

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

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East Marshall Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Steve Edwards	President	2009
Dave Scott	Vice-President	2011
Mike Strawn	Board Member	2009
Deanna Berkey	Board Member	2011
David Stineman	Board Member	2011

Board of Education
(After September 2009 Election)

Dave Scott	President	2011
David Stineman	Vice-President	2011
Julie Schossow	Board Member	2013
Deanna Berkey	Board Member	2011
Terry Collins	Board Member	2013

School Officials

Dr. Alan Meyer	Superintendent	2010
Nancy Burchland	Business Manager	2010
Cartwright, Druker And Ryden	Attorney	2010

EAST MARSHALL 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 Marshall 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 Marshall Community School District, Gilman, 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 Marshall 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 report dated March 1, 2011 on our consideration of East Marshall Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 44 through 46 are not required parts of the basic financial statements, but are supplementary

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Marshall Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the 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, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

March 1, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,849,906 in fiscal 2009 to \$8,133,430 in fiscal 2010, while General Fund expenditures increased from \$7,934,785 in fiscal 2009 to \$8,028,508 in fiscal 2010. Overall, the District's General Fund balance increased from \$541,441 in fiscal 2009 to \$646,363 in fiscal 2010, a 19.38% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local tax and federal sources of revenue in fiscal 2010. The increase in expenditures was due primarily to increased expenditures for regular and special instruction.
- As of June 30, 2010, the District's solvency ratio is 6.52% as compared to 6.38% for the previous year.
- The State of Iowa reduced state payments in fiscal 2010 by a 10% across-the-board cut.

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

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

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

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

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

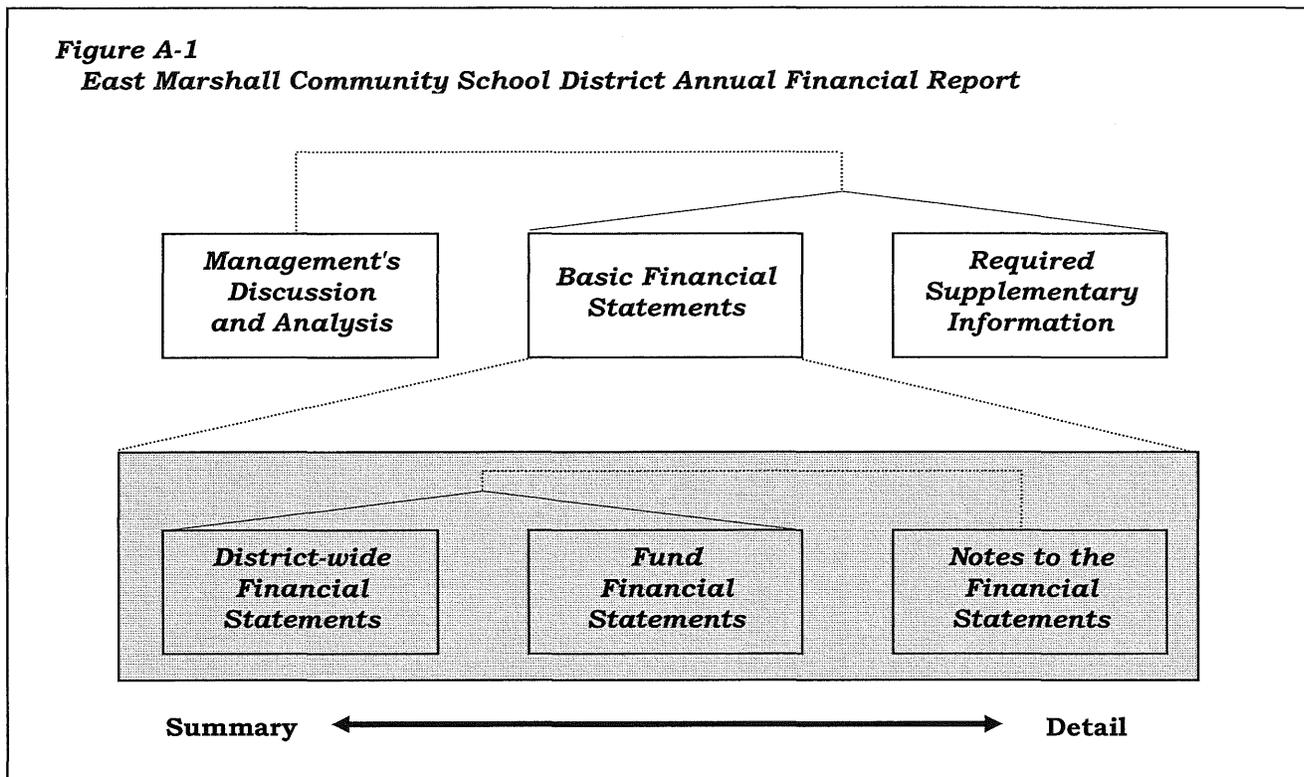


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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, Capital Projects Fund and Debt Service Fund.

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

- 3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.
- 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 net assets for the year ended June 30, 2010 compared to June 30, 2009.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 5,692,926	5,726,979	134,373	102,281	5,827,299	5,829,260	-0.03%
Capital assets	9,384,961	8,986,589	116,056	130,551	9,501,017	9,117,140	4.21%
Total assets	15,077,887	14,713,568	250,429	232,832	15,328,316	14,946,400	2.56%
Long-term obligations	6,009,686	6,352,458	1,354	0	6,011,040	6,352,458	-5.37%
Other liabilities	4,123,740	3,804,878	38,350	38,659	4,162,090	3,843,537	8.29%
Total liabilities	10,133,426	10,157,336	39,704	38,659	10,173,130	10,195,995	-0.22%
Net assets:							
Invested in capital assets,	4,118,961	3,831,223	116,056	130,551	4,235,017	3,961,774	6.90%
Restricted	676,374	599,539	0	0	676,374	599,539	12.82%
Unrestricted	149,126	125,470	94,669	63,622	243,795	189,092	28.93%
Total net assets	\$ 4,944,461	4,556,232	210,725	194,173	5,155,186	4,750,405	8.52%

