

**CENTRAL LYON COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010**

CENTRAL LYON COMMUNITY SCHOOL DISTRICT
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CENTRAL LYON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Board of Education		
Steve Sieperda	President	2011
Chet DeJong	Vice President	2013
Patrick McCarty	Board Member	2011
Gail VanBerkum	Board Member	2013
Judy Gacke	Board Member	2011
School Officials		
Dave Ackerman	Superintendent	Indefinite
Jackie Wells	District Secretary/Treasurer and Business Manager	Indefinite
Randy Waagmeester	Attorney	Indefinite

EAST, VANDER WOUDE, GRANT & CO., P.C.

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Independent Auditor's Report

To the Board of Education of the
Central Lyon 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 Central Lyon Community School District, Rock Rapids, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Lyon 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 accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2010 on our consideration of District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Schedule on pages 6 through 14 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 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 year ended June 30, 2009, 2008 and 2007 (which is not presented herein) and expressed unqualified opinions on that financial statements. The previous audits for June 30, 2006, 2005, and 2004 were done by another firm, but were in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended June 30, 2006, 2005, and 2004 (none of which are presented herein) expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

East Vander Woude Grant & Co P.C.

East, Vander Woude, Grant & Co., P.C.
Certified Public Accountants
Sioux Falls, South Dakota
December 13, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Central Lyon 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 decreased from \$6,187,425 in fiscal year 2009 to \$6,006,526 in fiscal year 2010, while General Fund expenditures increased from \$6,153,965 in fiscal year 2009 to \$6,334,195 in fiscal 2010. The District's General Fund balance decreased from \$1,459,837 in fiscal 2009 to \$1,132,168 in fiscal 2010, a 22.45% decrease. Spending authority has been carefully monitored and must be continued for the future financial health of the district.
- General Fund revenues decreased in total with a 10% across the board cut in state foundation aid. The fiscal year 2010 decrease in General Fund revenues were attributable to decreases in property tax and state revenue. There was an increase in federal grants but it did not make for the entire decreases in property tax and state revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits and restricted grant expenditures. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in lower interest earnings in the General Fund alone decreasing from \$23,133 in fiscal year 2009 to \$7,977 in fiscal year 2010.
- Enrollment declines and increased numbers of open enrolled out pupils continue to plague the District and create financial burdens.

Overview of the Financial Statements

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial status.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Central Lyon Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Central Lyon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basis financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison to the District's budget for the year.

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

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

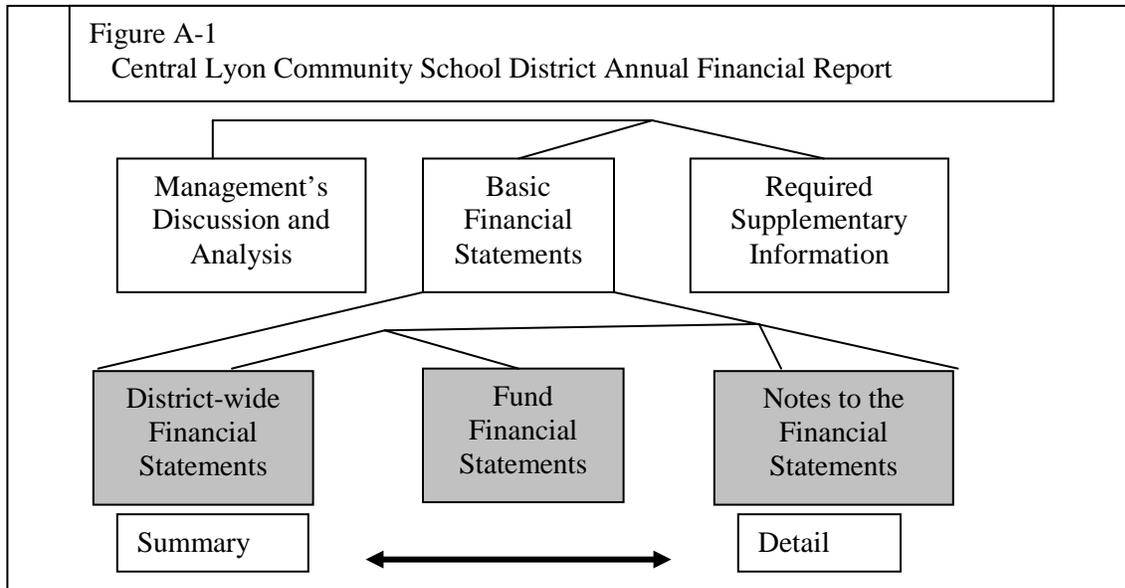


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2: Major Features of the District Wide and Fund Financial Statements			
	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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
Type of inflow /outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide 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 its financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it 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 repay its long-term debts, or to show that it is properly using certain revenues, such as federal grants.

The District has two 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 funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

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

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information,

such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and FFA Property Fund.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business type Activities		Total Activities		Total Change	
	June 30,		June 30,		June 30,		\$	%
	2010	2009	2010	2009	2010	2009	2009-2010	
Current and other assets	\$ 5,984	\$ 5,908	\$ 139	\$ 120	\$ 6,123	\$ 6,028	95	1.58%
Capital assets	9,483	9,665	99	97	9,582	9,762	(180)	(1.84%)
Total assets	<u>15,467</u>	<u>15,573</u>	<u>238</u>	<u>217</u>	<u>15,705</u>	<u>15,790</u>	<u>(85)</u>	<u>(0.54%)</u>
Long-term Liabilities	2,037	2,505	-	-	2,037	2,505	(468)	(18.68%)
Other Liabilities	3,785	3,335	8	14	3,793	3,349	444	13.26%
Total Liabilities	<u>5,822</u>	<u>5,840</u>	<u>8</u>	<u>14</u>	<u>5,830</u>	<u>5,854</u>	<u>(24)</u>	<u>(0.41%)</u>
Net Assets								
Invested in capital assets, net of related debt	7,483	7,220	99	80	7,582	7,300	282	3.86%
Restricted	1,082	1,063	-	-	1,082	1,063	19	1.79%
Unrestricted	1,080	1,450	131	123	1,211	1,573	(362)	(23.01%)
Total net assets	<u>\$ 9,645</u>	<u>\$ 9,733</u>	<u>\$ 230</u>	<u>\$ 203</u>	<u>\$ 9,875</u>	<u>\$ 9,936</u>	<u>(61)</u>	<u>(0.61%)</u>

The District's combined net assets decreased by approximately \$61,000 over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, intangibles, building and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$282,000 or 3.86% over the prior year. The increase was primarily a result of additions of a new server, notebook computers, smartboards, concession stand – bathrooms, softball scoreboard, double stack oven and disposal.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or the legal requirements – decreased approximately \$362,000 or 23.01%. This decrease in unrestricted net assets was a result of the District decreases state grants as well as increases in instruction and transportation costs.

