

C & M COMMUNITY SCHOOL DISTRICT
MASSENA, IOWA

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

JUNE 30, 2010

TABLE OF CONTENTS

	Page
OFFICIALS	3
INDEPENDENT AUDITOR’S REPORT	4-5
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	6-14
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Assets	16-17
B Statement of Activities	18-21
Governmental Fund Financial Statements:	
C Balance Sheet	22
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	23
E Statement of Revenues, Expenditures and Changes in Fund Balances	24-25
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	26
Proprietary Fund Financial Statements:	
G Statement of Net Assets	27
H Statement of Revenues, Expenses and Changes in Net Assets	28
I Statement of Cash Flows	29-30
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Assets	31
K Statement of Changes in Fiduciary Net Assets	32
Notes to Financial Statements	33-45
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	48
Notes to Required Supplementary Information – Budgetary Reporting	49
Schedule of Funding Progress for the Retiree Health Plan	50
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	52
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	53
3 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	54
4 Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	55
5 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	56-57
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	58-59
SCHEDULE OF FINDINGS	60-62

C & M COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2009 Election)		
Gary Dinkla	President	2011
Jennifer Holste	Vice President	2011
Todd McKee	Board Member	2009
Rob Ticknor	Board Member	2009
Sean South	Board Member	2011
<u>Board of Education</u>		
(After September 2009 Election)		
Gary Dinkla	President	2011
Jennifer Holste	Vice President	2011
Sean South	Board Member	2011
Todd McKee	Board Member	2013
Rob Ticknor	Board Member	2013
<u>School Officials</u>		
Steve Pelzer	Superintendent	2010
Linda Edwards	District Secretary/Treasurer	2010
Rick Franck	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
C & M 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 C & M 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 C & M 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 October 13, 2010 on our consideration of C & M Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. 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 6 through 14 and 48 through 50 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 C & M 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 5 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
October 13, 2010

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

- General Fund revenues increased from \$2,342,957 in fiscal 2009 to \$2,424,390 in fiscal 2010, while General Fund expenditures increased from \$2,210,736 in fiscal 2009 to \$2,342,033 in fiscal 2010. There was an increase in the District's General Fund balance from \$278,256 in fiscal 2009 to \$360,667 in fiscal 2010, a 29.6% percent increase from the prior year.
- Another bus was leased during the 2010 fiscal year. The PPEL/SILO funds revenues totaled \$259,763 for FY 2010, a decrease of \$22,226. Cash reserve levy for FY 2010 was \$245,000 compared to \$215,000 in FY 2009.
- Enrollment increased from 200.6 in FY 2009 to 205.2 in FY 2010.
- The position of business manager/board secretary was shared with the Anita Community School District with costs to be shared and incentive dollars to be received in FY 2011.
- Reorganization efforts were begun with a vote scheduled for September 2010.

Overview of the 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.
- 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.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

