

BENTON COMMUNITY SCHOOL DISTRICT  
VAN HORNE, IOWA

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

JUNE 30, 2010

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BENTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2009 Election)		
Brenda Schanbacher	President	2011
Terry Harrington	Vice President	2009
Bryce Brecht	Board Member	2009
Tricia Schutterle	Board Member	2009
Bill Boies	Board Member	2011
Brian Strellner	Board Member	2011
Dan Voss	Board Member	2011

Board of Education

(After September 2009 Election)

Dan Voss	President	2011
Brian Strellner	Vice President	2011
Bill Boies	Board Member	2011
Brenda Schanbacher	Board Member	2011
Jack Barnes	Board Member	2013
Wayne Reinhardt	Board Member	2013
Patrick Stepanek	Board Member	2013

School Officials

Gary Zittergruen	Superintendent	2011
Doug Embray	District Secretary/Associate Superintendent	2010
Eva Bartelt	District Treasurer	2010
Ray and Associates	Attorney-Negotiations	Indefinite
Lynch, Dallas PC	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Benton 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 Benton Community School District, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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 Benton 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 February 11, 2011 on our consideration of Benton 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. 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.

The Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 14 and 50 through 52 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 as a whole.

Oskaloosa, Iowa  
February 11, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS 2010

This section of the Benton Community School District's annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ending on June 30, 2010. Our analysis will focus on the District's financial performance as a whole for the fiscal year 2010.

This is the eighth year that all District financial activities are reported on a full accrual basis, and comparisons with prior years will be made when appropriate. Efforts have been made to provide comparison data from the prior year when such data is required. In subsequent years, with additional data, five-year trends will be provided for District financial information.

Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

### Fiscal 2010 Financial Highlights

- ◆ General Fund revenue and other financing sources decreased from \$14,136,082 in fiscal 2009 to \$13,974,588, in fiscal 2010 while General Fund expenditures decreased from \$14,777,723 in fiscal 2009 to \$14,256,794 in fiscal 2010. This resulted in an overall change in the District's General Fund balance from \$1,280,642 in fiscal 2009 to \$998,436 in fiscal 2010, a decrease from the prior fiscal year.
- ◆ The decrease in General Fund revenues was attributed to a mid-year reduction in state aid. The school district entered its eighth year of the District Instructional Support Levy, funded by a mixture of Income-surtax, local property tax and State Aid. The levy is scheduled to provide approximately \$622,507 for District identified purchases.
- ◆ The decrease in expenditures was due primarily to personnel attrition and decreased vendor services to the school district.
- ◆ The District continues to collect one-cent sales tax revenue from Benton, Iowa and Tama Counties during the 2010 fiscal year. The revenue from this tax has been used to reduce District long-term debt. The District has also approved a new Revenue Purpose Statement to align with State Legislation on the One Cent Sales revenue collection. This funding stream continues to support district infrastructure needs.
- ◆ A stagnant economy impacted earning rates during the fiscal year, resulting in a small decrease in General Fund interest earnings on investments. In fiscal year 2009, the District earned \$21,806 on investments. In fiscal year 2010, the District earned \$13,173 on investments, a decrease over last year's earnings.
- ◆ The District completed several Physical Plant and Equipment activities related to building and grounds projects during the 2010 fiscal year. The PPEL fund will expire in Fiscal 2011. This funding approval has provided approximately 5 million dollars over the past decade to improve District infrastructure.

## Overview of Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ◆ The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- ◆ The statements for governmental funds explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- ◆ The statements for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services, latchkey and preschool.
- ◆ The statements for fiduciary funds provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

### District Wide Statements

The District-wide 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 expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide 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 the District's financial position is improving or deteriorating, respectively.
- ◆ To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base, the condition of school buildings and facilities, and student enrollment trends.

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

- ◆ **Governmental funds:** 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 funds:** The District charges fees to help cover the cost of certain services it provides. The District school nutrition program would be included here.

## Fund Financial Statements

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

- ◆ 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 show that it is properly using certain revenues such as federal grants.

### Benton Community School District has three types of funds:

- ◆ **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, which 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
  - ◆ The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Permanent Fund.
- ◆ **Proprietary funds:** Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same way as the District-wide 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 two enterprise funds, the school nutrition program and the preschool program.
- ◆ **Fiduciary funds:** The District is trustee, or fiduciary, for assets that belong to others.
  - ◆ **Agency Fund:** These are either funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts, or certain revenue collected from District employee purchases of pop and related expenditures.

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

## Financial Analysis of the District as a Whole

**Net assets:** Figure A-1 provides a summary of the District's net assets for fiscal years ended June 30, 2009 and June 30, 2010.

**Figure A-1 Statement of Net Assets**

	Government Activities	Business Activity	School District	Government Activities	Business Activities	School District	Change
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	2009	2009	2009	2010	2010	2010	
Current /other assets	12,085,090	162,619	12,247,709	15,381,309	170,592	15,551,901	3,304,192
Capital Assets	10,493,713	80,039	10,573,752	15,009,172	86,646	15,095,818	4,522,066
<b>Total Assets</b>	<b>22,578,803</b>	<b>242,658</b>	<b>22,821,461</b>	<b>30,390,481</b>	<b>257,238</b>	<b>30,647,719</b>	<b>7,826,258</b>
Long-term obligations	2,979,000	0	2,979,000	9,608,193	0	9,608,193	6,629,193
Other liabilities	7,436,893	18,322	7,455,215	8,290,510	19,532	8,310,042	854,827
<b>Total Liabilities</b>	<b>10,415,893</b>	<b>18,322</b>	<b>10,434,215</b>	<b>17,898,703</b>	<b>19,532</b>	<b>17,918,235</b>	<b>7,484,020</b>
Net Assets:							
Invested in capital Assets, net of debt	7,593,713	80,039	7,673,752	7,528,237	86,646	7,614,883	-58,869
Restricted	3,610,091	0	3,610,091	4,473,142	0	4,473,142	863,051
Unrestricted	959,106	144,297	1,103,403	490,399	151,060	641,459	-461,944
<b>Total Net Assets</b>	<b>12,162,910</b>	<b>224,336</b>	<b>12,387,246</b>	<b>12,491,778</b>	<b>237,706</b>	<b>12,729,484</b>	<b>342,238</b>

**Changes in net assets:** Figure A-2 shows the changes in net assets for the years ending June 30, 2009 and June 30, 2010.