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

Figure A-4 Changes in Net Assets (Expressed in Thousands)							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-2010
Revenue							
Program revenue:							
Charges for service	\$ 832	\$ 748	\$ 221	\$ 238	\$ 1,053	\$ 986	6.795%
Operating grants, contributions and restricted interest	1,357	999	133	157	1,490	1,156	28.893%
Capital grants, contributions and restricted interest	3	14	-	-	3	14	(78.571%)
General revenues:							
Property tax	2,642	2,616	-	-	2,642	2,616	0.994%
Statewide sales and service tax	403	391	-	-	403	391	3.069%
Unrestricted state grants	2,214	2,607	3	4	2,217	2,611	(15.090%)
Other	54	68	5	1	59	69	(14.493%)
Total revenues	<u>7,505</u>	<u>7,443</u>	<u>362</u>	<u>400</u>	<u>7,867</u>	<u>7,843</u>	0.306%
Program expenses:							
Governmental activities:							
Instruction	5,345	5,006	-	-	5,345	5,006	6.772%
Support service	1,798	1,750	-	-	1,798	1,750	2.743%
Non-instructional programs	-	-	335	384	335	384	(12.760%)
Other expenses	450	380	-	-	450	380	18.421%
Total expenses	<u>7,593</u>	<u>7,136</u>	<u>335</u>	<u>384</u>	<u>7,928</u>	<u>7,520</u>	5.426%
Change in net assets	<u>\$ (88)</u>	<u>\$ 307</u>	<u>\$ 27</u>	<u>\$ 16</u>	<u>\$ (61)</u>	<u>\$ 323</u>	(118.885%)

In fiscal 2010, property tax, statewide sales and service tax, and unrestricted state grants account for 70.07% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.54% of the revenue from business type activities.

The District's total revenues were approximately \$7.867 million of which \$7.505 million was for governmental activities and .362 million was for business type activities.

As shown in Figure A-4, the District's as a whole experienced a 0.306% increase in revenues and a 5.426% increase in expenses. Unrestricted state grants decreased approximately \$393,000 but the operating and capital grants, contributions and restricted interest increased approximately \$347,000. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses for capital improvements by the District.

Governmental Activities

Revenues for governmental activities were \$7,505,415 and expenses were \$7,593,451. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-2010	2010	2009	Change 2009-2010
Instruction	\$ 5,345	\$ 5,006	6.77%	\$ 3,519	\$ 3,606	(2.41%)
Support services	1,798	1,750	2.74%	1,720	1,660	3.61%
Non-instructional programs	-	-	0.00%	-	-	0.00%
Other expenses	450	380	18.42%	162	110	47.27%
Totals	\$ 7,593	\$ 7,136	6.40%	\$ 5,401	\$ 5,376	0.47%

For the year ended June 30, 2010:

- The cost financed by users of the District’s programs was \$832,347.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,359,997.
- The net cost of governmental activities was financed with \$3,044,831 in property and other taxes and \$2,214,289 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$362,424 representing a 9.3 % decrease over the prior year while expenses totaled \$335,497, a 12.68% decrease over the prior year. The District’s business type activities include the School Nutrition Fund and FFA Property. Revenue of these activities was comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,185,213, below last year’s ending fund balances of \$2,556,165. However, the primary reason for the decrease in combined fund balances in fiscal 2010 is due to the decreases in state grants and increases in instruction and transportation costs.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Increases in federal grants did not offset the decreases in taxes and state aid revenues. Due to the decreases in revenue and increases in General Fund expenditures required the District to use carryover fund balance to meet its financial obligations during the year. The General Fund decreased from \$1,459,837 to \$1,132,168.
- The Debt Service Fund balance increased from \$10,296 in fiscal 2009 to \$10,365 in fiscal 2010. While property tax revenues decreased from the prior year, the District increased the transfers in from statewide sales and services taxes and physical plant and equipment to pay the debt service payments due during the year.
- The Capital Projects Fund balance increased from \$623,393 in 2009 to \$636,567 in 2010. This was mainly due to more statewide sales taxes collected and less other expenditures and transfers out during the fiscal year 2010.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$155,348 at June 30, 2009 to \$175,312 at June 30, 2010, representing an increase of approximately 12.85%. For fiscal 2010, the District decreased salaries, benefits, and supplies from the prior year resulting in the increase in net assets.

BUDGETARY HIGHLIGHTS

The District's receipts were \$958,865 less than budgeted receipts, with a variance of 10.86%. The most significant variance resulted from the District receiving less revenue than budgeted for in local and state sources.

Total expenditures were \$2,646,230 less than budgeted, due primarily to 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 normally should exceed the actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$9.582 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1.84% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$369,041.

The original cost of the District's capital assets was \$15.34 million. Governmental funds account for \$15.16 million, with the remainder of \$0.175 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the Land Improvements, Furniture and Equipment categories. The District purchased additional new server, notebook computers, smartboards, concession stand – bathrooms, softball scoreboard, double stack oven and disposal.

Figure A-6
Capital Assets, net of Depreciation
(expressed in thousands)

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 51	\$ 51	\$ -	\$ -	\$ 51	\$ 51	0.00%
Buildings	7,720	7,962	-	-	7,720	7,962	(3.04%)
Improvements other than buildings	508	464	-	-	508	464	9.48%
Furniture and Equipment	1,204	1,188	99	97	1,303	1,285	1.40%
Totals	<u>\$ 9,483</u>	<u>\$ 9,665</u>	<u>\$ 99</u>	<u>\$ 97</u>	<u>\$ 9,582</u>	<u>\$ 9,762</u>	(1.84%)

Long-Term Debt

At June 30, 2010, the District had \$2,063,393 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 18.59% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$13 million.

The district had total outstanding bonded indebtedness of \$2,000,000; early retirement of \$37,189; and compensated absences of \$26,204 at June 30, 2010.

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

	Total School District		Total Change
	June 30,		June 30,
	2010	2009	2009-2010
General Obligation Bonds	\$ 1,700	\$ 2,050	(17.07%)
Capital Notes	300	395	(24.05%)
Early Retirement	37	58	(36.21%)
Compensated Absences	26	31	(16.13%)
	<u>\$ 2,063</u>	<u>\$ 2,534</u>	(18.59%)

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The financial history of the State of Iowa's support for public K-12 schools has translated into restricted levels of state aid funding for education at the local level. Future needs of the district will continue to grow and it is hoped that allowable growth would match the needs of public K-12 education.

- District budgeted enrollment for fiscal year 2010-2011 was 706 students. Under Iowa's school finance formula, funding is highly dependent upon enrollment. During the 2009-2010 school-year, Central Lyon students who open enroll out to other districts increased from 78 to 84 students. Because Central Lyon is the resident district, the student is counted for state funding, but then funding is paid to the receiving district. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- Fiscal 2009 the District entered into a new three-year contract with the Central Lyon Education Teacher Association (CLTA). Settlements in excess of "new money" or allowable growth in state funding will have a continuing adverse effect of the District's General Fund budget and related fund balance.