The District's combined net assets increased by 8.52%, or \$404,781, over 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 \$76,835, or 12.82% from the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$54,703, or 28.93%.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 1,555,712	1,419,689	187,619	193,308	1,743,331	1,612,997	8.08%
Operating grants, contributions and restricted interest	1,492,766	1,098,994	213,900	190,631	1,706,666	1,289,625	32.34%
Capital grants, contributions and restricted interest	170,232	0	0	0	170,232	0	100.00%
General revenues:							
Local tax	2,933,559	2,830,956	0	0	2,933,559	2,830,956	3.62%
Statewide sales, services and use tax	424,238	418,762	0	0	424,238	418,762	1.31%
Unrestricted state grants	2,677,377	2,997,345	0	0	2,677,377	2,997,345	-10.68%
Other	107,734	192,751	1,293	537	109,027	193,288	-43.59%
Total revenues and transfers	<u>9,361,618</u>	<u>8,958,497</u>	<u>402,812</u>	<u>384,476</u>	<u>9,764,430</u>	<u>9,342,973</u>	<u>4.51%</u>
Program expenses:							
Governmental activities:							
Instruction	5,347,136	4,845,021	0	0	5,347,136	4,845,021	10.36%
Support services	2,849,815	2,934,864	20,435	21,764	2,870,250	2,956,628	-2.92%
Non-instructional programs	4,861	5,131	365,825	361,267	370,686	366,398	1.17%
Other expenses	771,577	904,378	0	0	771,577	904,378	-14.68%
Total expenses	<u>8,973,389</u>	<u>8,689,394</u>	<u>386,260</u>	<u>383,031</u>	<u>9,359,649</u>	<u>9,072,425</u>	<u>3.17%</u>
Change in net assets	388,229	269,103	16,552	1,445	404,781	270,548	49.62%
Beginning net assets	4,556,232	4,287,129	194,173	192,728	4,750,405	4,479,857	6.04%
Ending net assets	<u>\$ 4,944,461</u>	<u>4,556,232</u>	<u>210,725</u>	<u>194,173</u>	<u>5,155,186</u>	<u>4,750,405</u>	<u>8.52%</u>

In fiscal 2010, local tax and unrestricted state grants account for 59.93% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.68% of the revenue from business type activities.

The District's total revenues were approximately \$9.76 million of which \$9.36 million was for governmental activities and \$0.40 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 4.51% in revenues and a 3.17% increase in expenses. The increase in expenses was related to a increase in instructional costs.

Governmental Activities

Revenues for governmental activities were \$9,361,618 and expenses were \$8,973,389. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 5,347,136	4,845,021	10.36%	2,616,157	2,590,266	1.00%
Support services	2,849,815	2,934,864	-2.90%	2,815,761	2,922,314	-3.65%
Non-instructional	4,861	5,131	-5.26%	4,861	5,131	-5.26%
Other expenses	771,577	904,378	-14.68%	317,900	653,000	-51.32%
Totals	<u>\$ 8,973,389</u>	<u>8,689,394</u>	<u>3.27%</u>	<u>5,754,679</u>	<u>6,170,711</u>	<u>-6.74%</u>

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$1,555,712.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,662,998.
- The net cost of governmental activities was financed with \$2,933,559 in property tax, \$424,238 in statewide sales, services and use tax, \$2,677,377 in unrestricted state grants, \$16,196 in interest income and \$91,538 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$402,812 and expenses were \$386,260. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,297,552, below last year's ending fund balances of a \$1,681,731.

Governmental Fund Highlights

The District's General Fund financial position is the product of many factors:

- An increase in local tax and federal sources of revenue helped contribute to the increase in revenues for the District, which allowed for an incline in fund balance.

-
- Interest revenue decreased due to deteriorating interest rates and decreased cash balance.

Other Governmental Funds:

- The fund balance in the Statewide Sales and Services Tax Capital Projects Fund decreased in 2009-10 due to significant expenditures for buildings improvement and reduction of long-term debt. The District is using the sales tax revenue to abate property taxes in the Debt Service Levy. Property tax levied for debt service was \$1.94397 per \$1,000 of taxable value lower due to statewide sales, services and use tax revenue received.

Proprietary Fund Highlights

The Proprietary Funds net assets increased from \$194,173 at June 30, 2009 to \$210,725 at June 30, 2010, representing an increase of 8.52%. The increase was the result of receiving more from federal sources to offset the rise in expenses.

BUDGETARY HIGHLIGHTS

Over the course of the year, East Marshall Community School District amended its budget one time to reflect additional expenditures in the instruction and other expenditures functional areas.

The District's revenues were \$77,079 less than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$9,501,017, 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 4.21% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$456,488.

The original cost of the District's capital assets was \$14,329,928. Governmental funds account for \$14,080,926 with the remainder of \$249,002 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$411,740 at June 30, 2009, compared to \$0 at June 30, 2010. The decrease in construction in progress is due to the Gilman Middle School remodeling project being completed.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 120,725	120,725	0	0	120,725	120,725	0.00%
Construction in progress	0	411,740	0	0	0	411,740	100.00%
Buildings	8,542,448	7,727,059	0	0	8,542,448	7,727,059	10.55%
Land improvements	203,648	216,713	0	0	203,648	216,713	-6.03%
Machinery and equipment	518,140	510,352	116,056	130,551	634,196	640,903	-1.05%
Total	\$ 9,384,961	8,986,589	116,056	130,551	9,501,017	9,117,140	4.21%

Long-Term Debt

At June 30, 2010, the District had \$6,011,040 in long-term debt outstanding. This represents an decrease of 5.37% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
General obligation bonds	\$ 4,400,000	4,610,000	0	0	4,400,000	4,610,000	-4.56%
Energy loan notes	366,000	411,000	0	0	366,000	411,000	-10.95%
Capital loan notes	500,000	590,000	0	0	500,000	590,000	-15.25%
Early retirement	616,280	687,014	0	0	616,280	687,014	-10.30%
Compensated absences	60,390	54,444	0	0	60,390	54,444	10.92%
Net OPEB obligation	67,016	0	1,354	0	68,370	0	100.00%
Total	\$ 6,009,686	6,352,458	1,354	0	6,011,040	6,352,458	-5.37%

The District had general obligation bonds payable of \$4,400,000 at June 30, 2010.

The District had energy loan notes payable of \$366,000 at June 30, 2010.

The District had capital loan notes payable of \$500,000 at June 30, 2010.

The District had early retirement payable of \$616,280 at June 30, 2010.

The District had compensated absences payable of \$60,390 at June 30, 2010.

