

DELWOOD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

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Delwood Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2009 Election)</b>		
Rhonda Denger	President	2011
Carmen Gerlach	Vice President	2011
Jody Holtz	Board Member	2009
Ron Filloon	Board Member	2011
Steve Kinrade	Board Member	2009
<b>Board of Education (After September 2009 Election)</b>		
Rhonda Denger	President	2011
Jody Holtz	Vice President	2013
Sarah Tubbs	Board Member	2013
Ron Filloon	Board Member	2011
Carmen Gerlach	Board Member	2011
<b>School Officials</b>		
Sue Goodall	Superintendent	2010
Jane Goodenow	District Secretary/Treasurer	2010
Ahlers & Cooney, P.C.	Attorney	2010

# DELWOOD COMMUNITY SCHOOLS

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Delwood 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 Delwood Community School District, Delmar Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Delwood Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2011 on our consideration of Delwood Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Delwood Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2009 (which is not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 10, 2011

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **2010 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,268,804 in fiscal 2009 to \$2,432,480 in fiscal 2010, and General Fund expenditures decreased from \$2,459,000 in fiscal 2009 to \$2,417,712 in fiscal 2010. The District's General Fund balance increased from \$597,315 in fiscal 2009 to a balance of \$612,083 in fiscal 2010, an increase of 2.47% over the prior year.
- The increase in General Fund revenues was largely attributable to increases in local and federal sources of revenue received during the year ended June 30, 2010. Decreased spending in the instruction and support services functional areas were the biggest cause of the decrease in expenditures.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