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 Jackie Wells, Board Secretary/Business Manager at the Central Lyon Community School District, 1105 S. Story St., Rock Rapids, IA 51246 or 712-472-2664.

BASIC FINANCIAL STATEMENTS

Central Lyon Community School District

Central Lyon Community School District
Statement of Net Assets
June 30, 2010

Exhibit A

	Governmental Activities	Business Type Activities	Totals
Assets			
Cash and cash equivalents:			
Other	\$ 2,718,444	\$ 85,864	\$ 2,804,308
Receivables:			
Property tax:			
Delinquent	27,718	-	27,718
Succeeding year	2,733,159	-	2,733,159
Local option sales taxes	152,849	-	152,849
Accounts	75,105	-	75,105
Accrued interest:			
Other	1,273	395	1,668
Due from other governments	275,909	-	275,909
Inventories	-	52,053	52,053
Capital assets, net of accumulated depreciation	9,482,587	99,165	9,581,752
Total assets	15,467,044	237,477	15,704,521
Liabilities			
Accounts payable	111,631	282	111,913
Salaries and benefits payable	594,769	3,364	598,133
Accrued interest payable	5,030	-	5,030
Deferred revenue - succeeding year			
Property tax	2,733,159	-	2,733,159
Other	314,010	4,229	318,239
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	455,000	-	455,000
Early retirement	19,471	-	19,471
Compensated absences	26,204	-	26,204
Portion due after one year:			
General obligation bonds payable	1,545,000	-	1,545,000
Early retirement	17,719	-	17,719
Total liabilities	5,821,993	7,875	5,829,868
Net assets			
Invested in capital assets, net of related debt	7,482,587	99,165	7,581,752
Restricted for:			
Categorical funding	47,650	-	47,650
Management levy	79,456	-	79,456
Public education & recreation levy	67,026	-	67,026
Physical plant and equipment levy	74,207	-	74,207
Other special revenue purposes	167,705	-	167,705
Capital projects	636,567	-	636,567
Debt service	9,773	-	9,773
Unrestricted	1,080,080	130,437	1,210,517
Total net assets	\$ 9,645,051	\$ 229,602	\$ 9,874,653

See notes to financial statements.

Central Lyon Community School District
Statement of Activities
June 30, 2010

Functions/Programs	Program Revenues			
	Expenses	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,443,988	\$ 277,329	\$ 442,412	\$ -
Special instruction	944,806	27,122	544,461	-
Other instruction	956,756	519,705	15,300	-
	<u>5,345,550</u>	<u>824,156</u>	<u>1,002,173</u>	<u>-</u>
Support services:				
Student services	47,107	-	43,717	-
Instructional staff services	292,479	-	-	-
Administration services	649,455	-	2,047	-
Operation and maintenance of plant services	559,767	8,191	-	-
Transportation services	249,885	-	24,524	-
	<u>1,798,693</u>	<u>8,191</u>	<u>70,288</u>	<u>-</u>
Non-instructional programs				
Other expenses:				
Facilities acquisition	92,291	-	-	-
Long-term debt interest	73,131	-	322	3,428
AEA flow through	283,786	-	283,786	-
	<u>449,208</u>	<u>-</u>	<u>284,108</u>	<u>3,428</u>
Total governmental activities	7,593,451	832,347	1,356,569	3,428
Business type activities:				
Non-instructional programs:				
Food service and FFA operations	335,497	221,279	135,851	-
Total	<u>\$ 7,928,948</u>	<u>\$ 1,053,626</u>	<u>\$ 1,492,420</u>	<u>\$ 3,428</u>
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (2,724,247)	\$ -	\$ (2,724,247)
(373,223)	-	(373,223)
(421,751)	-	(421,751)
(3,519,221)	-	(3,519,221)
(3,390)	-	(3,390)
(292,479)	-	(292,479)
(647,408)	-	(647,408)
(551,576)	-	(551,576)
(225,361)	-	(225,361)
(1,720,214)	-	(1,720,214)
-	-	-
(92,291)	-	(92,291)
(69,381)	-	(69,381)
-	-	-
(161,672)	-	(161,672)
(5,401,107)	-	(5,401,107)
-	21,633	21,633
(5,401,107)	21,633	(5,379,474)
2,270,063	-	2,270,063
167,363	-	167,363
204,624	-	204,624
402,781	-	402,781
2,214,289	-	2,214,289
14,727	778	15,505
39,224	4,516	43,740
5,313,071	5,294	5,318,365
(88,036)	26,927	(61,109)
9,733,087	202,675	9,935,762
\$ 9,645,051	\$ 229,602	\$ 9,874,653

Central Lyon Community School District
Balance Sheet – Governmental Funds
June 30, 2010

Exhibit C

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Assets					
Cash and pooled investments:					
Other	\$ 1,805,893	\$ 8,430	\$ 483,718	\$ 420,403	\$ 2,718,444
Receivables:					
Property tax:					
Delinquent	21,875	1,935	-	3,908	27,718
Succeeding year	1,969,102	409,643	-	354,414	2,733,159
Local option sales taxes	-	-	152,849	-	152,849
Accounts	75,105	-	-	-	75,105
Accrued interest:					
Other	-	-	-	1,273	1,273
Due from other governments	275,909	-	-	-	275,909
Total assets	<u>4,147,884</u>	<u>420,008</u>	<u>636,567</u>	<u>779,998</u>	<u>5,984,457</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	137,835	-	-	-	137,835
Salaries and benefits payable	594,769	-	-	19,471	614,240
Deferred revenue:					
Succeeding year property tax	1,969,102	409,643	-	354,414	2,733,159
Other	314,010	-	-	-	314,010
Total liabilities	<u>3,015,716</u>	<u>409,643</u>	<u>-</u>	<u>373,885</u>	<u>3,799,244</u>
Fund balances:					
Reserved for debt service	-	10,365	-	-	10,365
Reserved for categorical funding	47,650	-	-	-	47,650
Unreserved	1,084,518	-	636,567	406,113	2,127,198
Total fund balances	<u>1,132,168</u>	<u>10,365</u>	<u>636,567</u>	<u>406,113</u>	<u>2,185,213</u>
Total liabilities and fund balances	<u>\$ 4,147,884</u>	<u>\$ 420,008</u>	<u>\$ 636,567</u>	<u>\$ 779,998</u>	<u>\$ 5,984,457</u>

See notes to financial statements.

Central Lyon Community School District
Reconciliation of the Balance Sheet – Governmental
Funds to the Statement of Net Assets
June 30, 2010

Exhibit D

Total fund balances of governmental funds (page 20)	\$ 2,185,213
Amounts reported for governmental activities in the Statements 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	9,482,587
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.	(5,030)
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,017,719)</u>
Net assets of governmental activities (page 17)	<u><u>\$ 9,645,051</u></u>

See notes to financial statements.

