

EAST CENTRAL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

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East Central Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 election)		
Steve Gendreau	President	2011
Sharon Marshall	Vice President	2009
Andrew Naeve	Board Member	2011
Warren Koch	Board Member	2011
Charles Jargo	Board Member	2009

**Board of Education
(After September 2009 election)**

Steve Gendreau	President	2011
Warren Koch	Vice President	2011
Andrew Naeve	Board Member	2011
Mollie Galusha	Board Member	2013
Jon Wall	Board Member	2013

School Officials

James House	Superintendent	2010
Sandra Hansen	District Secretary and Treasurer	2010
Brian Gruhn	Attorney	2010

EAST CENTRAL COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
East Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the East Central Community School District, Miles, Iowa as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with Government Auditing Standards, we have also issued our reports dated March 17, 2011 on our consideration of East Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of these reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information

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required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Central Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in 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 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

East Central 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 \$3,713,678 in fiscal 2009 to \$3,645,849 in fiscal 2010, while General Fund expenditures decreased from \$4,073,778 in fiscal 2009 to \$4,059,907 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from a positive \$44,539 in fiscal 2009 to a deficit \$369,519 in fiscal 2010, a 929.65% decrease from the prior year.
- The decrease in General Fund revenues was attributable to decreases in state revenue sources in fiscal 2010. The decrease in expenditures was due primarily to a decrease in the instruction functional area.

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 East Central 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 East Central 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 East Central Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

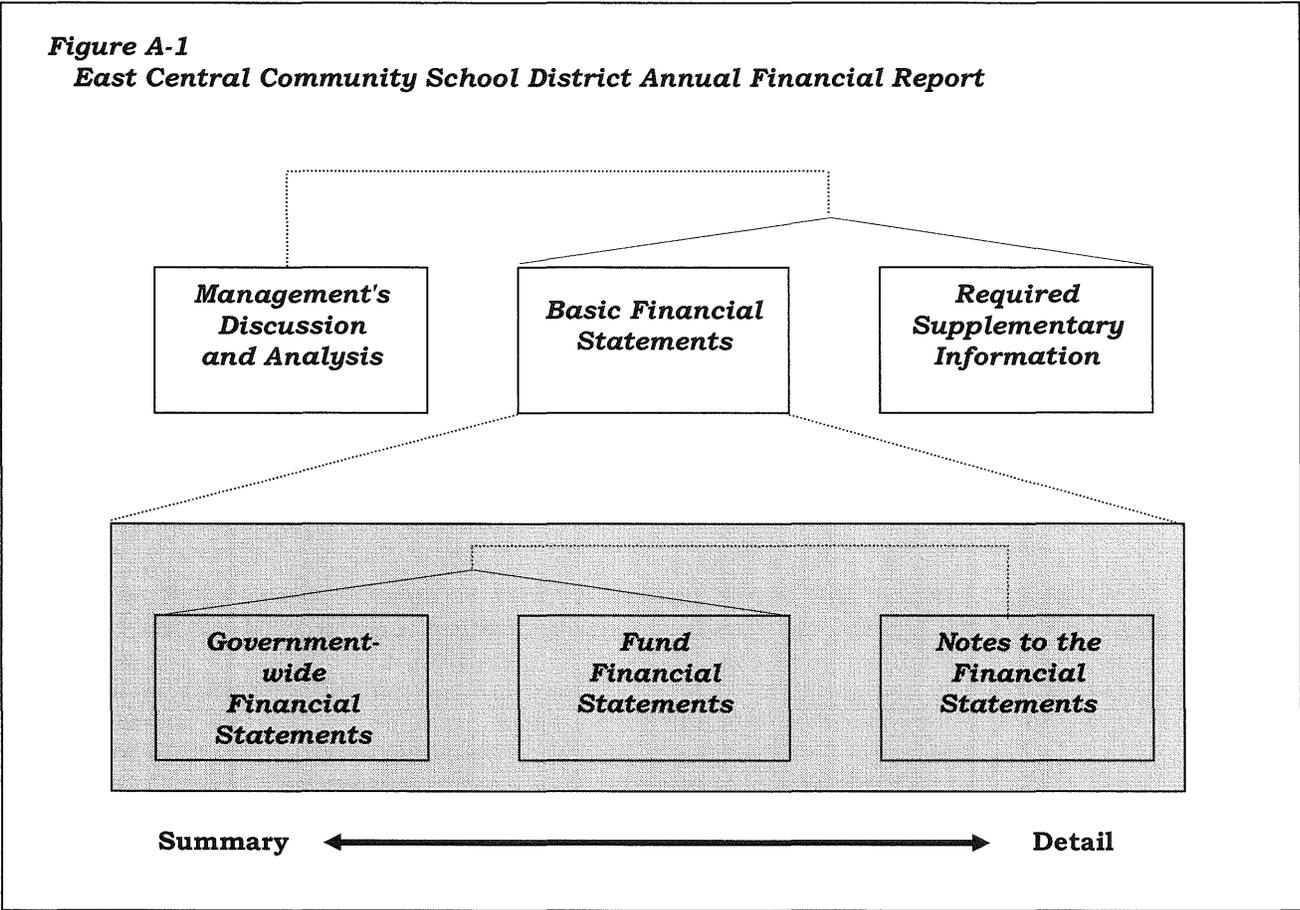


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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 position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund.

Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2009-10
	2010	2009	2010	2009	2010	2009	
Current and other assets	\$ 1,776,138	2,192,952	97,652	75,236	1,873,790	2,268,188	-17.39%
Capital assets	1,054,093	946,861	12,154	13,613	1,066,247	960,474	11.01%
Total assets	2,830,231	3,139,813	109,806	88,849	2,940,037	3,228,662	-8.94%
Long-term obligations	75,377	75,395	0	0	75,377	75,395	-0.02%
Other liabilities	1,828,142	1,835,148	0	731	1,828,142	1,835,879	-0.42%
Total liabilities	1,903,519	1,910,543	0	731	1,903,519	1,911,274	-0.41%
Net assets:							
Invested in capital assets, net of related debt	1,002,290	871,466	12,154	13,613	1,014,444	885,079	14.62%
Restricted	398,061	342,611	0	0	398,061	342,611	16.18%
Unrestricted	(473,639)	15,193	97,652	74,505	(375,987)	89,698	-519.17%
Total net assets	\$ 926,712	1,229,270	109,806	88,118	1,036,518	1,317,388	-21.32%

The District's combined net assets decreased by 21.32%, or \$280,870, from the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$55,450, or 16.18% over the prior year. The increase was primarily due to the increase in the Special Revenue, Management Levy Fund balance.

Unrestricted net assets are 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 by \$465,685, or 519.17%. The decrease was primarily due to the decrease in the General Fund balance.

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

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for services	\$ 204,870	222,289	105,973	114,235	310,843	336,524	-7.63%
Operating grants, contributions and restricted interest	793,487	667,468	94,757	81,459	888,244	748,927	18.60%
General revenues:							
Property tax	1,359,146	1,286,888	0	0	1,359,146	1,286,888	5.61%
Statewide sales, services and use tax	236,923	236,097	0	0	236,923	236,097	0.35%
Unrestricted state grants	1,481,340	1,645,601	0	0	1,481,340	1,645,601	-9.98%
Unrestricted investment earnings	1,696	16,492	326	587	2,022	17,079	-88.16%
Other general revenues	19,550	38,357	1,116	175	20,666	38,532	-46.37%
Total revenues	4,097,012	4,113,192	202,172	196,456	4,299,184	4,309,648	-0.24%
Program expenses:							
Governmental activities:							
Instructional	2,837,476	2,917,634	3,002	2,957	2,840,478	2,920,591	-2.74%
Support services	1,249,043	1,207,259	6,837	1,362	1,255,880	1,208,621	3.91%
Non-instructional programs	0	0	170,645	172,148	170,645	172,148	-0.87%
Other expenses	313,051	245,371	0	0	313,051	245,371	27.58%
Total expenses	4,399,570	4,370,264	180,484	176,467	4,580,054	4,546,731	0.73%
Changes in net assets	(302,558)	(257,072)	21,688	19,989	(280,870)	(237,083)	18.47%
Beginning net assets	1,229,270	1,486,342	88,118	68,129	1,317,388	1,554,471	-15.25%
Ending net assets	\$ 926,712	1,229,270	109,806	88,118	1,036,518	1,317,388	-21.32%

Property tax, statewide sales, services and use tax and unrestricted state grants account for 75.11% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.29% of the revenue from business type activities.

The District's total revenues were approximately \$4.30 million of which approximately \$4.10 million was for governmental activities and approximately \$.20 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.24% decrease in revenues and a 0.73% increase in expenses. The decrease in revenues was due to decreased charges for services, and unrestricted state grants the District received during fiscal 2010. The increase in expenses was related to increases in the support services and other expenses functions.

Governmental Activities

Revenues for governmental activities were \$4,097,012 and expenses were \$4,399,570.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change	2010	2009	Change
			2009-10			2009-10
Instruction	\$ 2,837,476	2,917,634	-2.75%	1,996,849	2,168,078	-7.90%
Support services	1,249,043	1,207,259	3.46%	1,249,043	1,206,706	3.51%
Other expenses	313,051	245,371	27.58%	155,321	105,723	46.91%
Totals	<u>\$ 4,399,570</u>	<u>4,370,264</u>	<u>0.67%</u>	<u>3,401,213</u>	<u>3,480,507</u>	<u>-2.28%</u>

- The cost financed by users of the District's programs was \$204,870.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$793,487.
- The net cost of governmental activities was financed with \$1,359,146 in property tax, \$236,923 in statewide sales, services and use tax, \$1,481,340 in unrestricted state grants, \$1,696 in interest income and \$19,550 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$202,172 and expenses were \$180,484. The District's business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of a deficit \$52,004, compared to last year's ending fund balance of a positive \$357,804. The primary reason for the decrease in combined fund balance in fiscal 2010 is due to increases in instructional and other expenses functions in the General Fund.