The District had a net OPEB liability of \$67,016 in the governmental activities and \$1,354 in the business type activities.

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:

- The instructional support program allows the district to generate 10% of the total regular program district cost for the budget year for additional or enhanced current educational programs. The District can participate in the instructional support program by either holding an election, which allows participation for ten years, or by board resolution, which allows participation for five years. The East Marshall School Board implemented the program by resolution for a period of five years starting with 2002-03. The program is funded with a combination of state aid, property tax and income surtax. Income surtax is paid in the year following the year it is levied. On July 10, 2006, the board adopted a resolution to continue participation in the instructional support program for an additional five-year period through June 30, 2012.

Fiscal Year	Instructional Support Levy	ISL State Aid	Income Surtax	Property Tax
2008-09	\$ 324,570	\$ 23,987	\$ 277,317	\$ 23,266
2007-08	\$ 317,699	\$ 26,690	\$ 260,620	\$ 30,389
2006-07	\$ 316,157	\$ 27,797	\$ 273,019	\$ 15,341
2005-06	\$ 318,391	\$ 29,809	\$ 278,567	\$ 10,015
2004-05	\$ 322,049	\$ 31,372	\$ 282,711	\$ 7,606
2003-04	\$ 329,366	\$ 34,096	\$ 263,457	\$ 31,813

- The District's certified enrollment decreased by almost 16 students in 2010. This decrease means the District will fall under the budget guarantee of 101% in 2010-2011. The District enrollment trend over the past several years is downward by an average of 15 students per year.
- The District continues to have increasing open enrolled students. In 2009-10, open enrollment revenues were \$1,243,777, an increase of \$85,377 over 2008-09.

Fiscal Year	Enrolled In	Enrolled Out
2009-2010	220	41.7
2008-2009	209	46.6
2007-2008	202	45.6
2006-2007	193	49.7
2005-2006	181	50.8
2004-2005	140	43.5
2003-2004	120	43.7

- Property tax values continue to increase slightly. The PPEL and PERL levies, fixed dollar levies, will generate more dollars because of the increased valuation. Increasing valuations allow the District to lower the property tax rate for the General Fund, Management Fund, and Debt Service Fund.
- Starting July 1, 2007, the Iowa Public Employees' Retirement System (IPERS) increased the IPERS contribution rate for both employees and employers. The employer rate increased 0.3% in 2009-10 and will continue to increase 0.3% each year through 2010-11. This will be an increasing cost for employee benefits.
- On April 1, 2009, the District issued \$590,000 of General Obligation PPEL Capital Loan Notes. The financing was used to complete a remodeling project at the middle school to address fire code citations and accessibility issues. The notes will be repaid over the next six years using the voter approved Physical Plant and Equipment Levy (PPEL).

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 Nancy Burchland, District Business Manager, East Marshall Community School District, 225 South Elm Street, Gilman, Iowa, 50106.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,075,191	109,029	2,184,220
Receivables:			
Property tax:			
Delinquent	35,347	0	35,347
Succeeding year	2,979,524	0	2,979,524
Income surtax	306,068	0	306,068
Accounts	78	0	78
Due from other governments	296,718	0	296,718
Inventories	0	25,344	25,344
Capital assets, net of accumulated depreciation	9,384,961	116,056	9,501,017
Total assets	15,077,887	250,429	15,328,316
Liabilities			
Accounts payable	126,620	3,314	129,934
Salaries and benefits payable	907,145	29,070	936,215
Due to other governments	3,933	0	3,933
Accrued interest payable	34,434	0	34,434
Deferred revenue:			
Succeeding year property tax	2,979,524	0	2,979,524
Other	72,084	0	72,084
Unearned revenue	0	5,966	5,966
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	220,000	0	220,000
Energy loan notes	47,000	0	47,000
Capital loan notes	90,000	0	90,000
Early retirement	166,964	0	166,964
Compensated absences	60,390	0	60,390
Portion due after one year:			
General obligation bonds	4,180,000	0	4,180,000
Energy loan notes	319,000	0	319,000
Capital loan notes	410,000	0	410,000
Early retirement	449,316	0	449,316
Net OPEB liability	67,016	1,354	68,370
Total liabilities	10,133,426	39,704	10,173,130
Net Assets			
Invested in capital assets, net of related debt	4,118,961	116,056	4,235,017
Restricted for:			
Categorical funding	116,379	0	116,379
Physical plant and equipment levy	94,893	0	94,893
Public education and recreation levy	36,757	0	36,757
Capital projects	321,651	0	321,651
Debt service	1,309	0	1,309
Other special revenue purposes	105,385	0	105,385
Unrestricted	149,126	94,669	243,795
Total net assets	\$ 4,944,461	210,725	5,155,186