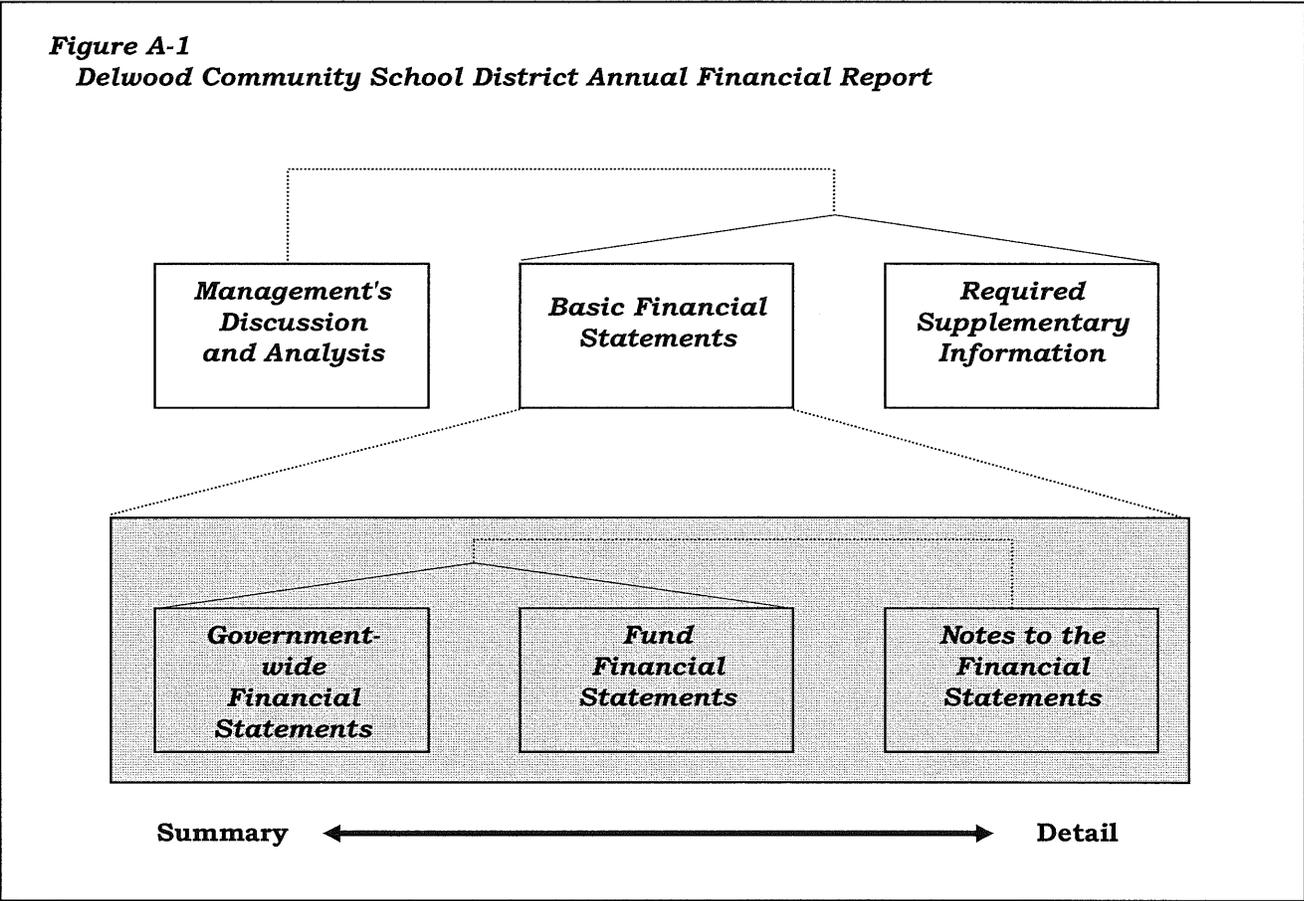


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Fund.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 2,304,997	2,287,160	10,216	10,550	2,315,213	2,297,710	0.76%
Capital assets	1,235,245	1,186,935	7,364	9,044	1,242,609	1,195,979	3.90%
Total assets	3,540,242	3,474,095	17,580	19,594	3,557,822	3,493,689	1.84%
Long-term obligations	5,428	13,572	-	-	5,428	13,572	-60.01%
Other liabilities	905,995	879,958	630	883	906,625	880,841	2.93%
Total liabilities	911,423	893,530	630	883	912,053	894,413	1.97%
Net assets:							
Invested in capital assets, net of related debt	1,235,245	1,186,935	7,364	9,044	1,242,609	1,195,979	3.90%
Restricted	758,260	762,955	-	-	758,260	762,955	-0.62%
Unrestricted	635,314	630,675	9,586	9,667	644,900	640,342	0.71%
Total net assets	\$ 2,628,819	2,580,565	16,950	18,711	2,645,769	2,599,276	1.79%

The District's combined net assets increased by 1.79%, or \$46,493, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings 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 decreased \$4,695 or 0.62% from the prior year.

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 other legal requirements – increased 0.71% or \$4,558.

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

	Figure A-4						
	Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 192,508	182,881	29,734	30,401	222,242	213,282	4.20%
Operating grants, contributions and restricted interest	460,092	399,770	43,288	38,250	503,380	438,020	14.92%
General revenues:							
Property tax	751,897	721,438	-	-	751,897	721,438	4.22%
Income surtax	86,735	72,863	-	-	86,735	72,863	19.04%
Statewide sales, services and use tax	172,543	192,505	-	-	172,543	192,505	-10.37%
Unrestricted state grants	972,055	959,492	-	-	972,055	959,492	1.31%
Other	32,309	42,229	449	55	32,758	42,284	-22.53%
Transfers	593	633	(593)	(633)	-	-	0.00%
Total revenues and transfers	<u>2,668,732</u>	<u>2,571,811</u>	<u>72,878</u>	<u>68,073</u>	<u>2,741,610</u>	<u>2,639,884</u>	<u>3.85%</u>
Program expenses:							
Governmental activities:							
Instructional	1,783,218	1,810,299	-	-	1,783,218	1,810,299	-1.50%
Support services	561,727	541,692	9,195	-	570,922	541,692	5.40%
Non-instructional programs	37,159	33,070	65,444	59,674	102,603	92,744	10.63%
Other expenses	121,374	165,118	-	-	121,374	165,118	-26.49%
Total expenses	<u>2,503,478</u>	<u>2,550,179</u>	<u>74,639</u>	<u>59,674</u>	<u>2,578,117</u>	<u>2,609,853</u>	<u>-1.22%</u>
Change in net assets before special item	165,254	21,632	(1,761)	8,399	163,493	30,031	444.41%
Special item	(117,000)	-	-	-	(117,000)	-	100.00%
Change in net assets	48,254	21,632	(1,761)	8,399	46,493	30,031	54.82%
Net assets beginning of year	<u>2,580,565</u>	<u>2,558,933</u>	<u>18,711</u>	<u>10,312</u>	<u>2,599,276</u>	<u>2,569,245</u>	<u>1.17%</u>
Net assets end of year	<u>\$ 2,628,819</u>	<u>2,580,565</u>	<u>16,950</u>	<u>18,711</u>	<u>2,645,769</u>	<u>2,599,276</u>	<u>1.79%</u>

In fiscal 2010, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 74.31% of the revenue from governmental activities while charges for services and operating grants and contributions account for nearly all of the revenue from business type activities.

The District's total revenues were approximately \$2.74 million, of which approximately \$2.67 million was for governmental activities and \$0.07 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.85% increase in revenues and a 1.22% decrease in expenses. The largest real money increase in revenues occurred in operating grants, contributions and restricted interest received. The District's continued efforts to control costs contributed to the decrease in expenditures.

### Governmental Activities

Revenues for governmental activities were \$2,668,732 and expenses were \$2,503,478.

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

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 1,783,218	1,810,299	-1.50%	1,242,824	1,350,252	-7.96%
Support services	561,727	541,692	3.70%	561,416	541,692	3.64%
Non-instructional programs	37,159	33,070	12.36%	21,204	-	100.00%
Other expenses	121,374	165,118	-26.49%	25,434	75,584	-66.35%
Totals	<u>\$ 2,503,478</u>	<u>2,550,179</u>	<u>-1.83%</u>	<u>1,850,878</u>	<u>1,967,528</u>	<u>-5.93%</u>

- The cost financed by users of the District's programs was \$192,508.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$460,092.
- The net cost of governmental activities was financed with \$751,897 in property tax, \$86,735 in income surtax, \$172,543 in statewide sales, services and use tax, \$972,055 in unrestricted state grants, \$14,828 in interest income and \$18,074 in other income and transfers.

### Business type Activities

Revenues of the District's business type activities were \$72,878 and expenses were \$74,639. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,323,269 below last year's ending fund balance of \$1,340,485.

