

BEDFORD COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

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Bedford Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 election)		
Mike Irvin	President	2009
Jack Spencer	Vice President	2011
Roger Ritchie	Board Member	2011
Layne Thornton	Board Member	2009
Tony Brown	Board Member (resigned)	2009
Joe Murphy	Board Member (appointed)	2009
Board of Education (After September 2009 election)		
Mike Irvin	President	2013
Jack Spencer	Vice President	2011
Roger Ritchie	Board Member	2011
Layne Thornton	Board Member	2013
Joe Murphy	Board Member	2013
School Officials		
Joe Drake	Superintendent	2010
Sharon Hart	District Secretary/Treasurer	2010
Ahlers & Cooney, P.C.	Attorney	2010

**BEDFORD COMMUNITY
SCHOOL DISTRICT**

Home of the Bulldogs

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Bedford 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 Bedford Community School District, Bedford, 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 Bedford 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 March 8, 2011 on our consideration of Bedford Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 16 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

Members American Institute & Iowa Society of Certified Public Accountants

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 Bedford 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 an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bedford 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

- General Fund revenues increased from \$5,261,166 in fiscal 2009 to \$5,561,343 in fiscal 2010, while General Fund expenditures increased from \$5,165,621 in fiscal 2009 to \$5,581,054 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from \$333,934 in fiscal 2009 to a balance of \$314,223 in fiscal 2010, a 5.90% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in federal sources of revenue and lease proceeds received in fiscal 2010. The increase in expenditures was due primarily to increased spending in the instruction functional area.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Bedford 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 Bedford Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Bedford Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor 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
Bedford Community School District Annual Financial Report

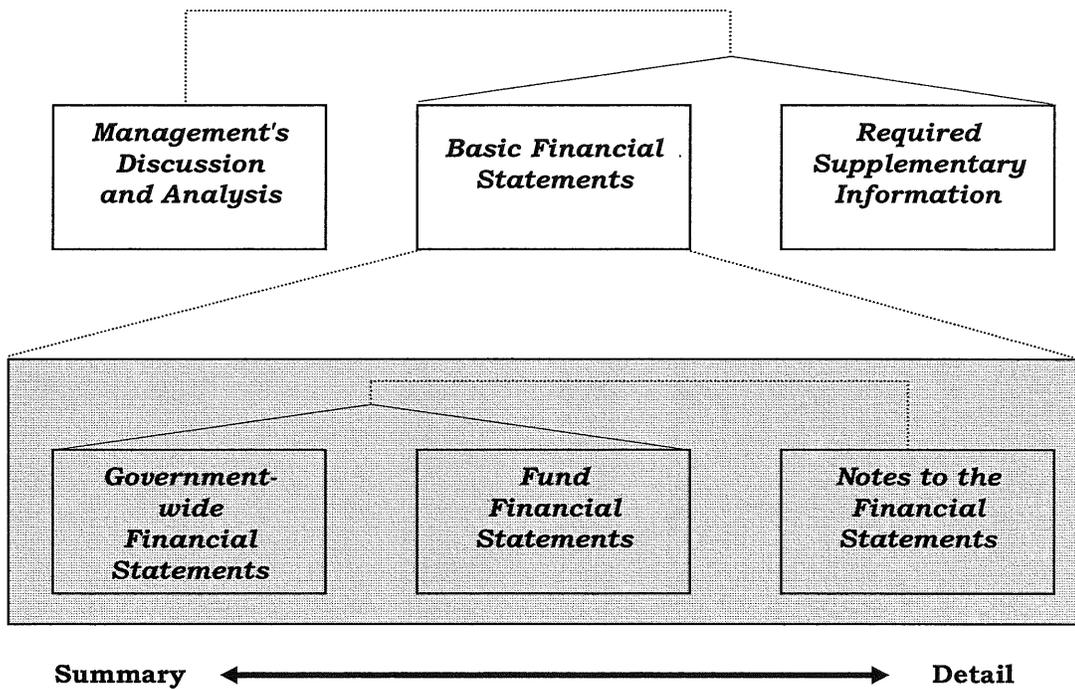


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • 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 revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3 Condensed Statement of Net Assets								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2010	2009	2010	2009	2010	2009	2009-10	
Current and other assets	\$ 4,271,522	4,145,312	43,541	42,310	4,315,063	4,187,622	3.04%	
Capital assets	5,026,498	4,728,000	11,090	19,653	5,037,588	4,747,653	6.11%	
Total assets	9,298,020	8,873,312	54,631	61,963	9,352,651	8,935,275	4.67%	
Long-term obligations	1,227,471	575,000	678	-	1,228,149	575,000	113.59%	
Other liabilities	2,832,331	3,064,132	23,763	18,987	2,856,094	3,083,119	-7.36%	
Total liabilities	4,059,802	3,639,132	24,441	18,987	4,084,243	3,658,119	11.65%	
Net assets:								
Invested in capital assets, net of related debt	4,007,676	4,153,000	11,090	19,653	4,018,766	4,172,653	-3.69%	
Restricted	815,184	621,650	-	-	815,184	621,650	31.13%	
Unrestricted	415,358	459,530	19,100	23,323	434,458	482,853	-10.02%	
Total net assets	\$ 5,238,218	5,234,180	30,190	42,976	5,268,408	5,277,156	-0.17%	

The District's combined net assets decreased by 0.17% or \$8,748 compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased \$193,534 or 31.13% over the prior year.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$48,395 or 10.02%.

