

Dike-New Hartford Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2010

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Independent Auditor's Report

To the Board of Education of
Dike-New Hartford Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dike-New Hartford Community School District, Dike, 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. My responsibility is to express opinions on these financial statements based on my audit.

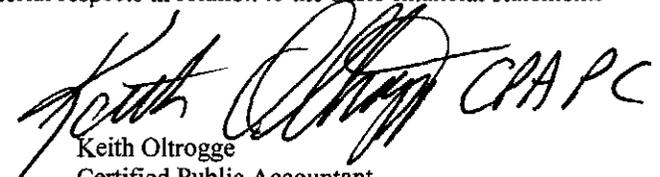
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable 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. I believe that my audit provides a reasonable basis for my opinions.

In my 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 Dike-New Hartford 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, I have also issued my report dated March 1, 2011 on my consideration of Dike-New Hartford Community School District's internal control over financial reporting and my 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 my 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 my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dike-New Hartford Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Keith Oltrogge
Certified Public Accountant

March 1, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dike-New Hartford 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 decreased from \$6,959,441 in fiscal 2009 to \$6,748,401 in fiscal 2010, while General Fund expenditures increased from \$6,960,701 in fiscal 2009 to \$7,100,690 in fiscal 2010. The District's General Fund balance decreased from \$999,686 in fiscal 2009 to \$648,054 in fiscal 2010, a 35% decrease.
- The decrease in General Fund revenues was attributable to a decrease in state sources in fiscal 2010. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was more than the District's increase in General Fund revenue for fiscal 2010.
- A decrease in the District's General Fund balance resulted in the District's solvency ratio decreasing from 10.7% in 2009 to 3.5% in fiscal 2010. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

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 Dike-New Hartford 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 Dike-New Hartford 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 Dike-New Hartford Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to 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 non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

Figure A-1
Dike-New Hartford Community School District Annual Financial Report

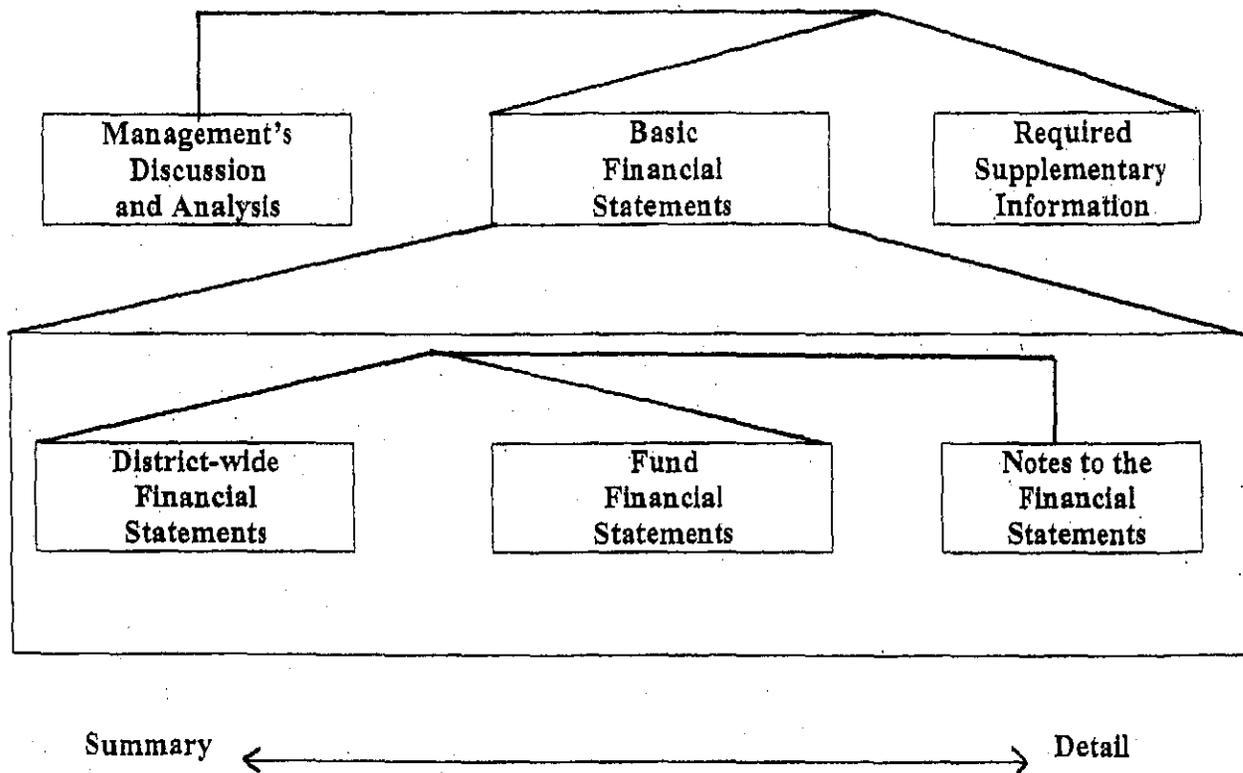


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2
Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in fund net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial 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 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's Internal Service Fund, another type of proprietary fund, is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis. The District currently has one Enterprise Fund, the School Nutrition Fund, and one Internal Service Fund.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	\$6,442,724	\$6,514,046	\$231,049	\$221,164	\$6,673,773	\$6,735,210	-0.9%
Capital assets	7,371,973	7,436,151	12,634	13,355	7,384,607	7,449,506	-0.9%
Total assets	\$13,814,697	\$13,950,197	\$243,683	\$234,519	\$14,058,380	\$14,184,716	-0.9%
Long-term liabilities	\$5,562,402	\$5,905,026	\$-	\$-	\$5,562,402	\$5,905,026	-5.8%
Other liabilities	3,956,696	3,577,776	7,136	6,223	3,963,832	3,583,999	10.6%
Total liabilities	\$9,519,098	\$9,482,802	\$7,136	\$6,223	\$9,526,234	\$9,489,025	0.4%
Net assets:							
Invested in capital assets, net of related debt	\$1,906,973	\$1,596,151	\$12,634	\$13,355	\$1,919,607	\$1,609,506	19.3%
Restricted	1,164,075	743,645	-	-	1,164,075	743,645	56.5%
Unrestricted	1,224,551	2,127,599	223,913	214,941	1,448,464	2,342,540	-38.2%
Total net assets	\$4,295,599	\$4,467,395	\$236,547	\$228,296	\$4,532,146	\$4,695,691	-3.5%

The District's combined net assets decreased by nearly 3.5%, or \$163,545, over the prior year. The largest portion of the District's net assets is invested in Capital assets (e.g., land, infrastructures, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$420,430, or 56.5% over 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 – decreased \$894,076 or 38.2% under last years. The reduction in unrestricted net assets was due to the increase in restricted net assets and an overall decrease in revenues.