**Figure A-2 Changes in Net Assets**

	Government Activities 2009	Business Activities 2009	School District 2009	Government Activities 2010	Business Activities 2010	School District 2010	Change
<b>Revenues:</b>							
<b>Program Revenue:</b>							
Charge for service / sales	1,163,613	543,565	1,707,178	1,334,947	542,305	1,877,252	170,074
Operating grants, restricted interest	2,409,490	252,656	2,662,146	2,617,372	268,119	2,885,491	223,345
Capital grants, and restricted interest	0	0	0	0	0	0	0
<b>General Revenues:</b>							
Property tax	6,766,799	0	6,766,799	7,164,887	0	7,164,887	398,088
Unrestricted state grants	6,175,079	0	6,175,079	5,291,691	0	5,291,691	-883,388
Unrestricted investments	49,397	825	50,222	78,044	642	78,686	28,464
Other	59,871	0	59,871	91,126	0	91,126	31,255
<b>Total revenues</b>	<b>16,624,249</b>	<b>797,046</b>	<b>17,421,295</b>	<b>16,578,067</b>	<b>811,066</b>	<b>17,389,133</b>	<b>-32,162</b>
<b>Program Expenses:</b>							
Governmental activities							
Instruction	10,333,691	0	10,333,691	10,180,353	0	10,180,353	-153,338
Support services	4,781,494	840	4,782,334	4,625,720	0	4,625,720	-156,614
Non-instruction Programs	0	794,249	794,249	0	797,696	797,696	3,447
Other expenses	1,220,135	0	1,220,135	1,443,126	0	1,443,126	222,991
<b>Total expenses</b>	<b>16,335,320</b>	<b>795,089</b>	<b>17,130,409</b>	<b>16,249,199</b>	<b>797,696</b>	<b>17,046,895</b>	<b>-83,514</b>
<b>Change in net assets</b>	<b>288,929</b>	<b>1,957</b>	<b>290,886</b>	<b>328,868</b>	<b>13,370</b>	<b>342,238</b>	<b>51,352</b>

Property tax and unrestricted state grants account for 72% of the District's total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$16,578,067 and expenses were \$16,249,199 in fiscal 2010, the District attempted to balance revenues and expenses for most Governmental Funds, excluding the Capital Projects Fund. Particular attention was given to the District General Fund. The following table presents the total and net cost of the District's major governmental activities; instruction, support services, non-instructional programs and other expenses.

### Figure A-3 Total Net Cost of Governmental Activities

Figure A-3 shows the changes in Net costs for the years ending June 30, 2009 and June 30, 2010.

	<b>Cost of Services</b>	<b>Net Cost of Services</b>	<b>Cost of Services</b>	<b>Net Cost of Services</b>	<b>Change</b>
	<b>2009</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>	
Instruction	10,333,691	7,382,382	10,180,353	6,992,428	-389,954
Support services	4,781,494	4,737,893	4,625,720	4,585,873	-152,020
Non-instructional programs	0	0	0	0	0
Other expenses	1,220,135	324,043	1,443,126	718,579	76,637
Total	16,335,320	12,762,217	16,249,199	12,296,880	-465,337

- ◆ The cost financed by users of District's programs was \$1,256,057
- ◆ Federal and state government subsidized certain programs with grants and contributions totaling \$2,617,372
- ◆ The net cost of governmental activities was financed with \$7,164,887 in property tax and other taxes, \$5,291,691 in state foundation aid and \$78,044 in interest income.

## Business -Type Activities

Revenues for the District's business-type activities were \$811,066 and expenses were \$797,696. The District's business-type activities include the School Nutrition Fund, Latch key and Preschool programs. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income.

During the year ended June 30, 2010, the District increased its meal prices and preschool fees. This increased revenue resulted in additions to the School Nutrition Fund and Preschool Daycare Fund, which the District has obligated for updating computers and software and salaries for preschool personnel.

## **Financial Analysis of the District's Funds**

As previously noted, the Benton 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 the District completed the year, its governmental funds reported combined fund balances of \$ 6,643,841 an increase over last year's ending fund balance of \$ 4,223,428.

### **Governmental Fund Highlights**

- ◆ The District's General Fund financial position is the product of many factors. The reduction in state aid previously noted resulted in a moderate decrease in revenues. The decrease in revenues was coupled with a larger than usual decrease in General Fund expenditures. These conditions resulted in a decrease in the District's carry over fund balance.
- ◆ The General Fund balance decreased from \$1,280,642 to \$998,435 for the 2010 fiscal year. In addition 2010 was the eighth year for a District Instructional Support Levy, which has helped balance expenditures in the General Fund.
- ◆ The Physical Plant and Equipment Levy (PEEL) Fund balance increased in 2010. The Fund balance increased from \$387,110 in fiscal 2009 to \$758,109 in fiscal 2010. This fund balance will be needed as the District prepares to complete identified construction projects in various district buildings.
- ◆ The District Capital Projects Fund increased to a balance of \$3,664,721 on June 30, 2010. This balance is a combination of One-cent sales tax money collections, retainage related to the Middle/High School building project and bond revenue to complete the Atkins Elementary Renovation Project. A portion of this balance is reserved for long-term debt reduction and infrastructure projects.

### **Proprietary Fund Highlights**

The School Nutrition Fund had net assets of \$237,706 on June 30, 2010. As previously noted, the District increased meal prices resulting in the increase in net assets of \$32,532.

### **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following the required public notice and hearing for all funds, except its 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. Over the course of the year the District amended its budget one time to reflect additional revenues and expenditures associated with the Debt Service Fund. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and Major Special Revenue Funds are not presented on the budgetary comparison pages.

## Legal Budgetary Highlights

The District's total actual revenues were \$17,142,523; \$953,881 less than the total budget revenues amount of \$18,096,404. The most significant reason for the District receiving less revenue than budgeted was the mid-year reduction in state aid. Total expenditures were less than budgeted amount due primarily to the District's amount allocated for the General Fund. It is the District's practice to budget expenditures at an amount that exceeds projected expenditures for the coming fiscal but is less than the maximum allowed by law. The District then manages or controls General Fund spending through a line-item budget at the building level. As a result the District's certified budget should always exceed the actual expenditures during the fiscal year.

## Capital Assets and Debt Administration

### Capital Assets

On June 30, 2010, the District had invested \$15,095,818 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, transportation equipment, computers, and audio-visual equipment. (See Figure A-4) This amount represents a net increase from the last fiscal year. More detailed information about capital assets is available in the financial statements. Depreciation expense for the year was \$493,639.

Excluding depreciation, the District has over fifteen million dollars in capital assets. Governmental Funds account for the majority of the District's capital assets with the remainder in the Proprietary, School Nutrition Fund.

**Figure A-4**  
**Capital Assets, Net of Depreciation**

Figure A-4 shows the changes in Capital Assets for the years ending June 30, 2009 and June 30, 2010.

	<b>Governmental</b>	<b>Business-type</b>	<b>School</b>	<b>Governmentl</b>	<b>Business-Type</b>	<b>School</b>
	<b>Activities</b>	<b>Activities</b>	<b>District</b>	<b>Activities</b>	<b>Activities</b>	<b>District</b>
	<b>2009</b>	<b>2009</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>
Land	63,056	0	63,056	63,056	0	63,056
Land Improvements	257,385	0	257,385	234,829	0	234,829
Buildings	8,909,306	0	8,909,306	9,368,898	0	9,368,898
Construction	518,440	0	518,440	4,625,445	0	4,625,445
Furniture/Equip	745,526	80,039	825,565	716,944	86,646	803,590
Totals	10,493,713	80,039	10,573,752	15,009,172	86,646	15,095,818

## **Long-Term Debt**

On June 30, 2010, the District had \$9,608,193 in general obligation and other long-term debt outstanding. This represents an increase of \$6,629,193 from the 2009 fiscal year. The District issued \$6,575,000 in revenue bonds in 2010. These funds are being used to finance the Middle School High School Facility Roof and Drainage improvements and the Atkins Elementary Renovation Project.