Governmental Fund Highlights

- The District's decrease in General Fund financial position is the product of many factors. The increase in local and federal revenue sources and the increase in expenditures was the result of the decrease in the General Fund balance. This was primarily due to the increase in instructional expenditures for 2010.
- The Special Revenue, Management Levy fund balance increased from \$42,581 at June 30, 2009, to \$88,716 at June 30, 2010. Revenues increased by \$59,635 or 127.08% and expenditures increased by \$5,171 or 9.36%. The increase in expenditures was primarily due to increased insurance costs. Revenues exceeded expenditures ensuring the increase in the fund balance.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$88,118 at June 30, 2009 to \$109,806 at June 30, 2010, representing an increase of 24.61%. The Nutrition Fund balance increased to \$104,052 in fiscal 2010 as compared to \$85,763 in fiscal 2009. The District's Day Care Fund increased from \$2,355 in fiscal 2009 to \$5,752 in fiscal 2010

BUDGETARY HIGHLIGHTS

The District's revenues were \$287,441 less than budgeted revenues, a variance of 6.23%. The most significant variance resulted from the District receiving less in state sources, than originally anticipated.

Total expenditures were more 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. During the year ended June 30, 2010, expenditures in the support services function exceeded the amount budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$1,066,247, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 11.01% over from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$121,778.

The original cost of the District's capital assets was \$4,150,169. Governmental funds account for \$4,111,112 with the remainder of \$39,057 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's building category totaled \$255,681 at June 30, 2010, compared to \$141,447 reported at June 30, 2009. This increase was the result of the District replaced two buses during this school year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 6,827	6,827	0	0	6,827	6,827	0.00%
Buildings	482,731	467,427	0	0	482,731	467,427	3.27%
Land improvements	321,008	344,773	0	0	321,008	344,773	-6.89%
Machinery and equipment	243,527	127,834	12,154	13,613	255,681	141,447	80.76%
Total	\$ 1,054,093	946,861	12,154	13,613	1,066,247	960,474	11.01%

Long-Term Debt

At June 30, 2010, the District had \$75,377 in revenue bonds and other postemployment liabilities outstanding. This represents a decrease of less than 1% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,		June 30,
	2010	2009	2009-10
Revenue bonds	\$ 51,803	75,395	-31.29%
Net OPEB liability	23,574	0	100.00%
	<u>\$ 75,377</u>	<u>75,395</u>	<u>-0.02%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.

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 Sandra Hansen, District Board Secretary, East Central Community School District, P.O. Box 340, Miles, Iowa, 52064.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 252,985	89,487	342,472
Receivables:			
Property tax:			
Delinquent	28,479	0	28,479
Succeeding year	1,358,270	0	1,358,270
Accounts	5,492	486	5,978
Due from other governments	130,912	0	130,912
Inventories	0	7,679	7,679
Capital assets, net of accumulated depreciation	1,054,093	12,154	1,066,247
TOTAL ASSETS	2,830,231	109,806	2,940,037
LIABILITIES			
Excess of warrants issued over bank balance	46,783	0	46,783
Accounts payable	65,549	0	65,549
Salaries and benefits payable	329,208	0	329,208
Deferred revenue:			
Succeeding year property tax	1,358,270	0	1,358,270
Other	28,332	0	28,332
Unearned revenue	0	0	0
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	23,591	0	23,591
Portion due after one year:			
Revenue bonds payable	28,212	0	28,212
Net OPEB liability	23,574	0	23,574
TOTAL LIABILITIES	1,903,519	0	1,903,519
NET ASSETS			
Invested in capital assets, net of related debt	1,002,290	12,154	1,014,444
Restricted for:			
Categorical funding	80,546	0	80,546
Management levy	88,716	0	88,716
Physical plant and equipment levy	5,808	0	5,808
Capital projects	171,410	0	171,410
Other special revenue purposes	51,581	0	51,581
Unrestricted	(473,639)	97,652	(375,987)
TOTAL NET ASSETS	\$ 926,712	109,806	1,036,518

