

EDDYVILLE-BLAKESBURG 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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Eddyville-Blakesburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 election)		
Ed Glenn	President	2011
Debra Bahr	Vice President	2011
Kevin Lane	Board Member	2011
David Friedman	Board Member	2009
Gay Murphy	Board Member	2011
Dan Hulbert	Board Member	2009
Jeff Claypool	Board Member	2009

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

Ed Glenn	President	2011
Debra Bahr	Vice President	2011
Kevin Lane	Board Member	2011
David Friedman	Board Member	2013
Gay Murphy	Board Member	2011
Dan Hulbert	Board Member	2013
Jeff Claypool	Board Member	2013

School Officials

Dr. Dean Cook	Superintendent	2010
Susan Bayer	District Secretary/ Treasurer	2010
Richard Gaumer	Attorney	2010

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

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Eddyville-Blakesburg Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2011 on our consideration of Eddyville-Blakesburg 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 Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 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 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 Eddyville-Blakesburg 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 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 8, 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 17, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$7,814,823 at June 30, 2009 to \$7,715,476 at June 30, 2010, while General Fund expenditures decreased from \$7,778,655 at June 30, 2009 to \$7,658,436 at June 30, 2010. This resulted in an increase in the District's General Fund balance from \$1,234,701 at June 30, 2009 to a balance of \$1,291,741 at June 30, 2010, a 4.62% increase over the prior year.
- The decrease in General Fund revenues was attributable to a decrease in funding received from the state due to the 10% across the board budget cut. The decrease in expenditures was due primarily to efforts by the District to control costs in light of the cut in state funding.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) increased from 15.46% for fiscal year 2009 to 16.28% for fiscal year 2010. The State School Budget Review Committee recommends a solvency ratio between 5% and 10%.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well 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 detail of various programs benefiting the District.