## **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:

- ◆ Although the District has experienced declining enrollment for five of the past six years, the District expects a stable to increasing enrollment in future years due to a new housing development in progress within the District and improvements made to District infrastructure.
- ◆ The District Physical Plant and Equipment Levy will expire in 2011. This loss in revenue will have an impact on future District infrastructure projects.
- ◆ Future obligations impacting the Sales Revenue Fund (33) include the early payoff of the current general obligation bond balanced at \$2,745,000 fiscal 2010 and the annual payments on the \$6,575,000 revenue bonds for building infrastructure improvements issued in fiscal year 2010. Current annual payment obligations are approximately \$275,000 annually with future payments calculated to be approximately \$625,000 annually. The Sales Revenue Fund will generate annually, with the assumption of 2% State Sales Revenue Growth and declining district enrollment of 25 students annually, approximately \$900,000 per year.
- ◆ The District has annually supported the board approved Instructional Support Levy, ISL for the district improvements in technology, staff development, and textbook needs. This levy is a combination of property tax and district income surtax and generates approximately \$775,000 annually for the General Fund (10). If this levy is not supported on an annual basis the district general fund would be impacted by these expenses.
- ◆ The District will negotiate a new labor contract in 2011 with its employee groups for fiscal 2012. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and Reserve Fund Balance. The district will be budgeting district resources and expense within the state budget guarantee of 101% of the 2011 budget due to declining enrollment.

## **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 Douglas D. Embray, Associate Superintendent, Benton Community School District, 304 First Street, PO Box 70, Van Horne, Iowa 52346-0070.

## Basic Financial Statements

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2010

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 7,148,038	\$ 130,458	\$ 7,278,496
Cash with fiscal agent	793,864	-	793,864
Receivables:			
Property tax:			
Current year	75,615	-	75,615
Succeeding year	6,025,065	-	6,025,065
Income surtax	583,018	-	583,018
Accounts	8,733	1,530	10,263
Due from other governments	738,174	-	738,174
Inventories	8,802	38,604	47,406
Capital assets, net of accumulated depreciation (note 5)	15,009,172	86,646	15,095,818
<b>Total assets</b>	<b>30,390,481</b>	<b>257,238</b>	<b>30,647,719</b>
<b>Liabilities</b>			
Accounts payable	297,962	-	297,962
Salaries and benefits payable	1,229,092	6,531	1,235,623
Accrued interest payable	162,474	-	162,474
Deferred revenue:			
Succeeding year property tax	6,025,065	-	6,025,065
Other	575,917	13,001	588,918
Long-term liabilities (notes 6 and 7):			
Portion due within one year:			
Early retirement	65,597	-	65,597
Bonds payable	260,000	-	260,000
Portion due after one year:			
Early retirement	65,596	-	65,596
Bonds payable	9,060,000	-	9,060,000
Net OPEB liability	157,000	-	157,000
<b>Total liabilities</b>	<b>17,898,703</b>	<b>19,532</b>	<b>17,918,235</b>

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 7,528,237	\$ 86,646	\$ 7,614,883
Restricted for:			
Categorical funding (note 11)	695,138	-	695,138
Management levy	23,567	-	23,567
Physical plant and equipment levy	1,007,974	-	1,007,974
Other special revenue purposes	270,282	-	270,282
Debt service	633,666	-	633,666
Capital projects	1,825,656	-	1,825,656
Baseball program	16,859	-	16,859
Unrestricted	490,399	151,060	641,459
Total net assets	<u>\$ 12,491,778</u>	<u>\$ 237,706</u>	<u>\$ 12,729,484</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
Instruction	\$ 10,180,353	\$ 1,256,057	\$ 1,931,868
Support services:			
Student services	202,173	-	-
Instructional staff services	453,745	-	-
Administration services	1,530,448	-	-
Operation and maintenance of plant services	1,558,179	-	-
Transportation services	881,175	-	39,847
	<u>4,625,720</u>	<u>-</u>	<u>39,847</u>
Other expenditures:			
Facilities acquisition	66,921	-	-
Long-term debt interest and fiscal charges	407,520	78,890	-
AEA flowthrough	645,657	-	645,657
Depreciation (unallocated) *	323,028	-	-
	<u>1,443,126</u>	<u>78,890</u>	<u>645,657</u>
Total governmental activities	<u>16,249,199</u>	<u>1,334,947</u>	<u>2,617,372</u>
Business-Type Activities:			
Non-instructional programs:			
Food service operations	732,788	496,559	268,119
Preschool/daycare operations	64,908	45,746	-
Total business-type activities	<u>797,696</u>	<u>542,305</u>	<u>268,119</u>
Total	<u>\$ 17,046,895</u>	<u>\$ 1,877,252</u>	<u>\$ 2,885,491</u>

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (6,992,428)	\$ -	\$ (6,992,428)
(202,173)	-	(202,173)
(453,745)	-	(453,745)
(1,530,448)	-	(1,530,448)
(1,558,179)	-	(1,558,179)
(841,328)	-	(841,328)
(4,585,873)	-	(4,585,873)
(66,921)	-	(66,921)
(328,630)	-	(328,630)
-	-	-
(323,028)	-	(323,028)
(718,579)	-	(718,579)
(12,296,880)	-	(12,296,880)
-	31,890	31,890
-	(19,162)	(19,162)
-	12,728	12,728
(12,296,880)	12,728	(12,284,152)

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010

General Revenues:

Property tax levied for:  
    General purposes  
    Capital outlay  
Income surtax  
Statewide sales and services tax  
Unrestricted state and federal grants  
Unrestricted investment earnings  
Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ 5,240,198	\$ -	\$ 5,240,198
336,174	-	336,174
683,012	-	683,012
905,503	-	905,503
5,291,691	-	5,291,691
78,044	642	78,686
91,126	-	91,126
12,625,748	642	12,626,390
328,868	13,370	342,238
12,162,910	224,336	12,387,246
\$ 12,491,778	\$ 237,706	\$ 12,729,484

BENTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 2,696,773	\$ 3,248,943	\$ 1,202,322	\$ 7,148,038
Cash with fiscal agent	-	-	793,864	793,864
Receivables:				
Property tax:				
Current year	68,159	-	7,456	75,615
Succeeding year	5,450,426	-	574,639	6,025,065
Income surtax	333,153	-	249,865	583,018
Interfund receivable (note 4)	1,076	-	38,129	39,205
Accounts	8,733	-	-	8,733
Due from other governments	308,574	429,600	-	738,174
Inventories	8,802	-	-	8,802
	<hr/>			
Total assets	<u>\$ 8,875,696</u>	<u>\$ 3,678,543</u>	<u>\$ 2,866,275</u>	<u>\$ 15,420,514</u>

BENTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 224,129	\$ 13,822	60,011	\$ 297,962
Salaries and benefits payable	1,229,092	-	-	1,229,092
Interfund payable (note 4)	38,129	-	1,076	39,205
<b>Deferred revenue:</b>				
Succeeding year property tax	5,450,426	-	574,639	6,025,065
Other	935,484	-	249,865	1,185,349
Total liabilities	<u>7,877,260</u>	<u>13,822</u>	<u>885,591</u>	<u>8,776,673</u>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Categorical funding (note 11)	695,138	-	-	695,138
State grants	250	-	-	250
Inventories	8,802	-	-	8,802
Revenue bonds	-	-	550,000	550,000
Revenue bonds sinking fund	-	-	243,781	243,781
Debt service	-	-	2,359	2,359
Baseball program	-	-	16,859	16,859
<b>Unreserved, reported in:</b>				
General fund	294,246	-	-	294,246
Special revenue funds	-	-	1,167,685	1,167,685
Capital projects fund	-	3,664,721	-	3,664,721
Total fund balances	<u>998,436</u>	<u>3,664,721</u>	<u>1,980,684</u>	<u>6,643,841</u>
Total liabilities and fund balances	<u>\$ 8,875,696</u>	<u>\$ 3,678,543</u>	<u>\$ 2,866,275</u>	<u>\$ 15,420,514</u>

See notes to financial statements.

BENTON 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	\$ 6,643,841
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	15,009,172
Other long-term assets, including income surtax and other receivables, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	609,432
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.	(162,474)
Long-term liabilities, including early retirement, bonds payable and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(9,608,193)</u>
Net assets of governmental activities	<u><u>\$ 12,491,778</u></u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2010

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 5,294,413	\$ 905,503	\$ 822,689	\$ 7,022,605
Tuition	457,447	-	-	457,447
Other	164,821	59,376	571,900	796,097
Intermediate sources	2,636	-	-	2,636
State sources	7,149,281	-	401	7,149,682
Federal sources	902,990	-	-	902,990
Total revenues	<u>13,971,588</u>	<u>964,879</u>	<u>1,394,990</u>	<u>16,331,457</u>
Expenditures:				
Current:				
Instruction	9,460,116	-	566,003	10,026,119
Support services:				
Student services	202,173	-	-	202,173
Instructional staff services	453,745	-	-	453,745
Administration services	1,512,579	-	5,430	1,518,009
Operation and maintenance of plant services	1,233,157	-	366,972	1,600,129
Transportation services	749,367	-	-	749,367
	<u>4,151,021</u>	<u>-</u>	<u>372,402</u>	<u>4,523,423</u>
Other expenditures:				
Facilities acquisition	-	4,789,348	90,425	4,879,773
Long term debt:				
Principal	-	-	155,000	155,000
Interest and fiscal charges	-	72,973	264,989	337,962
AEA flowthrough	645,657	-	-	645,657
	<u>645,657</u>	<u>4,862,321</u>	<u>510,414</u>	<u>6,018,392</u>
Total expenditures	<u>14,256,794</u>	<u>4,862,321</u>	<u>1,448,819</u>	<u>20,567,934</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(285,206)</u>	<u>(3,897,442)</u>	<u>(53,829)</u>	<u>(4,236,477)</u>

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Sale of equipment	\$ 3,000	\$ -	\$ -	\$ 3,000
Interfund transfers in (note 3)	-	-	1,213,770	1,213,770
Interfund transfers out (note 3)	-	(1,213,770)	-	(1,213,770)
Revenue bonds issued	-	6,575,000	-	6,575,000
Premium on revenue bonds issued	-	78,890	-	78,890
Total other financing sources (uses)	<u>3,000</u>	<u>5,440,120</u>	<u>1,213,770</u>	<u>6,656,890</u>
Net change in fund balances	(282,206)	1,542,678	1,159,941	2,420,413
Fund balances beginning of year	<u>1,280,642</u>	<u>2,122,043</u>	<u>820,743</u>	<u>4,223,428</u>
Fund balances end of year	<u>\$ 998,436</u>	<u>\$ 3,664,721</u>	<u>\$ 1,980,684</u>	<u>\$ 6,643,841</u>

See notes to financial statements.

## BENTON 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 \$ 2,420,413

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 4,998,045	
Depreciation expense	<u>(482,586)</u>	4,515,459

Income surtax and other revenues not received until several months after the District's fiscal year end are not considered available revenues in the governmental funds and are deferred. They are, however, recorded as revenues in the Statement of Activities. 164,720

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 and does not affect the Statement of Activities. (6,575,000)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 155,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (142,531)

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

Early retirement	(131,193)	
Net OPEB liability	<u>(78,000)</u>	<u>(209,193)</u>

Change in net assets of governmental activities \$ 328,868

See notes to financial statements.

## BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2010

	<u>School Nutrition</u>	<u>Nonmajor- Preschool Daycare</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 129,799	\$ 659	\$ 130,458
Accounts receivable	865	665	1,530
Inventories	38,604	-	38,604
Capital assets, net of accumulated depreciation (note 5)	86,646	-	86,646
Total assets	<u>255,914</u>	<u>1,324</u>	<u>257,238</u>
Liabilities			
Salaries and benefits payable	-	6,531	6,531
Deferred revenue	13,001	-	13,001
Total liabilities	<u>13,001</u>	<u>6,531</u>	<u>19,532</u>
Net Assets			
Invested in capital assets	86,646	-	86,646
Unrestricted	156,267	(5,207)	151,060
Total net assets	<u>\$ 242,913</u>	<u>\$ (5,207)</u>	<u>\$ 237,706</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2010

	School Nutrition	Nonmajor- Preschool Daycare	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 496,559	\$ 45,746	\$ 542,305
Operating expenses:			
Support services:			
Operation and maintenance of plant services	840	-	840
Non-instructional programs	731,948	64,908	796,856
	732,788	64,908	797,696
Operating loss	(236,229)	(19,162)	(255,391)
Non-operating revenues:			
Interest on investments	642	-	642
State sources	7,076	-	7,076
Federal sources	261,043	-	261,043
Total non-operating revenues	268,761	-	268,761
Change in net assets	32,532	(19,162)	13,370
Net assets beginning of year	210,381	13,955	224,336
Net assets end of year	\$ 242,913	\$ (5,207)	\$ 237,706