### Governmental Fund Highlights

- The District's General Fund balance increased from \$597,315 on June 30, 2009 to \$612,083 on June 30, 2010. The fluctuation in the District's General Fund financial position is the product of many factors. The modest increase in revenues was caused by increased revenues from local and federal sources. The increase in revenues coupled with decreased expenditures contributed to the improvement in fund balance.

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- The Management Levy fund balance decreased from \$61,242 in 2009, to \$44,061 in 2010, mainly due to a reduction in revenues received during the year.
  - The Special Revenue, Physical Plant and Equipment Levy (PPEL) fund balance decreased from \$361,926 to \$297,261. Combined with a decrease in revenues received, the District purchased a new school bus from the PPEL Fund resulting in the decrease in fund balance.
  - The District's Capital Projects fund balance increased from \$309,020 to \$360,142. A significant portion of the revenue created by Statewide Sales, Services and Use Tax funds are designated for special purposes. In fiscal 2010, \$117,000 of the fund balance was designated to follow students for the whole grade sharing agreement with Maquoketa Community School District to provide the 7-12th graders with appropriate facilities. This is monitored by the Facilities Improvement Committee with representatives from both Districts.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$18,711 at June 30, 2009 to \$16,950 at June 30, 2010, representing a decrease of approximately 9.41%. For fiscal 2010, the decrease in net assets was due primarily to increased operating expenses.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Delwood Community School District amended its budget one time to reflect additional expenditures in the non-instructional programs functional area.

The District's revenues were \$84,216 less than budgeted revenues, a variance of 2.99%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were \$361,596 less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures higher than expected to allow for unexpected categorical funding, substitute expenses for long term leaves, textbooks and computers. A line-item budget with prior year's comparisons, known expenditures and allowances for unexpected expenditures during the year is created before the budget is submitted in April. The line-item budget is updated several times during the year. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2010, the District had invested \$1,242,609, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 3.90% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$67,144.

The original cost of the District's capital assets was \$2,446,879. Governmental funds account for \$2,414,216 with the remainder of \$32,663 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment, net of depreciation, totaled \$203,941 at June 30, 2010, compared to \$154,684 reported at June 30, 2009.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 600	600	-	-	600	600	0.00%
Buildings	1,018,822	1,019,703	-	-	1,018,822	1,019,703	-0.09%
Land improvements	19,246	20,992	-	-	19,246	20,992	-8.32%
Machinery and equipment	196,577	145,640	7,364	9,044	203,941	154,684	31.84%
Total	\$ 1,235,245	1,186,935	7,364	9,044	1,242,609	1,195,979	3.90%

### Long-Term Debt

At June 30, 2010, the District had \$5,428 in long-term debt outstanding. This represents a decrease of 60.01% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

During its initial year of recording net OPEB liability in accordance with GASB Statement No. 45, the District disclosed a balance of \$5,428 at June 30, 2010.

Figure A-7  
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-10
Net OPEB liability	\$ 5,428	-	100.00%
Early retirement	-	13,572	-100.00%
Total	\$ 5,428	13,572	-60.01%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- With the September 25, 2009 ten percent across-the-board reduction, the District was forced to implement cost-saving measures during the 2010 year, and will continue to seek out opportunities to cut costs and develop alternative sources of revenue. The Board of Education will determine what cost-saving measures we will implement and how much we can spend from our reserves.
- The District's enrollment increased from 230.3 in the fall of 2008 to 258.4 in the fall of 2009 which affected the District's revenues because both the state formula funding and categorical funding are based on student enrollment. Open enrollment students have helped us to maintain our classroom sizes and financial stability. Our preschool has continued to grow.
- Iowa legislatures again increased allowable growth 4% for 2009-2010, but then called a 10% across-the-board cut for state aid and categorical funding, therefore giving us

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authority but not funding it. The legislature has also continued to support Teacher Quality programs for increased wages and staff development.

- The Board felt comfortable using cash balance to maintain the levy rate without affecting the educational opportunities for students.
- The District has continued to support a quality before and after school program with the assistance of the American Recovery and Reinvestment Act of 2009, other grants and parent fees. The District feels it offers a safe environment with additional educational opportunities.
- The District has continued to offer a morning and afternoon preschool for multi-aged 3,4 and 5 year olds working and playing together to prepare students for the transition into kindergarten. The District offers daycare for the balance of the day, to accommodate parents work schedules and offer stability for the student. The District received 60% of state cost per pupil as state aid for all of the four year olds. The District views this as another step offering educational opportunities for children, while remaining economically steady.
- Since 2006-07, the District has combined the principal and superintendent position reducing administrative expenditures and allowing more funding for the education of Delwood students.
- Delwood again offered summer school opportunities for K-6 students. The programs were funded with empowerment grants and parent fees. The programs were well attended, and considered a success.
- Insurance costs slightly decreased for work comp, property, casualty, and transportation. The rates for employee health insurance decreased slightly for 2008-2009 but increased 18.96% for 2009-2010.
- The Delwood Community School District and the Delwood Education Association had an agreement through 2009-2010 for a 4.5% package increase each year. They have settled on a 3.99% package increase for 2010/2011, including Teacher Quality.
- 2010-2011 will be the 24<sup>th</sup> year of a Whole Grade Sharing Agreement with Maquoketa Community School District for the 7-12 grade students. Currently the District pays 92% of the state per pupil cost, teacher quality and a per pupil cost of the Statewide Sales, Services and Use Tax under 28E agreements. The District provides the transportation for their students. The District feels this is giving students in both districts additional educational opportunities.
- The District has remained financially stable and has projected to remain independent for years to come. While the District has one of the lowest levy rates of the state, the District has the ability to levy more due to its \$3,000,000 carry over "spending authority" and the Educational Improvement Program adopted by voters in 1990 that can be funded through both property tax and income surtax.
- The District continues to offer a strong education as evidenced by student achievement data.
- The District has a very experienced teaching staff that supports student learning and a very supportive non-certified staff. Delwood offers many professional development opportunities for our instructional and administrative staff.