Central Lyon Community School District
Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
June 30, 2010

Exhibit E

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 2,140,266	\$ 167,363	\$ 402,781	\$ 334,421	\$ 3,044,831
Tuition	135,603	-	-	-	135,603
Other	160,121	323	11,428	582,573	754,445
Intermediate sources	283,786	-	-	-	283,786
State sources	2,663,954	-	-	-	2,663,954
Federal sources	622,796	-	-	-	622,796
Total Revenues	<u>6,006,526</u>	<u>167,686</u>	<u>414,209</u>	<u>916,994</u>	<u>7,505,415</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	3,067,398	-	-	211,775	3,279,173
Special instruction	944,806	-	-	-	944,806
Other instruction	425,606	-	-	531,150	956,756
	<u>4,437,810</u>	<u>-</u>	<u>-</u>	<u>742,925</u>	<u>5,180,735</u>
Support services:					
Student services	47,107	-	-	-	47,107
Instructional staff services	239,413	-	-	-	239,413
Administration services	649,455	-	-	-	649,455
Operation and maintenance of plant services	451,155	-	-	111,304	562,459
Transportation services	225,469	-	-	-	225,469
	<u>1,612,599</u>	<u>-</u>	<u>-</u>	<u>111,304</u>	<u>1,723,903</u>
Non-instructional programs					
Other expenditures:					
Facilities acquisition	-	-	159,035	9,688	168,723
Long-term debt interest	-	74,220	-	-	74,220
AEA flow through	283,786	-	-	-	283,786
	<u>283,786</u>	<u>74,220</u>	<u>159,035</u>	<u>9,688</u>	<u>526,729</u>
Total expenditures	<u>6,334,195</u>	<u>74,220</u>	<u>159,035</u>	<u>863,917</u>	<u>7,431,367</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(327,669)</u>	<u>93,466</u>	<u>255,174</u>	<u>53,077</u>	<u>74,048</u>
Other financing sources (uses):					
Operating transfers in (out)	-	351,603	(242,000)	(109,603)	-
General obligation bonds	-	(445,000)	-	-	(445,000)
Total other financing sources (uses)	<u>-</u>	<u>(93,397)</u>	<u>(242,000)</u>	<u>(109,603)</u>	<u>(445,000)</u>
Net change in fund balances	(327,669)	69	13,174	(56,526)	(370,952)
Fund balances beginning of year	1,459,837	10,296	623,393	462,639	2,556,165
Fund balances end of year	<u>\$ 1,132,168</u>	<u>\$ 10,365</u>	<u>\$ 636,567</u>	<u>\$ 406,113</u>	<u>\$ 2,185,213</u>

See notes to financial statements.

Central Lyon Community School District
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances – Governmental Funds to the Statement of Activities
 June 30, 2010

Exhibit F

Net change in fund balance - total governmental funds (page 22) \$ (370,952)

**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. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	183,106	
Depreciation expense	<u>(365,750)</u>	(182,644)

Proceeds from issuing long-term liabilities provided current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Repaid	<u>445,000</u>	445,000
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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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,089

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:

Compensated absences		
Early retirement	<u>19,471</u>	<u>19,471</u>

Change in net assets of governmental activities (page 19) \$ (88,036)

See notes to financial statements.

Central Lyon Community School District
Statement of Net Assets - Proprietary Funds
June 30, 2010

Exhibit G

	School Nutrition	FFA Property	Enterprise Totals
Assets			
Cash and cash equivalents	\$ 75,292	\$ 10,572	\$ 85,864
Accrued interest	395		395
Inventories	8,053	44,000	52,053
Capital assets, net of accumulated depreciation	99,165	-	99,165
Total assets	182,905	54,572	237,477
Liabilities			
Accounts payable	-	282	282
Deferred revenues	4,229	-	4,229
Salaries and benefits payable	3,364	-	3,364
Total Liabilities	7,593	282	7,875
Net Assets			
Invested in capital assets, net of related debt	99,165	-	99,165
Unrestricted	76,147	54,290	130,437
Total net assets	\$ 175,312	\$ 54,290	\$ 229,602

See notes to financial statements.

Central Lyon Community School District
Statement of Revenues, Expenditures and Changes in Fund Net Assets -Proprietary Funds
June 30, 2010

Exhibit H

	School Nutrition	FFA Property	Enterprise Totals
Operating revenues:			
Local sources:			
Charges for service	\$ 178,301	\$ 42,978	\$ 221,279
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	111,654	-	111,654
Benefits	13,064	-	13,064
Purchased services	5,465	-	5,465
Supplies	166,008	36,015	202,023
Depreciation	3,291	-	3,291
Total operating expenses	299,482	36,015	335,497
Operating (loss) Income	(121,181)	6,963	(114,218)
Non-operating revenues:			
State sources	3,320	-	3,320
Federal sources	132,531	-	132,531
Miscellaneous	4,516	-	4,516
Interest income	778	-	778
Total non-operating revenues	141,145	-	141,145
Change in net assets	19,964	6,963	26,927
Net assets beginning of year	155,348	47,327	202,675
Net assets end of year	\$ 175,312	\$ 54,290	\$ 229,602

See notes to financial statements.

Central Lyon Community School District
Statement of Cash Flows - Proprietary Funds
June 30, 2010

Exhibit I

	School Nutrition	FFA Property	Enterprise Totals
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 178,037	\$ -	\$ 178,037
Cash received from miscellaneous services	-	42,978	42,978
Cash paid to employees for services	(128,986)	-	(128,986)
Cash paid to suppliers for goods or services	(144,977)	(43,895)	(188,872)
Net cash used by operating activities	(95,926)	(917)	(96,843)
Cash flows from non-capital financing activities:			
State grants received	3,320	-	3,320
Federal grants received	106,592	-	106,592
Miscellaneous revenue	4,516	-	4,516
Net cash provided by non-capital financing activities	114,428	-	114,428
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(5,828)	-	(5,828)
Net cash used by capital and related financing activities	(5,828)	-	(5,828)
Cash flows from investing activities:			
Interest on investments	430	-	430
Net increase (decrease) in cash and cash equivalents	13,104	(917)	12,187
Cash and cash equivalents beginning of year	62,188	11,489	73,677
Cash and cash equivalents end of year	\$ 75,292	\$ 10,572	\$ 85,864
Reconciliation of operating loss to net cash used by operating activities			
Operating (loss) income	\$ (121,181)	\$ 6,963	\$ (114,218)
Adjustments to reconcile operating (loss) income to net cash used by operating activities			
Commodities used	25,939	-	25,939
Depreciation	3,291	-	3,291
(Increase) decrease in inventories	557	(6,638)	(6,081)
Increase (decrease) in accounts payable	-	(1,242)	(1,242)
Increase (decrease) in deferred revenue	(264)	-	(264)
Increase (decrease) in salaries and benefits payable	(4,268)	-	(4,268)
Net cash used in operating activities	\$ (95,926)	\$ (917)	\$ (96,843)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$25,939 of federal commodities.