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

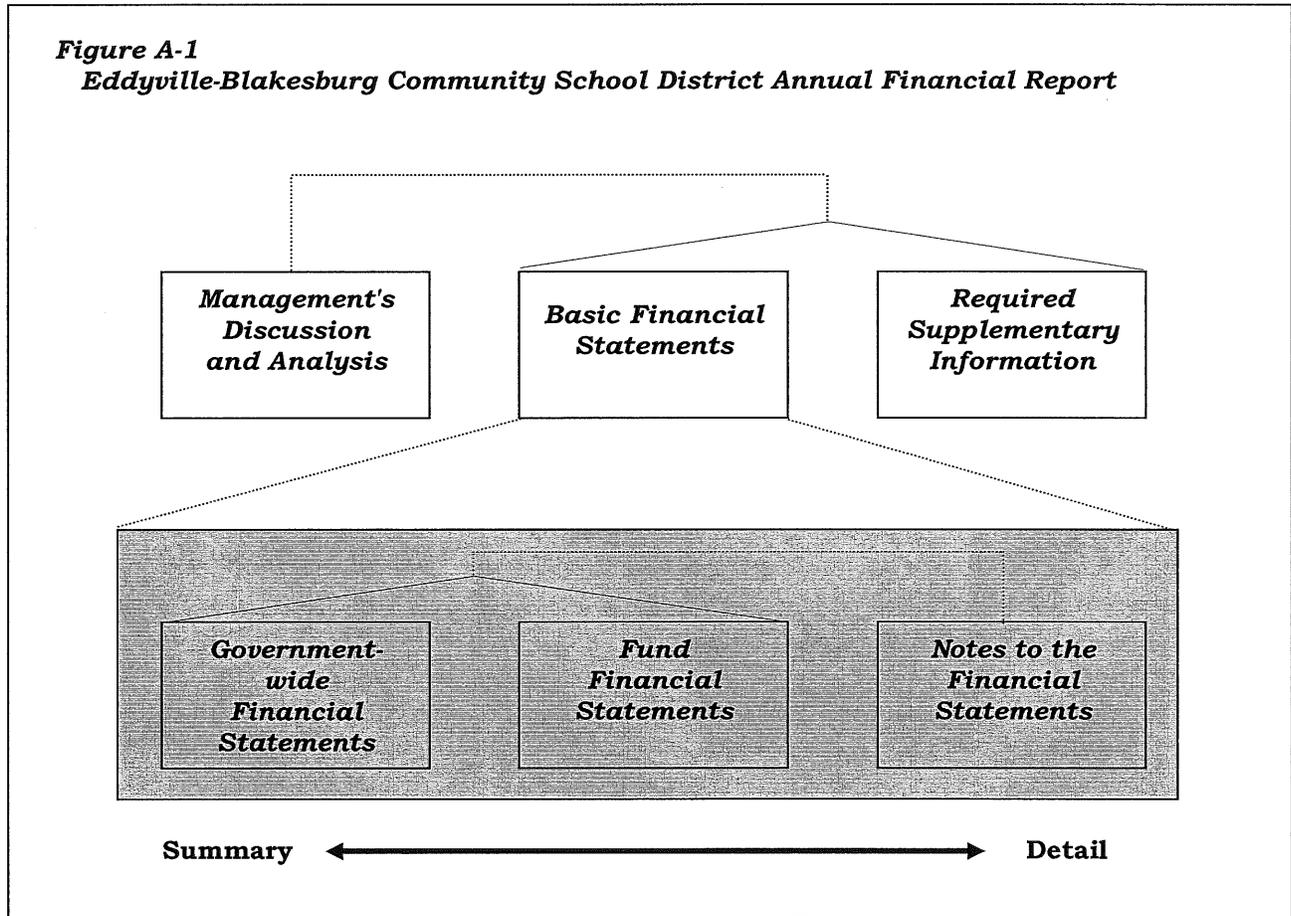


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency fund.

- Agency Fund - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities and the Empowerment Program, whereby the District acts as the fiscal agent.
- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 8,509,049	8,938,156	33,479	140,632	8,542,528	9,078,788	-5.91%
Capital assets	5,426,206	5,587,757	219,740	222,895	5,645,946	5,810,652	-2.83%
Total assets	13,935,255	14,525,913	253,219	363,527	14,188,474	14,889,440	-4.71%
Long-term obligations	1,121,348	1,172,180	6,746	1,185	1,128,094	1,173,365	-3.86%
Other liabilities	4,961,559	5,390,880	73,972	60,756	5,035,531	5,451,636	-7.63%
Total liabilities	6,082,907	6,563,060	80,718	61,941	6,163,625	6,625,001	-6.96%
Net assets:							
Invested in capital assets, net of related debt	4,906,271	4,796,134	219,740	222,895	5,126,011	5,019,029	2.13%
Restricted	1,523,555	1,765,816	0	0	1,523,555	1,765,816	-13.72%
Unrestricted	1,422,522	1,400,903	(47,239)	78,691	1,375,283	1,479,594	-7.05%
Total net assets	\$ 7,852,348	7,962,853	172,501	301,586	8,024,849	8,264,439	-2.90%

The District's combined net assets decreased by 2.90%, or \$239,590, 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 invested in capital assets are liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased by \$242,261, or 13.72% from the prior year. The decrease in restricted net assets is mainly attributable to the decrease in fund balance for the Capital Projects Fund and the Physical Plant and Equipment Levy Fund.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased by \$104,311, or 7.05%.