Figure A-4 shows the change in net assets for the years ended June 30, 2010 and 2009.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for service	\$646,402	\$623,743	\$245,570	\$245,469	\$891,972	\$869,212	2.6%
Operating grants, contributions and restricted interest	1,392,304	995,744	118,297	117,374	1,510,601	1,113,118	35.7%
Capital grants, contributions and restricted interest	31,605	330,340	-	-	31,605	330,340	-90.5%
General revenues:							
Property tax	2,785,759	2,713,825	-	-	2,785,759	2,713,825	2.6%
Statewide sale, service and use tax	426,441	504,273	-	-	426,441	504,273	-15.5%
Unrestricted state grants	2,686,241	3,326,306	-	-	2,686,241	3,326,306	-19.3%
Unrestricted investment earnings	46,526	78,268	2,074	1,294	48,600	79,562	-39.0%
Other	79,045	118,598	-	-	79,045	118,598	-33.4%
Total revenues	\$8,094,323	\$8,691,097	\$365,941	\$364,137	\$8,460,264	\$9,055,234	-6.6%
Program expenses:							
Governmental activities:							
Instruction	\$5,523,095	\$5,416,644	\$-	\$5,213	\$5,523,095	\$5,421,857	1.8%
Support services	2,126,360	2,148,503	-	-	2,126,360	2,148,503	-1.1%
Non-instructional programs	6,385	6,525	356,957	340,544	363,342	347,069	4.6%
Other expenses	602,603	986,055	-	-	602,603	986,055	-38.9%
Total expenses	\$8,258,443	\$8,557,727	\$356,957	\$345,757	\$8,615,400	\$8,903,484	-3.3%
Change in net assets	-\$164,120	\$133,370	\$8,984	\$18,380	-\$155,136	\$151,750	-102.2%

In fiscal year 2010, property tax and unrestricted state grants accounted for 67.6% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.4% of business type activities revenue.

The District's total revenues were approximately \$8.5 million, of which approximately \$8.1 million was for governmental activities and less than \$0.4 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.6% decrease in revenues and a 3.3% decrease in expenses. Property tax increased approximately \$72,000. The decrease in expenses is related to a decrease in other expenses.

Governmental Activities

Revenues for governmental activities were \$8,094,323 and expenses were \$8,258,443. It was a difficult budget year. The District used its reserves to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$5,523,095	\$5,416,644	1.9%	\$3,549,874	\$3,830,027	-7.4%
Support services	2,126,360	2,148,503	-1.1%	2,060,875	2,115,633	-2.6%
Non-instructional programs	6,385	6,525	-2.2%	6,385	6,525	-2.2%
Other expenses	602,603	986,055	-38.9%	570,998	655,715	-13.0%
Totals	\$8,258,443	\$8,557,727	-3.5%	\$6,188,132	\$6,607,900	-6.4%

- The cost financed by users of the District's programs was \$891,972.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,510,601.
- The net cost of governmental activities was financed with \$3,212,200 in property and other taxes and \$2,686,241 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$365,941 and expenses were \$356,957. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,502,715, a decrease from last year's ending fund balances of \$2,950,406.

Governmental Fund Highlights

- The General Fund balance decreased from \$999,686 to \$648,054, due in part to a decrease in state revenue.
- The Capital Projects Fund balance decreased from \$1,511,506 in fiscal 2009 to \$1,212,452 in fiscal 2010 due to the increase in expenditures over revenue.

Proprietary Fund Highlights

- School Nutrition Fund net assets increased from \$137,918 at June 30, 2009 to \$147,200 at June 30, 2010, representing an increase of approximately 6.7%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$447,276 less than budgeted receipts, a variance of 5.1%. The most significant variance resulted from the District receiving less in state revenue than originally anticipated.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$7.4 million, net of accumulated depreciation, in a broad range of capital assets, including buildings, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 0.9% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$479,637.

The original cost of the District's capital assets was \$15.90 million. Governmental funds account for \$15.87 million, with the remainder of \$0.03 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in process category.

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	2009-2010
Land	\$110,000	\$100,000	\$-	\$-	\$110,000	\$100,000	10%
Construction in process	45,243	-	-	-	45,243	-	100%
Buildings	6,181,425	6,236,900	-	-	6,181,425	6,236,900	-0.9%
Improvements other than buildings	122,441	107,715	-	-	122,441	107,715	13.6%
Furniture and equipment	912,864	991,536	12,634	13,355	925,498	1,004,891	-8.0%
Totals	\$7,371,973	\$7,436,151	\$12,634	\$13,355	\$7,384,607	\$7,449,506	-0.9%

Long-Term Debt

At June 30, 2010, the District had \$5,465,000 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 6.5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$15 million.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-2010
General obligation bonds	\$4,665,000	\$4,800,000	-2.9%
Revenue bond	800,000	1,040,000	-23.1%
Totals	\$5,465,000	\$5,840,000	-6.5%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was unaware of existing circumstances which could significantly affect its financial health in the future except for the following:

- Actual enrollments have decreased in each of the last three years from 809 students in October 2008 to 783 students in October 2010. Decreasing enrollments result in lower state funding.
- State and federal budget cut backs continue to be a concern for the local school districts as these cut backs often affect and flow through to the local district levels as less aid and grant funding.

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 Julie Merfeld, Business Manager, Dike-New Hartford Community School District, 330 Main Street, Dike IA 50624.