See notes to financial statements.

Central Lyon Community School District
Notes to Financial Statements
June 30, 2010

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

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

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the 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 assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

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

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

Central Lyon Community School District
Notes to Financial Statements
June 30, 2010

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

The District's proprietary fund is the School Nutrition Fund. This fund is used to account for the food service operations of the District. The other proprietary fund is the FFA Property Fund which is used to account for the FFA cattle raising operations.

C. Measurement Focus and Basis of Accounting

The government-wide, 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 the cash is received by the District.

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

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

Central Lyon Community School District
Notes to Financial Statements
June 30, 2010

is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure. The proprietary fund of the District may apply Accounting Standards Board Statements and Interpretations issued after November 30, 1989 that are developed for business enterprises if there is no GASB pronouncements covering that area.

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 are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments, is based

Central Lyon Community School District
Notes to Financial Statements
June 30, 2010

on January 1, 2008 assessed property valuations, is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

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

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

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

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

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

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

Central Lyon Community School District
Notes to Financial Statements
June 30, 2010

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements in the other expenditures functional area exceeded the amounts budgeted but the District did not exceed its General Fund unspent authorized budget.

(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.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$ 1,359,288 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – the District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Central Lyon Community School District
Notes to Financial Statements
June 30, 2010

Credit risk – the investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody’s Investors Service.

(3) Termination Benefits

The District has offered a voluntary early retirement plans to its employees. The first plan expired at the end of the 2007-2008 school which offered eligible employees that have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five. The application for early retirement is subject to approval by the Board of Education by February 1 of the applicable year. Early retirement benefits are equal to the difference between the base salary and the total individual regular contract salary for the year the application is submitted. Early retirement benefits may be paid in one lump sum on July 20 or may be used by the district to pay the retiring employee’s cost of medical and/or dental insurance until the benefit is exhausted. At the time of application for early retirement benefits, the retiring employee must choose which method of payment is to be used. At June 30, 2010, the District has obligations to five remaining participants with a total liability of \$37,190. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$21,141. The maturities of the liability include \$19,471 for 2011, \$13,833 for 2012, and \$3,886 for 2013.

The second voluntary early retirement plan was offered for the 2009-2010 year only. The eligible employees that have completed at least ten years of full-time service to the District and must have reached the age of fifty-five and must apply by December 1, 2009. The benefit shall be \$20,000 cash paid as a lump sum by June 30, 2010 and can continue on the health and/or dental plan if the retiree pays the premiums monthly. There were three participants who retired early with one of them electing to continue on the health plan. Actual early retirement expenditures for this plan for the year ended June 30, 2010 totaled \$ 60,000. There are no additional costs in the future for these three participants.

(4) Interfund Transfers

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

Transfer to	Transfer from:	Amount
Debt Service	Local Option Sales	\$ 242,000
	Physical Plant and Equipment Levy	109,603
		<u>\$ 351,603</u>

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

(5) Categorical Funding

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

Program	Amount
Beginning Teacher Mentoring and Induction	\$ 355
Educator Quality, Professional Development	47,295
	<u>\$ 47,650</u>

Central Lyon Community School District
Notes to Financial Statements
June 30, 2010

(6) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 51,000	\$ -	\$ -	\$ 51,000
Total capital assets not being depreciated	<u>51,000</u>	<u>-</u>	<u>-</u>	<u>51,000</u>
Capital assets being depreciated:				
Buildings	12,101,289	4,764		12,106,053
Improvements other than buildings	756,199	77,071		833,270
Furniture and equipment	2,074,548	101,271		2,175,819
Total capital assets being depreciated	<u>14,932,036</u>	<u>183,106</u>	<u>-</u>	<u>15,115,142</u>
Less accumulated depreciation for:				
Buildings	4,139,674	246,027		4,385,701
Improvements other than buildings	292,028	33,780	-	325,808
Furniture and equipment	886,103	85,943		972,046
Total accumulated depreciation	<u>5,317,805</u>	<u>365,750</u>	<u>-</u>	<u>5,683,555</u>
Total capital assets being depreciated, net	<u>9,614,231</u>	<u>(182,644)</u>	<u>-</u>	<u>9,431,587</u>
Governmental activities capital assets, net	<u>\$ 9,665,231</u>	<u>\$ (182,644)</u>	<u>\$ -</u>	<u>\$ 9,482,587</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 169,658	\$ 5,827	\$ -	\$ 175,485
less accumulated depreciation	73,029	3,291	-	76,320
Business type activities capital assets, net	<u>\$ 96,629</u>	<u>\$ 2,536</u>	<u>\$ -</u>	<u>\$ 99,165</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 285,555

Support services:

Instructional staff 53,066

Operation and maintenance of plant 2,713

Transportation 24,416

Total depreciation expense - governmental activities \$ 365,750

Business type activities:

Food service operations \$ 3,291

Central Lyon Community School District
Notes to Financial Statements
June 30, 2010

(7) Long-Term Debt

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

	Balance Beginning of Year			Additions	Reductions	Balance End of Year		Due Within One Year
General Obligation Bonds	\$ 2,050,000	\$ -	\$ 350,000		\$ 1,700,000	\$ 360,000		
Capital Notes	395,000	-	95,000		300,000	95,000		
Early Retirement	58,330	-	21,141		37,189	19,471		
Compensated Absences	30,642	26,204	30,642		26,204	26,204		
Total	\$ 2,533,972	\$ 26,204	\$ 496,783		\$ 2,063,393	\$ 500,675		

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

Year Ending June 30,	Bond Issue of July 1, 2003			Capital Loan Notes Sept. 15, 2003			Bonds Totals		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2011	2.875%	\$ 360,000	\$ 49,243	3.600%	\$ 95,000	\$ 11,114	\$ 455,000	\$ 60,357	\$ 515,357
2012	2.875%	375,000	38,892	3.750%	100,000	7,743	475,000	46,635	521,635
2013	2.875%	375,000	28,111	3.900%	105,000	4,043	480,000	32,154	512,154
2014	2.900%	370,000	17,330	-	-	-	370,000	17,330	387,330
2015	3.000%	220,000	6,600	-	-	-	220,000	6,600	226,600
Total		\$1,700,000	\$140,176		\$300,000	\$22,900	\$2,000,000	\$163,076	\$ 2,163,076

During the year ended June 30, 2010, the District made principal and interest payments totaling \$539,561 under the agreements.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit 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, IA, 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 years ended June 30, 2010, 2009 and 2008. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$262,984, \$241,666 and \$221,506 respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The District offers a single-employer early retirement incentive plan which provides health insurance benefits to teachers, administrators, and business managers who are between the ages of 55 and 62 with 15 or more years of service at retirement.