SEE NOTES TO FINANCIAL STATEMENTS

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges	Contributions	Contributions	Govern- mental Activities	Business- Type Activities	Total
		for Services	and Restricted Interest	and Restricted Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,272,668	1,081,158	883,744	0	(1,307,766)	0	(1,307,766)
Special	1,166,517	336,338	186,087	0	(644,092)	0	(644,092)
Other	907,951	132,314	111,338	0	(664,299)	0	(664,299)
	<u>5,347,136</u>	<u>1,549,810</u>	<u>1,181,169</u>	<u>0</u>	<u>(2,616,157)</u>	<u>0</u>	<u>(2,616,157)</u>
Support services:							
Student	293,998	0	0	0	(293,998)	0	(293,998)
Instructional staff	316,979	0	0	0	(316,979)	0	(316,979)
Administration	876,735	0	0	0	(876,735)	0	(876,735)
Operation and maintenance of plant	806,907	0	0	0	(806,907)	0	(806,907)
Transportation services	555,196	5,902	2,790	25,362	(521,142)	0	(521,142)
	<u>2,849,815</u>	<u>5,902</u>	<u>2,790</u>	<u>25,362</u>	<u>(2,815,761)</u>	<u>0</u>	<u>(2,815,761)</u>
Non-instructional programs:							
Community service operations	4,861	0	0	0	(4,861)	0	(4,861)
	<u>4,861</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4,861)</u>	<u>0</u>	<u>(4,861)</u>
Other expenditures:							
Facilities acquisitions	0	0	0	144,870	144,870	0	144,870
Long-term debt interest	223,435	0	0	0	(223,435)	0	(223,435)
AEA flowthrough	308,807	0	308,807	0	0	0	0
Depreciation(unallocated)*	239,335	0	0	0	(239,335)	0	(239,335)
	<u>771,577</u>	<u>0</u>	<u>308,807</u>	<u>144,870</u>	<u>(317,900)</u>	<u>0</u>	<u>(317,900)</u>
Total governmental activities	8,973,389	1,555,712	1,492,766	170,232	(5,754,679)	0	(5,754,679)
Business Type activities:							
Support services:							
Administration	18,074	0	0	0	0	(18,074)	(18,074)
Operation and maintenance of plant	2,361	0	0	0	0	(2,361)	(2,361)
Non-instructional programs:							
Nutrition services	365,825	187,619	213,900	0	0	35,694	35,694
Total business type activities	<u>386,260</u>	<u>187,619</u>	<u>213,900</u>	<u>0</u>	<u>0</u>	<u>15,259</u>	<u>15,259</u>
Total	\$ 9,359,649	1,743,331	1,706,666	170,232	(5,754,679)	15,259	(5,739,420)
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,339,302	0	2,339,302
Capital outlay					194,826	0	194,826
Debt service					60,078	0	60,078
Income surtax					339,353	0	339,353
Statewide sales, services and use tax					424,238	0	424,238
Unrestricted state grants					2,677,377	0	2,677,377
Unrestricted investment earnings					16,196	423	16,619
Other					91,538	870	92,408
Total general revenues & transfers					<u>6,142,908</u>	<u>1,293</u>	<u>6,144,201</u>
Changes in net assets					388,229	16,552	404,781
Net assets beginning of year					<u>4,556,232</u>	<u>194,173</u>	<u>4,750,405</u>
Net assets end of year					<u>\$ 4,944,461</u>	<u>210,725</u>	<u>5,155,186</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Other Nonmajor Governmental		Total
	General	Funds	
Assets			
Cash and pooled investments	\$ 1,542,523	532,668	2,075,191
Receivables:			
Property tax			
Delinquent	29,155	6,192	35,347
Succeeding year	2,471,495	508,029	2,979,524
Income surtax	306,068	0	306,068
Accounts	78	0	78
Due from other governments	178,515	118,203	296,718
Total assets	\$ 4,527,834	1,165,092	5,692,926
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 121,026	5,594	126,620
Due to other governments	3,933	0	3,933
Salaries and benefits payable	906,865	280	907,145
Deferred revenue:			
Succeeding year property tax	2,471,495	508,029	2,979,524
Income surtax	306,068	0	306,068
Other	72,084	0	72,084
Total liabilities	3,881,471	513,903	4,395,374
Fund balances:			
Reserved for:			
Categorical funding	116,379	0	116,379
Debt service	0	1,309	1,309
Unreserved:			
Undesignated	529,984	649,880	1,179,864
Total fund balances	646,363	651,189	1,297,552
Total liabilities and fund balances	\$ 4,527,834	1,165,092	5,692,926

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 22)	\$	1,297,552
 <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.		9,384,961
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		306,068
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(34,434)
Long-term liabilities, including compensated absences, general obligation bonds, early retirement, energy loan notes, capital loan notes, and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(6,009,686)</u>
Net assets of governmental activities (page 20)	\$	<u>4,944,461</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Other Nonmajor Governmental		Total
	General	Funds	
REVENUES:			
Local sources:			
Local tax	\$ 2,450,340	878,706	3,329,046
Tuition	1,372,977	0	1,372,977
Other	138,234	151,633	289,867
Intermediate sources	6,414	4,000	10,414
State sources	3,491,407	25,651	3,517,058
Federal sources	668,033	144,870	812,903
Total revenues	<u>8,127,405</u>	<u>1,204,860</u>	<u>9,332,265</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	3,090,841	164,067	3,254,908
Special	1,166,517	0	1,166,517
Other	785,288	136,975	922,263
	<u>5,042,646</u>	<u>301,042</u>	<u>5,343,688</u>
Support services:			
Student	289,292	679	289,971
Instructional staff	275,360	48,459	323,819
Administration	858,038	8,677	866,715
Operation and maintenance of plant	750,139	56,779	806,918
Transportation	442,590	162,015	604,605
	<u>2,615,419</u>	<u>276,609</u>	<u>2,892,028</u>
Non-instructional programs			
Community service operations	0	4,861	4,861
Other expenditures:			
Facilities acquisitions	0	596,714	596,714
Long-term debt:			
Principal	0	345,000	345,000
Interest and fiscal charges	0	225,948	225,948
AEA flowthrough	308,807	0	308,807
	<u>308,807</u>	<u>1,167,662</u>	<u>1,476,469</u>
Total expenditures	<u>7,966,872</u>	<u>1,750,174</u>	<u>9,717,046</u>
Excess (Deficiency) of revenues over (under) expenditures	160,533	(545,314)	(384,781)
Other financing sources (uses):			
Transfer in	5,423	581,460	586,883
Transfer out	(61,636)	(525,247)	(586,883)
Proceeds from the sale of equipment	602	0	602
Total other financing sources (uses)	<u>(55,611)</u>	<u>56,213</u>	<u>602</u>
Net change in fund balances	104,922	(489,101)	(384,179)
Fund balance beginning of year	541,441	1,140,290	1,681,731
Fund balance end of year	<u>\$ 646,363</u>	<u>651,189</u>	<u>1,297,552</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds (page 24) \$ (384,179)

**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 Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense, and loss on disposal in the year are as follows:

Capital outlays	\$ 841,303	
Depreciation expense	(441,398)	
Loss on asset disposal	(1,533)	398,372

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 345,000

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 28,751

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,513

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

Early retirement	70,734	
Compensated absences	(5,946)	
Other postemployment benefits	(67,016)	(2,228)