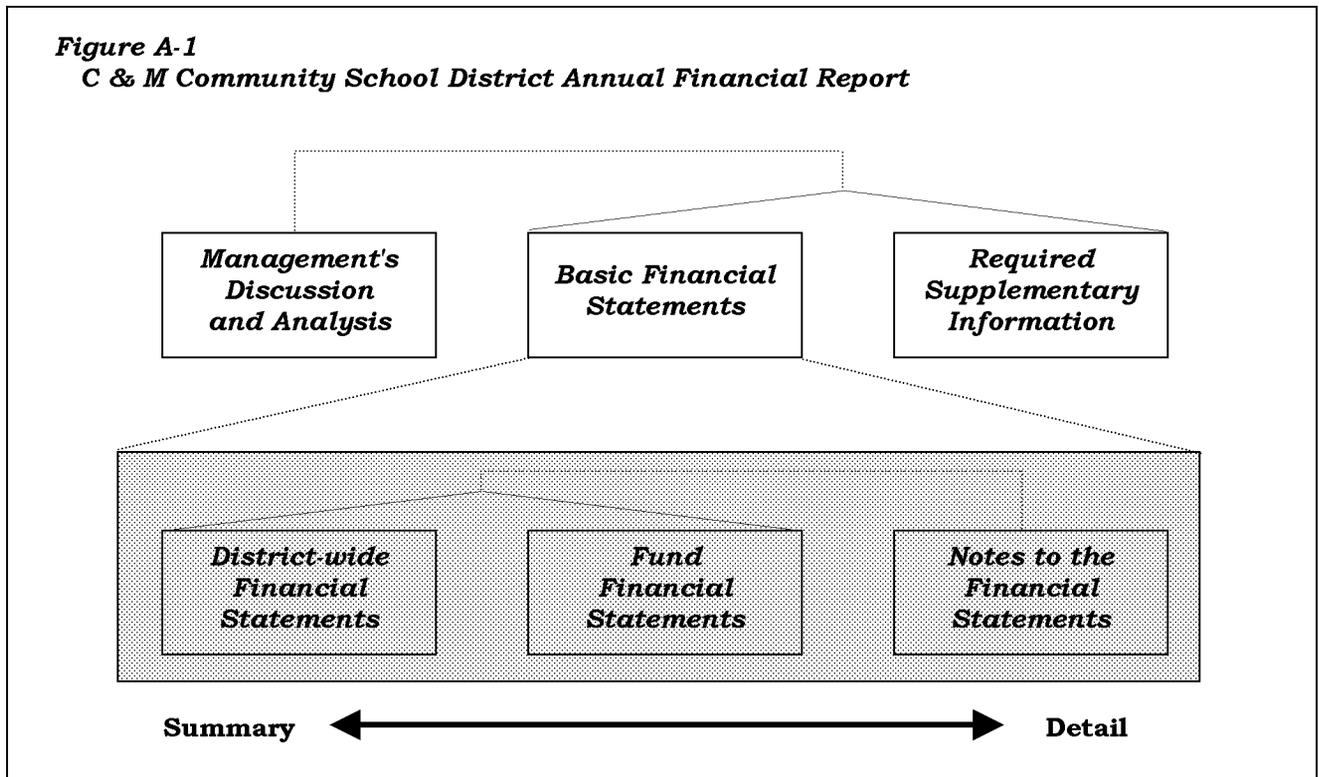


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents of each of the statements.

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

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 expenses 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 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 and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. 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, and Capital Projects Fund.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the 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 one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employees' purchases for the Hearts and Flowers fund and for the CMEA (Education Association) fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the 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-3 below provides a summary of the District's net assets for the year ended June 30, 2010 compared to 2009.

**Figure A-3
Condensed Statement of Net Assets**

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	\$2,0134,414	\$1,752,017	\$4,227	\$4,238	\$2,017,641	\$1,756,255	14.9%
Capital assets	\$1,161,359	\$1,547,883	\$6,006	\$6,066	\$1,167,365	\$1,553,949	-24.9%
Total Assets	\$3,174,773	\$3,299,900	\$10,233	\$10,304	\$3,185,006	\$3,310,204	-3.8%
Long-term obligations	\$156,668	\$134,506	0	0	\$156,668	\$134,506	16.5%
Other obligations	\$1,170,382	\$1,078,820	0	0	\$1,170,382	\$1,078,820	8.5%
Total Liabilities	\$1,327,050	\$1,213,326	0	0	\$1,327,050	\$1,213,326	9.4%
Net assets:							
Invested in capital assets, net of related debt	\$1,069,257	\$1,506,944	\$6,006	\$6,066	1,075,263	\$1,513,010	-28.9%
Restricted	\$396,826	\$284,798	0	0	\$396,826	284,798	39.3%
Unrestricted	\$381,640	\$294,832	\$4,227	\$4,238	\$385,867	\$299,070	29.0%
Total Net Assets	\$1,847,723	\$2,086,574	\$10,233	\$10,304	\$1,857,956	\$2,096,878	-11.4%

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

**Figure A-4
Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total School District</u>		<u>Total Change</u>
	June 30 2010	June 30 2009	June 30 2010	June 30 2009	June 30 2010	June 30 2009	
Revenues:							
Program revenues:							2009-2010
Charges for service and sales	\$354,762	\$241,281	\$45,947	\$42,897	\$400,709	\$284,178	41.0%
Operating grants, contributions, and restricted interest	388,072	341,783	56,666	49,531	444,738	391,314	13.7%
Capital grants, contributions and restricted interest	0	0	0	7,280	0	7,280	-100.0%
General revenues:							
Property tax	1,111,353	1,047,629	0	0	1,111,353	1,047,629	6.1%
Unrestricted state grants	632,213	754,998	0	0	632,213	754,998	-16.3%
Unrestricted investment earnings	1,387	12,447	31	24	1,418	12,471	-88.6%
Other	261,840	310,740	0	0	261,840	310,740	-15.7%
Total Revenues	\$2,749,627	\$2,708,878	\$102,644	\$99,732	\$2,852,271	\$2,808,610	1.6%
Program expenses:							
Governmental activities							
Instruction	1,725,233	1,598,352	0	0	1,725,233	1,598,352	7.9%
Support services	701,040	743,034	0	0	701,040	743,034	-5.7%
Non-instructional programs	5,503	8,142	102,715	93,810	108,218	101,952	6.1%
Other expenses	176,775	160,459	0	0	176,775	160,459	10.2%
Total Expenses	\$2,608,551	\$2,509,987	102,715	\$93,810	\$2,711,266	\$2,603,797	4.1%
Loss on disposal of capital assets	379,927				379,927		Inf
Change in net assets	-238,851	198,891	-71	5,922	-238,922	204,813	-216.7%

In 2010, property tax and unrestricted state grants account for 63.4 percent of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services which account for 93.0 percent of the total governmental activities expenses.

Governmental Activities

Revenues for governmental activities were \$2,749,627 and expenses were \$2,608,551. Invested in capital assets decreased 28.9% due to the sale and deletion of the Cumberland elementary building.