Basic Financial Statements

Dike-New Hartford Community School District

Statement of Net Assets

June 30, 2010

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 3,242,217	\$ 223,147	\$ 3,465,364
Receivables:			
Property tax:			
Delinquent	30,312	-	30,312
Succeeding year	2,806,752	-	2,806,752
Accounts	-	2,888	2,888
Due from other governments	363,443	-	363,443
Inventories	-	5,014	5,014
Capital assets, net of accumulated depreciation	7,371,973	12,634	7,384,607
Total Assets	\$ 13,814,697	\$ 243,683	\$ 14,058,380
Liabilities			
Accounts payable	\$ 229,064	\$ 2,001	\$ 231,065
Salaries and benefits payable	617,997	689	618,686
Accrued interest payable	30,229	-	30,229
Deferred revenue-succeeding year property tax	2,806,752	-	2,806,752
Deferred revenue-other	272,654	4,446	277,100
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	175,000	-	175,000
Early retirement	39,802	-	39,802
Revenue Bonds	125,000	-	125,000
Portion due after one year:			
General obligation bonds payable	4,490,000	-	4,490,000
Early retirement	55,600	-	55,600
Revenue bond	675,000	-	675,000
Net OPEB liability	2,000	-	2,000
Total Liabilities	\$ 9,519,098	\$ 7,136	\$ 9,526,234
Net Assets			
Invested in capital assets, net of related debt	\$ 1,906,973	\$ 12,634	\$ 1,919,607
Restricted for:			
Categorical funding	395,151	-	395,151
Management levy	54,856	-	54,856
Debt service	250,992	-	250,992
Physical plant and equipment levy	273,123	-	273,123
Other special revenue purposes	189,953	-	189,953
Unrestricted	1,224,551	223,913	1,448,464
Total Net Assets	\$ 4,295,599	\$ 236,547	\$ 4,532,146

Dike-New Hartford Community School District

Statement of Activities

Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 3,725,678	\$ 261,194	\$ 1,203,066	\$ -
Special instruction	852,001	-	169,688	-
Other instruction	945,416	326,491	12,782	-
	<u>\$ 5,523,095</u>	<u>\$ 587,685</u>	<u>\$ 1,385,536</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 145,344	\$ -	\$ 5,298	\$ -
Instructional staff services	258,064	-	-	-
Administration services	795,100	-	-	-
Operation and maintenance of plant services	581,299	670	1,470	-
Transportation services	346,553	58,047	-	-
	<u>\$ 2,126,360</u>	<u>\$ 58,717</u>	<u>\$ 6,768</u>	<u>\$ -</u>
Non-instructional programs	\$ 6,385	\$ -	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ 25,999	\$ -	\$ -	\$ 31,605
Long-term debt interest	241,096	-	-	-
AEA flow-through	335,508	-	-	-
	<u>\$ 602,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,605</u>
Total Governmental Activities	<u>\$ 8,258,443</u>	<u>\$ 646,402</u>	<u>\$ 1,392,304</u>	<u>\$ 31,605</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 355,771	\$ 245,415	\$ 118,297	\$ -
Instructional Program:				
Internal service	1,186	155	-	-
Total Business Type Activities	<u>\$ 356,957</u>	<u>\$ 245,570</u>	<u>\$ 118,297</u>	<u>\$ -</u>
Total	<u>\$ 8,615,400</u>	<u>\$ 891,972</u>	<u>\$ 1,510,601</u>	<u>\$ 31,605</u>

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-2,261,418	\$	-	\$ -2,261,418
	-682,313		-	-682,313
	-606,143		-	-606,143
\$	-3,549,874	\$	-	\$ -3,549,874
\$	-140,046	\$	-	\$ -140,046
	-258,064		-	-258,064
	-795,100		-	-795,100
	-579,159		-	-579,159
	-288,506		-	-288,506
\$	-2,060,875	\$	-	\$ -2,060,875
\$	-6,385	\$	-	\$ -6,385
\$	5,606	\$	-	\$ 5,606
	-241,096		-	-241,096
	-335,508		-	-335,508
\$	-570,998	\$	-	\$ -570,998
\$	-6,188,132	\$	-	\$ -6,188,132
\$	-	\$	7,941	\$ 7,941
	-		-1,031	-1,031
\$	-	\$	6,910	\$ 6,910
\$	-6,188,132	\$	6,910	\$ -6,181,222

Dike-New Hartford Community School District

Statement of Activities

Year Ended June 30, 2010

	<u>Program Revenues</u>		
		Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Expenses</u>	<u>Charges for Services</u>		
General Revenues:			
Property Tax Levied For:			
General purposes			
Debt service			
Capital outlay			
Statewide sales, service and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
 Total General Revenues			
 Change in net assets before other financing sources			
 Other Financing Sources (Uses):			
Sale of assets			
 Change in net assets			
 Net assets beginning of year			
Prior period adjustments			
 Adjusted beginning of year			
 Net assets end of year			

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ 2,432,649	\$ -	\$ 2,432,649
191,206	-	191,206
161,904	-	161,904
426,441	-	426,441
2,686,241	-	2,686,241
46,526	2,074	48,600
79,045	-	79,045
<u>\$ 6,024,012</u>	<u>\$ 2,074</u>	<u>\$ 6,026,086</u>
\$ -164,120	\$ 8,984	\$ -155,136
657	-733	-76
<u>\$ -163,463</u>	<u>\$ 8,251</u>	<u>\$ -155,212</u>
\$ 4,467,395	\$ 228,296	\$ 4,695,691
-8,333	-	-8,333
<u>\$ 4,459,062</u>	<u>\$ 228,296</u>	<u>\$ 4,687,358</u>
<u>\$ 4,295,599</u>	<u>\$ 236,547</u>	<u>\$ 4,532,146</u>

Dike-New Hartford Community School District

Balance Sheet
Governmental Funds

June 30, 2010

	General	Capital Projects	Non-major	Total
Assets				
Cash and Pooled Investments	\$ 1,265,592	\$ 1,183,931	\$ 792,694	\$ 3,242,217
Receivables:				
Property Tax:				
Delinquent	24,455	-	5,857	30,312
Succeeding year	2,281,428	-	525,324	2,806,752
Due from other governments	324,034	28,521	10,888	363,443
Total Assets	\$ 3,895,509	\$ 1,212,452	\$ 1,334,763	\$ 6,442,724
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 75,376	\$ -	\$ 153,688	\$ 229,064
Accrued interest	-	-	13,542	13,542
Salaries and benefits payable	617,997	-	-	617,997
Deferred Revenue:				
Succeeding year property tax	2,281,428	-	525,324	2,806,752
Other	272,654	-	-	272,654
Total Liabilities	\$ 3,247,455	\$ -	\$ 692,554	\$ 3,940,009
Fund Balances:				
Reserved for:				
Categorical funding	\$ 395,151	\$ -	\$ -	\$ 395,151
Debt service – sinking	-	90,500	138,659	229,159
Debt service	-	-	21,833	21,833
Unreserved	252,903	1,121,952	481,717	1,856,572
Total Fund Balances	\$ 648,054	\$ 1,212,452	\$ 642,209	\$ 2,502,715
Total Liabilities and Fund Balances	\$ 3,895,509	\$ 1,212,452	\$ 1,334,763	\$ 6,442,724

Dike-New Hartford 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 16)	\$ 2,502,715
 <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	7,371,973
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-16,687
Long-term liabilities, including bonds and notes payable, early retirement and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the funds	<u>-5,562,402</u>
Net assets of governmental activities (page 13)	<u>\$ 4,295,599</u>