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- The District maintains reliable transportation vehicles, modern equipment and technology, modern media center and retains their building in quality condition.

### **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 Jane L. Goodenow, District Secretary/Treasurer and Business Manager or Superintendent Sue Goodall, Delwood Community School District, 311 Delmar Avenue, P.O. Box 292, Delmar, Iowa 52037.

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**DELWOOD COMMUNITY SCHOOLS**

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,348,328	7,743	1,356,071
Receivables:			
Property tax:			
Delinquent	15,341	-	15,341
Succeeding year	781,216	-	781,216
Income surtax	72,612	-	72,612
Accounts	3,665	236	3,901
Interest	1,801	-	1,801
Due from other governments	82,034	-	82,034
Prepays	-	-	-
Inventories	-	2,237	2,237
Capital assets, net of accumulated depreciation	1,235,245	7,364	1,242,609
<b>Total assets</b>	<b>3,540,242</b>	<b>17,580</b>	<b>3,557,822</b>
<b>Liabilities</b>			
Salaries and benefits payable	102,201	-	102,201
Deferred revenue:			
Succeeding year property tax	781,216	-	781,216
Other	22,578	-	22,578
Unearned revenue	-	630	630
Long-term liabilities:			
Portion due after one year:			
Net OPEB liability	5,428	-	5,428
<b>Total liabilities</b>	<b>911,423</b>	<b>630</b>	<b>912,053</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,235,245	7,364	1,242,609
Restricted for:			
Categorical funding	47,074	-	47,074
Capital projects	360,142	-	360,142
Physical plant & equipment levy	297,261	-	297,261
Management levy	44,061	-	44,061
Other special revenue purposes	9,722	-	9,722
Unrestricted	635,314	9,586	644,900
<b>Total net assets</b>	<b>\$ 2,628,819</b>	<b>16,950</b>	<b>2,645,769</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,157,679	153,888	278,816	(724,975)	-	(724,975)
Special	460,524	19,714	28,096	(412,714)	-	(412,714)
Other	165,015	16,596	43,284	(105,135)	-	(105,135)
	<u>1,783,218</u>	<u>190,198</u>	<u>350,196</u>	<u>(1,242,824)</u>	<u>-</u>	<u>(1,242,824)</u>
Support services:						
Student	26,043	-	-	(26,043)	-	(26,043)
Instructional staff	15,767	-	-	(15,767)	-	(15,767)
Administration	216,236	-	-	(216,236)	-	(216,236)
Operation and maintenance of plant	147,559	-	-	(147,559)	-	(147,559)
Transportation	156,122	-	311	(155,811)	-	(155,811)
	<u>561,727</u>	<u>-</u>	<u>311</u>	<u>(561,416)</u>	<u>-</u>	<u>(561,416)</u>
Non-instructional programs	37,159	2,310	13,645	(21,204)	-	(21,204)
Other expenditures:						
AEA flowthrough	95,940	-	95,940	-	-	-
Depreciation (unallocated)*	25,434	-	-	(25,434)	-	(25,434)
	<u>121,374</u>	<u>-</u>	<u>95,940</u>	<u>(25,434)</u>	<u>-</u>	<u>(25,434)</u>
Total governmental activities	2,503,478	192,508	460,092	(1,850,878)	-	(1,850,878)
Business Type activities:						
Support services:						
Administration	9,035	-	-	-	(9,035)	(9,035)
Operation and maintenance of plant	160	-	-	-	(160)	(160)
	<u>9,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,195)</u>	<u>(9,195)</u>
Non-instructional programs:						
Nutrition services	65,444	29,734	43,288	-	7,578	7,578
Total business type activities	<u>74,639</u>	<u>29,734</u>	<u>43,288</u>	<u>-</u>	<u>(1,617)</u>	<u>(1,617)</u>
Total	\$ 2,578,117	222,242	503,380	(1,850,878)	(1,617)	(1,852,495)
<b>General Revenues and Transfers:</b>						
General Revenues:						
Property tax levied for:						
General purposes				\$ 730,760	-	730,760
Capital outlay				21,137	-	21,137
Income surtax				86,735	-	86,735
Statewide sales and services tax				172,543	-	172,543
Unrestricted state grants				972,055	-	972,055
Unrestricted investment earnings				14,828	61	14,889
Other				17,481	388	17,869
Transfers				593	(593)	-
Total general revenues and transfers				<u>2,016,132</u>	<u>(144)</u>	<u>2,015,988</u>
Changes in net assets before special item				165,254	(1,761)	163,493
Special item				(117,000)	-	(117,000)
Changes in net assets				48,254	(1,761)	46,493
Net assets beginning of year				2,580,565	18,711	2,599,276
Net assets end of year				\$ 2,628,819	16,950	2,645,769

