund raising expense	\$5,290

These transactions exceeded the \$2,500 limit allowed by Iowa law.

Recommendation - We recommend that the District consult legal counsel regarding these matters. We also recommend that the District annually review these transactions to ensure continued compliance.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

IV-E-10 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 ensure that the coverage is adequate for current operations.

IV-F-10 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-10 Deposits and Investments - We noted no instances of noncompliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-H-10 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-I-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-J-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-K-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

BCLW COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

IV-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance		\$	-
Statewide sales, services and use tax revenue			380,061
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$	837	
Other improvements		<u>234,815</u>	<u>235,652</u>
Ending balance			<u>\$144,409</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	<u>Per \$1,000</u>	<u>Property</u>
	<u>Of Taxable</u>	<u>Tax</u>
	<u>Valuation</u>	<u>Dollars</u>
Property plant and equipment levy	\$1.89	\$380,061