SEE NOTES TO FINANCIAL STATEMENTS

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges	Contributions	Govern- mental Activities	Business Type Activities	Total
		for Services	and Restricted Interest			
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,002,931	127,485	533,836	(1,341,610)	0	(1,341,610)
Special	475,987	9,628	48,501	(417,858)	0	(417,858)
Other	358,558	67,757	53,420	(237,381)	0	(237,381)
	<u>2,837,476</u>	<u>204,870</u>	<u>635,757</u>	<u>(1,996,849)</u>	<u>0</u>	<u>(1,996,849)</u>
Support services:						
Student	112,924	0	0	(112,924)	0	(112,924)
Instructional staff	198,593	0	0	(198,593)	0	(198,593)
Administration	451,300	0	0	(451,300)	0	(451,300)
Operation and maintenance of plant	278,656	0	0	(278,656)	0	(278,656)
Transportation	207,570	0	0	(207,570)	0	(207,570)
	<u>1,249,043</u>	<u>0</u>	<u>0</u>	<u>(1,249,043)</u>	<u>0</u>	<u>(1,249,043)</u>
Other expenditures:						
Facilities and acquisitions	105,325	0	0	(105,325)	0	(105,325)
AEA flowthrough	157,730	0	157,730	0	0	0
Depreciation(unallocated)*	49,996	0	0	(49,996)	0	(49,996)
	<u>313,051</u>	<u>0</u>	<u>157,730</u>	<u>(155,321)</u>	<u>0</u>	<u>(155,321)</u>
Total governmental activities	4,399,570	204,870	793,487	(3,401,213)	0	(3,401,213)
Business Type activities:						
Instruction:						
Regular	3,002	6,401	0	0	3,399	3,399
Support services:						
Operation and maintenance of plant	6,837	0	0	0	(6,837)	(6,837)
Non-instructional programs:						
Nutrition services	170,645	99,572	94,757	0	23,684	23,684
Total business type activities	180,484	105,973	94,757	0	20,246	20,246
Total	\$ <u>4,580,054</u>	<u>310,843</u>	<u>888,244</u>	<u>(3,401,213)</u>	<u>20,246</u>	<u>(3,380,967)</u>
General Revenues:						
Property tax for:						
General purposes				\$ 1,325,579	0	1,325,579
Capital outlay				33,567	0	33,567
Statewide sales, services and use tax				236,923	0	236,923
Unrestricted state grants				1,481,340	0	1,481,340
Unrestricted investment earnings				1,696	326	2,022
Other general revenues				19,550	1,116	20,666
Total general revenues				<u>3,098,655</u>	<u>1,442</u>	<u>3,100,097</u>
Changes in net assets				(302,558)	21,688	(280,870)
Net assets beginning of year				<u>1,229,270</u>	<u>88,118</u>	<u>1,317,388</u>
Net assets end of year				\$ <u>926,712</u>	<u>109,806</u>	<u>1,036,518</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Manage- ment Levy	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 2,625	86,606	163,754	252,985
Receivables:				
Property tax:				
Delinquent	25,673	2,110	696	28,479
Succeeding year	1,224,437	100,626	33,207	1,358,270
Accounts	5,492	0	0	5,492
Due from other governments	62,331	0	68,581	130,912
TOTAL ASSETS	\$ 1,320,558	189,342	266,238	1,776,138
LIABILITIES AND FUND BALANCES				
Liabilities:				
Excess of warrants issued over bank balance	\$ 46,783	0	0	46,783
Accounts payable	64,753	0	796	65,549
Salaries and benefits payable	325,772	0	3,436	329,208
Deferred revenue:				
Succeeding year property tax	1,224,437	100,626	33,207	1,358,270
Other	28,332	0	0	28,332
Total liabilities	<u>1,690,077</u>	<u>100,626</u>	<u>37,439</u>	<u>1,828,142</u>
Fund balances:				
Reserved for:				
Categorical funding	80,546	0	0	80,546
Unreserved	(450,065)	88,716	228,799	(132,550)
Total fund balances	<u>(369,519)</u>	<u>88,716</u>	<u>228,799</u>	<u>(52,004)</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,320,558	189,342	266,238	1,776,138

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL 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 20)	\$ (52,004)
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,054,093
Long-term liabilities, including revenue bonds payable and other postemployment benefits payable are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(75,377)</u>
Net assets of governmental activities (page 18)	<u><u>\$ 926,712</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Manage- ment Levy	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,225,227	100,352	270,490	1,596,069
Tuition	124,082	0	0	124,082
Other	36,896	6,211	74,110	117,217
State sources	1,889,853	0	0	1,889,853
Federal sources	368,091	0	0	368,091
Total revenues	<u>3,644,149</u>	<u>106,563</u>	<u>344,600</u>	<u>4,095,312</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,979,782	27,601	0	2,007,383
Special	473,979	0	0	473,979
Other	280,360	0	71,171	351,531
	<u>2,734,121</u>	<u>27,601</u>	<u>71,171</u>	<u>2,832,893</u>
Support services:				
Student	112,455	0	0	112,455
Instructional staff	199,723	0	0	199,723
Administration	445,428	0	0	445,428
Operation and maintenance of plant	249,225	26,087	486	275,798
Transportation	161,225	6,740	144,376	312,341
	<u>1,168,056</u>	<u>32,827</u>	<u>144,862</u>	<u>1,345,745</u>
Other expenditures:				
Facilities acquisitions	0	0	146,860	146,860
Long-term debt:				
Principal	0	0	23,592	23,592
AEA Flowthrough	157,730	0	0	157,730
	<u>157,730</u>	<u>0</u>	<u>170,452</u>	<u>328,182</u>
Total expenditures	<u>4,059,907</u>	<u>60,428</u>	<u>386,485</u>	<u>4,506,820</u>
Deficiency of revenues under expenditures before other financing sources(uses)	(415,758)	46,135	(41,885)	(411,508)
Other financing sources(uses):				
Transfers in	0	0	23,592	23,592
Transfers out	0	0	(23,592)	(23,592)
Sale of equipment	1,700	0	0	1,700
Total other financing sources(uses)	<u>1,700</u>	<u>0</u>	<u>0</u>	<u>1,700</u>
Net change in fund balances	(414,058)	46,135	(41,885)	(409,808)
Fund balance beginning of year	44,539	42,581	270,684	357,804
Fund balance end of year	<u>\$ (369,519)</u>	<u>88,716</u>	<u>228,799</u>	<u>(52,004)</u>

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL 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 22) \$ (409,808)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 227,060	
Depreciation expense	(119,828)	107,232

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows: 23,592

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.
 Other postemployment benefits (23,574)

Changes in net assets of governmental activities(page 19) \$ (302,558)