Changes in net assets of governmental activities (page 21) \$ 388,229

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

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 109,029
Inventories	25,344
Capital assets, net of accumulated depreciation	<u>116,056</u>
Total assets	<u>250,429</u>
Liabilities	
Accounts payable	3,314
Salaries and benefits payable	29,070
Unearned revenue	5,966
Net OPEB liability	<u>1,354</u>
Total liabilities	<u>39,704</u>
Net Assets	
Invested in capital assets	116,056
Unrestricted	94,669
Total net assets	<u>\$ 210,725</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 187,619
Miscellaneous	870
TOTAL OPERATING REVENUES	188,489
OPERATING EXPENSES:	
Support services:	
Administration services:	
Salaries	14,132
Benefits	2,028
Services	1,914
	18,074
Operation and maintenance of plant services:	
Services	2,182
Supplies	179
	2,361
Total support services	20,435
Non-instructional programs:	
Food service operations:	
Salaries	150,621
Benefits	35,163
Services	191
Supplies	164,760
Depreciation	15,090
Total non-instructional programs	365,825
TOTAL OPERATING EXPENSES	386,260
OPERATING LOSS	(197,771)
NON-OPERATING REVENUES:	
State sources	4,760
Federal sources	209,140
Interest income	423
TOTAL NON-OPERATING REVENUES	214,323
Change in net assets	16,552
Net assets beginning of year	194,173
Net assets end of year	\$ 210,725

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 188,601
Cash received from miscellaneous	870
Cash payments to employees for services	(201,742)
Cash payments to suppliers for goods or services	(142,978)
Net cash used in operating activities	(155,249)
Cash flows from non-capital financing activities:	
State grants received	4,760
Federal grants received	177,635
Net cash provided by non-capital financing activities	182,395
Cash flows from capital and related financing activities:	
Purchase of capital assets	(595)
Cash flows from investing activities:	
Interest on investments	423
Net increase in cash and cash equivalents	26,974
Cash and cash equivalents at beginning of year	82,055
Cash and cash equivalents at end of year	\$ 109,029
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (197,771)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	31,505
Depreciation	15,090
Increase in inventories	(5,118)
Decrease in accounts payable	(139)
Decrease in salaries and benefits payable	(1,152)
Increase in unearned revenue	982
Increase in other postemployment benefits	1,354
Net cash used in operating activities	\$ (155,249)

During the year ended June 30, 2010, the District received Federal commodities valued at \$31,505.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 36,147</u>
Liabilities	<u>0</u>
Net assets	
Reserved for scholarships	<u>\$ 36,147</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MARSHALL 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:	
Interest income	\$ 735
Deductions:	
Support services:	
Scholarships awarded	<u>1,202</u>
Change in net assets	(467)
Net assets beginning of year	<u>36,614</u>
Net assets end of year	<u>\$ 36,147</u>

SEE NOTES TO FINANCIAL STATEMENTS

EAST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

The East Marshall 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 Le Grand, Gilman, Laurel and Ferguson, Iowa, and the predominate agricultural territory in Marshall, Tama, Poweshiek and Jasper 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 Marshall 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 Marshall 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 Marshall, Tama, Poweshiek and Jasper 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 service.

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt 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 assets 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 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 District's proprietary funds are the Enterprise, School Nutrition Fund. The Nutrition Fund is used to account for the food service operations of the District.

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

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements 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 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 non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund 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	\$ 1
Buildings	1,000
Land improvements	1,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not been served. Lunch account balances will be reimbursed or served lunches. Revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

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

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

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

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit 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 \$408,630 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue: Management Levy	\$ 2,978
General	Special Revenue: Student Activity	2,445
Special Revenue: Physical Plant and Equipment Levy	Special Revenue: Student Activity	898
Special Revenue: Physical Plant and Equipment Levy	GO Bond Construction	73,477
Debt Service	General	61,636
Debt Service	Special Revenue: Physical Plant and Equipment Levy	111,030
Debt Service	Statewide Sales and Services Tax	334,419
Total		<u>\$ 586,883</u>

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

The transfer from the Special Revenue, Management Levy Fund to the General Fund was for insurance deductibles originally paid from the General Fund.

The transfer from the Special Revenue, Student Activity Fund to the General Fund was for the reimbursement of bus driver wages when drivers were used to transport students for athletic events.

The transfer from the Special Revenue, Student Activity Fund to the Special Revenue, Physical Plant and Equipment Levy was for cement used by the FFA student organization for various projects.

The transfer from the GO Bond Construction Fund to the Special Revenue, Physical Plant and Equipment Levy was to close the fund after the renovation construction was completed.

The transfer from the General Fund to the Debt Service Fund was to make the annual payment on the District's capital loan note.

The transfer from the Special Revenue, Physical Plant and Equipment Levy to the Debt Service Fund was to make the annual payment on the District's capital loan note.

The transfer from the Statewide Sales and Services Tax to the Debt Service Fund was for debt relief on the District's general obligation bonds.

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 248,407	595	0	249,002
Less accumulated depreciation	117,856	15,090	0	132,946
Business type activities capital assets, net	<u>\$ 130,551</u>	<u>(14,495)</u>	<u>0</u>	<u>116,056</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 120,725	0	0	120,725
Construction in progress	411,740	0	411,740	0
Total capital assets not being depreciated	<u>532,465</u>	<u>0</u>	<u>411,740</u>	<u>120,725</u>
Capital assets being depreciated:				
Buildings	10,170,266	1,041,659	8,748	11,203,177
Land improvements	404,912	0	0	404,912
Machinery and equipment	2,276,429	211,384	135,701	2,352,112
Total capital assets being depreciated	<u>12,851,607</u>	<u>1,253,043</u>	<u>144,449</u>	<u>13,960,201</u>
Less accumulated depreciation for:				
Buildings	2,443,207	226,270	8,748	2,660,729
Land improvements	188,199	13,065	0	201,264
Machinery and equipment	1,766,077	202,063	134,168	1,833,972
Total accumulated depreciation	<u>4,397,483</u>	<u>441,398</u>	<u>142,916</u>	<u>4,695,965</u>
Total capital assets being depreciated, net	<u>8,454,124</u>	<u>811,645</u>	<u>1,533</u>	<u>9,264,236</u>
Governmental activities capital assets, net	<u>\$ 8,986,589</u>	<u>811,645</u>	<u>413,273</u>	<u>9,384,961</u>

Governmental activities:	
Instruction:	
Regular	\$ 83,557
Support services:	
Operation and maintenance of plant	22,460
Transportation	96,046
	<u>202,063</u>
Unallocated depreciation	239,335
	<u>239,335</u>
 Total governmental activities depreciation expense	 \$ 441,398
	<u>441,398</u>
 Business type activities:	
Food service operations	\$ 15,090
	<u>15,090</u>