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

Figure A-4
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 1,046,700	1,007,333	322,825	479,706	1,369,525	1,487,039	-7.90%
Operating grants and contributions and restricted interest	1,626,782	1,134,871	192,389	191,681	1,819,171	1,326,552	37.14%
Capital grants and contributions and restricted interest	25,000	15,000	0	0	25,000	15,000	66.67%
General revenues:							
Property tax	3,906,315	3,715,544	0	0	3,906,315	3,715,544	5.13%
Income surtax	262,392	334,844	0	0	262,392	334,844	-21.64%
Statewide sales, service and use tax	558,265	564,203	0	0	558,265	564,203	-1.05%
Unrestricted state grants	1,615,114	2,309,100	0	0	1,615,114	2,309,100	-30.05%
Unrestricted interest	45,935	65,578	31	64	45,966	65,642	-29.97%
Other general revenue	73,268	71,494	5,068	2,132	78,336	73,626	6.40%
Transfers	(8,680)	(327,342)	8,680	321,027	0	(6,315)	0.00%
Total revenues and transfers	9,151,091	8,890,625	528,993	994,610	9,680,084	9,885,235	-2.08%
Program expenses:							
Governmental activities:							
Instructional	5,477,125	5,085,527	105,225	155,174	5,582,350	5,240,701	6.52%
Support services	2,872,511	2,570,189	4,801	9,329	2,877,312	2,579,518	11.54%
Non-instructional programs	17,875	15,248	548,052	547,317	565,927	562,565	0.60%
Other expenses	894,085	994,591	0	0	894,085	994,591	-10.11%
Total expenses	9,261,596	8,665,555	658,078	711,820	9,919,674	9,377,375	5.78%
Change in net assets	(110,505)	225,070	(129,085)	282,790	(239,590)	507,860	-147.18%
Net assets beginning of year	7,962,853	7,737,783	301,586	18,796	8,264,439	7,756,579	6.55%
Net assets end of year	\$ 7,852,348	7,962,853	172,501	301,586	8,024,849	8,264,439	-2.90%

In fiscal 2010, property tax and unrestricted state grants account for 60.34% of the revenue from governmental activities while charges for services and operating grants and contributions account for 97.40% of the revenue from business type activities.

The District's total revenues were \$9,680,084 of which \$9,151,091 was for governmental activities and \$528,993 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 2.08% in revenues and an increase of 5.78% in expenses. Property tax increased \$190,771 to fund the increase in expenses.

Governmental Activities

Revenues for governmental activities were \$9,151,091 and expenses were \$9,261,596.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 5,477,125	5,085,527	7.70%	3,092,422	3,200,228	-3.37%
Support services	2,872,511	2,570,189	11.76%	2,867,961	2,566,620	11.74%
Non-instructional	17,875	15,248	17.23%	17,875	15,248	17.23%
Other expenses	894,085	994,591	-10.11%	584,856	726,255	-19.47%
Totals	\$ 9,261,596	8,665,555	6.88%	6,563,114	6,508,351	0.84%

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$1,046,700.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,651,782.
- The net cost of governmental activities was financed with \$4,168,707 in local tax, \$558,265 in statewide sales, service and use tax, \$1,626,782 in operating grants and contributions and restricted interest, \$25,000 in capital grants, contributions and restricted interest, \$1,615,114 in unrestricted state grants, \$45,935 in interest income and \$73,268 in other general revenue

Business type Activities

Revenues of the District's business type activities were \$528,993 and expenses were \$658,078. The District's business type activities include the School Nutrition Fund, Child Care Fund and Building and Trades 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 Eddyville-Blakesburg 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 \$3,225,076, under last year's ending fund balances of \$3,276,749. However, the primary reason for the decrease in combined fund balances in fiscal 2010 is due to the decrease in fund balances of the Capital Projects and Physical Plant and Equipment Levy Funds.

Governmental Fund Highlights

- The District's improving General Fund financial position from \$1,234,701 at June 30, 2009 to \$1,291,741 at June 30, 2010, is the product of many factors. General Fund revenues decreased from \$7,814,823 in fiscal 2009 to \$7,715,476 in fiscal 2010. The decrease in General Fund revenues can be attributed to the decrease in funding received from the state due to the 10% across the board budget cut. General Fund expenditures decreased from \$7,778,655 in fiscal 2009 to \$7,658,436 in fiscal 2010. The difference between fiscal 2010 revenues of \$7,715,476 and expenses of \$7,658,436 results in a net increase in fund balance of \$57,040. As a result, the District's General Fund balance increased from \$1,234,701 in fiscal 2009 to a balance of \$1,291,741 in fiscal 2010. This represents a 4.62% increase from the prior year.
- The Capital Projects Fund balance decreased from \$1,124,111 at June 30, 2009 to \$1,007,069 at June 30, 2010.