The benefit is in the form of a cash payment, sick leave payout, and medical premium subsidy until the age of 65. The subsidy is in the amount of the single premium at the time of retirement, and retirees are responsible for any increase in the premium.

Funding Policy – The District currently finances the postretirement benefit plan on a pay-as-you-go basis.

Central Lyon Community School District
Notes to Financial Statements
June 30, 2010

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

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

Annual required contribution	\$ 49,000
Interest on Net OPEB Obligation	-
Adjustment to annual required contribution	-
Annual OPEB Cost	49,000
Contributions made	(25,000)
Increase in Net OPEB Obligation	24,000
Net OPEB obligation-beginning of year	-
Net OPEB obligation-end of year	\$ 24,000

The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$28,876 to the medical plan. Plan members eligible for benefits contributed \$6,235 or 17.76% of the premium costs.

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. 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 June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 49,000	51%	\$ 24,000

Funding 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 \$470,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$470,000. 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 10-Year Summary of Projected Cash Flows, presented as Required Supplementary Information in the section following the Notes to Financial statements, presents the projected net benefits for the District's post retirement benefit plan based on the current population.

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

Central Lyon Community School District
Notes to Financial Statements
June 30, 2010

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 July 1, 2009 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11.00%. The ultimate medical trend rate is 5.00%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Table, applied on a gender-specific basis. Average life expectancy for the Central Lyon Community School Distribution participants based on this table is 82 years of age. Employees are assumed to retire at the latest of age 59 or the eligibility age. Table 1 of GASB 45 paragraph 35(b) is used to assign the probability of remaining employed until assumed retirement age.

Projected annual premiums of the medical plan for participants are \$11,037 for retirees less than age 65 and not available for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized over the maximum allowable period of 30 years on an open basis.

(10) Risk Management

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

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$283,786 for the year ended June 30, 2010, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Operating Lease Agreement

The District entered into a three-year operating lease agreement for three copiers on October 17, 2009. Payments are made monthly of \$1,122.19 and will end September 17, 2011 with total payments in the current year of \$13,466. The future minimum rental payments required under the above operating lease as of June 30, 2010 is \$3,367.

**Central Lyon Community School District
Required Supplementary Information**

Central Lyon Community School District
 Budgetary Comparison Schedule of Revenues, Expenditures 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 Funds Actual	Total Actual
Revenues:			
Local sources	\$ 3,934,879	\$ 226,573	\$ 4,161,452
Intermediate sources	-	-	-
State sources	2,947,740	3,320	2,951,060
Federal sources	622,796	132,531	755,327
Total revenues	<u>7,505,415</u>	<u>362,424</u>	<u>7,867,839</u>
Expenditures:			
Instruction	5,180,735	-	5,180,735
Support services	1,723,903	-	1,723,903
Non-instructional programs	-	335,497	335,497
Other expenditures	971,729	-	971,729
Total expenditures	<u>7,876,367</u>	<u>335,497</u>	<u>8,211,864</u>
Excess of revenues under expenditures	<u>(370,952)</u>	<u>26,927</u>	<u>(344,025)</u>
Other financing sources, net	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(370,952)</u>	<u>26,927</u>	<u>(344,025)</u>
Balances beginning of year	<u>2,556,165</u>	<u>202,675</u>	<u>2,758,840</u>
Balances end of year	<u>\$ 2,185,213</u>	<u>\$ 229,602</u>	<u>\$ 2,414,815</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
\$ 4,534,164	\$ 4,534,164	\$ (372,712)
-	-	-
4,004,540	4,004,540	(1,053,480)
288,000	288,000	467,327
<u>8,826,704</u>	<u>8,826,704</u>	<u>(958,865)</u>
5,636,103	5,636,103	(455,368)
3,512,558	3,512,558	(1,788,655)
727,651	727,651	(392,154)
981,782	981,782	(10,053)
<u>10,858,094</u>	<u>10,858,094</u>	<u>(2,646,230)</u>
<u>(2,031,390)</u>	<u>(2,031,390)</u>	<u>1,687,365</u>
-	-	-
(2,031,390)	(2,031,390)	1,687,365
<u>2,281,740</u>	<u>2,281,740</u>	<u>477,100</u>
<u>\$ 250,350</u>	<u>\$ 250,350</u>	<u>\$ 2,164,465</u>

Central Lyon Community School District
Notes to Required Supplementary Information – Budgetary Reporting
Year ended June 30, 2010

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund 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 functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2010, disbursements in the other expenditures function exceeded the amounts budgeted but the District did not exceed its General Fund unspent authorized budget.

Central Lyon Community School District
Schedule of 10-Year Summary of Projected Cash Flows for
Postemployment Benefit Plan
Required Supplementary Information
Year ended June 30, 2010

Year	Total Expenses	Total Contributions	Net Benefit Payments
2010	\$ 49,000	\$ (24,000)	\$ 25,000
2011	52,000	(25,000)	27,000
2012	49,000	(24,000)	25,000
2013	57,000	(28,000)	29,000
2014	40,000	(20,000)	20,000
2015	42,000	(21,000)	21,000
2016	51,000	(25,000)	26,000
2017	60,000	(30,000)	30,000
2018	54,000	(27,000)	27,000
2019	79,000	(39,000)	40,000

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

Central Lyon Community School District

Other Supplementary Information

Central Lyon Community School District
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2010

Schedule 1

	Special Revenue Funds				
	Management Levy	Student Activity	Public	Physical Plant	Total
			Education & Recreation Levy	and Equipment Levy	
Assets					
Cash and cash equivalents:					
Other	\$ 115,110	\$ 166,432	\$ 66,744	\$ 72,117	\$ 420,403
Receivables:					
Property tax:					
Delinquent	1,536	-	282	2,090	3,908
Succeeding year	125,000	-	26,572	202,842	354,414
Accrued interest	-	1,273	-	-	1,273
Total assets	241,646	167,705	93,598	277,049	779,998
 Liabilities and Fund Balances					
Liabilities:					
Salaries and benefits payable	19,471	-	-	-	19,471
Deferred revenue - succeeding year					
Property tax	125,000	-	26,572	202,842	354,414
Total liabilities	144,471	-	26,572	202,842	373,885
Fund equity:					
Unreserved fund balances	97,175	167,705	67,026	74,207	406,113
Total liabilities and fund balances	\$ 241,646	\$ 167,705	\$ 93,598	\$ 277,049	\$ 779,998

See accompanying independent auditor's report.