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Day Care	Total
ASSETS			
Cash and pooled investments	\$ 83,733	5,754	89,487
Accounts receivable	486	0	486
Inventories	7,679	0	7,679
Capital assets, net of accumulated depreciation	12,154	0	12,154
TOTAL ASSETS	104,052	5,754	109,806
TOTAL LIABILITIES	0	0	0
NET ASSETS			
Invested in capital assets	12,154	0	12,154
Unrestricted	91,898	5,754	97,652
TOTAL NET ASSETS	\$ 104,052	5,754	109,806

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 99,572	6,401	105,973
Miscellaneous	1,116	0	1,116
TOTAL OPERATING REVENUES	100,688	6,401	107,089
OPERATING EXPENSES:			
Instruction:			
Regular:			
Salaries	0	2,626	2,626
Benefits	0	376	376
	0	3,002	3,002
Operation and maintenance of plant:			
Services	6,837	0	6,837
Non-instructional programs:			
Food service operations:			
Salaries	58,034	0	58,034
Benefits	8,267	0	8,267
Services	630	0	630
Supplies	101,075	0	101,075
Other	214	0	214
Depreciation	1,950	0	1,950
Total non-instructional programs	170,170	0	170,170
TOTAL OPERATING EXPENSES	177,007	3,002	180,009
OPERATING INCOME (LOSS)	(76,319)	3,399	(72,920)
NON-OPERATING REVENUES (EXPENSES):			
State sources	2,106	0	2,106
Federal sources	92,651	0	92,651
Interest on investments	326	0	326
Loss on disposal of assets	(475)	0	(475)
TOTAL NON-OPERATING REVENUES (EXPENSES)	94,608	0	94,608
Change in net assets	18,289	3,399	21,688
Net assets beginning of year	85,763	2,355	88,118
Net assets end of year	\$ 104,052	5,754	109,806

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 98,355	0	98,355
Cash received from miscellaneous	1,116	6,401	7,517
Cash payments to employees for services	(66,301)	(3,002)	(69,303)
Cash payments to suppliers for goods or services	(89,371)	0	(89,371)
Net cash provided by(used in) operating activities	(56,201)	3,399	(52,802)
Cash flows from non-capital financing activities:			
State grants received	2,106	0	2,106
Federal grants received	73,036	0	73,036
Net cash provided by non-capital financing activities	75,142	0	75,142
Cash flows from capital and related financing activities:			
Purchase of capital assets	(966)	0	(966)
Cash flows from investing activities:			
Interest on investments	326	0	326
Net increase in cash and cash equivalents	18,301	3,399	21,700
Cash and cash equivalents at beginning of year	65,432	2,355	67,787
Cash and cash equivalents at end of year	\$ 83,733	5,754	89,487
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating Income(Loss)	\$ (76,319)	3,399	(72,920)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	19,615	0	19,615
Depreciation	1,950	0	1,950
Increase in inventories	(230)	0	(230)
Increase in accounts receivable	(486)	0	(486)
Decrease in unearned revenue	(731)	0	(731)
Net cash provided by(used in) operating activities	\$ (56,201)	3,399	(52,802)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$19,615.

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2010

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
ASSETS:		
Cash and pooled investments	\$	42,970
LIABILITIES		<u>0</u>
NET ASSETS		
Restricted for scholarships		34,893
Unrestricted		8,077
TOTAL NET ASSETS	\$	<u>42,970</u>

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2010

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 7,075
Interest income	958
Total additions	<u>8,033</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>4,114</u>
Change in net assets	3,919
Net assets beginning of year	<u>39,051</u>
Net assets end of year	<u>\$ 42,970</u>

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

The East Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Miles and Sabula, Iowa, and the predominate agricultural territory in Clinton and Jackson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, East Central Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The East Central Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Special Revenue Management Levy Fund is utilized to account for the payment of property insurance and unemployment benefits.

The District's proprietary funds consists of the Enterprise, School Nutrition Fund and Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for day to day operation of the Day Care.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is the Private Purpose Trust Fund.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

Salaries and benefits payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is 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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax

receivables and other receivables not collected within sixty days after year end. Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

Fund 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. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures in the support services functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

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

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

At June 30, 2010 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$52,495 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 Investor's Service.

(3) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's participation in ISCAP as of June 30, 2010 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2009-10B	1/21/2010	2/1/2011	\$ 0	86,000	86,000	0

During the year ended June 30, 2010, the District paid \$949 of interest on the ISCAP warrants.

(4) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 23,592

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

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,827	0	0	6,827
Total capital assets not being depreciated	6,827	0	0	6,827
Capital assets being depreciated:				
Buildings	1,384,650	41,535	0	1,426,185
Land improvements	659,794	0	0	659,794
Machinery and equipment	1,838,781	185,525	6,000	2,018,306
Total capital assets being depreciated	3,883,225	227,060	6,000	4,104,285
Less accumulated depreciation for:				
Buildings	917,223	26,231	0	943,454
Land improvements	315,021	23,765	0	338,786
Machinery and equipment	1,710,947	69,832	6,000	1,774,779
Total accumulated depreciation	2,943,191	119,828	6,000	3,057,019
Total capital assets being depreciated, net	940,034	107,232	0	1,047,266
Governmental activities capital assets, net	\$ 946,861	107,232	0	1,054,093
Business type activities:				
Machinery and equipment	\$ 39,040	966	949	39,057
Less accumulated depreciation	25,427	1,950	474	26,903
Business type activities capital assets, net	\$ 13,613	(984)	475	12,154