Proprietary Fund Highlights

- The School Nutrition Fund net assets decreased from a deficit balance of \$3,377 at June 30, 2009 to a deficit balance of \$26,102 at June 30, 2010, representing a decrease of 672.93%.
- The Child Care Fund net assets decreased from \$189,954 at June 30, 2009 to \$188,917 at June 30, 2010, representing a decrease of 0.55%.
- The Buildings and Trades Fund net assets decreased from \$115,009 at June 30, 2009 to \$9,686 at June 30, 2010, representing a decrease of 91.58%.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District amended its budget one time to adjust expenditures between functions and increase overall expenditures by \$130,000.

The District's revenues were \$788,156 less than budgeted revenues, a variance of 7.56%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, 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.

In spite of the District's budgetary practice, expenditures in the non-instructional programs functional area exceeded the amount budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

- At June 30, 2010, the District had invested \$5,645,946, 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) Additional detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$393,927.

- The original cost of the District's capital assets was \$12,737,781. Governmental funds account for \$12,278,650 with the remainder of \$459,131 in the Proprietary, School Nutrition Fund and Child Care Fund.
- The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$744,458 at June 30, 2009, compared to \$625,882, reported at June 30, 2010. This decrease is the result of depreciation expense taken during the year.

Figure A-6
Capital Assets, Net of Depreciation

	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
Land	\$ 54,747	54,747	0	0	54,747	54,747	0.00%
Buildings	4,452,983	4,521,142	185,647	190,533	4,638,630	4,711,675	-1.55%
Land improvements	326,687	299,772	0	0	326,687	299,772	8.98%
Machinery and equipment	591,789	712,096	34,093	32,362	625,882	744,458	-15.93%
Total	\$ 5,426,206	5,587,757	219,740	222,895	5,645,946	5,810,652	-2.83%

Long-Term Debt

- At June 30, 2010, the District had \$1,128,094 in other long-term debt outstanding. This represents a decrease of 3.86% from last year. (See Figure A-7) Additional detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.
- The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$547,613 at June 30, 2010.
- At June 30, 2010 the District had \$519,935 in lease purchase agreements payable from the Special Revenue, Physical Plant and Equipment Levy and Capital Projects Funds.
- Compensated absences totaled \$45,576, June 30, 2010. The Governmental activities is payable from the General Fund totaling \$39,828 at June 30, 2010. The Business type activities is payable from the Child Care Fund totaling \$5,748, at June 30, 2010.

Figure A-7
Long-term Liabilities

	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
Computer lease	\$ 0	123,491	0	0	0	123,491	-100.00%
Kinetic computer lease	180,166	235,167	0	0	180,166	235,167	-23.39%
Band instruments lease	0	31,773	0	0	0	31,773	-100.00%
Telephone lease	0	43,649	0	0	0	43,649	-100.00%
Baseball light lease	130,130	137,116	0	0	130,130	137,116	-5.09%
Softball light lease	46,992	49,706	0	0	46,992	49,706	-5.46%
Football light lease	162,647	170,721	0	0	162,647	170,721	-4.73%
Compensated absences	39,828	10,806	5,748	1,185	45,576	11,991	280.09%
Early retirement	547,613	369,751	0	0	547,613	369,751	48.10%
Net OPEB liability	13,972	0	998	0	14,970	0	100.00%
Total	\$ 1,121,348	1,172,180	6,746	1,185	1,128,094	1,173,365	-3.86%

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 poor area economic situation is creating difficulties for the District with the area employers laying off and terminating employees because of low business trends.
- The District has continuing budget concerns at state level with how; the Governor's mandatory budget cuts will affect future revenue projections. The District has been forced to shift more of its funding to the property taxpayers of the District.

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 Susan Bayer, Board Secretary, Eddyville-Blakesburg Community School District, 1301 Berdan Street, Eddyville, Iowa, 52553.