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and pooled investments	\$ 664,313	296,220	331,327	53,347	1,345,207
Receivables:					
Property tax:					
Delinquent	14,504	431	-	406	15,341
Succeeding year	756,216	-	-	25,000	781,216
Income surtax	72,612	-	-	-	72,612
Accounts	3,665	-	-	-	3,665
Interest	593	610	568	30	1,801
Due from other governments	53,787	-	28,247	-	82,034
<b>Total assets</b>	<b>\$ 1,565,690</b>	<b>297,261</b>	<b>360,142</b>	<b>78,783</b>	<b>2,301,876</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Salaries and benefits payable	\$ 102,201	-	-	-	102,201
Deferred revenue:					
Succeeding year property tax	756,216	-	-	25,000	781,216
Income surtax	72,612	-	-	-	72,612
Other	22,578	-	-	-	22,578
Total liabilities	953,607	-	-	25,000	978,607
Fund balances:					
Reserved for:					
Categorical funding	47,074	-	-	-	47,074
Unreserved:					
Designated for special purposes	-	-	79,505	-	79,505
Undesignated	565,009	297,261	280,637	53,783	1,196,690
Total fund balances	612,083	297,261	360,142	53,783	1,323,269
<b>Total liabilities and fund balances</b>	<b>\$ 1,565,690</b>	<b>297,261</b>	<b>360,142</b>	<b>78,783</b>	<b>2,301,876</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2010

Total fund balances of governmental funds (page 22)	\$ 1,323,269
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,235,245
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	3,121
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	72,612
Long-term liabilities, including other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,428)</u>
<b>Net assets of governmental activities (page 20)</b>	<u><u>\$ 2,628,819</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Revenues:</b>					
<b>Local sources:</b>					
Local tax	\$ 790,228	21,137	172,543	19,912	1,003,820
Tuition	175,787	-	-	-	175,787
Other	35,172	5,767	2,739	6,777	50,455
Intermediate sources	13,645	-	-	-	13,645
State sources	1,198,685	11	-	11	1,198,707
Federal sources	218,030	-	-	-	218,030
<b>Total revenues</b>	<b>2,431,547</b>	<b>26,915</b>	<b>175,282</b>	<b>26,700</b>	<b>2,660,444</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	1,144,058	5,820	-	13,220	1,163,098
Special	457,989	-	-	-	457,989
Other	163,113	-	-	1,902	165,015
	<b>1,765,160</b>	<b>5,820</b>	<b>-</b>	<b>15,122</b>	<b>1,786,102</b>
<b>Support services:</b>					
Student	23,644	-	-	-	23,644
Instructional staff	30,427	-	-	-	30,427
Administration	208,210	934	-	6,604	215,748
Operation and maintenance of plant	120,513	1,497	-	13,031	135,041
Transportation	137,963	67,682	-	9,375	215,020
	<b>520,757</b>	<b>70,113</b>	<b>-</b>	<b>29,010</b>	<b>619,880</b>
Non-instructional programs	35,855	-	-	1,009	36,864
<b>Other expenditures:</b>					
Facilities acquisitions	-	15,647	7,160	-	22,807
AEA flowthrough	95,940	-	-	-	95,940
	<b>95,940</b>	<b>15,647</b>	<b>7,160</b>	<b>-</b>	<b>118,747</b>
<b>Total expenditures</b>	<b>2,417,712</b>	<b>91,580</b>	<b>7,160</b>	<b>45,141</b>	<b>2,561,593</b>
Excess(deficiency) of revenues over(under) expenditures	13,835	(64,665)	168,122	(18,441)	98,851
<b>Other financing sources(uses):</b>					
Proceeds from sale of equipment	340	-	-	-	340
Transfer in	593	-	-	-	593
Special item	-	-	(117,000)	-	(117,000)
<b>Total other financing sources(uses)</b>	<b>933</b>	<b>-</b>	<b>(117,000)</b>	<b>-</b>	<b>(116,067)</b>
Net changes in fund balances	14,768	(64,665)	51,122	(18,441)	(17,216)
Fund balances beginning of year	597,315	361,926	309,020	72,224	1,340,485
Fund balances end of year	\$ 612,083	297,261	360,142	53,783	1,323,269

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds (page 24) \$ (17,216)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets 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 outlays expenditures and depreciation expense in the current year, are as follows:

Capital expenditures	\$ 113,774	
Depreciation expense	<u>(65,464)</u>	48,310

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 7,355

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 1,661

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

Early retirement	13,572	
Other postemployment benefits	<u>(5,428)</u>	<u>8,144</u>