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2010

	School Nutrition	Nonmajor- Preschool Daycare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 472,466	\$ -	\$ 472,466
Cash received from miscellaneous operating activities	21,774	45,081	66,855
Cash payments to employees for services	(317,792)	(59,716)	(377,508)
Cash payments to suppliers for goods or services	(357,411)	(2,528)	(359,939)
Net cash used by operating activities	<u>(180,963)</u>	<u>(17,163)</u>	<u>(198,126)</u>
Cash flows from non-capital financing activities:			
State grants received	7,076	-	7,076
Federal grants received	199,938	-	199,938
Net cash provided by non-capital financing activities	<u>207,014</u>	<u>-</u>	<u>207,014</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(17,660)</u>	<u>-</u>	<u>(17,660)</u>
Cash flows from investing activities:			
Interest on investments	<u>642</u>	<u>-</u>	<u>642</u>
Net increase (decrease) in cash and cash equivalents	9,033	(17,163)	(8,130)
Cash and cash equivalents beginning of year	<u>120,766</u>	<u>17,822</u>	<u>138,588</u>
Cash and cash equivalents end of year	<u>\$ 129,799</u>	<u>\$ 659</u>	<u>\$ 130,458</u>

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2010

	<u>School Nutrition</u>	<u>Nonmajor- Preschool Daycare</u>	<u>Total</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (236,229)	\$ (19,162)	\$ (255,391)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	11,053	-	11,053
Commodities used	61,105	-	61,105
(Increase) in accounts receivable	(865)	(665)	(1,530)
(Increase) in inventories	(14,573)	-	(14,573)
Increase in salaries and benefits payable	-	2,664	2,664
(Decrease) in deferred revenue	(1,454)	-	(1,454)
Net cash used by operating activities	<u>\$ (180,963)</u>	<u>\$ (17,163)</u>	<u>\$ (198,126)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$61,105 of federal commodities.

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 FIDUCIARY FUNDS  
 June 30, 2010

	<u>Agency</u>
Assets:	
Cash	\$ <u>7,211</u>
Liabilities:	
Other payables	\$ <u>7,211</u>

See notes to financial statements.

## BENTON COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2010

#### Note 1. Summary of Significant Accounting Policies

Benton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Van Horne, Atkins, Blainstow, Elberon, Keystone, Newhall, Norway, and Watkins, Iowa, and agricultural territory in Benton, Tama, and Iowa 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, Benton 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. Benton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

#### B. Basis of Presentation

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

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

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

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

The Enterprise, 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.

C. Measurement Focus and Basis of Accounting

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. 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 District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2010 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2010, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-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	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings	45-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

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

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Deferred revenue for proprietary funds and business-type activities consists of unearned meal revenue.

Long-term Liabilities – In the District-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.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2010.

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.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-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. Net assets restricted through enabling legislation as of June 30, 2010 consists of \$4,456,283.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 2. Cash and Pooled Investments (continued)

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 as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>243,954</u>

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

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody’s Investors Service.

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>1,213,770</u>

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 4. Interfund Receivables and Payables

At June 30, 2010, the interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Interfund balances between governmental funds:		
General	Special Revenue - Student Activity	\$ 1,076
Special Revenue - Physical Plant and Equipment Levy	General	<u>38,129</u>
Total		<u>\$ 39,205</u>

The interfund balances are due to timing differences involved in payroll reimbursements and corrective entries. The balances between governmental funds are not included on the District-wide Statement of Net Assets.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 5. 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
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 63,056	\$ -	\$ -	\$ 63,056
Construction in progress	518,440	4,179,545	72,540	4,625,445
Total capital assets not being depreciated	<u>581,496</u>	<u>4,179,545</u>	<u>72,540</u>	<u>4,688,501</u>
Capital assets being depreciated:				
Buildings	15,138,344	764,041	-	15,902,385
Improvements other than buildings	458,673	-	-	458,673
Furniture and equipment	2,262,940	126,999	47,467	2,342,472
Total capital assets being depreciated	<u>17,859,957</u>	<u>891,040</u>	<u>47,467</u>	<u>18,703,530</u>
Less accumulated depreciation for:				
Buildings	6,229,038	304,449	-	6,533,487
Improvements other than buildings	201,288	22,556	-	223,844
Furniture and equipment	1,517,414	155,581	47,467	1,625,528
Total accumulated depreciation	<u>7,947,740</u>	<u>482,586</u>	<u>47,467</u>	<u>8,382,859</u>
Total capital assets being depreciated, net	<u>9,912,217</u>	<u>408,454</u>	<u>-</u>	<u>10,320,671</u>
Governmental activities capital assets, net	<u>\$ 10,493,713</u>	<u>\$ 4,587,999</u>	<u>\$ 72,540</u>	<u>\$ 15,009,172</u>
<b>Business-type activities:</b>				
Furniture and equipment	\$ 178,981	\$ 17,660	\$ -	\$ 196,641
Less accumulated depreciation	98,942	11,053	-	109,995
Business-type activities capital assets, net	<u>\$ 80,039</u>	<u>\$ 6,607</u>	<u>\$ -</u>	<u>\$ 86,646</u>

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 5. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction	\$ 32,501
Support services:	
Administration	1,296
Operation and maintenance of plant services	8,391
Transportation	<u>117,370</u>
	159,558
Unallocated depreciation	<u>323,028</u>
Total governmental activities depreciation expense	<u>\$ 482,586</u>

Business-type activities:

Food service operations	<u>\$ 11,053</u>
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Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ -	\$ 131,193	\$ -	\$ 131,193	\$ 65,597
General obligation bonds	2,900,000	-	155,000	2,745,000	160,000
Revenue bonds	-	6,575,000	-	6,575,000	100,000
Net OPEB liability	79,000	78,000	-	157,000	-
Total	<u>\$ 2,979,000</u>	<u>\$ 6,784,193</u>	<u>\$ 155,000</u>	<u>\$ 9,608,193</u>	<u>\$ 325,597</u>

Early Retirement

The District offers a voluntary early retirement plan to its licensed and classified employees. Eligible employees must be at least age fifty-five on or before June 30, 2010 and must have completed twenty years of continuous contracted service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible licensed employee is equal to 30% of the employee's base salary excluding extra duty, extra-curricular, Phase II monies, teacher compensation funds, teacher quality funds or other payments not included in the salary schedule. The early retirement benefit for each eligible classified employee is equal to 30% of the employee's 2009-10 base salary or wages. Early retirement benefits will be paid in two equal annual payments into a 403 (b) plan.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Long-Term Liabilities (continued)

Early Retirement (continued)

At June 30, 2010, the District has obligations to eleven participants with a total liability of \$131,193. There were no actual early retirement expenditures for the year ended June 30, 2010. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Bonds Payable

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

Year Ending June 30,	Bond Issue of November 1, 1993			
	Interest Rates	Principal	Interest	Total
2011	6.00 %	\$ 35,000	\$ 2,100	\$ 37,100

Year Ending June 30,	Bond Issue of December 1, 2003			
	Interest Rates	Principal	Interest	Total
2011	4.500 %	\$ 125,000	\$ 110,058	\$ 235,058
2012	3.375	170,000	104,432	274,432
2013	3.500	180,000	98,695	278,695
2014	3.700	185,000	92,395	277,395
2015	3.800	190,000	85,550	275,550
2016	3.900	200,000	78,330	278,330
2017	4.000	210,000	70,530	280,530
2018	4.100	215,000	62,130	277,130
2019	4.150	225,000	53,315	278,315
2020	4.250	235,000	43,977	278,977
2021	4.300	245,000	33,990	278,990
2022	4.400	260,000	23,455	283,455
2023	4.450	270,000	12,015	282,015
Subtotal		2,710,000	868,872	3,578,872
Total		\$ 2,745,000	\$ 870,972	\$ 3,615,972