BASIC FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 3,855,115	22,675	3,877,790
Receivables:			
Property tax:			
Delinquent	39,204	0	39,204
Succeeding year	4,053,241	0	4,053,241
Income surtax	271,584	0	271,584
Accounts	0	0	0
Accrued ISCAP interest	0	0	0
Due from other governments	289,905	0	289,905
Inventories	0	10,804	10,804
Capital assets, net of accumulated depreciation	5,426,206	219,740	5,645,946
Total Assets	13,935,255	253,219	14,188,474
Liabilities			
Excess of warrants issued over bank balance	0	35,059	35,059
Accounts payable	224,649	2,767	227,416
Salaries and benefits payable	660,573	30,350	690,923
Accrued interest payable	23,096	0	23,096
Unearned revenue	0	5,796	5,796
Deferred revenue:			
Succeeding year property tax	4,053,241	0	4,053,241
Long-term liabilities:			
Portion due within one year:			
Computer lease	57,454	0	57,454
Sports field lighting leases	17,664	0	17,664
Early retirement payable	223,118	0	223,118
Compensated absences	39,828	5,748	45,576
Portion due after one year:			
Computer lease	122,712	0	122,712
Sports field lighting leases	322,105	0	322,105
Early retirement payable	324,495	0	324,495
Net OPEB liability	13,972	998	14,970
Total Liabilities	6,082,907	80,718	6,163,625
Net Assets			
Invested in capital assets, net of related debt	4,906,271	219,740	5,126,011
Restricted for:			
Categorical funding	35,316	0	35,316
Capital projects	1,007,069	0	1,007,069
Physical plant and equipment levy	340,279	0	340,279
Other special revenue purposes	140,891	0	140,891
Unrestricted	1,422,522	(47,239)	1,375,283
Total Net Assets	\$ 7,852,348	172,501	8,024,849

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,512,410	650,020	957,138	0	(1,905,252)	0	(1,905,252)
Special	1,114,465	106,204	244,252	0	(764,009)	0	(764,009)
Other	850,250	290,476	136,613	0	(423,161)	0	(423,161)
	<u>5,477,125</u>	<u>1,046,700</u>	<u>1,338,003</u>	<u>0</u>	<u>(3,092,422)</u>	<u>0</u>	<u>(3,092,422)</u>
Support services:							
Student	271,595	0	0	0	(271,595)	0	(271,595)
Instructional	358,160	0	0	0	(358,160)	0	(358,160)
Administration	995,346	0	0	0	(995,346)	0	(995,346)
Operation and maintenance of plant	649,782	0	0	0	(649,782)	0	(649,782)
Transportation	597,628	0	4,550	0	(593,078)	0	(593,078)
	<u>2,872,511</u>	<u>0</u>	<u>4,550</u>	<u>0</u>	<u>(2,867,961)</u>	<u>0</u>	<u>(2,867,961)</u>
Non-instructional programs:							
Food service operations	17,875	0	0	0	(17,875)	0	(17,875)
Other expenditures:							
Facilities acquisitions	372,757	0	0	25,000	(347,757)	0	(347,757)
Long-term debt interest	29,788	0	0	0	(29,788)	0	(29,788)
AEA flowthrough	284,229	0	284,229	0	0	0	0
Depreciation (unallocated)*	207,311	0	0	0	(207,311)	0	(207,311)
	<u>894,085</u>	<u>0</u>	<u>284,229</u>	<u>25,000</u>	<u>(584,856)</u>	<u>0</u>	<u>(584,856)</u>
Total governmental activities	9,261,596	1,046,700	1,626,782	25,000	(6,563,114)	0	(6,563,114)
Business Type activities:							
Instruction:							
Other	105,225	0	0	0	(105,225)	0	(105,225)
Support services:							
Operation and maintenance of plant	4,723	0	0	0	(4,723)	0	(4,723)
Transportation	78	0	0	0	(78)	0	(78)
Non-instructional programs:							
Nutrition services	400,654	177,156	191,589	0	0	(31,909)	(31,909)
Child care services	147,398	145,669	800	0	0	(929)	(929)
Total business type activities	<u>658,078</u>	<u>322,825</u>	<u>192,389</u>	<u>0</u>	<u>0</u>	<u>(142,864)</u>	<u>(142,864)</u>
Total	\$ 9,919,674	1,369,525	1,819,171	25,000	(6,563,114)	(142,864)	(6,705,978)
General Revenues and Transfers:							
General Revenues:							
Local tax levied for:							
General purposes				\$ 3,808,942	0	3,808,942	
Capital outlays				97,373	0	97,373	
Income surtax				262,392	0	262,392	
Statewide sales, service and use tax				558,265	0	558,265	
Unrestricted state grants				1,615,114	0	1,615,114	
Unrestricted investment earnings				45,935	31	45,966	
Other				73,268	5,068	78,336	
Transfers				(8,680)	8,680	0	
Total general revenues and transfers				<u>6,452,609</u>	<u>13,779</u>	<u>6,466,388</u>	
Changes in net assets				(110,505)	(129,085)	(239,590)	
Net assets beginning of year				<u>7,962,853</u>	<u>301,586</u>	<u>8,264,439</u>	
Net assets end of year				<u>\$ 7,852,348</u>	<u>172,501</u>	<u>8,024,849</u>	