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

**Figure A-5
Total and Net Cost of Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$1,725,233	\$1,060,408
Support Services	\$701,040	\$701,040
Non-instructional programs	\$5,503	\$5,503
Other expenses	<u>\$176,775</u>	<u>\$98,766</u>
Totals	\$2,608,551	\$1,865,717

- The cost financed by users of the District's programs was \$354,762.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$388,072.
- The net cost of governmental activities was financed with \$1,111,353 in property tax, \$632,213 in state foundation aid, \$88,027 in income surtax, \$139,724 in local option taxes, \$1,387 in interest income, and \$34,089 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$102,644 and expenses were \$102,715. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2010, the District did not increase meal prices. The School Nutrition Fund had been running a deficit for a significant number of years. The District was at a break even point this fiscal year.

Financial Analysis of the District's Funds

As previously noted, the C & M Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$770,626, up from last year's ending fund balances of \$598,072.

Governmental Fund Highlights

- The General Fund balance increased from \$278,256 to \$360,667 due to managed spending which kept expenditures less than our revenues.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$97,070 in fiscal 2009 to \$101,618 in fiscal 2010. Expenditures from the PPEL Fund in FY 2010 included technology equipment for \$63,289.67 (including laptop lease), copier \$5,715, floor cleaning machine \$7,277.50, repairs to heaters \$6,759.13, kiln for art room \$3,145.05, gym scoreboard \$7,149.83, storage shed built by construction class \$5,291.79, and landscaping and gravel \$2,888.18. Funds were transferred from the SILO Fund for some of these projects.
- The School Infrastructure and Local Option Sales tax (SILO) Fund balance increased from \$167,780 in fiscal 2009 to \$246,914 in fiscal 2010. SILO funds can be used for the same purposes as PPEL funds. Expenditures from the SILO Fund included bus lease payments of \$19,608.05, concrete for storage shed and other landscaping projects \$11,454.55, fire marshal requirements \$9,297.00, replace fire escape hardware and remove skylights \$12,897.00, and repaint lockers \$7,527.06

Proprietary Fund Highlights

The District is making strides in improving the financial situation of the School Nutrition Fund. The previous four-year increase in meal prices has enabled the District to be at, at least, a break even point.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 48-49.

Legal Budgetary Highlights

The District's total actual receipts were \$8,168 more than the total budgeted receipts, a variance of .28%.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year. Even though the District was under budget in total, there were two functional line items that were exceeded at year end. Instruction was exceeded by \$26,452 due to some items that were budgeted as support services which actually ended up being classified as instruction. Other Expenditures was exceeded by \$95,399 due to capital lease payments from the Debt Service Fund and some Sales Tax Fund expenses being mistakenly budgeted as non-instruction instead of construction.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2010, the District had invested \$1,167,365, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$113,679.

The original cost of the District's capital assets was \$2,754,342. Governmental funds account for \$2,719,286 with the remainder of \$35,056 in the Proprietary, School Nutrition Fund.

Significant capital assets activities include the purchase of a bus and the sale and deletion of the Cumberland elementary building

Long-Term Debt

At June 30, 2010, the District had long-term debt totaling \$156,668, for two early-retirement plans, the net OPEB liability, the lease purchase agreement for computers and computer equipment, and the lease purchase agreement of two school buses. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

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:

- Whole-grade sharing revenues and expenditures should be at the same level as Fiscal Year 2010. The Sharing Agreement was renewed in fiscal 2007.
- The District's health insurance premiums for fiscal year 2011 will be significantly lower than the previous year.
- The C & M and Anita districts passed a reorganization vote for fiscal year 2012 and work is progressing towards that goal.

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 Linda Edwards, District Secretary/Treasurer and Business Manager, C & M Community School District, 207 E. Sixth Street, Massena, Iowa, 50853.

Basic Financial Statements

C & M COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 633,027	\$ 3,844	\$ 636,871
Receivables:			
Property tax:			
Current year	23,972	-	23,972
Succeeding year	1,114,489	-	1,114,489
Income surtax	75,125	-	75,125
Accrued interest	30	-	30
Accounts	83,994	-	83,994
Due from other governments	82,777	-	82,777
Inventories	-	383	383
Capital assets, net of accumulated depreciation (note 4)	1,161,359	6,006	1,167,365
Total assets	3,174,773	10,233	3,185,006
Liabilities			
Accounts payable	52,655	-	52,655
Accrued interest payable	2,719	-	2,719
Deferred revenue:			
Succeeding year property tax	1,114,489	-	1,114,489
Other	519	-	519
Long-term liabilities (notes 5 and 6):			
Portion due within one year:			
Early retirement	2,400	-	2,400
Capital lease purchase agreements	51,692	-	51,692
Portion due after one year:			
Early retirement	9,400	-	9,400
Capital lease purchase agreements	76,676	-	76,676
Net OPEB liability	16,500	-	16,500
Total liabilities	1,327,050	-	1,327,050

C & M 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	\$ 1,069,257	\$ 6,006	\$ 1,075,263
Restricted for:			
Categorical funding	37,652	-	37,652
Management levy	43,817	-	43,817
Physical plant and equipment levy	65,352	-	65,352
Other special revenue purposes	5,810	-	5,810
Capital projects	244,195	-	244,195
Unrestricted	<u>381,640</u>	<u>4,227</u>	<u>385,867</u>
Total net assets	<u>\$ 1,847,723</u>	<u>\$ 10,233</u>	<u>\$ 1,857,956</u>

See notes to financial statements.