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Long-Term Liabilities (continued)

Revenue Bonds

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

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	3.000 %	\$ 100,000	\$ 286,062	\$ 386,062
2012	3.000	175,000	281,938	456,938
2013	3.000	200,000	276,312	476,312
2014	3.000	250,000	269,563	519,563
2015	4.000	250,000	260,812	510,812
2016	4.000	275,000	250,313	525,313
2017	4.000	275,000	239,312	514,312
2018	4.000	275,000	228,313	503,313
2019	4.000	300,000	216,812	516,812
2020	4.000	320,000	204,413	524,413
2021	4.100	325,000	191,350	516,350
2022	4.250	350,000	177,250	527,250
2023	4.375	370,000	161,719	531,719
2024	4.500	375,000	145,188	520,188
2025	5.000	400,000	126,750	526,750
2026	5.000	420,000	106,250	526,250
2027	5.000	450,000	84,500	534,500
2028	5.000	465,000	61,625	526,625
2029	5.000	500,000	37,500	537,500
2030	5.000	500,000	12,500	512,500
		<u>\$ 6,575,000</u>	<u>\$ 3,618,482</u>	<u>\$ 10,193,482</u>

The District pledged future statewide sales and services tax revenues to repay the \$6,575,000 bonds issued in July 2009. The bonds were issued for the purpose of financing a portion of the costs of an elementary school addition. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 40 to 60 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$10,193,482. For the current year, interest only of \$143,781 was paid on the bonds and total statewide sales and services tax revenues were \$905,503.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Long-Term Liabilities (continued)

Revenue Bonds (continued)

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

- a) \$550,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Fund to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Fund. The balance of the proceeds shall be deposited in the Project Fund.
- b) All proceeds from the statewide sales and services tax shall be placed in a Revenue Fund.
- c) Sufficient monthly deposits amounting to one twelfth of the next principal and one sixth of the next interest payment shall be made to the Sinking Fund for the purpose of making the bond principal and interest payments when due.
- d) Any monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 43 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 7. Other Postemployment Benefits (OPEB) (continued)

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	\$ 113,000
Interest on net OPEB obligation	4,000
Adjustment to annual required contribution	<u>(3,000)</u>
Annual OPEB cost	114,000
Contributions made	<u>36,000</u>
Increase in net OPEB obligation	78,000
Net OPEB obligation beginning of year	<u>79,000</u>
Net OPEB obligation end of year	<u>\$ 157,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$36,000 to the medical plan. Plan members eligible for benefits contributed \$49,000, or 57.6% of the premium costs.

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

<u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
June 30, 2010	\$ 114,000	31.6%	\$ 78,000

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$1,011,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,011,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,497,000, and the ratio of the UAAL to covered payroll was 40.5%. As of June 30, 2010, there were no trust fund assets.

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 7. Other Postemployment Benefits (OPEB) (continued)

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, 2008 actuarial valuation date, the projected unit credit actuarial cost 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 is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2008.

Projected claim costs of the medical plan are \$765 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.

Note 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 covered salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$657,112, \$626,101, and \$568,780, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Benton 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.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$645,657 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.

Note 11. Categorical Funding

The District's fund balance reserved for categorical funding at June 30, 2010 is comprised of the following programs:

Program	Amount
Limited English proficient	\$ 5,036
Gifted and talented programs	185,047
Returning dropouts and dropout prevention programs	115,468
Four-year-old preschool	259,728
Beginning teacher mentoring and induction	8,006
Salary improvement program	81,002
Market factor	1,352
Model core curriculum	4,000
Professional development for model core curriculum	23,125
Professional development	6,547
Market factor incentives	<u>5,827</u>
Total	<u>\$ 695,138</u>

Note 12. Construction Commitments

The District has entered into a contract totaling \$5,721,790 for an elementary school addition. As of June 30, 2010, costs of \$4,035,461 had been incurred against the contract. The balance of \$1,686,329 remaining at June 30, 2010 will be paid as work on the project progresses.

Required Supplementary Information

BENTON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule 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	Budgeted Amounts		Final to Actual Variance
	Funds - Actual	Funds - Actual		Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 8,276,149	\$ 542,947	\$ 8,819,096	\$ 8,789,808	\$ 8,789,808	\$ 29,288
Intermediate sources	2,636	-	2,636	-	-	2,636
State sources	7,149,682	7,076	7,156,758	8,806,596	8,806,596	(1,649,838)
Federal sources	902,990	261,043	1,164,033	500,000	500,000	664,033
<b>Total revenues</b>	<b>16,331,457</b>	<b>811,066</b>	<b>17,142,523</b>	<b>18,096,404</b>	<b>18,096,404</b>	<b>(953,881)</b>
<b>EXPENDITURES/EXPENSES:</b>						
Instruction	10,026,119	-	10,026,119	10,535,968	10,535,968	509,849
Support services	4,523,423	840	4,524,263	5,314,000	5,314,000	789,737
Non-instructional programs	-	796,856	796,856	821,500	821,500	24,644
Other expenditures	6,018,392	-	6,018,392	8,849,032	8,992,813	2,974,421
<b>Total expenditures/expenses</b>	<b>20,567,934</b>	<b>797,696</b>	<b>21,365,630</b>	<b>25,520,500</b>	<b>25,664,281</b>	<b>4,298,651</b>
Excess (deficiency) of revenues over (under) expenditures/ expenses	(4,236,477)	13,370	(4,223,107)	(7,424,096)	(7,567,877)	3,344,770
Other financing sources, net	6,656,890	-	6,656,890	7,000,000	7,000,000	(343,110)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	2,420,413	13,370	2,433,783	(424,096)	(567,877)	3,001,660
Balance beginning of year	4,223,428	224,336	4,447,764	2,851,192	2,851,192	1,596,572
Balance end of year	\$ <u>6,643,841</u>	\$ <u>237,706</u>	\$ <u>6,881,547</u>	\$ <u>2,427,096</u>	\$ <u>2,283,315</u>	\$ <u>4,598,232</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
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 comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$143,781.