Changes in net assets of governmental activities (page 21) \$ 48,254

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 7,743	3,121
Receivables:		
Accounts	236	-
Inventories	2,237	-
Capital assets, net of accumulated depreciation	7,364	-
<b>Total assets</b>	<u>17,580</u>	<u>3,121</u>
<b>Liabilities</b>		
Unearned revenues	630	-
<b>Net Assets</b>		
Invested in capital assets	7,364	-
Unrestricted	9,586	3,121
<b>Total net assets</b>	<u>\$ 16,950</u>	<u>3,121</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 29,734	-
Miscellaneous	388	10,824
Total operating revenues	<u>30,122</u>	<u>10,824</u>
Operating expenses:		
Support services:		
Administration:		
Salaries	7,905	-
Benefits	1,130	-
Services	-	9,163
	<u>9,035</u>	<u>9,163</u>
Operation and maintenance of plant:		
Services	160	-
Non-instructional programs:		
Food services operations:		
Salaries	20,189	-
Benefits	2,723	-
Services	5,763	-
Supplies	35,084	-
Other	5	-
Depreciation	1,680	-
	<u>65,444</u>	<u>-</u>
Total operating expenses	<u>74,639</u>	<u>9,163</u>
Operating income (loss)	(44,517)	1,661
Non-operating revenues:		
Interest	61	-
State sources	816	-
Federal sources	42,472	-
Total non-operating revenues	<u>43,349</u>	<u>-</u>
Change in net assets before other financing uses	(1,168)	1,661
Other financing uses:		
Transfers out	(593)	-
Change in net assets	(1,761)	1,661
Net assets beginning of year	<u>18,711</u>	<u>1,460</u>
Net assets end of year	<u>\$ 16,950</u>	<u>3,121</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 29,254	-
Cash received from miscellaneous operating activities	388	10,824
Cash payments to employees for services	(31,947)	-
Cash payments to suppliers for goods or services	(37,269)	(9,163)
Net cash provided by(used by) operating activities	<u>(39,574)</u>	<u>1,661</u>
Cash flows from non-capital financing activities:		
Transfer to General fund	(593)	-
State grants received	816	-
Federal grants received	37,032	-
Net cash provided by non-capital financing activities	<u>37,255</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	61	-
Net increase(decrease) in cash and cash equivalents	(2,258)	1,661
Cash and cash equivalents at beginning of year	<u>10,001</u>	<u>1,460</u>
Cash and cash equivalents at end of year	<u>\$ 7,743</u>	<u>3,121</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating income(loss)	\$ (44,517)	1,661
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities consumed	5,440	-
Depreciation	1,680	-
Increase in inventories	(1,697)	-
Increase in accounts receivable	(227)	-
Decrease in unearned revenue	(253)	-
Net cash used by operating activities	<u>\$ (39,574)</u>	<u>1,661</u>

**Non-cash investing, capital and other financing activities:**

During the year ended June 30, 2010, the District received \$5,440 of federal commodities.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Private Purpose Trust
	Scholarships
<b>Assets</b>	
Cash and pooled investments	\$ 131,717
Interest receivable	488
<b>Total assets</b>	<b>132,205</b>
<b>Liabilities</b>	
	-
<b>Net Assets</b>	
Restricted for scholarships	<b>\$ 132,205</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	\$ 2,732
Deductions:	
Instruction:	
Scholarships awarded	3,174
Change in net assets	(442)
Net assets beginning of year	132,647
Net assets end of year	\$ 132,205

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

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

The Delwood Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through sixth. Additionally, the District either operates or sponsors various after school programs for the community. The geographic area served includes the Cities of Delmar and Elwood, Iowa, and the predominate agricultural territory in Clinton and Jackson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference

reported as net assets. Net assets are reported in three categories:

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The Special Revenue - Physical Plant and Equipment Levy(PPEL) Fund is used to account for resources used in building improvements and equipment purchases.

The District's proprietary funds are the School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board

Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. 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, they have a maturity date no longer than twelve months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax

accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

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

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

Asset Class	Amount
Land	\$ 2,000
Buildings	2,000
Land improvements	2,000
Intangibles	20,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized

since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

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

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

Designated Fund Balances - In the governmental fund financial statements, designated funds are not available for appropriation, but are set aside for a specific purpose.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit of 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 \$62,020 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

**(3) Transfers**

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

Transfer to	Transfer from	Amount
General	Enterprise, School Nutrition	\$ 593
Capital Projects: Statewide Sales and Services Tax	Capital Projects: Bond Construction	<u>10</u>
Total		<u>\$ 603</u>

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

The School Nutrition Fund transferred the above amount to the General Fund for after school snack reimbursement.

The Capital Projects: Bond Construction Fund transferred the remaining fund balance after the construction project was completed into the Capital Projects: Statewide Sales, Services and Use Tax Fund

**(4) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 32,663	-	-	32,663
Less accumulated depreciation	23,619	1,680	-	25,299
Business type activities capital assets, net	<u>\$ 9,044</u>	<u>(1,680)</u>	<u>-</u>	<u>7,364</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 600	-	-	600
Total capital assets not being depreciated	600	-	-	600
Capital assets being depreciated:				
Buildings	1,323,063	22,807	-	1,345,870
Land improvements	44,768	-	-	44,768
Machinery and equipment	976,892	90,967	44,881	1,022,978
Total capital assets being depreciated	2,344,723	113,774	44,881	2,413,616
Less accumulated depreciation for:				
Buildings	303,360	23,688	-	327,048
Land improvements	23,776	1,746	-	25,522
Machinery and equipment	831,252	40,030	44,881	826,401
Total accumulated depreciation	1,158,388	65,464	44,881	1,178,971
Total capital assets being depreciated, net	1,186,335	48,310	-	1,234,645
Governmental activities capital assets, net	\$ 1,186,935	48,310	-	1,235,245