C & M COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 1,725,233	\$ 354,762	\$ 310,063
Support services:			
Student services	2,590	-	-
Instructional staff services	96,155	-	-
Administration services	233,277	-	-
Operation and maintenance of plant services	172,676	-	-
Transportation services	196,342	-	-
	701,040	-	-
Non-instructional programs	5,503	-	-
Other expenditures:			
Facilities acquisition	46,073	-	-
Long-term debt interest	4,578	-	-
AEA flowthrough	78,009	-	78,009
Depreciation (unallocated) *	48,115	-	-
	176,775	-	78,009
Total governmental activities	2,608,551	354,762	388,072
Business-Type Activities:			
Non-instructional programs:			
Food service operations	102,715	45,947	56,666
Total	\$ 2,711,266	\$ 400,709	\$ 444,738

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,060,408)	\$ -	\$ (1,060,408)
(2,590)	-	(2,590)
(96,155)	-	(96,155)
(233,277)	-	(233,277)
(172,676)	-	(172,676)
(196,342)	-	(196,342)
(701,040)	-	(701,040)
(5,503)	-	(5,503)
(46,073)	-	(46,073)
(4,578)	-	(4,578)
-	-	-
(48,115)	-	(48,115)
(98,766)	-	(98,766)
(1,865,717)	-	(1,865,717)
-	(102)	(102)
(1,865,717)	(102)	(1,865,819)

C & M COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs

General Revenues:

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

Total general revenues

Special item - loss on disposal of capital assets

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
\$ 992,805	\$ -	\$ 992,805
118,548	-	118,548
88,027	-	88,027
139,724	-	139,724
632,213	-	632,213
1,387	31	1,418
34,089	-	34,089
<hr/>		
2,006,793	31	2,006,824
(379,927)	-	(379,927)
<hr/>		
(238,851)	(71)	(238,922)
<hr/>		
2,086,574	10,304	2,096,878
<hr/>		
<u>\$ 1,847,723</u>	<u>\$ 10,233</u>	<u>\$ 1,857,956</u>

C & M COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Special Revenue Physical Plant and Equipment Levy	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 238,854	\$ 111,550	\$ 222,269	\$ 60,354	\$ 633,027
Receivables:					
Property tax:					
Current year	20,342	2,557	-	1,073	23,972
Succeeding year	948,245	128,351	-	37,893	1,114,489
Income surtax	75,125	-	-	-	75,125
Accrued interest	30	-	-	-	30
Accounts	83,994	-	-	-	83,994
Due from other governments	58,132	-	24,645	-	82,777
Total assets	\$ 1,424,722	\$ 242,458	\$ 246,914	\$ 99,320	\$ 2,013,414
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 40,166	\$ 12,489	\$ -	\$ -	\$ 52,655
Deferred revenue:					
Succeeding year property tax	948,245	128,351	-	37,893	1,114,489
Other	75,644	-	-	-	75,644
Total liabilities	1,064,055	140,840	-	37,893	1,242,788
Fund balances:					
Reserved for:					
Categorical funding (note 10)	37,652	-	-	-	37,652
Unreserved, reported in:					
General fund	323,015	-	-	-	323,015
Special revenue funds	-	101,618	-	61,427	163,045
Capital projects fund	-	-	246,914	-	246,914
Total fund balances	360,667	101,618	246,914	61,427	770,626
Total liabilities and fund balances	\$ 1,424,722	\$ 242,458	\$ 246,914	\$ 99,320	\$ 2,013,414

See notes to financial statements.

C & M 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	\$	770,626
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.		1,161,359
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.		75,125
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.		(2,719)
Long-term liabilities, including early retirement, capital lease purchase agreements, 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>(156,668)</u>
Net assets of governmental activities	\$	<u><u>1,847,723</u></u>

See notes to financial statements.

C & M COMMUNITY SCHOOL DISTRICT

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

	General	Special Revenue Physical Plant and Equipment Levy	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,030,657	\$ 118,491	\$ 139,724	\$ 49,699	\$ 1,338,571
Tuition	229,564	-	-	-	229,564
Other	144,433	1,297	194	15,697	161,621
State sources	747,083	57	-	24	747,164
Federal sources	272,653	-	-	-	272,653
Total revenues	<u>2,424,390</u>	<u>119,845</u>	<u>139,918</u>	<u>65,420</u>	<u>2,749,573</u>
Expenditures:					
Current:					
Instruction	<u>1,684,242</u>	-	-	27,422	<u>1,711,664</u>
Support services:					
Student services	2,590	-	-	-	2,590
Instructional staff services	75,840	19,988	-	327	96,155
Administration services	225,597	-	-	5,625	231,222
Operation and maintenance of plant services	139,729	22,367	-	14,910	177,006
Transportation services	134,545	-	68,912	10,021	213,478
	<u>578,301</u>	<u>42,355</u>	<u>68,912</u>	<u>30,883</u>	<u>720,451</u>
Non-instructional programs	<u>1,481</u>	<u>3,368</u>	-	654	<u>5,503</u>
Other expenditures:					
Facilities acquisition	-	31,833	41,176	-	73,009
Long term debt:					
Principal	-	-	-	61,050	61,050
Interest	-	-	-	1,859	1,859
AEA flowthrough	78,009	-	-	-	78,009
	<u>78,009</u>	<u>31,833</u>	<u>41,176</u>	<u>62,909</u>	<u>213,927</u>
Total expenditures	<u>2,342,033</u>	<u>77,556</u>	<u>110,088</u>	<u>121,868</u>	<u>2,651,545</u>
Excess (deficiency) of revenues over (under) expenditures	<u>82,357</u>	<u>42,289</u>	<u>29,830</u>	<u>(56,448)</u>	<u>98,028</u>