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

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	Nonmajor			Total
	General	Capital Projects	Governmental Funds	
Assets				
Cash and pooled investments	\$ 1,917,972	932,957	930,260	3,781,189
Receivables:				
Property tax:				
Delinquent	34,374	0	4,830	39,204
Succeeding year	3,669,825	0	383,416	4,053,241
Income surtax	271,584	0	0	271,584
Interfund	433	0	0	433
Due from other governments	196,312	93,593	0	289,905
Total Assets	\$ 6,090,500	1,026,550	1,318,506	8,435,556
Liabilities and Fund Balances				
Liabilities:				
Interfund payable	\$ 0	0	433	433
Accounts payable	196,777	19,481	8,391	224,649
Salaries and benefits payable	660,573	0	0	660,573
Deferred revenue:				
Succeeding year property tax	3,669,825	0	383,416	4,053,241
Income surtax	271,584	0	0	271,584
Total liabilities	4,798,759	19,481	392,240	5,210,480
Fund balances:				
Reserved for:				
Categorical funding	35,316	0	0	35,316
Unreserved	1,256,425	1,007,069	926,266	3,189,760
Total fund balances	1,291,741	1,007,069	926,266	3,225,076
Total Liabilities and Fund Balances	\$ 6,090,500	1,026,550	1,318,506	8,435,556

SEE NOTES TO FINANCIAL STATEMENTS

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

Total fund balances of governmental funds (page 20) \$ 3,225,076

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

Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in the governmental funds. 5,426,206

Accounts receivable income surtax, are not yet available to to finance expenditures of the current period. 271,584

Blending of the Internal Service Funds to be reflected on an entity-wide basis. 73,926

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (23,096)

Long-term liabilities, including early retirement, leases payable, compensated absences and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (1,121,348)