Dike-New Hartford Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2010

	General	Capital Projects	Non-Major	Total
Revenues:				
Local Sources:				
Local tax	\$ 2,282,459	\$ 426,441	\$ 503,300	\$ 3,212,200
Tuition	238,900	-	-	238,900
Other	148,835	8,761	375,478	533,074
Intermediate sources	-	-	-	-
State sources	3,489,278	-	337	3,489,615
Federal sources	588,929	-	31,605	620,534
Total Revenues	\$ 6,748,401	\$ 435,202	\$ 910,720	\$ 8,094,323
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 3,306,538	\$ -	\$ 42,036	\$ 3,348,574
Special instruction	852,001	-	-	852,001
Other instruction	689,174	-	284,656	973,830
	\$ 4,847,713	\$ -	\$ 326,692	\$ 5,174,405
Support Services:				
Student services	\$ 145,344	\$ -	\$ -	\$ 145,344
Instructional staff services	252,679	111,106	-	363,785
Administration services	761,346	54,983	7,963	824,292
Operation and maintenance of plant services	520,700	-	50,356	571,056
Transportation services	237,211	25,592	58,887	321,690
	\$ 1,917,280	\$ 191,681	\$ 117,206	\$ 2,226,167
Non-instructional programs	\$ 189	\$ -	\$ 6,196	\$ 6,385
Other Expenditures:				
Facilities acquisition	\$ -	\$ 109,034	\$ 69,294	\$ 178,328
Long-Term Debt:				
Fee	-	-	2,322	2,322
Principal	-	-	375,000	375,000
Interest	-	-	244,556	244,556
AEA flow-through	335,508	-	-	335,508
	\$ 335,508	\$ 109,034	\$ 691,172	\$ 1,135,714
Total Expenditures	\$ 7,100,690	\$ 300,715	\$ 1,141,266	\$ 8,542,671
Excess (deficiency) of revenues over (under) expenditures	\$ -352,289	\$ 134,487	\$ -230,546	\$ -448,348
Other Financing Sources (Uses):				
Operating transfer in (out)	\$ -	\$ -433,541	\$ 433,541	\$ -
Sale of assets	657	-	-	657
	\$ 657	\$ -433,541	\$ 433,541	\$ 657
Net change in fund balances	\$ -351,632	\$ -299,054	\$ 202,995	\$ -447,691
Fund balances beginning of year	\$ 1,005,019	\$ 1,511,506	\$ 442,214	\$ 2,958,739
Prior period adjustment	-5,333	-	-3,000	-8,333
Adjusted beginning of year	\$ 999,686	\$ 1,511,506	\$ 439,214	\$ 2,950,406
Fund Balances End of Year	\$ 648,054	\$ 1,212,452	\$ 642,209	\$ 2,502,715
See notes to financial statements.				

Dike-New Hartford 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 18) \$ -447,691

*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, these costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 412,951	
Depreciation expense	-477,129	-64,178

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

Repaid		375,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

5,782

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	\$ -30,376	
Other postemployment benefits	-2,000	-32,376

Change in Net Assets of Governmental Activities (page 15) \$ -163,463

Dike-New Hartford Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2010

	School Nutrition	Internal Service	Total
Assets			
Cash and cash equivalents	\$ 133,800	\$ 89,347	\$ 223,147
Accounts receivable	2,888	-	2,888
Inventories	5,014	-	5,014
Capital assets, net of accumulated depreciation	12,634	-	12,634
Total Assets	\$ 154,336	\$ 89,347	\$ 243,683
Liabilities			
Accounts payable	\$ 2,001	\$ -	\$ 2,001
Salaries and benefits payable	689	-	689
Deferred revenue	4,446	-	4,446
Total Liabilities	\$ 7,136	\$ -	\$ 7,136
Net Assets			
Invested in capital assets, net of related debt	\$ 12,634	\$ -	\$ 12,634
Unrestricted	134,566	89,347	223,913
Total Net Assets	\$ 147,200	\$ 89,347	\$ 236,547

See notes to financial statements.

Dike-New Hartford Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year Ended June 30, 2010

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 245,415
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 115,072
Benefits	36,467
Purchased services	6,640
Supplies	195,084
Depreciation	2,508
Total operating expenses	<u>\$ 355,771</u>
Operating loss	<u>\$ -110,356</u>
Non-operating revenues:	
State sources	\$ 3,562
Federal sources	114,735
Interest income	2,074
Total non-operating revenues	<u>\$ 120,371</u>
Other financing uses:	
Loss on disposal of asset	<u>\$ -733</u>
Change in net assets	\$ 9,282
Net assets beginning of year	<u>137,918</u>
Net Assets End of Year	<u>\$ 147,200</u>

Dike-New Hartford Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2010

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 245,316
Cash paid to employees for services	-150,850
Cash paid to suppliers for goods or services	-174,725
Net cash used by operating activities	<u>\$ -80,259</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,562
Federal grants received	88,552
Net cash provided by non-capital financing activities	<u>\$ 92,114</u>
Cash flows from financing activities:	
Purchase of equipment	<u>\$ -2,520</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 2,074</u>
Net increase in cash and cash equivalents	\$ 11,409
Cash and cash equivalents beginning of year	<u>122,391</u>
Cash and Cash Equivalents End of Year	<u>\$ 133,800</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -110,356
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	26,183
Depreciation	2,508
Decrease in inventories	857
(Increase) in accounts receivable	-364
Increase in accounts payable	88
Increase in deferred revenue	136
Increase in accrued salaries and benefits	689
Net Cash Used by Operating Activities	<u>\$ -80,259</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$26,183 of federal commodities.

Dike-New Hartford Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year Ended June 30, 2010

	Internal Service
Operating revenues:	
Local sources:	
Other revenue	\$ 155
Operating expenses:	
Instruction:	
Benefits	\$ 1,017
Supplies	169
Total operating expenses	\$ 1,186
Operating loss	\$ -1,031
Change in net assets	\$ -1,031
Net assets beginning of year	90,378
Net Assets End of Year	\$ 89,347

Dike-New Hartford Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2010

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from collections	\$ 155
Cash payments for employee benefits	-1,017
Cash paid to suppliers for goods and service	-169
Net cash used by operating activities	<u>\$ -1,031</u>
Net decrease in cash and cash equivalents	\$ -1,031
Cash and cash equivalents beginning of year	<u>90,378</u>
Cash and Cash Equivalents End of Year	<u>\$ 89,347</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ -1,031
Adjustments to reconcile operating income to net cash used by operating activities	
Net Cash Used by Operating Activities	<u>\$ -1,031</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on combined balance sheet:	
Current Assets:	
Cash	<u>\$ 89,347</u>

See notes to financial statements.