During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2010

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
2009	July 1,2008	\$ -	\$ 1,011	\$ 1,011	0.0%	\$ 2,448	41.3%
2010	July 1,2008	-	1,011	1,011	0.0%	2,497	40.5%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## Other Supplementary Information

## BENTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2010

	<u>Special Revenue</u>					<u>Permanent Marjorie Smith Trust</u>	<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>			
<b>Assets</b>							
Cash and pooled investments	\$ 138,335	\$ 277,615	\$ 767,237	\$ 2,276	\$ 16,859		\$ 1,202,322
Cash with fiscal agent	-	-	-	793,864	-		793,864
Receivables:							
Property tax:							
Current year	2,916	-	4,540	-	-		7,456
Succeeding year	310,000	-	264,639	-	-		574,639
Income surtax	-	-	249,865	-	-		249,865
Interfund receivable	-	-	38,129	-	-		38,129
<b>Total assets</b>	<b>\$ 451,251</b>	<b>\$ 277,615</b>	<b>\$ 1,324,410</b>	<b>\$ 796,140</b>	<b>\$ 16,859</b>		<b>\$ 2,866,275</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 1,957	\$ 6,257	\$ 51,797	\$ -	\$ -		\$ 60,011
Interfund payable	-	1,076	-	-	-		1,076
Deferred revenue:							
Succeeding year property tax	310,000	-	264,639	-	-		574,639
Other	-	-	249,865	-	-		249,865
<b>Total liabilities</b>	<b>311,957</b>	<b>7,333</b>	<b>566,301</b>	<b>-</b>	<b>-</b>		<b>885,591</b>
<b>Fund balances:</b>							
Reserved for:							
Revenue bonds	-	-	-	550,000	-		550,000
Revenue bonds sinking fund	-	-	-	243,781	-		243,781
Debt service	-	-	-	2,359	-		2,359
Baseball program	-	-	-	-	16,859		16,859
Unreserved:							
Undesignated	139,294	270,282	758,109	-	-		1,167,685
<b>Total fund balances</b>	<b>139,294</b>	<b>270,282</b>	<b>758,109</b>	<b>796,140</b>	<b>16,859</b>		<b>1,980,684</b>
<b>Total liabilities and fund balances</b>	<b>\$ 451,251</b>	<b>\$ 277,615</b>	<b>\$ 1,324,410</b>	<b>\$ 796,140</b>	<b>\$ 16,859</b>		<b>\$ 2,866,275</b>

See accompanying independent auditor's report.

## BENTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2010

	<u>Special Revenue</u>					<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	<u>Permanent Marjorie Smith Trust</u>	
Revenues:						
Local sources:						
Local tax	\$ 214,411	\$ -	\$ 608,278	\$ -	\$ -	\$ 822,689
Other	331	568,734	2,381	92	362	571,900
State sources	152	-	249	-	-	401
Total revenues	<u>214,894</u>	<u>568,734</u>	<u>610,908</u>	<u>92</u>	<u>362</u>	<u>1,394,990</u>
Expenditures:						
Current:						
Instruction	-	566,003	-	-	-	566,003
Support services:						
Administration services	5,430	-	-	-	-	5,430
Operation and maintenance of plant services	217,488	-	149,484	-	-	366,972
Other expenditures:						
Facilities acquisition	-	-	90,425	-	-	90,425
Long term debt:						
Principal	-	-	-	155,000	-	155,000
Interest and fiscal charges	-	-	-	264,989	-	264,989
Total expenditures	<u>222,918</u>	<u>566,003</u>	<u>239,909</u>	<u>419,989</u>	<u>-</u>	<u>1,448,819</u>
Excess (deficiency) of revenues over (under) expenditures	(8,024)	2,731	370,999	(419,897)	362	(53,829)
Other financing sources:						
Interfund transfers in	-	-	-	1,213,770	-	1,213,770
Net change in fund balances	(8,024)	2,731	370,999	793,873	362	1,159,941
Fund balances beginning of year	<u>147,318</u>	<u>267,551</u>	<u>387,110</u>	<u>2,267</u>	<u>16,497</u>	<u>820,743</u>
Fund balances end of year	<u>\$ 139,294</u>	<u>\$ 270,282</u>	<u>\$ 758,109</u>	<u>\$ 796,140</u>	<u>\$ 16,859</u>	<u>\$ 1,980,684</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Cocurricular	\$ 4,807	\$ 2,197	\$ 281	\$ 6,723
Drama	5,287	7,143	12,280	150
Vocal	29,394	81,100	93,269	17,225
Instrumental	2,327	80,709	81,881	1,155
Industrial Tech. Resale	522	428	162	788
Student Council	753	2,289	2,085	957
Media Club	2,825	2,177	1,228	3,774
Concessions	255	-	-	255
Yearbook	21,941	14,255	13,156	23,040
Art Club	5,605	4,025	8,391	1,239
Pom Pom	868	6,037	4,857	2,048
SADD	205	-	-	205
FFA	33,640	56,651	53,779	36,512
Spanish Club	17,010	16,274	20,054	13,230
National Honor Society	1,692	2,697	3,025	1,364
FCCLA	109	8,398	7,577	930
Wrestlerettes	45	-	-	45
Thespians	2,856	1,190	1,805	2,241
Class of 2009	874	-	122	752
Class of 2010	1,331	3,208	4,004	535
Class of 2011	2,460	1,235	1,869	1,826
Class of 2012	1,280	1,206	46	2,440
Class of 2013	-	1,182	-	1,182
Robotics	-	720	203	517
HOSA	3,962	-	-	3,962
B/G Cocurricular	-	3,974	-	3,974
General Athletics	64,824	195,605	172,377	88,052
	<u>204,872</u>	<u>492,700</u>	<u>482,451</u>	<u>215,121</u>
Middle School:				
Student Council	1,229	119	-	1,348

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
<b>Atkins:</b>				
Cocurricular	\$ 434	\$ 50	\$ -	\$ 484
Student Council	20,060	14,852	17,464	17,448
Media Club	3,957	4,721	2,257	6,421
	<u>24,451</u>	<u>19,623</u>	<u>19,721</u>	<u>24,353</u>
<b>Norway:</b>				
Cocurricular	1,113	17	-	1,130
Student Council	4,233	21,757	23,244	2,746
Media Club	1,142	7,829	5,602	3,369
Yearbook	(965)	4,040	3,075	-
	<u>5,523</u>	<u>33,643</u>	<u>31,921</u>	<u>7,245</u>
<b>Keystone:</b>				
Cocurricular	4,037	66	-	4,103
VHE Fundraiser	2,000	-	-	2,000
Student Council	22,014	20,318	31,910	10,422
Media Club	2,747	2,265	-	5,012
Art Club	678	-	-	678
	<u>31,476</u>	<u>22,649</u>	<u>31,910</u>	<u>22,215</u>
<b>Total</b>	<u>\$ 267,551</u>	<u>\$ 568,734</u>	<u>\$ 566,003</u>	<u>270,282</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2010

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ <u>7,211</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,211</u>
Liabilities				
Other payables	\$ <u>7,211</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,211</u>

See accompanying independent auditor's report.