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 4,610,000	0	210,000	4,400,000	220,000
Energy loan notes	411,000	0	45,000	366,000	47,000
Capital loan notes	590,000	0	90,000	500,000	90,000
Compensated absences	54,444	60,390	54,444	60,390	60,390
Early retirement	687,014	88,500	159,234	616,280	166,964
Net OPEB liability	0	67,016	0	67,016	0
Total	<u>\$ 6,352,458</u>	<u>215,906</u>	<u>558,678</u>	<u>6,009,686</u>	<u>584,354</u>

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 0	1,354	0	1,354	0

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue July 1, 2005			
	Interest Rates	Principal	Interest	Total
2011	4.38	% \$ 220,000	178,433	398,433
2012	4.38	230,000	168,808	398,808
2013	4.38	235,000	158,745	393,745
2014	4.38	245,000	148,464	393,464
2015	3.60	255,000	137,745	392,745
2016-2020	3.70-4.00	1,450,000	537,361	1,987,361
2021-2025	4.00-4.20	1,765,000	224,597	1,989,597
Total		<u>\$ 4,400,000</u>	<u>1,554,153</u>	<u>5,954,153</u>

Energy Loan Notes

During the year ended June 30, 2008 the District issued capital loan notes for energy improvement projects. Details of the District's June 30, 2010 energy loan notes indebtedness, which will be paid from the General Fund, is as follows:

Year Ending June 30,	Energy loan notes dated February 1, 2007				
	Interest Rates		Principal	Interest	Total
2011	4.05	% \$	47,000	14,823	61,823
2012	4.05		49,000	12,920	61,920
2013	4.05		50,000	10,935	60,935
2014	4.05		52,000	8,910	60,910
2015	4.05		54,000	6,804	60,804
2016	4.05		56,000	4,617	60,617
2017	4.05		58,000	2,349	60,349
Total			\$ 366,000	61,358	427,358

Capital Loan Notes

During the year ended June 30, 2009 the District issued capital loan notes for equipment purchases. Details of the District's June 30, 2010 capital loan notes indebtedness, which will be paid from the Special Revenue, Physical Plant and Equipment Levy, is as follows:

Year Ending June 30,	Capital loan notes dated April 1, 2009				
	Interest Rates		Principal	Interest	Total
2011	2.75	% \$	90,000	17,163	107,163
2012	3.00		95,000	14,687	109,687
2013	3.50		100,000	11,838	111,838
2014	3.75		105,000	8,337	113,337
2015	4.00		110,000	4,400	114,400
Total			\$ 500,000	56,425	556,425

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The retiree may maintain their membership in the group health insurance. Retirees are paid \$500 per month for single health insurance. The employee shall not be on disability leave at the time of retirement. Early retirement benefits paid during the year ended June 30, 2010, totaled \$159,234. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to

IPERS for the years ended June 30, 2010, 2009, and 2008 were \$340,275, \$318,238, and \$299,132, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 68 active and 15 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. Retirees under age 65 pay the same premium for the medical/prescription drug benefit 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 District's OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 160,844
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>160,844</u>
Contributions made	<u>(92,474)</u>
Increase in net OPEB obligation	68,370
Net OPEB obligation beginning of year	<u>0</u>
Net OPEB obligation end of year	<u>\$ 68,370</u>

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

For the year ended June 30, 2010, the District contributed \$92,474 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 160,844	57.5%	\$ 68,370

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 \$1,417,884, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,417,884. The covered payroll (annual payroll of active employees covered by the plan) was \$4,057,796, and the ratio of the UAAL to covered payroll was 34.94%. 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 RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

Projected claim costs of the medical plan are \$517.83 for single and \$1,294.58 for family under 250 Deductible and \$446.97 for single, \$1,117.43 for family under 1,000 Deductible, and \$362.60 for single and \$906.50 for family under 2,500 Deductible for retirees less than age 65 and \$2,960.64 per month for retirees who have attained age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$308,807 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

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

Project	Amount
At-Risk supplemental weighting	\$ 3,019
Market factor	4,965
Market factor incentives	4,163
Limited English proficient	1,933
Home school assistance program	8,470
Professional development	16,401
Talented and gifted	309
Dropout and dropout prevention	19,582
Four year-old preschool	41,885
Professional development for model core curriculum	15,652
Total	\$ 116,379

REQUIRED SUPPLEMENTARY INFORMATION

EAST MARSHALL 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	Budgeted Amounts		Final to Actual Variance
	Fund Actual	Fund Actual		Original	Final	
Revenues:						
Local sources	\$ 4,991,890	188,912	5,180,802	5,132,121	5,132,121	48,681
Intermediate sources	10,414	0	10,414	0	0	10,414
State sources	3,517,058	4,760	3,521,818	4,306,510	4,306,510	(784,692)
Federal sources	812,903	209,140	1,022,043	373,525	373,525	648,518
Total revenues	<u>9,332,265</u>	<u>402,812</u>	<u>9,735,077</u>	<u>9,812,156</u>	<u>9,812,156</u>	<u>(77,079)</u>
Expenditures/Expenses:						
Instruction	5,343,688	0	5,343,688	5,423,310	5,623,310	279,622
Support services	2,892,028	20,435	2,912,463	3,216,581	3,216,581	304,118
Non-instructional programs	4,861	365,825	370,686	385,304	385,304	14,618
Other expenditures	1,476,469	0	1,476,469	1,565,495	1,675,000	198,531
Total expenditures/expenses	<u>9,717,046</u>	<u>386,260</u>	<u>10,103,306</u>	<u>10,590,690</u>	<u>10,900,195</u>	<u>796,889</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(384,781)	16,552	(368,229)	(778,534)	(1,088,039)	719,810
Other financing sources, net	602	0	602	0	0	602
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(384,179)	16,552	(367,627)	(778,534)	(1,088,039)	720,412
Balance beginning of year	1,681,731	194,173	1,946,729	1,651,420	1,651,420	295,309
Balance end of year	<u>\$ 1,297,552</u>	<u>210,725</u>	<u>1,579,102</u>	<u>872,886</u>	<u>563,381</u>	<u>1,015,721</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL 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 the 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, the District adopted one budget amendment increasing budgeted expenditures by \$309,505.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 1,417,884	\$ 1,417,884	0.00%	\$ 4,057,796	34.94%