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 18,713
Other		5,354
Support services:		
Instructional staff		2,780
Administration		2,283
Operation and maintenance		1,523
Transportation		39,179
		69,832
Unallocated depreciation		49,996
Total governmental activities depreciation expense		\$ 119,828
Business type activities:		
Food services		\$ 1,950

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue bonds	\$ 75,395	0	23,592	51,803	23,591
Net OPEB liability	0	23,574	0	23,574	0
Total	\$ 75,395	23,574	23,592	75,377	23,591

Revenue Bonds Payable

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

Year Ending June 30,	Issue date of June 1, 2007			Issue date of January 24, 2007			Total
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	
2011	4.75 % \$	10,944	*	-	\$ 12,647	-	23,591
2012	4.75	10,943	*	-	6,325	-	17,268
2013	4.75	10,944	*	-	0	-	10,944
Total		\$ 32,831	*		\$ 18,972	-	51,803

* Interest is paid by the National Safe Surfacing Initiative, LLC (NSSI). On June 1, 2007, the NSSI deposited \$8,014, total interest due to maturity on the revenue bond, into an irrevocable escrow account established pursuant to an escrow agreement between the District, NSSI and Great Western Bank, escrow agent. The account is owned by NSSI and held by the escrow agent. Interest on the revenue bonds is due semi-annually on January 1 and July 1 and is paid directly from the escrow account.

The District has pledged future statewide sales, services and use tax revenues to repay the bonds issued on January 24, 2007 and June 1, 2007. The statewide sales, services and use tax revenue bonds were issued for the purchase of playground equipment and playground resurfacing and are payable through 2013. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District. 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 payments on the bonds are expected to require nearly 10% of the statewide sales, services and use tax revenues. The total principal remaining to paid on the bonds is \$51,803. Both bonds are recorded with a zero percent interest rate. For the current year, the principal paid on the bonds was \$23,592 and the statewide sales, services and use tax revenues were \$236,923.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$157,350, \$149,071, and \$135,399, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits

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, prescription drug and dental benefits for retirees and their spouses. There are 47 active and 2 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 Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical and prescription drug as active employees, which result 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 and unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 25,449
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>25,449</u>
Contributions made	<u>(1,875)</u>
Increase in net OPEB obligation	23,574
Net OPEB obligation beginning of year	<u>0</u>
Net OPEB obligation end of year	<u><u>\$ 23,574</u></u>

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

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	\$ 25,449	7.37%	\$ 23,574

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 \$232,673, with no actuarial value of assets, resulting in an

unfunded actuarial accrued liability (UAAL) of \$232,673. The covered payroll (annual payroll of active employees covered by the plan) was \$1,911,772, and the ratio of the UAAL to covered payroll was 12.17%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2009 actuarial valuation date, the Frozen Entry Age Actuarial Cost Method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, Projected to 2000 applied on a gender-specific basis. Annual retirement and termination probabilities were based upon the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

East Central 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.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$157,730 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.

(11) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2010, expenditures in the support services functional area exceeded the budgeted amount.

(12) Categorical Funding

The District's ending balance for categorical funding by project as of the year ended June 30, 2010, are as follows:

Project	Amount
Four-year-old preschool state aid	\$ 22,696
Dropout and dropout prevention	25,795
Beginning teacher mentoring	1,953
Salary improvement program	2,839
Market factor	2,890
Model core curriculum	12,549
Professional development	8,839
Market factor incentives	2,985
	\$ 80,546
Total	\$ 80,546

(13) Deficit Fund Balance/Net Assets

The General Fund had deficit unreserved fund balance at June 30, 2010 of \$450,065. The District also had a deficit unrestricted net assets balance in the governmental activities of \$473,639.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 1,837,368	107,415	1,944,783	1,912,452	1,912,452	32,331
State sources	1,889,853	2,106	1,891,959	2,477,473	2,477,473	(585,514)
Federal sources	368,091	92,651	460,742	195,000	195,000	265,742
Total revenues	<u>4,095,312</u>	<u>202,172</u>	<u>4,297,484</u>	<u>4,584,925</u>	<u>4,584,925</u>	<u>(287,441)</u>
Expenditures/expenses:						
Instruction	2,832,893	3,002	2,835,895	3,112,250	3,112,250	276,355
Support services	1,345,745	6,837	1,352,582	1,191,600	1,191,600	(160,982)
Non-instructional programs	0	170,170	170,170	177,000	177,000	6,830
Other expenditures	328,182	0	328,182	431,420	431,420	103,238
Total expenditures/expenses	<u>4,506,820</u>	<u>180,009</u>	<u>4,686,829</u>	<u>4,912,270</u>	<u>4,912,270</u>	<u>225,441</u>
Excess(deficiency) of revenues over(under) expenditures/expenses before other financing sources	(411,508)	22,163	(389,345)	(327,345)	(327,345)	(62,000)
Other financing sources, net	1,700	(475)	1,225	13,648	13,648	(12,423)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(409,808)	21,688	(388,120)	(313,697)	(313,697)	(74,423)
Balance beginning of year	357,804	88,118	445,922	404,242	404,242	41,680
Balance end of year	\$ (52,004)	109,806	57,802	90,545	90,545	(32,743)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL 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 comparison 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 functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2010, expenditures in the support services functional area exceeded the amount budgeted.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2010