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

	Figure A-4 Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2010	2009	2010	2009	2010	2009	2009-10	
Revenues:								
Program revenues:								
Charges for services	\$ 511,623	446,394	100,525	121,834	612,148	568,228		7.73%
Operating grants, contributions and restricted interest	1,209,092	871,137	162,704	152,119	1,371,796	1,023,256		34.06%
Capital grants, contributions and restricted interest	145,696	119,198	-	-	145,696	119,198		22.23%
General revenues:								
Local tax	1,931,353	1,819,573	-	-	1,931,353	1,819,573		6.14%
Income surtax	187,586	186,160	-	-	187,586	186,160		0.77%
Statewide sales, services and use tax	174,008	204,641	-	-	174,008	204,641		-14.97%
Unrestricted state grants	1,885,424	2,317,702	-	-	1,885,424	2,317,702		-18.65%
Other	140,009	115,741	942	21	140,951	115,762		21.76%
Total revenues	<u>6,184,791</u>	<u>6,080,546</u>	<u>264,171</u>	<u>273,974</u>	<u>6,448,962</u>	<u>6,354,520</u>		<u>1.49%</u>
Program expenses:								
Governmental activities:								
Instructional	3,608,347	3,474,358	-	-	3,608,347	3,474,358		3.86%
Support services	2,065,467	1,749,477	1,559	1,086	2,067,026	1,750,563		18.08%
Non-instructional programs	-	-	275,398	259,749	275,398	259,749		6.02%
Other expenses	506,939	591,302	-	-	506,939	591,302		-14.27%
Total expenses	<u>6,180,753</u>	<u>5,815,137</u>	<u>276,957</u>	<u>260,835</u>	<u>6,457,710</u>	<u>6,075,972</u>		<u>6.28%</u>
Changes in net assets before extraordinary items	4,038	265,409	(12,786)	13,139	(8,748)	278,548		-103.14%
Extraordinary items:								
Reorganization settlement	-	229,016	-	-	-	229,016		-100.00%
Change in net assets	4,038	494,425	(12,786)	13,139	(8,748)	507,564		-101.72%
Net assets beginning of year	<u>5,234,180</u>	<u>4,739,755</u>	<u>42,976</u>	<u>29,837</u>	<u>5,277,156</u>	<u>4,769,592</u>		<u>10.64%</u>
Net assets end of year	<u>\$ 5,238,218</u>	<u>5,234,180</u>	<u>30,190</u>	<u>42,976</u>	<u>5,268,408</u>	<u>5,277,156</u>		<u>-0.17%</u>

In fiscal 2010, local tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 67.56% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.64% of the revenue from business type activities.

The District's total revenues were approximately \$6.45 million, of which approximately \$6.19 million was for governmental activities and approximately \$0.26 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.49% increase in revenues and a 6.28% increase in expenses. The increase in expenses was related to increased spending in the instruction and instructional staff support services functional areas.

Governmental Activities

Revenues for governmental activities were \$6,184,791 and expenses were \$6,180,753. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2010 compared to the year ended June 30, 2009.

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 3,608,347	3,474,358	3.86%	2,112,084	2,358,544	-10.45%
Support services	2,065,467	1,749,477	18.06%	2,060,723	1,745,868	18.03%
Other expenses	506,939	591,302	-14.27%	141,535	273,996	-48.34%
Totals	<u>\$ 6,180,753</u>	<u>5,815,137</u>	<u>6.29%</u>	<u>4,314,342</u>	<u>4,378,408</u>	<u>-1.46%</u>

- The cost financed by users of the District's programs was \$511,623.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,354,788.
- The net cost of governmental activities was financed with \$1,931,353 in local tax, \$187,586 in income surtax, \$174,008 in statewide sales, services and use tax, \$1,885,424 in unrestricted state grants, \$3,981 in interest income, \$136,028 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$264,171 and expenses were \$276,957. 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.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Bedford 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 balance of \$1,285,839, above last year's ending fund balances of a \$938,848. The primary reason for the increase was due to the increase in the Capital Projects and Debt Service fund balances.

Governmental Fund Highlights

- The District's decrease in General Fund financial position is the product of many factors. The increase in revenues was outpaced by the increase in General Fund expenditures contributing to the decrease of the District's General Fund balance.

- The Capital Projects Fund balance improved significantly, mainly due to proceeds from the issuance of new revenue bonds to be used for construction of the new preschool.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$42,976 at June 30, 2009 to \$30,190 at June 30, 2010, representing a decrease of 29.75%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$319,692 less than budgeted revenues, a variance of 4.74%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. The District amended its budget one time to reflect additional expenditures related to the computer lease/purchase and current construction projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested approximately \$5.04 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 6.11% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$329,829.

The original cost of the District's capital assets was \$8,933,778. Governmental funds account for \$8,824,743 with the remainder of \$109,035 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$13,348 at June 30, 2009 compared to \$407,673 at June 30, 2010. This increase was the result of construction projects started but not completed.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 34,900	34,900	-	-	34,900	34,900	0.00%
Construction in progress	407,673	13,348	-	-	407,673	13,348	2954.19%
Buildings	4,039,314	4,138,140	-	-	4,039,314	4,138,140	-2.39%
Land improvements	271,089	302,161	-	-	271,089	302,161	-10.28%
Machinery and equipment	273,522	239,451	11,090	19,653	284,612	259,104	9.84%
Total	\$ 5,026,498	4,728,000	11,090	19,653	5,037,588	4,747,653	6.11%

Long-Term Debt

At June 30, 2010, the District had long-term debt outstanding of \$1,228,149 in total long-term debt outstanding. This represents an increase of 113.59% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding general obligation bonds payable of \$390,000 at June 30, 2010.

During the year ended June 30, 2010, the District issued \$595,000 of revenue bonds to be paid with future statewide sales, services and use tax revenue.

The District entered into a lease/purchase agreement to acquire computer equipment. The balance remaining on the lease obligations at June 30, 2010 was \$221,149.