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 4,948
Special	1,998
Support services:	
Student	2,399
Instructional staff	3,917
Administration	345
Operation and maintenance of plant	13,636
Transportation	12,787
	40,030
Unallocated depreciation	25,434
Total governmental activities depreciation expense	\$ 65,464
Business type activities:	
Food services	\$ 1,680

(5) **Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Net OPEB liability	\$ -	5,428	-	5,428	-
Early retirement	13,572	-	13,572	-	-
Total	\$ 13,572	5,428	13,572	5,428	-

Early Retirement

The District offered a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five and have worked for the District at least fifteen years. Employees must complete an application which is required to be approved by the Board of Education. The employee will receive 50% of his/her last year's contracted wages to be paid into a special account over two years. The employee could elect to purchase health insurance through the school at his/her expense. Early retirement benefits paid during the year ended June 30, 2010 totaled \$13,572.

(6) **Pension and Retirement Benefits**

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$65,324, \$58,083 and \$53,570, respectively, equal to the required contributions for each year.

(7) **Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 10 active and 1 retired members in the plan. Participants must be age 55 or older at age of retirement.

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

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

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

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

Annual required contribution	\$ 6,315
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>6,315</u>
Contributions made	(887)
Increase in net OPEB obligation	<u>5,428</u>
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>\$ 5,428</u>

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

For the year ended June 30, 2010, the District contributed \$887 to the medical plan. Plan members eligible for benefits contributed \$29,245, or 97.06% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$6,315	14.05%	\$5,428

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$49,969, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$49,969. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$367,988 and the ratio of the UAAL to covered payroll was 13.58%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual health care cost trend rate is 6.00% for the year ended June 30, 2010.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$425 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Risk Management**

The 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.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$95,940 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.

**(10) Special Item**

The District participates in a 28E sharing agreement with the Maquoketa Community School District. During the year ended June 30, 2010, Delwood Community School District paid Maquoketa CSD

\$117,000 of its statewide sales, services and use tax revenue received per provisions of the 28E sharing agreement. The agreement is supervised by a Facility Improvement Program Committee which includes Board members from each District.

**(11) Categorical Funding**

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

<u>Project</u>	<u>Amount</u>
Gifted and Talented Programs	\$ 30,963
Four-year-old Preschool State Aid	13,240
Professional Development for Model Core Curriculum	638
Professional Development	781
Market Factor Incentives	<u>1,452</u>
Total	<u><u>\$ 47,074</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 1,230,062	30,183	1,260,245	1,264,602	1,264,602	(4,357)
Intermediate sources	13,645	-	13,645	-	-	13,645
State sources	1,198,707	816	1,199,523	1,456,632	1,456,632	(257,109)
Federal sources	218,030	42,472	260,502	96,897	96,897	163,605
Total revenues	<u>2,660,444</u>	<u>73,471</u>	<u>2,733,915</u>	<u>2,818,131</u>	<u>2,818,131</u>	<u>(84,216)</u>
<b>Expenditures/Expenses:</b>						
Instruction	1,786,102	-	1,786,102	1,950,000	1,950,000	163,898
Support services	619,880	9,195	629,075	729,750	729,750	100,675
Non-instructional programs	36,864	65,444	102,308	95,180	120,000	17,692
Other expenditures	118,747	-	118,747	198,078	198,078	79,331
Total expenditures/expenses	<u>2,561,593</u>	<u>74,639</u>	<u>2,636,232</u>	<u>2,973,008</u>	<u>2,997,828</u>	<u>361,596</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	98,851	(1,168)	97,683	(154,877)	(179,697)	277,380
Other financing sources(uses), net	<u>(116,067)</u>	<u>(593)</u>	<u>(116,660)</u>	<u>(119,500)</u>	<u>(119,500)</u>	<u>2,840</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	(17,216)	(1,761)	(18,977)	(274,377)	(299,197)	280,220
Balances beginning of year	<u>1,340,485</u>	<u>18,711</u>	<u>1,359,196</u>	<u>1,266,808</u>	<u>1,266,808</u>	<u>92,388</u>
Balances end of year	<u>\$ 1,323,269</u>	<u>16,950</u>	<u>1,340,219</u>	<u>992,431</u>	<u>967,611</u>	<u>372,608</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DELWOOD 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, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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, the District adopted one budget amendment, increasing budgeted expenditures by \$24,820.

DELWOOD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE  
 RETIREE HEALTH PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 49,969	49,969	0.00%	\$ 367,988	13.58%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 43,655	9,692	53,347
Receivables:			
Interest	-	30	30
Property tax:			
Delinquent	406	-	406
Succeeding year	25,000	-	25,000
<b>Total assets</b>	<b>\$ 69,061</b>	<b>9,722</b>	<b>78,783</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 25,000	-	25,000
<b>Total liabilities</b>	<b>25,000</b>	<b>-</b>	<b>25,000</b>
Unreserved fund balances	44,061	9,722	53,783
<b>Total liabilities and fund balances</b>	<b>\$ 69,061</b>	<b>9,722</b>	<b>78,783</b>