Central Lyon Community School District
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor governmental Funds
June 30, 2010

Schedule 2

	Special Revenue Funds				
	Management Levy	Student Activity	Public Education & Recreation Levy	Physical Plant and Equipment Levy	Total
Revenues:					
Local sources:					
Local tax	\$ 129,797	\$ -	\$ 23,856	\$ 180,768	\$ 334,421
Other	12,931	521,977	-	47,665	582,573
Total revenues	142,728	521,977	23,856	228,433	916,994
Expenditures:					
Current:					
Instruction:					
Regular instruction	105,246	-	-	106,529	211,775
Other instruction	-	531,150	-	-	531,150
Support services:					
Operation and maintenance of plant services	91,338	-	-	19,966	111,304
Other expenditures:					
Facilities acquisition	-	-	-	9,688	9,688
Total expenditures	196,584	531,150	-	136,183	863,917
Excess (deficiency) of revenues over (under) expenditures	(53,856)	(9,173)	23,856	92,250	53,077
Other financing sources (uses):					
Operating transfers out	-	-	-	(109,603)	(109,603)
Total other financing sources (uses)	-	-	-	(109,603)	(109,603)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(53,856)	(9,173)	23,856	(17,353)	(56,526)
Fund balances beginning of year	151,031	176,878	43,170	91,560	462,639
Fund balances end of year	\$ 97,175	\$ 167,705	\$ 67,026	\$ 74,207	\$ 406,113

See accompanying independent auditor's report.

Central Lyon Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
June 30, 2010

Schedule 3

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Interest Income	\$ 13,038	\$ 2,325	\$ 6,743	\$ 8,620
All School Play	1,086	859	520	1,425
Speech	-	919	819	100
Vocal	621	630	590	661
Band	-	1,565	1,465	100
Historical Plaza	774	-	-	774
Spanish Mexico Trip	1,536	160	-	1,696
Co-Ed Track	1,600	9,019	8,614	2,005
Co-Ed Golf	161	3,000	1,359	1,802
Boys' Basketball	4,040	6,263	10,303	-
Boys' Basketball - Summer	1,577	4,797	3,947	2,427
Football	8,798	13,495	14,726	7,567
Baseball	430	4,292	4,568	154
Baseball Trip	604	214	31	787
Wrestling	1,602	5,996	2,930	4,668
Wrestling Projects Camp	2,012	7,258	6,329	2,941
Girls' Basketball	4,630	17,405	15,270	6,765
Girls' Basketball - Summer	3,742	5,285	4,169	4,858
Volleyball	2,667	5,377	4,304	3,740
Softball	1,068	-	232	836
Pictures-Elementary & MS	1,252	1,174	1,752	674
Ticket/Cash Reserve	513	3,189	3,189	513
Book Orders	519	4,867	4,708	678
PCT Account	26	5	-	31
Middle School	36	-	-	36
Donations	8,788	8,124	12,739	4,173
Milk Machine HS	868	758	289	1,337
Activity Tickets	5	67,205	67,165	45
Adult Activity Tickets	40	4,295	4,335	-
Lion's Roar	13,505	6,357	1,861	18,001
Pictures-HS	360	684	817	227
National Honor Society	383	48	385	46
Middle School Cheerleaders	307	-	-	307
Student Council Scholarship	250	-	-	250
Breske Memorial	472	2,507	1,624	1,355
Pep Club	1,651	1,130	1,107	1,674
Activity Fund Reimbursement.	24	-	-	24
D.A.R.E. Program	100	-	-	100
Musical	173	4,164	4,080	257
Class of 2011	2,422	2,095	2,654	1,863
Class of 2012	-	2,826	-	2,826
Class of 2014	588	-	588	-
FFA	6,284	75,754	73,799	8,239
Student Council	696	3,432	3,093	1,035

Central Lyon Community School District
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 June 30, 2010

Schedule 3

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Middle School Student Council	2,948	7,227	6,842	3,333
Concessions	4,742	4,615	3,996	5,361
International Club	315	134	113	336
Testing Services	-	394	293	101
Magazines	-	9,118	9,118	-
Laura Ingalls Wilder Trip	201	620	587	234
Band Trip	10,135	65,553	71,274	4,414
Middle School Band Fundraiser	-	27,987	22,334	5,653
Title I	756	100	59	797
All Sport Supplies	5,018	7,979	8,908	4,089
Volleyball Project	2,716	2,728	3,171	2,273
After Graduation Party	602	2,149	2,182	569
Cross Country Ski	168	10	-	178
Book Fair	1,891	6,949	6,615	2,225
FHA	-	2,929	2,926	3
Academic Decathlon	82	113	95	100
EL-MS Fundraiser	7,285	11,220	7,778	10,727
Mock Trial - HS	1	-	-	1
Mock Trial - TAGMS	7	596	487	116
Football Project	2,787	11,354	9,775	4,366
Athletic Union Clinic	1,026	2,175	2,565	636
Booster Concessions	21,324	33,957	52,447	2,834
Music Booster	4,012	15,412	18,618	806
Athletic Booster	8,696	27,979	20,215	16,460
HS Pop Machine	2,126	2,296	2,153	2,269
Weight Room Fund	200	-	-	200
EL/MS Teachers Lounge	1,067	-	238	829
EL/MS Care Committee	1,343	410	313	1,440
HS Care Committee	190	500	295	395
HS Teachers Lounge	32	-	-	32
Lion Grant - CL Foundation	7,960	-	6,649	1,311
Totals	<u>\$ 176,878</u>	<u>\$ 521,977</u>	<u>\$ 531,150</u>	<u>\$ 167,705</u>

See accompanying independent auditor's report.

Central Lyon Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Seven Years

	Modified Accrual Basis			
	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	\$ 3,044,831	\$ 3,007,229	\$ 3,044,518	\$ 3,172,532
Tuition	135,603	66,362	67,869	75,068
Other	754,445	764,725	865,101	871,648
Intermediate sources	283,786	255,284	251,512	239,138
State sources	2,663,954	3,091,758	3,144,637	2,963,719
Federal sources	622,796	257,675	167,745	175,968
Total	<u>\$ 7,505,415</u>	<u>\$ 7,443,033</u>	<u>\$ 7,541,382</u>	<u>\$ 7,498,073</u>
Expenditures:				
Instruction:				
Regular instruction	3,279,173	2,904,125	2,781,160	2,449,678
Special instruction	944,806	997,406	835,361	749,445
Other instruction	956,756	910,692	986,904	985,118
Support services:				
Student services	47,107	59,196	116,078	112,575
Instructional staff services	239,413	240,331	216,151	181,289
Administration services	649,455	654,000	633,045	641,516
Operation and maintenance of plant services	562,459	548,928	533,322	514,587
Transportation services	225,469	192,200	285,118	242,262
Other expenditures:				
Facilities acquisition	168,723	202,433	216,280	37,062
Long-term debt interest	74,220	87,295	99,028	106,853
AEA flow through	283,786	255,284	251,512	239,138
Total	<u>\$ 7,431,367</u>	<u>\$ 7,051,890</u>	<u>\$ 6,953,959</u>	<u>\$ 6,259,523</u>

See accompanying independent auditor's report.