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 232,673	\$ 232,673	0.00%	\$ 1,911,772	12.17%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds				Total
	Physical Plant and Student Activity	Equipment Levy	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
ASSETS					
Cash and pooled investments	\$ 52,067	5,112	57,179	106,575	163,754
Receivables:					
Property tax:					
Delinquent	0	696	696	0	696
Succeeding year	0	33,207	33,207	0	33,207
Due from other governments	0	0	0	68,581	68,581
TOTAL ASSETS	\$ 52,067	39,015	91,082	175,156	266,238
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 0	0	0	796	796
Salaries and benefits payable	486	0	486	2,950	3,436
Deferred revenue:					
Succeeding year property tax	0	33,207	33,207	0	33,207
Total Liabilities	486	33,207	33,693	3,746	37,439
Fund balances:					
Unreserved	51,581	5,808	57,389	171,410	228,799
TOTAL LIABILITIES AND FUND BALANCES	\$ 52,067	39,015	91,082	175,156	266,238

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Special Revenue Funds					Total
	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 0	33,567	33,567	236,923	0	270,490
Other	74,110	0	74,110	0	0	74,110
TOTAL REVENUES	74,110	33,567	107,677	236,923	0	344,600
EXPENDITURES:						
Current:						
Instruction:						
Other	71,171	0	71,171	0	0	71,171
Support services:						
Operation and maintenance of plant	486	0	486	0	0	486
Student transportation	0	72,188	72,188	72,188	0	144,376
Other expenditures:						
Facilities acquisitions	0	2,706	2,706	144,154	0	146,860
Long-term debt:						
Principal	0	0	0	0	23,592	23,592
TOTAL EXPENDITURES	71,657	74,894	146,551	216,342	23,592	386,485
Excess (Deficiency) of revenues over (under) expenditures	2,453	(41,327)	(38,874)	20,581	(23,592)	(41,885)
Other financing sources (uses):						
Transfers in	0	0	0	0	23,592	23,592
Transfers out	0	0	0	(23,592)	0	(23,592)
Total other financing sources (uses)	0	0	0	(23,592)	23,592	0
Net change in fund balances	2,453	(41,327)	(38,874)	(3,011)	0	(41,885)
Fund balances beginning of year	49,128	47,135	96,263	174,421	0	270,684
Fund balances end of year	\$ 51,581	5,808	57,389	171,410	0	228,799

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Speech and Drama	\$ 2,771	1,190	856	3,105
Boys BB Camp	327	188	0	515
Football Camp	651	50	0	701
Girls Basketball Camp	1,923	3,565	3,823	1,665
Volleyball Camp	381	1,787	1,615	553
Softball	715	53	130	638
Athletic	11,860	41,246	41,001	12,105
Activity Interest	5,058	0	0	5,058
Project Graduation	2,341	0	0	2,341
Concession	0	7,634	7,634	0
Class of 2010	1,535	2,960	3,203	1,292
Class of 2011	1,728	4,400	3,935	2,193
Class of 2012	646	1,063	618	1,091
Class of 2013	0	1,742	1,015	727
General Activities	12,765	2,648	3,163	12,250
Student Pictures	388	0	388	0
Student of the Month	132	0	0	132
Career Day	261	0	0	261
Student Council	573	2,336	1,531	1,378
Middle School Student Council	4,467	3,248	2,745	4,970
German	380	0	0	380
Stand Chapter	226	0	0	226
Total	\$ 49,128	74,110	71,657	51,581

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST
 JUNE 30, 2010

	Private Purpose Trust - Scholarship Fund							Total
	Wilcke-Treloar Scholarship	Johnson/Faur Scholarship	Wilcke Scholarship	Nelson Scholarship	Gray Scholarship	Wiese Scholarship	Wosoba Scholarship	
ASSETS								
Cash and pooled investments	\$ 2,979	16,895	5,144	6,977	1,552	1,820	7,603	42,970
LIABILITIES								
	0	0	0	0	0	0	0	0
NET ASSETS								
Restricted for scholarships	\$ 2,954	10,581	5,101	6,915	0	1,805	7,537	34,893
Unrestricted	25	6,314	43	62	1,552	15	66	8,077
TOTAL NET ASSETS	\$ 2,979	16,895	5,144	6,977	1,552	1,820	7,603	42,970

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF
 CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust - Scholarship Fund								Total
	Wilcke-Treloar Scholarship	Johnson/Faur Scholarship	Wilcke Scholarship	Nelson Scholarship	Gray Scholarship	Wiese Scholarship	Wosoba Scholarship	Pearson Scholarship	
Additions:									
Local sources:									
Gifts and contributions	\$ 0	5,000	75	0	0	0	0	2,000	7,075
Interest income	75	327	133	162	38	49	174	0	958
Total additions	75	5,327	208	162	38	49	174	2,000	8,033
Deductions:									
Instruction:									
Regular:									
Scholarships awarded	200	500	500	200	400	214	100	2,000	4,114
Changes in net assets	(125)	4,827	(292)	(38)	(362)	(165)	74	0	3,919
Net assets beginning of year	3,104	12,068	5,436	7,015	1,914	1,985	7,529	0	39,051
Net assets end of year	\$ 2,979	16,895	5,144	6,977	1,552	1,820	7,603	0	42,970