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

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds							Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Public Education and Recreation Levy	Total Special Revenue	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
Assets								
Cash and pooled investments	\$ 88,475	108,329	95,484	36,441	328,729	203,448	491	532,668
Receivables:								
Property tax:								
Delinquent	2,719	0	2,339	316	5,374	0	818	6,192
Succeeding year	240,000	0	180,491	24,366	444,857	0	63,172	508,029
Due from other governments	0	0	0	0	0	118,203	0	118,203
Total assets	\$ 331,194	108,329	278,314	61,123	778,960	321,651	64,481	1,165,092
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 0	2,664	2,930	0	5,594	0	0	5,594
Salaries and benefits payable	0	280	0	0	280	0	0	280
Deferred revenue:								
Succeeding year property tax	240,000	0	180,491	24,366	444,857	0	63,172	508,029
Total liabilities	240,000	2,944	183,421	24,366	450,731	0	63,172	513,903
Fund balances:								
Reserved for:								
Debt service	0	0	0	0	0	0	1,309	1,309
Unreserved fund balances	91,194	105,385	94,893	36,757	328,229	321,651	0	649,880
Total fund balances	91,194	105,385	94,893	36,757	328,229	321,651	1,309	651,189
Total liabilities and fund balances	\$ 331,194	108,329	278,314	61,123	778,960	321,651	64,481	1,165,092

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL 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 Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Public Education and Recreation Levy	Total Special Revenue	Capital Projects	Debt Service	
REVENUES:								
Local sources:								
Local tax	\$ 199,564	0	171,653	23,173	394,390	424,238	60,078	878,706
Other	943	147,735	334	110	149,122	2,446	65	151,633
Intermediate sources	0	4,000	0	0	4,000	0	0	4,000
State sources	127	0	109	15	251	25,362	38	25,651
Federal sources	0	0	0	0	0	144,870	0	144,870
TOTAL REVENUES	200,634	151,735	172,096	23,298	547,763	596,916	60,181	1,204,860
EXPENDITURES:								
Current:								
Instruction:								
Regular	164,067	0	0	0	164,067	0	0	164,067
Other	0	136,975	0	0	136,975	0	0	136,975
Support services:								
Student	679	0	0	0	679	0	0	679
Instructional staff	252	1,074	47,133	0	48,459	0	0	48,459
Administration	5,434	2,111	1,132	0	8,677	0	0	8,677
Operation and maintenance of plant	40,815	7,218	7,222	1,524	56,779	0	0	56,779
Transportation	21,013	0	54,135	0	75,148	86,867	0	162,015
Non-instructional programs						0		
Community service operations	0	0	0	4,861	4,861	0	0	4,861
Other expenditures:								
Facilities acquisitions	0	0	65,911	2,490	68,401	528,313	0	596,714
Long-term debt:								
Principal	0	0	0	0	0	0	345,000	345,000
Interest and fiscal charges	0	0	0	0	0	0	225,948	225,948
TOTAL EXPENDITURES	232,260	147,378	175,533	8,875	564,046	615,180	570,948	1,750,174
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(31,626)	4,357	(3,437)	14,423	(16,283)	(18,264)	(510,767)	(545,314)
OTHER FINANCING SOURCES (USES):								
Transfer in	0	0	74,375	0	74,375	0	507,085	581,460
Transfer out	(2,978)	(3,343)	(111,030)	0	(117,351)	(407,896)	0	(525,247)
Total other financing sources (uses)	(2,978)	(3,343)	(36,655)	0	(42,976)	(407,896)	507,085	56,213
NET CHANGE IN FUND BALANCES	(34,604)	1,014	(40,092)	14,423	(59,259)	(426,160)	(3,682)	(489,101)
FUND BALANCE BEGINNING OF YEAR	125,798	104,371	134,985	22,334	387,488	747,811	4,991	1,140,290
FUND BALANCE END OF YEAR	\$ 91,194	105,385	94,893	36,757	328,229	321,651	1,309	651,189

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL 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 and Interfund Transfers	Intra- Fund Transfers	Balance End of Year
Drama	\$ 7,150	5,924	1,939	60	11,195
HS Vocal	3,548	3,583	4,050	20	3,101
Spec MS Vocal	1,700	745	2,826	1,511	1,130
HS Band	3,059	4,291	5,241	13	2,122
Band Fundraising	1,684	9,791	6,220	35	5,290
HS Band Resale	0	33	32	0	1
Spec MS Band	4,272	1,445	2,926	26	2,817
MS Band Resale	0	708	635	0	73
Athletics	17,331	3,628	17,020	7,284	11,223
Athletic Uniforms	13,846	5,700	6,665	97	12,978
Spec MS Athletics	17,459	3,815	9,312	109	12,071
Cross Country	0	50	1,071	1,021	0
Golf	0	416	1,737	1,321	0
Boys Basketball	0	3,765	2,006	(1,759)	0
Football	0	13,987	10,836	(3,151)	0
Baseball	0	5,175	4,393	(782)	0
Boys Track	0	0	849	849	0
Wrestling	0	7,607	6,263	(1,494)	(150)
Alumni Basketball Uniforms	710	578	702	4	590
Girls BB	0	3,764	2,025	(1,739)	0
Volleyball	0	7,847	6,510	(1,337)	0
Softball	0	5,267	3,815	(1,452)	0
Girls Track	0	0	1,265	1,265	0
Interest	0	896	0	(896)	0
Middle School Fine Arts	11,647	3,801	0	(1,406)	14,042
MS Yearbook	362	2,222	2,104	21	501
Spec MS Art	1,171	0	0	9	1,180
MS Student Council	2,381	842	3,246	23	0
MS Student Council-Saved for Sign	23	0	0	(23)	0
MS Activities	281	793	696	7	385
High School Fine Arts	703	0	0	5	708
Class of 2010	3,654	0	3,212	(167)	275
Class of 2011	0	14,551	8,439	46	6,158
Class of 2012	0	0	9	9	0
Class of 2013	0	0	8	8	0
HS Yearbook	4,028	9,320	7,809	69	5,608
Spec HS Art	1,624	1,500	1,077	12	2,059
Silk Screening	367	3,821	2,641	8	1,555
Cheerleaders	0	0	261	261	0
FFA	4,384	24,850	19,472	98	9,860
National Honor Society	1,963	0	1,746	10	227
HS Student Council	1,024	1,020	1,663	5	386
Total	\$ 104,371	151,735	150,721	0	105,385