During its initial year of recording net OPEB liability in accordance with GASB Statement No. 45, the District disclosed a balance of \$22,000 at June 30, 2010.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total District		Total Change
	June 30, 2010	2009	June 30, 2009-10
General obligation bonds	\$ 390,000	575,000	-32.17%
Revenue bonds	595,000	-	100.00%
Computer lease	221,149	-	100.00%
Net OPEB liability	22,000	-	100.00%
Total	<u>\$ 1,228,149</u>	<u>575,000</u>	<u>113.59%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The FY 2010 state budget cut of 10% results in a significant decrease in General Fund revenue, shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues.
- The voters of Taylor County passed the Statewide Sales and Service Tax for School Infrastructure. This 1 cent tax on sales and service will greatly benefit the District in maintaining their building, purchasing equipment and paying long-term debt. Funding began in January 2005 and will continue until the revenue purpose statement is replaced or amended.

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 Sharon Hart, District Secretary/Treasurer, Bedford Community School District, 906 Penn Street, Bedford, Iowa, 50833.

BASIC FINANCIAL STATEMENTS

BEDFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 1,712,657	33,357	1,746,014
Receivables:			
Property tax:			
Delinquent	27,663	-	27,663
Succeeding year	2,036,205	-	2,036,205
Income surtax	164,748	-	164,748
Accounts	39,695	150	39,845
Due from other governments	290,554	-	290,554
Inventories	-	10,034	10,034
Capital assets, net of accumulated depreciation	5,026,498	11,090	5,037,588
Total assets	9,298,020	54,631	9,352,651
Liabilities			
Accounts payable	191,605	-	191,605
Salaries and benefits payable	498,241	20,565	518,806
Interest payable	11,396	-	11,396
Deferred revenue:			
Succeeding year property tax	2,036,205	-	2,036,205
Other	37,216	-	37,216
Unearned revenue	-	3,198	3,198
Due to other governments	57,668	-	57,668
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	195,000	-	195,000
Revenue bonds payable	50,000	-	50,000
Leases payable	110,574	-	110,574
Portion due after one year:			
General obligation bonds payable	195,000	-	195,000
Revenue bonds payable	545,000	-	545,000
Leases payable	110,575	-	110,575
Net OPEB liability	21,322	678	22,000
Total liabilities	4,059,802	24,441	4,084,243
Net Assets			
Invested in capital assets, net of related debt	4,007,676	11,090	4,018,766
Restricted for:			
Categorical funding	30,895	-	30,895
Debt service	119,745	-	119,745
Capital projects	350,748	-	350,748
Management levy	220,697	-	220,697
Physical plant and equipment levy	22,010	-	22,010
Other special revenue purposes	71,089	-	71,089
Unrestricted	415,358	19,100	434,458
Total net assets	\$ 5,238,218	30,190	5,268,408

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
			Interest	Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 1,839,232	190,859	682,402	-	(965,971)	-	(965,971)
Special	850,496	68,101	164,138	-	(618,257)	-	(618,257)
Other	918,619	247,919	142,844	-	(527,856)	-	(527,856)
	<u>3,608,347</u>	<u>506,879</u>	<u>989,384</u>	<u>-</u>	<u>(2,112,084)</u>	<u>-</u>	<u>(2,112,084)</u>
Support services:							
Student	164,479	-	-	-	(164,479)	-	(164,479)
Instructional staff	569,632	-	-	-	(569,632)	-	(569,632)
Administration	554,879	-	-	-	(554,879)	-	(554,879)
Operation and maintenance of plant	569,532	-	-	-	(569,532)	-	(569,532)
Transportation	206,945	4,744	-	-	(202,201)	-	(202,201)
	<u>2,065,467</u>	<u>4,744</u>	<u>-</u>	<u>-</u>	<u>(2,060,723)</u>	<u>-</u>	<u>(2,060,723)</u>
Other expenditures:							
Facilities acquisitions	899	-	-	145,696	144,797	-	144,797
Long-term debt interest	34,556	-	-	-	(34,556)	-	(34,556)
AEA flowthrough	219,708	-	219,708	-	-	-	-
Depreciation(unallocated)*	251,776	-	-	-	(251,776)	-	(251,776)
	<u>506,939</u>	<u>-</u>	<u>219,708</u>	<u>145,696</u>	<u>(141,535)</u>	<u>-</u>	<u>(141,535)</u>
Total governmental activities	6,180,753	511,623	1,209,092	145,696	(4,314,342)	-	(4,314,342)
Business type activities:							
Support services:							
Operation and maintenance of plant	1,559	-	-	-	-	(1,559)	(1,559)
Non-instructional programs:							
Nutrition services	275,398	100,525	162,704	-	-	(12,169)	(12,169)
Total business type activities	<u>276,957</u>	<u>100,525</u>	<u>162,704</u>	<u>-</u>	<u>-</u>	<u>(13,728)</u>	<u>(13,728)</u>
Total	<u>\$ 6,457,710</u>	<u>612,148</u>	<u>1,371,796</u>	<u>145,696</u>	<u>(4,314,342)</u>	<u>(13,728)</u>	<u>(4,328,070)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,810,546	-	1,810,546
Capital outlay					70,948	-	70,948
Debt service					49,859	-	49,859
Income surtax					187,586	-	187,586
Statewide sales, services and use tax					174,008	-	174,008
Unrestricted state grants					1,885,424	-	1,885,424
Unrestricted investment earnings					3,981	94	4,075
Other					136,028	848	136,876
Total general revenues					<u>4,318,380</u>	<u>942</u>	<u>4,319,322</u>
Change in net assets					4,038	(12,786)	(8,748)
Net assets beginning of year					5,234,180	42,976	5,277,156
Net assets end of year					<u>\$ 5,238,218</u>	<u>30,190</u>	<u>5,268,408</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 810,801	436,380	465,476	1,712,657
Receivables:				
Property tax:				
Delinquent	24,215	-	3,448	27,663
Succeeding year	1,894,539	-	141,666	2,036,205
Income surtax	164,748	-	-	164,748
Accounts	17,188	-	22,507	39,695
Interfund	-	40,000	-	40,000
Due from other governments	104,743	182,532	3,279	290,554
Total assets	\$ 3,016,234	658,912	636,376	4,311,522
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 49,888	120,837	20,880	191,605
Interfund payable	-	-	40,000	40,000
Salaries and benefits payable	497,952	-	289	498,241
Deferred revenue:				
Succeeding year property tax	1,894,539	-	141,666	2,036,205
Income surtax	164,748	-	-	164,748
Other	37,216	-	-	37,216
Due to other governments	57,668	-	-	57,668
Total liabilities	2,702,011	120,837	202,835	3,025,683
Fund balances:				
Reserved:				
Categorical funding	30,895	-	-	30,895
Construction	-	187,327	-	187,327
Debt service	-	-	119,745	119,745
Unreserved fund balance	283,328	350,748	313,796	947,872
Total fund balances	314,223	538,075	433,541	1,285,839
Total liabilities and fund balances	\$ 3,016,234	658,912	636,376	4,311,522