C & M COMMUNITY SCHOOL DISTRICT

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

	General	Special Revenue <u>Physical Plant and Equipment Levy</u>	Capital Projects	Nonmajor	Total
Other financing sources (uses):					
Sale of equipment	\$ 54	\$ -	\$ -	\$ -	\$ 54
Sale of real property	-	5,560	-	-	5,560
Interfund transfers in (note 3)	-	-	-	62,909	62,909
Interfund transfers out (note 3)	-	(43,301)	(19,608)	-	(62,909)
Capital lease purchase agreement	-	-	68,912	-	68,912
Total other financing sources (uses)	<u>54</u>	<u>(37,741)</u>	<u>49,304</u>	<u>62,909</u>	<u>74,526</u>
Net change in fund balances	82,411	4,548	79,134	6,461	172,554
Fund balances beginning of year	<u>278,256</u>	<u>97,070</u>	<u>167,780</u>	<u>54,966</u>	<u>598,072</u>
Fund balances end of year	<u>\$ 360,667</u>	<u>\$ 101,618</u>	<u>\$ 246,914</u>	<u>\$ 61,427</u>	<u>\$ 770,626</u>

See notes to financial statements.

C & M 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 \$ 172,554

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	\$ 111,986	
Depreciation expense	<u>(113,023)</u>	(1,037)

In the Statement of Activities, the loss on the disposition of capital assets
is reported, whereas the governmental funds report the proceeds from the
disposition as an increase in financial resources. (385,487)

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. (68,912)

Repayment of long-term liabilities is an expenditure in the governmental
funds, but it reduces long-term liabilities in the Statement of Net Assets. 61,050

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. (2,719)

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	2,200	
Net OPEB liability	<u>(16,500)</u>	<u>(14,300)</u>

Change in net assets of governmental activities \$ (238,851)

See notes to financial statements.

C & M COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2010

	<u>Nonmajor - School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 3,844
Inventories	383
Capital assets, net of accumulated depreciation (note 4)	<u>6,006</u>
Total assets	<u>10,233</u>
Liabilities	
None	<u>-</u>
Net Assets	
Invested in capital assets	6,006
Unrestricted	<u>4,227</u>
Total net assets	<u>\$ 10,233</u>

See notes to financial statements.

C & M COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2010

	<u>Nonmajor - School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>45,947</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	39,087
Benefits	15,741
Purchased services	19
Supplies	47,194
Depreciation	656
Other	18
	<u>102,715</u>
Operating loss	(56,768)
Non-operating revenues:	
Interest on investments	31
State sources	979
Federal sources	55,687
Total non-operating revenues	<u>56,697</u>
Change in net assets	(71)
Net assets beginning of year	<u>10,304</u>
Net assets end of year	\$ <u><u>10,233</u></u>

See notes to financial statements.

C & M COMMUNITY SCHOOL DISTRICT

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

	<u>Nonmajor - School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 43,143
Cash received from miscellaneous operating activities	2,804
Cash payments to employees for services	(54,828)
Cash payments to suppliers for goods or services	<u>(41,670)</u>
Net cash used by operating activities	<u>(50,551)</u>
Cash flows from non-capital financing activities:	
State grants received	979
Federal grants received	<u>50,114</u>
Net cash provided by non-capital financing activities	<u>51,093</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(596)</u>
Cash flows from investing activities:	
Interest on investments	<u>31</u>
Net decrease in cash and cash equivalents	(23)
Cash and cash equivalents beginning of year	<u>3,867</u>
Cash and cash equivalents end of year	<u>\$ 3,844</u>

C & M COMMUNITY SCHOOL DISTRICT

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

	<u>Nonmajor - School Nutrition</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (56,768)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	656
Commodities used	5,573
(Increase) in inventories	<u>(12)</u>
Net cash used by operating activities	<u>\$ (50,551)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$5,573 of federal commodities.

See notes to financial statements.

C & M COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2010

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Cash and pooled investments	\$ 19,344	\$ 88
Liabilities:		
Other payables	-	88
Net assets:		
Reserved for scholarships	\$ 19,344	\$ -

See notes to financial statements.

C & M COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2010

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest	\$ <u>543</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>2,000</u>
Change in net assets	(1,457)
Net assets beginning of year	<u>20,801</u>
Net assets end of year	\$ <u><u>19,344</u></u>

See notes to financial statements.