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 1,596,069	1,522,985	1,416,743	1,472,155	1,517,353	1,477,448	1,522,638
Tuition	124,082	112,406	105,609	92,634	137,127	119,026	146,690
Other	117,217	164,732	174,974	160,646	190,271	153,067	190,189
Intermediate sources	0	0	0	0	0	0	91
State sources	1,889,853	2,140,190	2,158,533	1,877,872	1,826,581	1,777,127	1,791,963
Federal sources	368,091	172,879	136,378	135,501	133,826	152,006	295,677
Total	\$ 4,095,312	4,113,192	3,992,237	3,738,808	3,805,158	3,678,674	3,947,248
Expenditures:							
Current:							
Instruction:							
Regular	\$ 2,007,383	1,984,501	1,722,375	1,562,016	1,506,438	1,510,285	1,457,712
Special	473,979	536,025	578,575	588,486	485,542	508,382	525,033
Other	351,531	373,025	347,889	317,434	342,872	295,904	297,170
Support services:							
Student	112,455	103,987	93,086	124,014	97,315	97,504	94,974
Instructional staff	199,723	152,727	151,035	181,098	107,433	59,575	97,051
Administration	445,428	431,963	398,550	371,727	355,897	332,769	307,041
Operation and maintenance of plant	275,798	285,009	271,840	275,276	482,825	262,212	233,996
Transportation	312,341	215,427	213,864	273,480	198,077	181,373	202,919
Non-instructional programs	0	0	0	0	3,758	0	0
Other expenditures:							
Facilities acquisitions	146,860	240,328	114,222	333,115	36,306	253,025	107,064
Long-term debt:							
Principal	23,592	23,592	12,648	6,324	0	0	0
AEA flow-through	157,730	139,648	137,212	125,402	122,030	120,862	123,726
Total	\$ 4,506,820	4,486,232	4,041,296	4,158,372	3,738,493	3,621,891	3,446,686

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
East Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Central Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 17, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

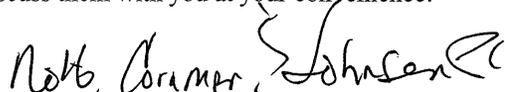
As part of obtaining reasonable assurance about whether East Central Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have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

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

East Central Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit East Central Community School District's responses and, accordingly, we express no opinion on them.

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2011

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

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - The District will review their controls procedures and obtain the maximum internal control possible with our limited number of employees.

Conclusion - Response accepted.

I-B-10 Gate Admissions - We noted during our audit that ticket takers responsible for cash collections at the gate were not always reconciling pre-numbered tickets to cash collected and not signing off on the reconciliation before giving custody of the change box to the Athletic Director. At times it appeared that the Athletic Director's secretary was the only person reconciling the gate receipts.

Recommendation - The District should use pre-numbered tickets for all events that there is an admission fee charged and reconciliation procedures set up by the District should be required to be performed.

The exchange in custody of the change box from the ticket takers to the Athletic Director with no reconciliation procedures being performed by the ticket takers constitutes a breakdown in control procedures. The District should review internal control procedures established for handling cash for all activity events and communicate the procedures to the individuals involved.

At the end of the event, cash should be counted and reconciled by two or more individuals (usually the ticket takers) to pre-numbered tickets sold including the amount of the beginning cash. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash. The cash and change box should then be turned into the Athletic Director or designee responsible for the accounting function at the event.

Response - The money boxes will be turned into the Athletic Director or Principal and the boxes will be counted and reconciled with the ticket takers.

Conclusion - Response accepted.

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

Part II: Other Findings Related to Required Statutory Reporting:

II-A-10 Certified Budget - District expenditures/expenses for the year ended June 30, 2010 exceeded the amount budgeted in the support services functional area.

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

Response - We will monitor budget area more closely in the future to see if the District needs to amend its budget.

Conclusion - Response accepted.

II-B-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

Name, Title and Business Connection	Transaction Description	Amount
Andrew Naeve, Board Member Assistant Basketball Coach	Coaching duties	\$2,500

In accordance with the Chapter 279.7A of the Code of Iowa, the above transaction with Andrew Naeve does not appear to represent a conflict of interest.

II-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

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

II-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

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

II-L-10 Statewide Sales, Services and Use Tax - During our audit, there was no instances of non-compliance noted with the use of the statewide sales, services and use tax revenue provisions Chapter 423F.3 of the Code of Iowa.

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, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$	0
Statewide sales, services and use tax revenue			236,923
Expenditures/transfers out:			
School infrastructures:			
Buildings	\$	113,512	
Other improvements		100,819	
Debt service for school infrastructure:			
Revenue bond debt		22,592	236,923
Ending Balance		\$	<u>0</u>

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

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Physical, plant and equipment levy	<u>\$1.34000</u>	<u>\$ 134,839</u>

II-M-10 Financial Condition - The District had a deficit unreserved fund balance of \$450,065 in the General Fund and deficit unrestricted net assets in the governmental activities of \$473,639.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - We will continue to monitor these funds and seek alternative ways to increase revenues and cut expenditures

Conclusion - Response accepted.