Schedule 4

	2006	2005	2004
\$	2,820,372	\$ 2,882,019	\$ 2,774,434
	61,414	45,744	35,692
	728,559	733,323	682,341
	221,103	213,226	212,511
	2,736,897	2,609,205	2,642,798
	252,788	218,516	849,341
\$	6,821,133	\$ 6,702,033	\$ 7,197,117

	2,320,020	2,285,783	2,295,985
	781,642	796,275	794,841
	889,989	881,045	754,650
	121,286	114,945	132,178
	186,607	199,852	187,167
	669,738	571,298	530,368
	532,040	534,986	447,461
	176,692	162,149	143,022
	91,995	-	1,848,288
	194,979	294,571	363,553
	221,103	213,226	212,511
\$	6,186,091	\$ 6,055,325	\$ 7,715,548

Central Lyon Community School District

Central Lyon Community School District
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2010

Schedule 5

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY10	\$ 25,939
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	18,404
National School Lunch Program	10.555	FY10	88,188
			<u>106,592</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	56,839
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	6,272
			<u>63,111</u>
Special Education Cluster IDEA			
Special Education Grants to States Part B	84.027	FY10	38,759
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	105,982
			<u>144,741</u>
Career & Technical Education - Basic Grants to States	84.048	FY10	4,717
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY10	1,646
Title IIA - Federal Teacher Quality Program	84.367	FY10	27,854
State Fiscal Stabilization Fund Cluster			
ARRA - State Fiscal Stabilization Funds - Education State Grants - State Aid	84.394	FY10	285,784
ARRA - State Fiscal Stabilization Funds - Education State Grants - Instructional Support	84.394	FY10	19,930
			<u>305,714</u>
Rural Education Achievement Program - Small Rural School Achievement Program	84.358	FY10	29,249
Grants for State Assessments and Related Activities	84.369	FY10	2,047
Total			<u>\$ 711,610</u>

Basis of Presentation

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

See accompanying independent auditor's report.

EAST, VANDER WOUDE, GRANT & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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
Central Lyon 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 Central Lyon 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 December 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 the Central Lyon Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinions on the effectiveness of Central Lyon Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Central Lyon 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Central Lyon Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Central Lyon Community School District's financial statements that is more than inconsequential will not be prevented or detected by Central Lyon Community School District's internal control. We consider the deficiency in internal control described in Part I of the

accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Lyon Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiency described above, we believe item I-A-10 is also a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit is 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.

Central Lyon 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 Central Lyon 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 Central Lyon Community School District and other parties to whom Central Lyon 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 the Central Lyon 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.



East, Vander Woude, Grant & Co., P.C.
Certified Public Accountants
Sioux Falls, South Dakota
December 13, 2010

EAST, VANDER WOUDE, GRANT & CO., P.C.

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Independent Auditor's Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133

To the Board of Education of the
Central Lyon Community School
District Rock Rapids, Iowa

Compliance

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

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

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

Internal Control Over Compliance

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

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Central Lyon Community School District, Rock Rapids, Iowa and other parties to whom Central Lyon Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these parties.



East, Vander Woude, Grant & Co., P.C.
Certified Public Accountants
Sioux Falls, South Dakota
December 13, 2010

Central Lyon Community School District
Schedule of Findings and Questioned Costs
Year Ending June 30, 2010

Part I: Summary of Independent auditor's Results:

- a) Unqualified opinions were issued on the financial statements.
- b) A significant deficiency and material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) Major program was as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act.
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Central Lyon Community School District did not qualify as a low-risk auditee.

Central Lyon Community School District
Schedule of Findings and Questioned Costs
Year Ending June 30, 2010

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-10-A The School District's internal control structure should be designed to provide for the preparation of the financial statements being audited. The School District requested the external auditors to prepare the financial statements and related note disclosures as part of our regular audit services.

Recommendation – it is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. During 2006, a new auditing standard from the American Institute of Certified Public Accountants, SAS 112, became effective. This statement requires auditors to communicate this situation to the state as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and notes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this new auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

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

Response – We are aware of the risk associated with not preparing our financial statements, but believe our review of the financial statements to be adequate to reduce this risk.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Central Lyon Community School District
Schedule of Findings and Questioned Costs
Year Ending June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act

Federal Award Year: 2010

U.S. Department of Education

Passed through the Iowa Department of Education

III-10-A The School District's internal control structure should be designed to provide for the preparation of the financial statements being audited. The School District requested the external auditors to prepare the financial statements and related note disclosures as part of our regular audit services.

Recommendation – it is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. During 2006, a new auditing standard from the American Institute of Certified Public Accountants, SAS 112, became effective. This statement requires auditors to communicate this situation to the state as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and notes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this new auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

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

Response – We are aware of the risk associated with not preparing our financial statements, but believe our review of the financial statements to be adequate to reduce this risk.

Conclusion – Response accepted.

Central Lyon Community School District
 Schedule of Findings and Questioned Costs
 Year Ending June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-10-A Certified Budget – No disbursements for the year ended June 30, 2010, exceeded the amount budgeted in any function area.
- IV-10-B Questionable Expenditures - No expenditures were noted that might not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- IV-10-C Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-10-D Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ken Kuehl, Employee,	Electrical work	\$ 7,304
Jim Kennedy, Spouse of District Employee, Frontier Insurance & Real Estate	Insurance	\$ 90,812
David Fields, Employee, Rapid Grow Lawn	Maintenance of Grounds	\$ 10,230
Harlan Clasen, Spouse of District Employee, Clasen Excavating	Snow Removal	\$ 10,036
Steve Sieperda, Board President, Frontier Bank employee	Banking relationship investments & checking accounts	\$1,237,596
Steve Wells, Spouse of District Employee Premier Bank Employee	Banking relationship investments	\$ 173,202
Chad Geerdes, Brother of District Employee, US Bank employee	Banking relationship investments	\$ 34,223
Mark McCarty, Employee McCarty Repair	Vehicle Repair Service	\$ 255

In accordance with an Attorney General’s opinion dated November 9, 1996, the transactions with Ken Kuehl, Jim Kennedy, Dave Fields, Harlan Clasen, Mark McCarty, Steve Wells, Chad Geerdes, and Steve Sieperda were subjected to competitive bidding processes.

- IV-10-E Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. Coverage amounts should be reviewed annually to insure adequacy for current operations.
- IV-10-F Board Minutes - No transactions requiring Board approval, which had not been approved by the Board, were noted.

Central Lyon Community School District
 Schedule of Findings and Questioned Costs
 Year Ending June 30, 2010

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

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

- IV-10-I Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

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

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

- IV-10-L Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax 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 are as follows:

Beginning balance		\$ 468,620
Statewide sales and services tax revenue		402,781
Expenditures/transfers out:		
School infrastructure:		
Other improvements	(159,035)	
Debt service for school infrastructure:		
General obligation debt	(242,000)	(401,035)
Ending balance		<u>\$ 470,366</u>

- IV-10-M Deficit Balances – There were no funds with a deficit balance at June 30, 2010.