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD 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 (page 20)	\$	1,285,839
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		5,026,498
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		164,748
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.		(11,396)
Long-term liabilities, including bonds payable, leases payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(1,227,471)</u>
Net assets of governmental activities (page 18)	\$	<u>5,238,218</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 1,856,936	174,008	241,025	2,271,969
Tuition	221,228	-	-	221,228
Other	185,156	948	253,941	440,045
State sources	2,471,924	142,417	-	2,614,341
Federal sources	612,951	-	3,279	616,230
Total revenues	5,348,195	317,373	498,245	6,163,813
Expenditures:				
Current:				
Instruction:				
Regular	1,820,818	-	-	1,820,818
Special	850,496	-	-	850,496
Other	694,794	-	223,825	918,619
	3,366,108	-	223,825	3,589,933
Support services:				
Student	163,925	-	-	163,925
Instructional staff	467,662	120,000	-	587,662
Administration	523,775	-	4,306	528,081
Operation and maintenance of plant	516,689	-	77,307	593,996
Transportation	252,613	-	7,734	260,347
	1,924,664	120,000	89,347	2,134,011
Other expenditures:				
Facilities acquisitions	-	458,333	22,813	481,146
Long-term debt:				
Principal	-	-	295,574	295,574
Interest and fiscal charges	-	-	24,598	24,598
AEA flowthrough	219,708	-	-	219,708
	219,708	458,333	342,985	1,021,026
Total expenditures	5,510,480	578,333	656,157	6,744,970
Deficiency of revenues under expenditures	(162,285)	(260,960)	(157,912)	(581,157)
Other financing sources(uses):				
Sale of equipment	1,425	-	-	1,425
Transfers in	-	60,000	360,542	420,542
Transfers out	(70,574)	(289,968)	(60,000)	(420,542)
Proceeds from lease	211,723	120,000	-	331,723
Proceeds from bond issuance	-	595,000	-	595,000
Total other financing sources(uses)	142,574	485,032	300,542	928,148
Net change in fund balances	(19,711)	224,072	142,630	346,991
Fund balances beginning of year	333,934	314,003	290,911	938,848
Fund balances end of year	\$ 314,223	538,075	433,541	1,285,839

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD 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 (page 22) \$ 346,991

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

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

Expenditures for capital assets	\$ 621,023	
Depreciation expense	(320,604)	
Loss on disposal of capital assets	(1,921)	298,498

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 20,978

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Issued	(926,723)	
Repaid	295,574	(631,149)

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. (9,958)

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

Other postemployment benefits		(21,322)

Changes in net assets of governmental activities (page 19) \$ 4,038

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 33,357
Accounts receivable	150
Inventories	10,034
Capital assets, net of accumulated depreciation	11,090
Total assets	<u>54,631</u>
Liabilities	
Salaries and benefits payable	20,565
Unearned revenue	3,198
Net OPEB liability	678
Total liabilities	<u>24,441</u>
Net Assets	
Invested in capital assets	11,090
Unrestricted	19,100
Total net assets	<u>\$ 30,190</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 100,525
Miscellaneous	848
Total operating revenues	101,373
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	1,559
Non-instructional programs:	
Food service operations:	
Salaries	99,389
Benefits	24,430
Services	299
Supplies	140,939
Depreciation	9,225
Other	1,116
	275,398
Total operating expenses	276,957
Operating loss	(175,584)
Non-operating revenues:	
State sources	2,790
Federal sources	159,914
Interest income	94
Total non-operating revenues	162,798
Change in net assets	(12,786)
Net assets beginning of year	42,976
Net assets end of year	\$ 30,190

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 101,008
Cash received from miscellaneous	848
Cash payments to employees for services	(118,778)
Cash payments to suppliers for goods or services	(122,888)
Net cash used in operating activities	(139,810)
Cash flows from non-capital financing activities:	
State grants received	2,790
Federal grants received	137,530
Net cash provided by non-capital financing activities	140,320
Cash flows from capital financing activities:	
Acquisition of assets	(662)
Cash flows from investing activities:	
Interest on investments	94
Net decrease in cash and cash equivalents	(58)
Cash and cash equivalents beginning of year	33,415
Cash and cash equivalents end of year	\$ 33,357
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (175,584)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities consumed	22,384
Depreciation	9,225
Increase in inventories	(1,222)
Increase in accounts receivable	(67)
Decrease in accounts payable	(137)
Increase in salaries and benefits payable	4,363
Increase in unearned revenue	550
Increase in net OPEB liability	678
Net cash used by operating activities	\$ (139,810)