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies

C & M Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through eight. The geographic area served includes the Cities of Cumberland and Massena, Iowa, and agricultural territory in Cass and Adams 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, C & M 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. C & M 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 Cass County Assessor's Conference Board.

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.

C & M 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 Special Revenue, Physical Plant and Equipment Levy Fund is used to account for the payment of capital and related expenditures for building improvements and certain types of equipment.

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

The District reports the following proprietary fund:

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

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 & M 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

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.

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.

C & M 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.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

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

C & M 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)

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	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

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.

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.

C & M 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)

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 \$396,826.

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 in the instruction and other expenditures functions exceeded 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.

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.

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 2. Cash and Pooled Investments (continued)

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>544,048</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	\$ 19,608
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>43,301</u>
Total		\$ <u>62,909</u>

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

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 4. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 31,200	\$ 3,000	\$ 1,000	\$ 33,200
Capital assets being depreciated:				
Buildings	2,740,321	8,707	801,779	1,947,249
Improvements other than buildings	43,905	8,330	14,008	38,227
Furniture and equipment	701,482	91,949	92,821	700,610
Total capital assets being depreciated	<u>3,485,708</u>	<u>108,986</u>	<u>908,608</u>	<u>2,686,086</u>
Less accumulated depreciation for:				
Buildings	1,464,490	41,954	465,032	1,041,412
Improvements other than buildings	35,162	945	14,008	22,099
Furniture and equipment	469,373	70,124	45,081	494,416
Total accumulated depreciation	<u>1,969,025</u>	<u>113,023</u>	<u>524,121</u>	<u>1,557,927</u>
Total capital assets being depreciated, net	<u>1,516,683</u>	<u>(4,037)</u>	<u>384,487</u>	<u>1,128,159</u>
Governmental activities capital assets, net	<u>\$ 1,547,883</u>	<u>\$ (1,037)</u>	<u>\$ 385,487</u>	<u>\$ 1,161,359</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business-type activities:				
Furniture and equipment	\$ 51,887	\$ 596	\$ 17,427	\$ 35,056
Less accumulated depreciation	<u>45,821</u>	<u>656</u>	<u>17,427</u>	<u>29,050</u>
Business-type activities capital assets, net	<u>\$ 6,066</u>	<u>\$ (60)</u>	<u>\$ -</u>	<u>\$ 6,006</u>

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 4. Capital Assets (continued)

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

Governmental activities:

Instruction	\$ 4,802
Support services:	
Administration	6,244
Operation and maintenance of plant services	2,086
Transportation	<u>51,776</u>
	64,908
Unallocated depreciation	<u>48,115</u>
 Total governmental activities depreciation expense	 <u>\$ 113,023</u>

Business-type activities:

Food service operations	<u>\$ 656</u>
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Note 5. Long-Term Liabilities

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

	Early Retirement	Capital Lease Purchase Agreements	Net OPEB Liability	Total
Balance beginning of year	\$ 14,000	\$ 120,506	\$ -	\$ 134,506
Additions	-	68,912	16,500	85,412
Reductions	<u>2,200</u>	<u>61,050</u>	<u>-</u>	<u>63,250</u>
Balance end of year	<u>\$ 11,800</u>	<u>\$ 128,368</u>	<u>\$ 16,500</u>	<u>\$ 156,668</u>
Due within one year	<u>\$ 2,400</u>	<u>\$ 51,692</u>	<u>\$ -</u>	<u>\$ 54,092</u>

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 5. Long-Term Liabilities (continued)

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed twenty-five years of continuous 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 employee is equal to \$100 per month toward the cost of single health insurance coverage for eight years or until the retiree becomes eligible for Medicare, whichever is sooner.

At June 30, 2010, the District has obligations to two participants with a total liability of \$11,800. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$2,200. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Capital Lease Purchase Agreements

During the year ended June 30, 2008, the District entered into an interest-free agreement for the lease purchase of computers and computer equipment. The agreement provides for thirty-six monthly payments of \$3,617.

During the year ended June 30, 2009, the District entered into an agreement for the lease purchase of a school bus. The agreement provides for four annual payments including interest at 4.54%.

During the year ended June 30, 2010, the District entered into an agreement for the lease purchase of a school bus. The agreement provides for four annual payments including interest at 4.54%.

Details of the District's June 30, 2010 capital lease purchase agreement indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Computers</u>	<u>School Bus</u>	<u>School Bus</u>	<u>Total</u>
2011	\$ 36,266	\$ 5,973	\$ 13,635	\$ 55,874
2012	-	34,000	13,635	47,635
2013	-	-	34,000	34,000
Total lease purchase payments	36,266	39,973	61,270	137,509
Less amount representing interest	-	3,148	5,993	9,141
Net lease payments	<u>\$ 36,266</u>	<u>\$ 36,825</u>	<u>\$ 55,277</u>	<u>\$ 128,368</u>

During the year ended June 30, 2010, the District paid \$61,050 on the capital lease purchase agreements.

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Other Postemployment Benefits (OPEB)

The District prospectively implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

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 24 active and 3 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 Wellmark. 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.