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2010

	GO Bond Construction	Statewide Sales and Services Tax	Total
REVENUES:			
Local sources			
Local tax	\$ 0	424,238	424,238
Other	1,286	1,160	2,446
State sources	0	25,362	25,362
Federal sources	144,870	0	144,870
Total revenues	<u>146,156</u>	<u>450,760</u>	<u>596,916</u>
EXPENDITURES:			
Current			
Support services:			
Transportation	0	86,867	86,867
Other expenditures:			
Facilities acquisitions	528,313	0	528,313
Total expenditures	<u>528,313</u>	<u>86,867</u>	<u>615,180</u>
Excess (deficiency) of revenues over (under) expenditures	(382,157)	363,893	(18,264)
OTHER FINANCING USES:			
Transfer out	(73,477)	(334,419)	(407,896)
Net change in fund balances	(455,634)	29,474	(426,160)
Fund balance beginning of year	455,634	292,177	747,811
Fund balance end of year	<u>\$ 0</u>	<u>321,651</u>	<u>321,651</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL 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	\$ 3,329,046	3,233,021	3,084,414	3,146,783	3,159,955	3,202,645	2,778,213
Tuition	1,372,977	1,287,996	1,276,568	1,249,157	1,084,449	815,148	655,870
Other	289,867	324,444	487,198	492,617	524,229	279,311	295,208
Intermediate sources	10,414	0	0	0	0	0	0
State sources	3,517,058	3,821,565	3,846,326	3,448,468	3,581,775	3,159,379	3,052,978
Federal sources	812,903	274,774	252,322	400,479	228,858	272,939	190,579
Total	\$ 9,332,265	8,941,800	8,946,828	8,737,504	8,579,266	7,729,422	6,972,848
Expenditures:							
Current:							
Instruction:							
Regular	\$ 3,254,908	3,154,199	3,263,097	3,070,843	2,738,703	2,575,286	2,704,570
Special	1,166,517	1,246,523	1,106,333	1,034,926	889,705	821,571	946,698
Other	922,263	883,985	756,644	789,754	722,381	677,104	608,756
Support services:							
Student	289,971	283,357	280,838	278,505	253,518	250,249	239,395
Instructional staff	323,819	392,755	289,776	269,037	328,213	296,343	256,506
Administration	866,715	828,893	826,278	800,010	800,782	779,341	674,193
Operation and maintenance of plant	806,918	853,631	943,058	805,329	944,385	664,386	664,676
Transportation	604,605	475,124	724,232	468,739	468,872	503,504	470,553
Central	0	0	0	0	0	0	1,396
Non-instructional programs							
Food service	0	2,527	3,892	3,635	2,354	2,354	3,364
Community service	4,861	5,131	5,473	5,738	3,470	10,904	20,289
Other expenditures:							
Facilities acquisitions	596,714	848,284	1,094,240	4,656,475	1,289,281	86,941	156,383
Long-term debt:							
Principal	345,000	244,000	230,000	185,000	190,000	0	0
Interest and fiscal charges	225,948	228,861	232,517	213,226	182,405	0	0
AEA flow-through	308,807	251,378	248,491	231,586	218,952	217,704	221,438
Total	\$ 9,717,046	9,698,648	10,004,869	12,812,803	9,033,021	6,885,687	6,968,217

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	\$ 31,691
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	177,449 *
			<u>209,140</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 10	68,476
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	4,436
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	19,638
			<u>92,550</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS			
	84.186	FY 10	<u>1,880</u>
IMPROVING TEACHER QUALITY STATE GRANTS			
	84.367	FY 10	<u>29,973</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES			
	84.369	FY 10	<u>5,675</u>
ARRA - STATE FISCAL STABILIZATION FUND - EDUCATION STATE GRANTS, RECOVERY ACT			
	84.394	FY 10	<u>335,613</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (IOWA DEMONSTRATION CONSTRUCTION GRANTS)			
	84.215	FY 10	<u>144,870</u>
TECH-PREP EDUCATION			
	84.243	FY 10	<u>108</u>
EDUCATIONAL TECHNOLOGY STATE GRANTS			
	84.318	FY 10	<u>2,000</u>
ARRA - EDUCATION FOR HOMELESS CHILDREN AND YOUTH, RECOVERY ACT			
	84.387	FY 10	<u>6,433</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 10	38,050
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 09	19,782
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	46,331
			<u>104,163</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 10	<u>7,714</u>
TOTAL			<u>\$ 940,119</u>

* - Includes \$31,505 of non-cash awards

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of the
East Marshall 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 Marshall 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 1, 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 Marshall Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Marshall Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of East Marshall 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 and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 II of the accompanying Schedule of Finding and Questioned Costs as item II-A-10 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Marshall 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 IV of the accompanying Schedule of Findings and Questioned Costs.

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 Marshall Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit East Marshall 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 Marshall Community School District and other parties to whom East Marshall Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of East Marshall 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 1, 2011

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of
East Marshall Community School District

Compliance

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

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

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

Internal Control Over Compliance

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

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Finding and Questionable Costs as item III-A-10 as a material weakness.

East Marshall Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit East Marshall 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 Marshall Community School District and other parties to whom East Marshall Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



NOLTE, CORNMAN & JOHNSON, P.C.

March 1, 2011

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-B3, Section .510(a).
- (g) Major programs were as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Individual
 - CFDA Number 84.394 - ARRA State Fiscal Stabilization Fund(SFSF)
Education State Grants, (Recovery Act)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) East Marshall Community School District did not qualify as a low-risk auditee.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-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 - We will continue to investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2010
U.S. Department of Agriculture
Passed through the Iowa Department of Education

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

III-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 - We will continue to investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

EAST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amount budgeted.
- IV-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.
- IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-10 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-10 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-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.
- IV-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.
- IV-K-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, 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			449,600
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	86,867	
Debt service for school infrastructure:			
General obligation debt		334,419	421,286
		<u> </u>	<u> </u>
Ending balance		\$	<u>28,314</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>
Debt service levy	\$ 1.94397	\$ 334,419

IV-M-10 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District submitted uncashed checks that were over three years old to the State of Iowa Treasurers Office by November 1st. We attempted to locate the owners of uncashed checks when checks are outstanding more than six months. If the owner is located we reissue the check. If the owner is not located we will report the unclaimed property to the State Treasurers annually before November 1st.

Conclusion - Response accepted.