Non-cash investing, capital and related financing:

During the year ended June 30, 2010, the District received \$22,384 of federal commodities.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2010

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 3,027	-
Due from other governments	-	10,891
Total assets	3,027	10,891
Liabilities		
Excess of warrants issued over bank balance	-	10,891
Net Assets		
Unrestricted	\$ 3,027	-

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest	\$ 12
Deductions:	
Scholarships	1,065
Change in net assets	(1,053)
Net assets beginning of year	4,080
Net assets end of year	\$ 3,027

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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

The Bedford Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Bedford, Iowa, and the predominate agricultural territory in Taylor and Ringgold 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, Bedford Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Bedford Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Taylor, Page and Ringgold Counties Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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 that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

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

The District reports the following proprietary fund:

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

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

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

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested.

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

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, machinery and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Intangibles	30,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Life (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current

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

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

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund.

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010 the District amended its budget one time to reflect additional expenditures associated with the lease/purchase of computer equipment and the preschool construction project.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2010 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,515,491 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects	Special Revenue: Physical Plant and Equipment Levy	\$ 40,000

The Special Revenue, Physical Plant and Equipment Levy Fund is repaying the Capital Projects Fund for a portion of the Capital Loan Notes called during the prior year. The balance will be repaid by June 30, 2011.

(4) Interfund Transfers

The detail of transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Capital Projects	Special Revenue: Physical Plant and Equipment Levy	\$ 60,000
Debt Service	General Fund	70,574
	Capital Projects	181,849
Debt Service - Preschool	Capital Projects	108,119
Total		\$ 420,542

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

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2009-10A	6/25/09	6/23/10	\$ -	150,000	150,000	-

During the year ended June 30, 2010, the District paid \$10,588 of interest on the ISCAP warrants.

(6) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 34,900	-	-	34,900
Construction in progress	13,348	394,325	-	407,673
Total capital assets not being depreciated	48,248	394,325	-	442,573
Capital assets being depreciated:				
Buildings	6,324,230	86,419	2,744	6,407,905
Land improvements	689,755	-	-	689,755
Machinery and equipment	1,202,657	140,279	58,426	1,284,510
Total capital assets being depreciated	8,216,642	226,698	61,170	8,382,170
Less accumulated depreciation for:				
Buildings	2,186,090	183,324	823	2,369,637
Land improvements	387,594	31,072	-	418,666
Machinery and equipment	963,206	106,208	58,426	1,121,032
Total accumulated depreciation	3,536,890	320,604	59,249	3,798,245
Total capital assets being depreciated, net	4,679,752	(93,906)	1,921	4,583,925
Governmental activities capital assets, net	\$ 4,728,000	300,419	1,921	5,026,498

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 120,057	662	11,684	109,035
Less accumulated depreciation	100,404	9,225	11,684	97,945
Business type activities capital assets, net	\$ 19,653	(8,563)	-	11,090

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular \$ 4,006

Support services:

Administration 23,019

Operation and maintenance 11,760

Transportation 30,043

68,828

Unallocated depreciation

251,776

Total governmental activities depreciation expense

\$ 320,604

Business type activities:

Food service operations \$ 9,225

(7) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 575,000	-	185,000	390,000	195,000
Revenue bonds	-	595,000	-	595,000	50,000
Computer lease	-	331,723	110,574	221,149	110,574
Net OPEB liability	-	21,322	-	21,322	-
Total	\$ 575,000	948,045	295,574	1,227,471	355,574
Business type activities:					
Net OPEB liability	\$ -	678	-	678	-

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of July 1, 2003				
	Interest Rates	Principal	Interest	Total	
2011	3.00 %	\$ 195,000	11,700	206,700	
2012	3.00	195,000	5,850	200,850	
Total		\$ 390,000	17,550	407,550	

Revenue Bonds

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of September 1, 2009				
	Interest Rates	Principal	Interest	Total	
2011	2.000 %	\$ 50,000	20,843	70,843	
2012	2.500	60,000	19,842	79,842	
2013	2.750	65,000	18,343	83,343	
2014	3.000	70,000	16,555	86,555	
2015	3.500	70,000	14,455	84,455	
2016-2019	4.00-4.50	280,000	30,590	310,590	
Total		\$ 595,000	120,628	715,628	

The District has pledged future statewide sales, services and use tax revenues to repay the \$595,000 of bonds issued in September 2009. The bonds were issued for the purpose of financing a portion of the costs of the preschool building project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2019. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$715,628. For the current year, no principal and \$6,948 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$316,425.

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

- (a) \$59,500 shall be deposited into a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- (b) The District will make monthly transfers from the Capital Projects Fund depositing money into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

Computer Lease

During the year ended June 30, 2010, the district entered into a lease/purchase agreement to pay for computer equipment associated with the District's One-to-One Initiative. A portion of the lease obligation will be fulfilled from the Capital Projects Fund with the remainder paid from the General Fund. Details of the payments remaining are as follows:

Year Ending June 30,	Computer Lease		
	General Fund	Capital Projects	Total
2011	\$ 70,574	40,000	110,574
2012	70,575	40,000	110,575
Total	\$ 141,149	80,000	221,149

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual salary 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 \$215,454, \$202,846 and \$182,035 respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 89 active and 3 retired members in the plan. Participants must be age 55 or older at age of retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize 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	\$ 48,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>48,000</u>
Contributions made	<u>(26,000)</u>
Increase in net OPEB obligation	22,000
Net OPEB obligation beginning of year	<u>-</u>
 Net OPEB obligation end of year	 <u><u>\$ 22,000</u></u>

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

For the year ended June 30, 2010, the District contributed \$26,000 to the medical plan. Retired members eligible for the plan contributed \$30,000 or 53.57% 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:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$48,000	54.17%	\$22,000

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 \$502,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$502,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,130,076 and the ratio of the UAAL to covered payroll was 16.04%. 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. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents 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 Projected Unit Credit Cost actuarial method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate starts at 11.0%. The medical trend rate is reduced 0.5% each year until reaching the 5.0% ultimate trend rate in 2022.