Dike-New Hartford Community School District

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

Dike-New Hartford Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Dike and New Hartford, Iowa and portions of the predominately agricultural territories in Butler, Grundy and Black Hawk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. Facilities are located in New Hartford for Grades K-8. Grades K-6 and Grades 9-12 attend the Dike attendance centers.

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, Dike-New Hartford 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. Dike-New Hartford Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's 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 non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

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 non-major governmental funds.

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary funds:

The School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service Fund is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

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

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

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

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

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

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

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

E. Budgets and Budgetary Accounting

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

(2) **Cash and Pooled Investments**

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

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

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

	<u>Amortized Cost</u>
Total	<u>\$ 699,720</u>

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

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

(3) **Iowa School Cash Anticipation Program (ISCAP)**

The District did not participate in ISCAP for the 2009-2010 year.

(4) Capital Assets

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

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 100,000	\$ 10,000	\$ -	\$ 110,000
Construction in process	-	45,243	-	45,243
Total capital assets not being depreciated	\$ 100,000	\$ 55,243	\$ -	\$ 155,243
Capital assets being depreciated:				
Buildings	\$ 10,213,891	\$ 106,348	\$ -	\$ 10,320,239
Improvements other than buildings	727,732	21,572	-	749,304
Furniture and equipment	4,417,507	229,788	6,500	4,640,795
Total capital assets being depreciated	\$ 15,359,130	\$ 357,708	\$ 6,500	\$ 15,710,338
Less accumulated depreciation for:				
Buildings	\$ 3,976,991	\$ 161,823	\$ -	\$ 4,138,814
Improvements other than buildings	620,017	6,846	-	626,863
Furniture and equipment	3,425,971	308,460	6,500	3,727,931
Total accumulated depreciation	\$ 8,022,979	\$ 477,129	\$ 6,500	\$ 8,493,608
Total capital assets being depreciated, net	\$ 7,336,151	\$ -119,421	\$ -	\$ 7,216,730
Governmental Activities Capital Assets, Net	\$ 7,436,151	\$ -64,178	\$ -	\$ 7,371,973
	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 29,430	\$ 2,520	\$ 1,258	\$ 30,692
Less accumulated depreciation	16,075	2,508	525	18,058
Business Type Activities Capital Assets, Net	\$ 13,355	\$ 12	\$ 733	\$ 12,634

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular

\$ 344,728

Other

16,373

Support services:

Administration

16,051

Operation and maintenance of plant

14,335

Transportation

85,642

Total Depreciation Expense – Governmental Activities

\$ 477,129

Business Type Activities:

Food service operations

\$ 2,508

(5) Long-term Liabilities

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

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 4,800,000	\$ -	\$ 135,000	\$ 4,665,000	\$ 175,000
Early retirement	65,026	62,000	31,624	95,402	39,802
Revenue bond	1,040,000	-	240,000	800,000	125,000
Net OPEB liability	-	2,000	-	2,000	-
Total	\$ 5,905,026	\$ 64,000	\$ 406,624	\$ 5,562,402	\$ 339,802

Early Retirement

The District offers a voluntary early retirement plan to its licensed employees. Eligible employees must be at least age fifty-five and must have completed twenty years of service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is \$1,000 per year of actual service. The payout sum shall be applied to the employee's monthly single or family insurance premiums. Early retirement expenditures for the year ended June 30, 2010 totaled \$31,624.

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issued April 9, 2003			
	Interest Rate	Principal	Interest	Total
2011	3.35%	\$100,000	\$8,780	\$108,780
2012	3.45%	100,000	5,430	105,430
2013	3.60%	55,000	1,980	56,980
Total		\$255,000	\$16,190	\$271,190

Year Ending June 30,	Bond Issued June 16, 2006			
	Interest Rate	Principal	Interest	Total
2011	5.000%	\$75,000	\$191,456	\$266,456
2012	5.000%	85,000	187,706	272,706
2013	5.000%	165,000	183,456	348,456
2014	5.000%	265,000	175,206	440,206
2015	5.000%	275,000	161,956	436,956
2016	5.000%	290,000	148,206	438,206
2017	4.000%	300,000	133,706	433,706
2018	4.000%	315,000	121,706	436,706
2019	4.000%	330,000	109,106	439,106
2020	4.000%	345,000	95,906	440,906
2021	4.125%	360,000	82,106	442,106
2022	4.125%	375,000	67,256	442,256
2023	4.125%	390,000	51,788	441,788
2024	4.250%	410,000	35,700	445,700
2025	4.250%	430,000	18,276	448,276
Total		\$4,410,000	\$1,763,536	\$6,173,536

Revenue Bonds

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

Year Ending June 30,	Bond Issued November 1, 2006			
	Interest Rate	Principal	Interest	Total
2011	4.00%	\$ 125,000	\$ 24,586	\$ 149,586
2012	4.00%	125,000	19,586	144,586
2013	4.00%	135,000	14,386	149,386
2014	4.10%	140,000	8,816	148,816
2015	4.10%	145,000	2,973	147,973
Total		<u>\$ 670,000</u>	<u>\$ 70,347</u>	<u>\$ 740,347</u>

Year Ending June 30,	Bonds Issued November 5, 2008			
	Interest Rate	Principal	Interest	Total
2011	3.2%	\$ -	\$ 2,145	\$ 2,145
2012	3.3%	130,000	2,145	132,145
Total		<u>\$ 130,000</u>	<u>\$ 4,290</u>	<u>\$ 134,290</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$905,000 of bonds issued in November 2006. The bonds were issued for the purpose of financing a portion of the costs of capital improvements. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 35 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$740,347. For the current year, \$240,000 of principal and \$41,680 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$426,441.

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

- a) \$90,500 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

During the year ended June 30, 2010, the District made principal and interest payments totaling \$621,956 under the agreements.

(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 payroll for the years ended June 30, 2010, 2009 and 2008. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$262,933, \$254,229 and \$229,813, respectively, equal to the required contributions for each year.

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

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

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 89 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Health Care. Retirees under age 65 pay the same premium for the medical/prescription drug 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 obligations:

Annual required contribution	\$	51,000
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost	\$	51,000
Contributions made		-49,000
Increase in net OPEB obligation	\$	2,000
Net OPEB obligation beginning of year		-
Net OPEB obligation end of year	\$	2,000

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 \$414,940 to the medical plan. Plan members eligible for benefits contributed \$107,844, or 20.6% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$51,000	96%	\$2,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$492,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$492,000. The covered payroll (annual payroll of active employees covered by the plan) was \$3,513,000 and the ratio of the UAAL to covered payroll was 14.0%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, 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 unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$702 per month for retirees less than age 65 and \$1,287 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(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 \$335,508 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) Construction Commitments

The District has approved a drive and parking improvement project for \$104,729 of which \$14,095 is in process at June 30, 2010.