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	\$ 20,600
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>20,600</u>
Contributions made	<u>4,100</u>
Increase in net OPEB obligation	16,500
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 16,500</u></u>

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

For the year ended June 30, 2010, the District contributed \$4,100 to the medical plan.

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Other Postemployment Benefits (OPEB) (continued)

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 20,600	19.9%	\$ 16,500

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$186,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$186,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,247,000, and the ratio of the UAAL to covered payroll was 14.9%. 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.

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The aging curve is 3% starting at age 55 and is in addition to trend costs.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000. The UAAL is being amortized as a level dollar cost over the service of the group on a closed basis over 30 years.

C & M COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 7. 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 \$79,210, \$69,137, and \$61,744, respectively, equal to the required contributions for each year.

Note 8. Risk Management

C & M 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.

Note 9. 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 \$78,009 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 10. Categorical Funding

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

Program	Amount
Mentoring	\$ 14
Teacher salary supplement	10,723
Home school assistance program	11,989
Educator quality, professional development	<u>14,926</u>
Total	<u>\$ 37,652</u>

Note 11. Subsequent Event – In September 2010, the C & M Community School District and the Anita Community School District passed a reorganization vote to reorganize the two school districts into the CAM Community School District effective for fiscal year 2012.

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Required Supplementary Information

C & M COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Fund
 Required Supplementary Information
 Year Ended June 30, 2010

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 1,729,756	\$ 45,978	\$ 1,775,734	\$ 1,717,813	\$ 57,921
State sources	747,164	979	748,143	1,006,236	(258,093)
Federal sources	272,653	55,687	328,340	120,000	208,340
Total revenues	2,749,573	102,644	2,852,217	2,844,049	8,168
EXPENDITURES/EXPENSES:					
Instruction	1,711,664	-	1,711,664	1,685,212	(26,452)
Support services	720,451	-	720,451	1,056,588	336,137
Non-instructional programs	5,503	102,715	108,218	191,176	82,958
Other expenditures	213,927	-	213,927	118,528	(95,399)
Total expenditures/expenses	2,651,545	102,715	2,754,260	3,051,504	297,244
Excess (deficiency) of revenues over (under) expenditures/ expenses	98,028	(71)	97,957	(207,455)	305,412
Other financing sources, net	74,526	-	74,526	-	74,526
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	172,554	(71)	172,483	(207,455)	379,938
Balance beginning of year	598,072	10,304	608,376	542,323	66,053
Balance end of year	\$ <u>770,626</u>	\$ <u>10,233</u>	\$ <u>780,859</u>	\$ <u>334,868</u>	\$ <u>445,991</u>

See accompanying independent auditor's report.

C & M 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 ended June 30, 2010, expenditures in the instruction and other expenditures functions exceeded the amounts budgeted.

C & M 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)
2010	July 1, 2009	\$ -	\$ 186	\$ 186	0.0%	\$ 1,247	14.9%

See note 6 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

C & M COMMUNITY SCHOOL DISTRICT

 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2010

	<u>Special Revenue</u>		<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	
Assets			
Cash and pooled investments	\$ 54,544	\$ 5,810	\$ 60,354
Receivables:			
Property tax:			
Current year	1,073	-	1,073
Succeeding year	37,893	-	37,893
Total assets	<u>\$ 93,510</u>	<u>\$ 5,810</u>	<u>\$ 99,320</u>
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	<u>\$ 37,893</u>	<u>\$ -</u>	<u>\$ 37,893</u>
Fund balances:			
Unreserved:			
Undesignated	<u>55,617</u>	<u>5,810</u>	<u>61,427</u>
Total liabilities and fund balances	<u>\$ 93,510</u>	<u>\$ 5,810</u>	<u>\$ 99,320</u>

See accompanying independent auditor's report.

C & M COMMUNITY SCHOOL DISTRICT

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

	Special Revenue		Debt Service	Total
	Management Levy	Student Activity		
Revenues:				
Local sources:				
Local tax	\$ 49,699	\$ -	\$ -	\$ 49,699
Other	1,800	13,897	-	15,697
State sources	24	-	-	24
Total revenues	<u>51,523</u>	<u>13,897</u>	<u>-</u>	<u>65,420</u>
Expenditures:				
Current:				
Instruction	11,684	15,738	-	27,422
Support services:				
Instructional staff services	327	-	-	327
Administration services	5,625	-	-	5,625
Operation and maintenance of plant services	14,910	-	-	14,910
Transportation services	10,021	-	-	10,021
Non instructional programs	654	-	-	654
Other expenditures:				
Long term debt:				
Principal	-	-	61,050	61,050
Interest	-	-	1,859	1,859
Total expenditures	<u>43,221</u>	<u>15,738</u>	<u>62,909</u>	<u>121,868</u>
Excess (deficiency) of revenues over (under) expenditures	8,302	(1,841)	(62,909)	(56,448)
Other financing sources:				
Interfund transfers in	-	-	62,909	62,909
Net change in fund balances	8,302	(1,841)	-	6,461
Fund balances beginning of year	<u>47,315</u>	<u>7,651</u>	<u>-</u>	<u>54,966</u>
Fund balances end of year	<u>\$ 55,617</u>	<u>\$ 5,810</u>	<u>\$ -</u>	<u>\$ 61,427</u>

See accompanying independent auditor's report.