Mortality rates are from the RP-2000 Combined Mortality Rates for Male and Female, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$509 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

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

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$219,708 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2010 are as follows:

Project	Amount
Beginning Teacher Mentoring and Induction Program	\$ 7,508
Teacher Salary Supplement	22,194
2007 Market Factor	568
2008 Market Factor	625
Total	<u>\$ 30,895</u>

**BEDFORD COMMUNITY
SCHOOL DISTRICT**

Home of the Bulldogs

REQUIRED SUPPLEMENTARY INFORMATION

BEDFORD COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Types		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,933,242	101,467	3,034,709	3,013,887	3,013,887	20,822
State sources	2,614,341	2,790	2,617,131	3,338,351	3,338,351	(721,220)
Federal sources	616,230	159,914	776,144	395,438	395,438	380,706
Total revenues	6,163,813	264,171	6,427,984	6,747,676	6,747,676	(319,692)
Expenditures/Expenses:						
Instruction	3,589,933	-	3,589,933	4,049,394	4,049,394	459,461
Support services	2,134,011	1,559	2,135,570	3,122,651	3,322,651	1,187,081
Non-instructional programs	-	275,398	275,398	299,987	299,987	24,589
Other expenditures	1,021,026	-	1,021,026	929,427	1,800,000	778,974
Total expenditures/expenses	6,744,970	276,957	7,021,927	8,401,459	9,472,032	2,450,105
Deficiency of revenues under expenditures/expenses	(581,157)	(12,786)	(593,943)	(1,653,783)	(2,724,356)	2,130,413
Other financing sources, net	928,148	-	928,148	-	-	928,148
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	346,991	(12,786)	334,205	(1,653,783)	(2,724,356)	3,058,561
Balance beginning of year	938,848	42,976	981,824	847,183	847,183	134,641
Balance end of year	\$ 1,285,839	30,190	1,316,029	(806,600)	(1,877,173)	3,193,202

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT
NOTES 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing expenditures by \$1,070,573.

BEDFORD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 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)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 502,000	502,000	0.00%	\$ 3,130,076	16.04%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

BEDFORD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Special Revenue Funds					Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
Assets						
Cash and pooled investments	\$ 219,264	66,183	60,996	346,443	119,033	465,476
Receivables:						
Property tax:						
Delinquent	1,722	-	1,014	2,736	712	3,448
Succeeding year	-	-	74,466	74,466	67,200	141,666
Accounts	-	22,507	-	22,507	-	22,507
Due from other governments	-	-	3,279	3,279	-	3,279
Total assets	\$ 220,986	88,690	139,755	449,431	186,945	636,376
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	17,601	3,279	20,880	-	20,880
Interfund payable	-	-	40,000	40,000	-	40,000
Salaries and benefits payable	289	-	-	289	-	289
Deferred revenue:						
Succeeding year property tax	-	-	74,466	74,466	67,200	141,666
Total liabilities	289	17,601	117,745	135,635	67,200	202,835
Fund balances:						
Reserved:						
Debt Service	-	-	-	-	119,745	119,745
Unreserved	220,697	71,089	22,010	313,796	-	313,796
Total fund balances	220,697	71,089	22,010	313,796	119,745	433,541
Total liabilities and fund balances	\$ 220,986	88,690	139,755	449,431	186,945	636,376

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
Revenues:						
Local sources:						
Local tax	\$ 120,218	-	70,948	191,166	49,859	241,025
Other	12,142	241,620	55	253,817	124	253,941
Federal sources	-	-	3,279	3,279	-	3,279
Total revenues	132,360	241,620	74,282	448,262	49,983	498,245
Expenditures:						
Current:						
Instruction:						
Other	-	223,825	-	223,825	-	223,825
Support services:						
Administration	4,006	-	300	4,306	-	4,306
Operation and maintenance of plant	77,307	-	-	77,307	-	77,307
Transportation	7,734	-	-	7,734	-	7,734
Other expenditures:						
Facilities acquisition	-	-	22,813	22,813	-	22,813
Long-term debt:						
Principal	-	-	-	-	295,574	295,574
Interest and fiscal charges	-	-	-	-	24,598	24,598
Total expenditures	89,047	223,825	23,113	335,985	320,172	656,157
Excess(deficiency) of revenues over(under) expenditures	43,313	17,795	51,169	112,277	(270,189)	(157,912)
Other financing sources(uses):						
Transfers in	-	-	-	-	360,542	360,542
Transfers out	-	-	(60,000)	(60,000)	-	(60,000)
Total other financing sources(uses)	-	-	(60,000)	(60,000)	360,542	300,542
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	43,313	17,795	(8,831)	52,277	90,353	142,630
Fund balances beginning of year	177,384	53,294	30,841	261,519	29,392	290,911
Fund balances end of year	\$ 220,697	71,089	22,010	313,796	119,745	433,541