The District has also approved a fiber optic project for \$221,330 of which \$31,148 is in process at June 30, 2010.

(11) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Limited English Proficiency	\$ 6,344
At Risk	29,042
Gifted and Talented Programs	127,729
Dropout Prevention	155,650
Teacher Salary Supplement	30,513
Market Factor (07)	1,159
Core Curriculum	17,378
Professional Development	22,120
Market Factor (08)	5,216
Total	<u>\$ 395,151</u>

(12) Subsequent Events

The District has evaluated subsequent events through March 1, 2011 which is the date that the financial statements were available to be issued.

(13) Prior Period Adjustment

The District made a \$5,333 prior period adjustment to the General Fund and a \$3,000 adjustment to Debt Service.

(14) Deficit Balance

The Disaster Recovery fund had a deficit unreserved fund balance of \$131,617 at June 30, 2010.

Required Supplementary Information

Dike-New Hartford Community School District

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Funds**

Required Supplementary Information

Year Ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 3,984,174	\$ 247,489
Intermediate sources	-	-
State sources	3,489,615	3,562
Federal sources	620,534	114,735
Total Receipts	<u>\$ 8,094,323</u>	<u>\$ 365,786</u>
Disbursements:		
Instruction	\$ 5,174,405	\$ -
Support services	2,226,167	-
Non-instructional programs	6,385	355,771
Other expenditures	1,135,714	-
Total Disbursements	<u>\$ 8,542,671</u>	<u>\$ 355,771</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ -448,348	\$ 10,015
Other financing sources, net	657	-733
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	<u>\$ -447,691</u>	<u>\$ 9,282</u>
Balances beginning of year	\$ 2,958,739	\$ 137,918
Prior period adjustments	-8,333	-
Adjusted beginning of year	<u>\$ 2,950,406</u>	<u>\$ 137,918</u>
Balances End of Year	<u>\$ 2,502,715</u>	<u>\$ 147,200</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts	Final To Actual Variance
\$	4,231,663	\$ 4,290,241	\$ -58,578
	-	-	-
	3,493,177	4,345,144	-851,967
	735,269	272,000	463,269
\$	<u>8,460,109</u>	<u>\$ 8,907,385</u>	<u>\$ -447,276</u>
\$	5,174,405	\$ 5,257,246	\$ 82,841
	2,226,167	2,527,500	301,333
	362,156	377,000	14,844
	1,135,714	1,211,754	76,040
\$	<u>8,898,442</u>	<u>\$ 9,373,500</u>	<u>\$ 475,058</u>
\$	-438,333	\$ -466,115	\$ 27,782
	-76	2,000	-2,076
\$	<u>-438,409</u>	<u>\$ -464,115</u>	<u>\$ 25,706</u>
\$	3,096,657	\$ 1,766,106	\$ 1,330,551
	-8,333	-	-8,333
\$	<u>3,088,324</u>	<u>\$ 1,766,106</u>	<u>\$ 1,322,218</u>
\$	<u>2,649,915</u>	<u>\$ 1,301,991</u>	<u>\$ 1,347,924</u>

Dike-New Hartford Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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.

Dike-New Hartford Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

June 30, 2010

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	June 1, 2009	-	\$492	\$492	0.0%	\$3,513	14%

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

Dike-New Hartford Community School District

**Combining Balance Sheet
Non-Major Funds**

June 30, 2010

	Special Revenue		
	Management Levy	Student Activity	Physical Plant and Equipment Levy
Assets			
Cash and pooled investments	\$ 148,562	\$ 203,488	\$ 268,791
Receivables:			
Property Tax:			
Delinquent	1,844	-	1,847
Succeeding year	149,999	-	169,589
Due from other governments	15	-	10,858
	\$ 300,420	\$ 203,488	\$ 451,085
Total Assets			
Liabilities & Fund Equity			
Liabilities:			
Accounts payable	\$ 163	\$ 13,535	\$ 8,373
Accrued interest	-	-	-
Deferred Revenue:			
Succeeding year property tax	149,999	-	169,589
Total Liabilities	\$ 150,162	\$ 13,535	\$ 177,962
Fund Equity:			
Reserved for:			
Debt service - sinking	\$ -	\$ -	\$ -
Debt service	-	-	-
Unreserved fund balance	150,258	189,953	273,123
Total Fund Balance	\$ 150,258	\$ 189,953	\$ 273,123
Total Liabilities & Fund Balances	\$ 300,420	\$ 203,488	\$ 451,085

See accompanying independent auditor's report.

Debt Service		Disaster Recovery		Total
\$	171,853	\$	-	\$ 792,694
	2,166		-	5,857
	205,736		-	525,324
	15		-	10,888
<u>\$</u>	<u>379,770</u>	<u>\$</u>	<u>-</u>	<u>\$ 1,334,763</u>
\$	-	\$	131,617	\$ 153,688
	13,542		-	13,542
	205,736		-	525,324
<u>\$</u>	<u>219,278</u>	<u>\$</u>	<u>131,617</u>	<u>\$ 692,554</u>
\$	138,659	\$	-	\$ 138,659
	21,833		-	21,833
	-		-131,617	481,717
<u>\$</u>	<u>160,492</u>	<u>\$</u>	<u>-131,617</u>	<u>\$ 642,209</u>
<u>\$</u>	<u>379,770</u>	<u>\$</u>	<u>-131,617</u>	<u>\$ 1,334,763</u>

Dike-New Hartford Community School District

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Funds**

Year Ended June 30, 2010

	Special Revenue		
	Management Levy	Student Activity	Physical Plant and Equipment Levy
Revenues:			
Local Sources:			
Local tax	\$ 150,190	\$ -	\$ 161,904
Other	13,329	359,851	428
State sources	103	-	106
Federal sources	-	-	10,844
Total Revenues	\$ 163,622	\$ 359,851	\$ 173,282
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 42,036	\$ -	\$ -
Other instruction	-	284,656	-
Support services:			
Administration services	7,963	-	-
Operation and maintenance of plant services	50,356	-	-
Transportation services	24,110	-	34,777
Non-instructional programs	6,196	-	-
Other expenditures:			
Facilities acquisition	-	-	27,969
Long-term debt:			
Fee	-	-	-
Principal	-	-	-
Interest	-	-	-
Total Expenditures	\$ 130,661	\$ 284,656	\$ 62,746
Excess (deficiency) of revenues over (under) expenditures	\$ 32,961	\$ 75,195	\$ 110,536
Other financing sources (uses):			
Operating transfers in	\$ -	\$ -	\$ -
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 32,961	\$ 75,195	\$ 110,536
Fund balances beginning of year	\$ 117,297	\$ 114,758	\$ 162,587
Prior period adjustments	-	-	-
Adjusted beginning of year	\$ 117,297	\$ 114,758	\$ 162,587
Fund Balances End of Year	\$ 150,258	\$ 189,953	\$ 273,123

See accompanying independent auditor's report.