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BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST SIX YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	\$ 7,022,605	\$ 7,365,681	\$ 6,316,008	\$ 6,200,534
Tuition	457,447	432,324	331,666	411,950
Other	796,097	154,779	922,268	779,811
Intermediate sources	2,636	24,335	5,020	27,250
State sources	7,149,682	8,235,992	8,294,627	7,570,220
Federal sources	902,990	407,638	326,764	408,774
Total revenues	<u>\$ 16,331,457</u>	<u>\$ 16,620,749</u>	<u>\$ 16,196,353</u>	<u>\$ 15,398,539</u>
Expenditures:				
Instruction	\$ 10,026,119	\$ 10,279,703	\$ 9,806,078	\$ 8,915,773
Support services:				
Student services	202,173	240,429	247,792	218,385
Instructional staff services	453,745	439,262	420,346	399,005
Administration services	1,518,009	1,612,113	1,535,295	1,329,890
Operation and maintenance of plant services	1,600,129	1,550,534	1,618,579	1,659,135
Transportation services	749,367	949,790	794,070	857,489
Non-instructional programs	-	-	27,055	-
Other expenditures:				
Facilities acquisition	4,879,773	1,112,840	1,184,905	1,040,783
Long-term debt:				
Principal	155,000	145,000	140,000	135,000
Interest and fiscal charges	337,962	153,888	134,045	140,015
AEA flowthrough	645,657	578,193	563,196	531,883
Total expenditures	<u>\$ 20,567,934</u>	<u>\$ 17,061,752</u>	<u>\$ 16,471,361</u>	<u>\$ 15,227,358</u>

See accompanying independent auditor's report.

	<u>2006</u>	<u>2005</u>
\$	5,749,200	\$ 5,666,309
	435,003	394,057
	660,751	554,516
	-	31,116
	7,222,771	6,660,965
	416,949	275,729
	<u>\$ 14,484,674</u>	<u>\$ 13,582,692</u>
\$	8,477,351	\$ 8,191,843
	282,904	236,472
	415,950	361,657
	1,264,891	1,106,402
	1,416,325	1,335,313
	785,013	756,403
	-	-
	672,640	1,454,627
	125,000	45,000
	145,453	203,246
	500,773	477,287
	<u>\$ 14,086,300</u>	<u>\$ 14,168,250</u>

BENTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 10	\$ 24,792
National School Lunch Program	10.555	FY 10	175,146
National School Lunch Program (non-cash)	10.555	FY 10	<u>61,105</u>
			<u>261,043</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	FY 09	12,650
Title I Grants to Local Educational Agencies	84.010	FY 10	98,167
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 09	10,853
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	<u>35,283</u>
			<u>156,953</u>
Special Education - Preschool Grants	84.173	FY 09	<u>76</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 09	1,700
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 10	<u>4,674</u>
			<u>6,374</u>
Improving Teacher Quality State Grants	84.367	FY 10	<u>46,682</u>
Grants for State Assessments and Related Activities	84.369	FY 10	<u>10,095</u>
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 10	<u>243,585</u>
Grant Wood Area Education Agency:			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 10	85,702
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 09	46,868
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 10	<u>107,358</u>
			<u>239,928</u>
Career and Technical Education - Basic Grants to States	84.048	FY 10	<u>10,240</u>
Total			<u>\$ 974,976</u>

BENTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Benton 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.

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  
Benton 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 Benton 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 February 11, 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 Benton 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 an opinion on the effectiveness of Benton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Benton Community School District's internal control over financial reporting.

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

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 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.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton 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, noncompliance 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 noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Benton Community School 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.

Benton 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 Benton 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 Benton Community School District and other parties to whom Benton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Oskaloosa, Iowa  
February 11, 2011

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  
Benton Community School District:

Compliance

We have audited the compliance of Benton 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. Benton 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 Benton Community School District's management. Our responsibility is to express an opinion on Benton Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Benton 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 Benton Community School District's compliance with those requirements.

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

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.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part III of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

Benton 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 Benton 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 Benton Community School District and other parties to whom Benton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa  
February 11, 2011

BENTON 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) Significant deficiencies in internal control over financial reporting were 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) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
  - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Benton Community School District did not qualify as a low-risk auditee.

BENTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

II-A-10 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as reviewing, recording and processing cash receipts and performing bank reconciliations, which can be performed by the same person, and preparing, recording, and mailing checks, which can be performed by the same person. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken some steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that a lack of segregation of duties in the above mentioned areas still exists.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances. You could have someone else who does not record transactions or sign checks receive the bank statements unopened and initial off as having reviewed the bank statement for any unusual transactions.

Response – We will review the recommendation and look to improve in areas where possible.

Conclusion – Response accepted.

II-B-10 Bank Reconciliation – We noted that differences on the General Fund bank reconciliation were not investigated and were adjusted without determining the proper accounts. We also noted an outstanding check that was not included on the bank reconciliation. Adjusting journal entries have been made to the general ledger to correct these items.

Recommendation – Any differences on the monthly bank reconciliations should be investigated and corrected. Payroll withholding accounts should also be reconciled to the actual amounts owed.

Response – We will investigate and correct any bank reconciliation differences and any payroll withholding account differences in the future.

Conclusion – Response accepted.

II-C-10 Nontimely Deposits – We noted three checks in the Special Revenue, Student Activity Fund from the District school buildings that were not deposited for up to one month.

Recommendation – All checks should be deposited as soon as possible to safeguard the asset and avoid any possible irregularities.

Response – We will try to ensure that all checks are deposited timely.

Conclusion – Response accepted.

BENTON 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 reported.

Significant Deficiencies:

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

III-A-10 Segregation of Duties – One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the posting of the cash receipts to the cash receipts journal, the preparing and recording of checks, and the bank reconciliations are all performed by the same person.

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

Response – We will review the recommendation and look to improve in areas where possible.

Conclusion – Response accepted.

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

III-B-10 Segregation of Duties – One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the preparing, recording, and mailing of checks and the bank reconciliations are all performed by the same person.

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

Response – We will review the recommendation and look to improve in areas where possible.

Conclusion – Response accepted.

BENTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-10 Certified Budget – Expenditures for the year ended June 30, 2010, did not exceed the amounts budgeted.
- IV-B-10 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of 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 – No business transactions between the District and District officials or employees were noted.
- 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 – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-10 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education for October 1, 2009 was overstated by one student, who was enrolled but dropped out of the District prior to the certified enrollment count date.
- Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response – We will contact the Iowa Department of Education and the Department of Management.
- Conclusion – Response accepted.
- 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 – 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 were noted.
- IV-J-10 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

BENTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

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

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

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

Beginning balance	\$	937,288
Statewide sales and services tax revenue		905,503
Expenditures/transfers out:		
Debt service for school infrastructure:		
General obligation debt		148,667
Ending balance	\$	1,694,124

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

		<u>Per \$1,000 of Taxable Valuation</u>		<u>Property Tax Dollars</u>
Physical plant and equipment levy	\$	0.97560	\$	461,168
Debt service levy		0.93999		444,335

IV-M-10 Financial Condition – The Enterprise, Preschool/Daycare Fund has negative net assets of \$5,207 at June 30, 2010.

Recommendation – The District needs to explore alternatives to restore the Preschool/Daycare Fund to a sound financial condition.

Response – The Board is aware of the condition and will work on restoring the fund to a sound financial condition.

Conclusion – Response accepted.