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS Athletics:				
Football	\$ 11,327	11,306	7,838	14,795
Volleyball	770	7,519	6,861	1,428
Basketball	8,799	14,463	12,034	11,228
Wrestling	(2,132)	5,593	3,755	(294)
Track	(4,042)	4,806	5,534	(4,770)
Softball	(2,599)	6,796	6,996	(2,799)
Baseball	(4,742)	8,636	8,074	(4,180)
Golf	875	310	2,729	(1,544)
Cross Country	(605)	-	519	(1,124)
	<u>7,651</u>	<u>59,429</u>	<u>54,340</u>	<u>12,740</u>
HS Clubs & Organizations:				
FFA	11,680	14,638	14,367	11,951
FCCLA	1,228	2,015	2,566	677
Iron Man Club	73	-	-	73
NHS	367	410	401	376
Student Council	296	5,633	5,713	216
SADOBS	921	2,774	1,164	2,531
Instrumental Club	(726)	367	287	(646)
Vocal	(2,032)	16,271	5,717	8,522
Swish and Spike Club	2,581	4,863	4,874	2,570
BPA	4,379	27,673	31,673	379
Yearbook #2	5,557	1,935	2,361	5,131
Yearbook	-	3,660	2,915	745
Bulldog Club	3,529	5,583	5,062	4,050
Cheerleaders	(1,301)	8,206	7,554	(649)
Art	819	2	-	821
Musical	1	-	-	1
Music Club	9	968	11,629	(10,652)
Class of 2008	48	-	48	-
Class of 2009	283	-	281	2
Class of 2010	6,421	4,849	10,136	1,134
Class of 2011	1,101	21,624	14,017	8,708
Class of 2012	1,131	-	14	1,117
Class of 2013	887	1	-	888
Class of 2014	800	-	135	665
Class of 2015	400	-	-	400
Senior Cheers	-	9,200	9,198	2
	<u>38,452</u>	<u>130,672</u>	<u>130,112</u>	<u>39,012</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
MS Athletics:				
Volleyball	2,167	974	1,655	1,486
Basketball	1,253	1,256	1,640	869
Wrestling	1,050	236	872	414
Track	1,763	2,906	2,778	1,891
Softball	481	1,106	1,440	147
Baseball	172	269	455	(14)
Football	1,084	1,131	1,402	813
	<u>7,970</u>	<u>7,878</u>	<u>10,242</u>	<u>5,606</u>
MS Clubs & Organizations:				
Student Council	-	440	70	370
Magazine Sales	-	7,062	3,732	3,330
Yearbook	-	100	573	(473)
	<u>-</u>	<u>7,602</u>	<u>4,375</u>	<u>3,227</u>
Elementary Clubs & Organizations:				
PTK Club	226	-	-	226
K-8 Book Fair	513	5,182	5,418	277
Teachers	1	-	-	1
Student Council	559	7,164	4,927	2,796
Yearbook	(796)	-	-	(796)
	<u>503</u>	<u>12,346</u>	<u>10,345</u>	<u>2,504</u>
District-wide Accounts:				
Great Race	439	121	-	560
Activity Tickets	-	4,585	-	4,585
Interest	-	561	300	261
Field Trips	186	2,050	1,985	251
After Prom	84	4,809	7,456	(2,563)
Accruals	(1,991)	11,567	4,670	4,906
	<u>(1,282)</u>	<u>23,693</u>	<u>14,411</u>	<u>8,000</u>
Total	<u>\$ 53,294</u>	<u>241,620</u>	<u>223,825</u>	<u>71,089</u>

BEDFORD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 DEBT SERVICE FUND
 JUNE 30, 2010

	Debt Service Funds		
	Debt		
	Service	Preschool	Total
Assets			
Cash and pooled investments	\$ 17,788	101,245	119,033
Receivables:			
Property tax:			
Delinquent	712	-	712
Succeeding year	67,200	-	67,200
Total assets	\$ 85,700	101,245	186,945
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 67,200	-	67,200
Fund balances:			
Reserved:			
Debt service	18,500	101,245	119,745
Total liabilities and fund balances	\$ 85,700	101,245	186,945

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2010

	Debt Service Funds		
	Debt Service	Preschool	Total
Revenues:			
Local sources:			
Local tax	\$ 49,859	-	49,859
Other	50	74	124
Total revenues	49,909	74	49,983
Expenditures:			
Other expenditures:			
Principal	295,574	-	295,574
Interest and fiscal charges	17,650	6,948	24,598
Total expenditures	313,224	6,948	320,172
Deficiency of revenues under expenditures	(263,315)	(6,874)	(270,189)
Other financing sources:			
Transfers in	252,423	108,119	360,542
Net change in fund balances	(10,892)	101,245	90,353
Fund balaces beginning year	29,392	-	29,392
Fund balances end of year	\$ 18,500	101,245	119,745

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
YEAR ENDED JUNE 30, 2010

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Due from other governments	\$ 35,763	61,224	86,096	10,891
Liabilities				
Excess of warrants issued over bank balance	\$ 35,763	61,224	86,096	10,891