C & M 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
Elementary	\$ 1,896	\$ 7,547	\$ 8,457	\$ 986
Middle School	608	5,823	6,267	164
Special	4,113	309	853	3,569
Music	191	114	161	144
Interest	843	104	-	947
	<u>\$ 7,651</u>	<u>\$ 13,897</u>	<u>\$ 15,738</u>	<u>\$ 5,810</u>

See accompanying independent auditor's report.

C & M 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>37</u>	\$ <u>1,182</u>	\$ <u>1,131</u>	\$ <u>88</u>
Liabilities				
Other payables	\$ <u>37</u>	\$ <u>1,182</u>	\$ <u>1,131</u>	\$ <u>88</u>

See accompanying independent auditor's report.

C & M 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	\$ 1,338,571	\$ 1,282,034	\$ 1,154,949	\$ 1,112,905
Tuition	229,564	188,199	199,602	229,049
Other	161,621	121,885	120,274	94,627
State sources	747,164	1,004,897	964,852	949,532
Federal sources	272,653	92,782	90,950	88,729
Total revenues	\$ 2,749,573	\$ 2,689,797	\$ 2,530,627	\$ 2,474,842
Expenditures:				
Instruction	\$ 1,711,664	\$ 1,580,519	\$ 1,495,392	\$ 1,473,274
Support services:				
Student services	2,590	3,737	1,918	2,308
Instructional staff services	96,155	108,456	240,053	137,885
Administration services	231,222	209,159	227,548	221,752
Operation and maintenance of plant services	177,006	211,926	237,603	212,541
Transportation services	213,478	196,694	167,507	149,579
Non-instructional programs	5,503	8,142	3,930	6,982
Other expenditures:				
Facilities acquisition	73,009	181,727	305,615	41,887
Long-term debt:				
Principal	61,050	49,203	7,403	-
Interest	1,859	-	-	-
AEA flowthrough	78,009	73,047	69,412	68,399
Total expenditures	\$ 2,651,545	\$ 2,622,610	\$ 2,756,381	\$ 2,314,607

See accompanying independent auditor's report.

	<u>2006</u>		<u>2005</u>
\$	998,360	\$	897,274
	241,641		230,603
	59,499		61,589
	912,488		928,912
	<u>91,724</u>		<u>104,129</u>
\$	<u><u>2,303,712</u></u>	\$	<u><u>2,222,507</u></u>
\$	1,480,293	\$	1,459,609
	2,554		627
	105,668		108,022
	209,101		242,368
	244,609		266,739
	136,512		229,587
	7,324		2,287
	31,563		1,033
	-		-
	-		-
	<u>65,838</u>		<u>66,248</u>
\$	<u><u>2,283,462</u></u>	\$	<u><u>2,376,520</u></u>

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
C & M 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 C & M 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 October 13, 2010. 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 C & M 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 C & M Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of C & M 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, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies 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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-10 to be a material weakness.

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 I of the accompanying Schedule of Findings as items I-B-10 and I-C-10 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether C & M Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about C & M 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.

C & M Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit C & M 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 C & M Community School District and other parties to whom C & M 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 C & M 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
October 13, 2010

C & M COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2010

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-10 Financial Reporting – During the audit, we identified material amounts of payables and capital assets additions not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all payables and capital assets additions are identified and included in the District’s financial statements.

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

Conclusion – Response accepted.

I-B-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal and the recording, preparing and signing of checks were all done by the same person.

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

Response – We will investigate alternatives and implement as soon as possible. However, due to staff size it will be difficult to make any adjustments to the current system. We have incorporated the superintendent’s assistance into the control system whenever possible.

Conclusion – Response accepted.

I-C-10 Disbursements – Out of forty disbursements tested, one was not supported by an invoice or receipt prior to the check being released for payment.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation.

Response – We will make sure that all future disbursements are properly supported prior to the check being released for payment.

Conclusion – Response accepted.

C & M COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2010

Part II: Other Findings Related to Statutory Reporting:

II-A-10 Certified Budget – Expenditures for the year ended June 30, 2010, exceeded the amounts budgeted in the instruction and other expenditures functions.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

II-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.

II-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.

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

Name, Title and Business Connection	Transaction Description	Amount
Peg Wheatley, Teacher Spouse is owner of Wheatley Sanitation	Garbage pickup, per bid	\$5,940
Kyle Williams, Maintenance/Transportation Supervisor Father and brother are owners of Lefty’s Pump & Plumbing	Repairs and supplies	\$6,841

In accordance with an Attorney General’s opinion dated November 9, 1976, the transactions do not appear to represent conflicts of interest.

II-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.

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

II-G-10 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

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

II-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.

C & M COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2010

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

- II-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.
- II-K-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-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		\$	159,579
Statewide sales and services tax revenue			139,724
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	24,520	
Other improvements		8,455	
Debt service for school infrastructure:			
General obligation debt		<u>19,608</u>	<u>52,583</u>
Ending balance		\$	<u><u>246,720</u></u>

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

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$ 2.09091	\$ 139,724