Debt Service		Disaster Recovery		Total
\$	191,206	\$	-	\$ 503,300
	729		1,141	375,478
	128		-	337
	-		20,761	31,605
<u>\$</u>	<u>192,063</u>	<u>\$</u>	<u>21,902</u>	<u>\$ 910,720</u>
\$	-	\$	-	\$ 42,036
	-		-	284,656
	-		-	7,963
	-		-	50,356
	-		-	58,887
	-		-	6,196
	-		41,325	69,294
	2,322		-	2,322
	375,000		-	375,000
	244,556		-	244,556
<u>\$</u>	<u>621,878</u>	<u>\$</u>	<u>41,325</u>	<u>\$ 1,141,266</u>
\$	-429,815	\$	-19,423	\$ -230,546
\$	433,541	\$	-	\$ 433,541
\$	3,726	\$	-19,423	\$ 202,995
\$	159,766	\$	-112,194	\$ 442,214
	-3,000		-	-3,000
<u>\$</u>	<u>156,766</u>	<u>\$</u>	<u>112,194</u>	<u>\$ 439,214</u>
\$	160,492	\$	-131,617	\$ 642,209

Dike-New Hartford Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2010

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Art Club	\$ 21	\$ -	\$ -	\$ -	\$ 21
Annual	2,056	6,884	2,980	-	5,960
Athletics	6,790	375	1,306	2,596	8,455
Band uniforms	1,628	452	-	-	2,080
Band	5,204	6,062	6,660	-2,800	1,806
Interest income	6,595	1,056	-	-	7,651
Vocal music	4,832	5,997	5,648	-600	4,581
Musical	843	2,747	3,584	-	6
Music trip	3,322	9,828	5,639	-	7,511
Cheerleaders	538	2,672	2,103	-	1,107
Speech	163	451	2,524	2,000	90
Drama	1,982	500	139	300	2,643
Cross Country	-	204	960	756	-
Tennis	-	634	722	88	-
Golf	-	225	590	365	-
Boys basketball	-	4,926	3,069	-1,857	-
Football	-	11,987	9,838	-2,149	-
Baseball	-	2,324	3,276	952	-
Boys track	-	2,517	3,544	1,027	-
Wrestling	-	4,116	2,621	-1,495	-
Girls basketball	-	3,241	3,703	462	-
Volleyball	-	5,009	2,590	-2,419	-
Softball	-	1,966	2,470	504	-
Girls track	-	4,440	5,000	560	-
Student Council	2,311	2,066	1,994	-	2,383
Junior/Senior Prom	993	7,376	7,686	-	683
Concessions	1,778	44,193	35,437	-9,702	832
National Honor Society	1,447	-	40	-	1,407
TAG-Talented & Gifted	719	-	-	-	719
Vending machine	570	591	-	-500	661
Athletic towel service	8,021	702	152	-	8,571
Dance	211	-	-	-	211
Secondary	486	3,863	3,967	500	882
Junior High	5,022	13,877	12,574	-2,354	3,971
Dike Elementary	245	16,729	17,049	-	-75
New Hartford Elementary	9,051	20,154	16,673	-	12,532
Thespians	218	318	344	-	192
SADD	210	616	420	-	406
Booster Club	1,432	17,745	14,264	-4,805	108
Track project donations	3,375	2,487	5,087	4,000	4,775
Service Learning Scholarship	50	-	-	-	50
Football Fundraisers	8,839	13,689	14,216	-1,000	7,312
Volleyball Fundraisers	3,333	6,599	6,492	-	3,440
Cheerleading Fund	324	6,950	6,675	-	599
Baseball Fund	1,890	1,436	897	-	2,429
Wrestling Mats	1,000	6,000	7,000	-	-

Dike-New Hartford Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2010

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Timpani	\$ -	\$ -	\$ -	\$ 1,500	\$ 1,500
Pepsi Rebate	-	2,003	-	-	2,003
Auditorium	2,609	2,856	2,394	2,500	5,571
Character Education	105	2,975	3,079	-	1
Pep Bus	-	870	870	-	-
All State Music	551	600	498	-	653
JH Athletics	-	1,954	10,885	8,961	30
Activity Tickets	-	6,430	-	-6,430	-
Swimming	-	-	40	40	-
Soccer	-	-	3,500	3,500	-
Cross County Fundraisers	455	3,871	3,409	-	917
Boys Track Fundraisers	1,742	2,245	2,926	-	1,061
Wrestling Fundraisers	-	4,345	4,173	-	172
Baseball/Softball lights	5,567	63,237	12,063	15,162	71,903
Boys Basketball Fundraisers	728	4,381	5,322	1,000	787
Girls Basketball Fundraisers	1,165	7,742	6,428	-	2,479
Softball Fundraisers	1,548	4,611	2,337	-	3,822
Sound system	935	-	-	-	935
Bleachers	10,662	-	-	-10,662	-
JH Trip	3,192	7,727	6,799	-	4,120
Total	\$ 114,758	\$ 359,851	\$ 284,656	\$ -	\$ 189,953

Dike-New Hartford Community School District

**Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds**

For the Last Seven Years

	Modified Accrual Basis			
	2010	2009	2008	2007
Revenues:				
Local Sources:				
Local tax	\$ 3,212,200	\$ 3,218,098	\$ 3,084,998	\$ 2,960,196
Tuition	238,900	242,459	196,965	215,185
Other	533,074	578,150	617,231	711,373
Intermediate sources	-	-	-	-
State sources	3,489,615	4,113,819	3,891,713	3,730,342
Federal sources	620,534	538,571	115,741	139,699
Total	\$ 8,094,323	\$ 8,691,097	\$ 7,906,648	\$ 7,756,795
Expenditures:				
Instruction:				
Regular instruction	\$ 3,348,574	\$ 3,350,505	\$ 3,103,064	\$ 3,032,320
Special instruction	852,001	895,927	758,860	780,449
Other instruction	973,830	873,981	978,872	768,112
Support services:				
Student services	145,344	129,279	131,732	141,821
Instructional staff services	363,785	340,307	305,867	284,354
Administrative services	824,292	752,606	721,716	773,832
Operation and maintenance of plant services	571,056	584,743	581,378	535,595
Transportation services	321,690	504,314	278,985	355,838
Central support services	-	-	-	-
Non-instructional programs	6,385	6,525	5,188	6,485
Other expenditures:				
Facilities acquisition	178,328	998,075	2,090,185	2,981,965
Long-term debt:				
Principal	375,000	205,000	9,000	85,000
Interest and other charges	246,878	241,973	248,541	244,699
AEA flow-through	335,508	287,737	267,309	256,112
Total	\$ 8,542,671	\$ 9,170,972	\$ 9,561,697	\$ 10,246,582

See accompanying independent auditor's report.