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 2,271,969	2,189,075	1,818,678	1,944,692	1,924,607	1,916,676	1,715,835
Tuition	221,228	216,740	363,870	346,398	288,236	286,952	226,566
Other	440,045	352,602	385,081	323,980	265,122	223,187	255,583
Intermediate sources	-	-	-	-	-	-	13,842
State sources	2,614,341	3,044,096	2,785,092	2,449,830	2,434,906	2,448,145	2,387,939
Federal sources	616,230	251,236	208,021	213,966	215,985	276,921	202,782
Total	\$ 6,163,813	6,053,749	5,560,742	5,278,866	5,128,856	5,151,881	4,802,547
Expenditures:							
Instruction:							
Regular	\$ 1,820,818	1,814,620	1,815,059	1,714,689	1,742,618	1,685,586	1,827,291
Special	850,496	835,506	709,680	726,034	668,187	631,157	681,621
Other	918,619	821,648	780,242	714,355	692,015	699,544	461,861
Support services:							
Student	163,925	142,692	126,673	118,310	125,990	119,110	126,943
Instructional staff	587,662	292,182	228,841	163,211	154,620	145,669	66,160
Administration	528,081	646,844	609,434	576,913	541,728	470,936	516,767
Operation and maintenance of plant	593,996	492,826	461,171	437,604	419,410	473,976	362,397
Transportation	260,347	225,908	210,096	217,959	197,344	205,110	174,590
Other support	-	-	-	-	-	-	64,068
Other expenditures:							
Facilities acquisitions	481,146	350,191	243,782	155,833	189,443	86,976	56,448
Long-term debt:							
Principal	295,574	260,000	195,000	190,000	185,000	180,000	180,000
Interest and other charges	24,598	27,305	32,285	37,320	41,365	45,377	194,065
AEA flow-through	219,708	198,108	166,539	163,878	159,486	159,710	161,018
Total	\$ 6,744,970	6,107,830	5,578,802	5,216,106	5,117,206	4,903,151	4,873,229

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

Grantor/Program	CFDA Number	Grant Number	Expenditures
Direct:			
U.S. Department of Education:			
Rural Education	84.358	4334	\$ 21,759
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 10	29,406
National School Lunch Program	10.555	FY 10	130,075 *
			<u>159,481</u>
Team Nutrition Grants	10.574	FY 10	<u>433</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY 10	96,711
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 09	10,674
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	21,348
			<u>128,733</u>
Career and Technical Education - Basic Grants to States	84.048	FY 10	<u>7,671</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 10	<u>2,034</u>
Fund for the Improvement of Education	84.215	FY 10	<u>3,279</u>
Improving Teacher Quality State Grants	84.367	FY 10	<u>36,940</u>
Grants for State Assessments and Related Activities	84.369	FY 10	<u>3,302</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY 10	<u>247,557</u>
Area Education Agency:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY 10	29,208
ARRA - Special Education Grants to States, Recovery Act	84.391	FY 09	15,973
ARRA - Special Education Grants to States, Recovery Act	84.391	FY 10	63,891
			<u>109,072</u>
Special Education - State Personnel Development	84.323	FY 10	<u>892</u>
U.S. Department of Health and Human Services:			
Iowa Department of Health and Human Services:			
Child Care and Development Block Grant	93.575	FY 10	<u>818</u>
Total			<u>\$ 721,971</u>

* -Includes \$22,384 in non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Bedford 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.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of
Bedford 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 Bedford 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 March 8, 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 Bedford 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 Bedford Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bedford 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 a certain deficiency in internal control over financial reporting we consider to be a material weakness.

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 deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bedford Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters

that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings 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.

Bedford 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 Bedford 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 Bedford Community School District and other parties to whom Bedford 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 Bedford Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2011

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

Independent Auditor's Report on 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
Bedford Community School District:

Compliance

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

We conducted our audit on compliance in accordance with U.S. generally accepted accounting 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 Bedford 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 Bedford Community School District's compliance with those requirements.

In our opinion, Bedford 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 Bedford 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 Bedford 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 Bedford Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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.

Bedford 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 Bedford 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 Bedford Community School District and other parties to whom Bedford 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.


NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2011

BEDFORD 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) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
 - Clustered programs:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 - ARRA - Title I Grants to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Bedford Community School District did not qualify as a low-risk auditee.

BEDFORD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements:

INTERNAL CONTRAL DEFICIENCY:

II-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - The District will continue to monitor control procedures to obtain the maximum internal control possible with the limited resources available.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

BEDFORD 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 DEFICIENCY:

CFDA Number 84.010: Title I Grants to Local Educational Agencies
CFDA Number 84.389: ARRA - Title I Grants to Local Educational Agencies, Recovery Act
Federal Award Year: 2009, 2010
U.S. Department of Education
Passed through the Iowa Department of Education

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

III-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - The District will continue to monitor control procedures to obtain the maximum internal control possible with the limited resources available.

Conclusion - Response accepted.

BEDFORD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010 did not exceed the amounts budgeted in any functional area.

IV-B-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-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.

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

Name, Title and Business Connection	Transaction Description	Amount
Kay Goodridge, Para-educator Husband owns Ray's Trophies	Trophies/Awards	\$2,813
Cheryl Johnson, Secretary Personal services	Sewing	\$13
Lorna Bucher, Teacher Owner of Godfathers Pizza	Concessions	\$465

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

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transactions with Cheryl Johnston and Lorna Bucher do not appear to represent a conflict of interest.

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 insure that the coverage is adequate for current operations.

IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The District overstated the number of basic resident students reported to the Iowa Department of Education by 1.0 student.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

Response - Our auditors will be contacting the Iowa Department of Education and the Department of Management to resolve this issue.

Conclusion - Response accepted.

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

IV-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

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

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

Beginning Balance		\$	-
Statewide sales, services and use tax revenue			316,425
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	26,457	
Debt service for school infrastructure			
General obligation debt		141,849	
Revenue debt		108,119	
Lease debt		40,000	
			<u>316,425</u>
Ending Balance		\$	<u>-</u>

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010, the District reduced the following levies:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$ 0.98734	\$ 141,849
Physical plant and equipment levy	\$ 1.17500	\$ 168,809

IV-M-10 Student Activity Fund - We noted during our audit that the Student Activity Fund included thirteen deficit account balances at June 30, 2010 totaling \$30,504.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods and services from these accounts. The District should investigate alternatives to eliminate the deficit balances.

Response - We will monitor the situation and try to reduce the number of deficit accounts.

Conclusion - Response accepted.