Note: Student Activity Fund consists of one account, 5th and 6th Grade Trip.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 19,912	-	19,912
Other	4,820	1,957	6,777
State sources	11	-	11
Total revenues	<u>24,743</u>	<u>1,957</u>	<u>26,700</u>
Expenditures:			
Current:			
Instruction:			
Regular	13,220	-	13,220
Other	-	1,902	1,902
	<u>13,220</u>	<u>1,902</u>	<u>15,122</u>
Support services:			
Administration	6,604	-	6,604
Operation and maintenance of plant	13,031	-	13,031
Transportation	8,060	1,315	9,375
	<u>27,695</u>	<u>1,315</u>	<u>29,010</u>
Non-instructional programs	1,009	-	1,009
Total expenditures	<u>41,924</u>	<u>3,217</u>	<u>45,141</u>
Net change in fund balances	(17,181)	(1,260)	(18,441)
Fund balances beginning of year	61,242	10,982	72,224
Fund balances end of year	<u>\$ 44,061</u>	<u>9,722</u>	<u>53,783</u>

Note: Student Activity Fund consists of one account, 5th and 6th Grade Trip.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DELWOOD COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 CAPITAL PROJECTS FUNDS  
 YEAR ENDED JUNE 30, 2010

	Capital Projects Funds		
	Bond Construction	Statewide Sales, Services and Use Tax	Total
Revenues:			
Local sources:			
Statewide sales, services and use tax	\$ -	172,543	172,543
Interest on investments	-	2,739	2,739
Total revenues	-	175,282	175,282
Expenditures:			
Other expenditures:			
Facilities acquisitions	-	7,160	7,160
Excess of revenues over expenditures	-	168,122	168,122
Other financing sources(uses):			
Special item	-	(117,000)	(117,000)
Transfer in	-	10	10
Transfer out	(10)	-	(10)
Total other financing sources(uses)	(10)	(116,990)	(117,000)
Net change in fund balances	(10)	51,132	51,122
Fund balances beginning of year	10	309,010	309,020
Fund balances end of year	\$ -	360,142	360,142

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 1,003,820	986,686	964,425	978,434	853,716	951,294	985,164
Tuition	175,787	163,233	110,758	109,445	85,099	119,719	87,935
Other	50,455	61,877	95,783	116,591	147,000	77,472	94,632
Intermediate sources	13,645	53,884	-	-	-	-	-
State sources	1,198,707	1,230,235	1,414,762	1,140,186	1,251,350	1,048,176	1,089,315
Federal sources	218,030	75,143	67,504	62,198	76,866	83,296	79,661
<b>Total</b>	<b>\$ 2,660,444</b>	<b>2,571,058</b>	<b>2,653,232</b>	<b>2,406,854</b>	<b>2,414,031</b>	<b>2,279,957</b>	<b>2,336,707</b>
Expenditures:							
Instruction:							
Regular	\$ 1,163,098	1,310,955	1,129,347	1,048,161	995,246	972,818	1,174,642
Special	457,989	505,550	365,641	448,685	427,745	421,871	142,863
Other	165,015	998	96,809	77,582	2,637	35,532	6,082
Support services:							
Student	23,644	24,427	21,463	17,766	24,034	29,342	68,414
Instructional staff	30,427	43,539	42,737	42,876	96,775	104,658	78,877
Administration	215,748	210,107	201,347	187,222	240,482	226,621	209,030
Operation and maintenance of plant	135,041	155,143	134,315	135,942	140,984	155,101	131,227
Transportation	215,020	156,910	234,964	150,036	133,769	137,182	100,440
Non-instructional programs	36,864	33,070	30,951	29,535	25,236	30,369	5,883
Other expenditures:							
Facilities acquisition	22,807	73,334	142,429	118,679	79,766	297,230	557,670
Long-term debt:							
Principal	-	205,000	65,000	60,000	60,000	55,000	55,000
Interest and other charges	-	9,247	12,510	15,810	19,110	22,135	18,870
AEA flow-through	95,940	89,534	89,062	80,430	79,033	76,804	79,308
<b>Total</b>	<b>\$ 2,561,593</b>	<b>2,817,814</b>	<b>2,566,575</b>	<b>2,412,724</b>	<b>2,324,817</b>	<b>2,564,663</b>	<b>2,628,306</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# DELWOOD COMMUNITY SCHOOLS

# NOLTE, CORNMAN & JOHNSON P.C.

## Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of the  
Delwood 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 Delwood Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 10, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Delwood Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Delwood Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Delwood Community School District's internal control over financial reporting.

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

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delwood 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.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Delwood Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 10, 2011

DELWOOD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

I-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - The administrative team including the superintendent/principal, superintendent/building secretary, business coordinator/board secretary and the Delwood School Board continue to review the accounting system procedures to reveal any discrepancies and implement changes to improve the internal control as necessary. Due to our size we do not have enough staff to split the duties as they should be but are comfortable assuming each other's positions in their absence and feel by constantly cross-checking and training it would reveal errors or omissions.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

DELWOOD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

**Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-10 Certified Budget - District expenditures for the year ended June 30, 2010, did not exceed the amount budgeted.
- II-B-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-10 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-10 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-10 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 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		\$	-
Statewide sales and services tax revenue			172,543
Expenditures/transfers out:			
School infrastructure:			
28E agreement payment	\$	117,000	
Buildings		<u>7,160</u>	<u>124,160</u>
Ending balance		\$	<u>48,383</u>

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

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Physical plant and equipment levy	\$ 1.34000	\$ 86,207