Modified Accrual Basis		
2006	2005	2004
\$ 2,722,300	\$ 2,488,099	\$ 2,247,405
226,198	217,634	162,031
477,631	427,357	427,722
-	-	-
3,505,560	3,365,191	2,967,144
135,423	146,406	111,185
<u>\$ 7,067,112</u>	<u>\$ 6,644,687</u>	<u>\$ 5,915,487</u>

\$ 2,847,000	\$ 2,643,861	\$ 2,612,838
716,836	769,512	770,373
736,740	686,579	632,666
135,738	142,251	125,028
259,327	218,725	141,705
919,135	615,689	609,410
549,478	495,048	479,204
345,862	323,875	302,886
-	-	3,082
4,246	6,194	3,077
61,639	58,010	68,251
80,000	80,000	75,000
20,722	21,528	29,172
239,746	231,860	221,107
<u>\$ 6,916,469</u>	<u>\$ 6,293,132</u>	<u>\$ 6,073,799</u>

Dike-New Hartford Community School District

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
US Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	\$ 7,858
National School Lunch Program	10.555	FY10	106,877 *
			<u>\$ 114,735</u>
US Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	\$ 39,399
ARRA – Title I Grants to Local Educational Agencies – Recovery Act	84.389	FY10	\$ 8,710
			<u>\$ 48,109</u>
Career and Technical Education – Basic Grants to States	84.048	FY10	\$ 4,743
Safe and Drug-Free Schools and Communities – State Grants	84.186	FY10	\$ 1,592
Iowa Demonstration Construction Grants	84.215	FY10	\$ 10,844
Improving Teacher Quality State Grants	84.367	FY10	\$ 19,421
Title VI Assessment	84.369	FY10	\$ 5,298
ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act	84.394	FY10	\$ 358,784
Area Education Agency 267:			
Special Education – Grants to States	84.027	FY10	\$ 38,143 **
ARRA – Special Education – Grants to States- Recovery Act	84.391	FY10	\$ 83,436 **
US Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants – Public Assistance (FEMA) (Presidentially Declared Disasters)	97.036	FY10	\$ 20,761
Total			<u>\$ 705,936</u>

*- Includes \$26,183 of non-cash awards.

**- Total for CFDA Number 84.391 is \$83,436 and total for Special Education Cluster (IDEA) is \$121,579.

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

**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**

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
Dike-New Hartford Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Dike-New Hartford 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 my report thereon dated March 1, 2011. I conducted my 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 my audit, I considered Dike-New Hartford Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Dike-New Hartford Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Dike-New Hartford Community School District's internal control over financial reporting.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses as defined above.

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

A significant deficiency is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-A-10 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dike-New Hartford Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

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

Dike-New Hartford Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Dike-New Hartford Community School District's responses and, accordingly, I 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 Dike-New Hartford Community School District and other parties to whom Dike-New Hartford Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Dike-New Hartford Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrögge
Certified Public Accountant

March 1, 2011

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Dike-New Hartford Community School District:

Compliance

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

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

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

Internal Control Over Compliance

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

My consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses as defined above.

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



Keith Oltrogge
Certified Public Accountant

March 1, 2011

Dike-New Hartford Community School District

Schedule of Findings

Year Ended June 30, 2010

Part I – Summary of the Independent Auditor’s Results:

- a) Unqualified opinions were issued on the financial statements.
- b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) No material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
 - Clustered programs:
 - CFDA Number 84.010 – Title I Grants to Local Education Agencies
 - CFDA Number 84.389 – ARRA – Title I Grants to Local Education Agencies, Recovery Act
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Dike-New Hartford Community School District did not qualify as a low-risk auditee.

Dike-New Hartford Community School District

Schedule of Findings

Year Ended June 30, 2010

Part II – Findings Related to the General Purpose Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-10 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District's financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is a common control deficiency of most small districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

Dike-New Hartford Community School District

Schedule of Findings

Year Ended June 30, 2010

Part III – Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 84.394: ARRA – State Fiscal Stabilization (SFSF) – Education State Grants, Recovery Act
Federal Award Year: 2010
US Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
CFDA Number 84.389: ARRA – Title I Grants to Local Education Agencies, Recovery Act
Federal Award Year: 2010
US Department of Education
Passed through the Iowa Department of Education

SIGNIFICANT DEFICIENCIES:

No matters were reported.

Dike-New Hartford Community School District

Schedule of Findings

Year Ended June 30, 2010

Part IV - Other Findings Related to Statutory Reporting:

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

According to proposed administrative rules, “Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting.” I noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation – All categorical funding expenditures should be posted to the correct expenditure account as the expenditures are incurred.

Response – We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion – Response accepted.

Dike-New Hartford Community School District

Schedule of Findings

Year Ended June 30, 2010

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

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

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

Beginning balance		\$	-150,636
Statewide sales, service and use tax revenue			424,441
Expenditures/transfers out:			
School infrastructure:			
Land	\$	11,495	
Buildings		39,811	
Equipment		143,755	
Other improvements		105,654	
Debt service for school infrastructure:			
General obligation debt		150,361	
Revenue debt		283,180	734,256
			<hr/>
Ending balance		\$	<u>-460,481</u>

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

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 2.18426	\$ 424,441
Physical plant and equipment levy	-	-
Public educational and recreational levy	-	-

IV-M-10 Financial Condition – Special Revenue, Student Activity Fund – The Student Activity Fund had one deficit account and The Disaster Recovery Fund had a deficit balance at June 30, 2010.

Recommendation – The District should continue to monitor this situation and investigate alternatives to eliminate these deficits in order to return the accounts to sound financial conditions.

Response – We are working on this.

Conclusion – Response accepted.