Net assets of governmental activities (page 18) \$ 7,852,348

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

	General	Capital Projects	Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,656,985	558,265	472,620	4,687,870
Tuition	740,186	0	0	740,186
Other	78,022	49,008	300,141	427,171
State sources	2,562,308	0	159	2,562,467
Federal sources	677,975	25,000	0	702,975
Total revenues	<u>7,715,476</u>	<u>632,273</u>	<u>772,920</u>	<u>9,120,669</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,170,296	0	75,196	3,245,492
Special	1,112,057	0	0	1,112,057
Other	593,027	0	256,819	849,846
	<u>4,875,380</u>	<u>0</u>	<u>332,015</u>	<u>5,207,395</u>
Support services:				
Student	262,860	0	0	262,860
Instructional staff	279,161	74,760	0	353,921
Administration	765,862	0	147,962	913,824
Operation and maintenance of plant	644,965	0	45,001	689,966
Transportation	545,979	25,000	19,401	590,380
	<u>2,498,827</u>	<u>99,760</u>	<u>212,364</u>	<u>2,810,951</u>
Non-instructional programs:				
Food service operations	0	0	17,875	17,875
Other expenditures:				
Facilities acquisitions	0	515,711	23,113	538,824
Long-term debt:				
Principal	0	0	271,688	271,688
Interest and fiscal charges	0	0	41,380	41,380
AEA flowthrough	284,229	0	0	284,229
	<u>284,229</u>	<u>515,711</u>	<u>336,181</u>	<u>1,136,121</u>
Total expenditures	<u>7,658,436</u>	<u>615,471</u>	<u>898,435</u>	<u>9,172,342</u>
Excess (deficiency) of revenues over (under) expenditures	57,040	16,802	(125,515)	(51,673)
Other financing sources (uses):				
Transfer in	0	0	313,068	313,068
Transfer out	0	(133,844)	(179,224)	(313,068)
Total other financing sources (uses)	<u>0</u>	<u>(133,844)</u>	<u>133,844</u>	<u>0</u>
Net change in fund balances	57,040	(117,042)	8,329	(51,673)
Fund balance beginning of year	1,234,701	1,124,111	917,937	3,276,749
Fund balance end of year	<u>\$ 1,291,741</u>	<u>1,007,069</u>	<u>926,266</u>	<u>3,225,076</u>

SEE NOTES TO FINANCIAL STATEMENTS

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

Net change in fund balances - total governmental funds (page 22) \$ (51,673)

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

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

Capital outlays	\$ 281,289	
Depreciation expense	(382,092)	
Loss on disposal on capital assets	<u>(60,748)</u>	(161,551)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 1,194

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 39,102

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. 11,591

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

Repaid		271,688
--------	--	---------

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.

Early retirement	\$ (177,862)	
Compensated absences	(29,022)	
Other postemployment benefits	<u>(13,972)</u>	<u>(220,856)</u>

Changes in net assets of governmental activities (page 19) \$ (110,505)

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	School Nutrition	Child Care	Building and Trades	Total	
Assets					
Current assets:					
Cash and pooled investments	\$ 11	10,211	12,453	22,675	73,926
Inventories	10,804	0	0	10,804	0
Non-current assets:					
Capital assets, net of accumulated depreciation	29,818	189,922	0	219,740	0
Total Assets	40,633	200,133	12,453	253,219	73,926
Liabilities					
Current Liabilities:					
Excess of warrants issued over bank balance	35,059	0	0	35,059	0
Accounts payable	0	0	2,767	2,767	0
Salaries and benefits payable	25,002	5,348	0	30,350	0
Unearned revenues	5,796	0	0	5,796	0
Total current liabilities	65,857	5,348	2,767	73,972	0
Long-term liabilities:					
Accrued compensated absences	0	5,748	0	5,748	0
Net OPEB liability	878	120	0	998	0
Total long-term liabilities	878	5,868	0	6,746	0
Total Liabilities	66,735	11,216	2,767	80,718	0
Net Assets					
Invested in capital assets	29,818	189,922	0	219,740	0
Unrestricted	(55,920)	(1,005)	9,686	(47,239)	73,926
Total Net Assets	\$ (26,102)	188,917	9,686	172,501	73,926

SEE NOTES TO FINANCIAL STATEMENTS

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

	Business type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	School Nutrition	Child Care	Building and Trades	Total	
OPERATING REVENUE:					
Local sources:					
Charges for service	\$ 177,156	145,669	0	322,825	0
Donations	0	800	0	800	0
Other miscellaneous revenue	473	4,595	0	5,068	42,225
	<u>177,629</u>	<u>151,064</u>	<u>0</u>	<u>328,693</u>	<u>42,225</u>
OPERATING EXPENSES:					
Instruction:					
Other:					
Services	0	107	32,734	32,841	0
Supplies	0	0	72,372	72,372	0
Other	0	0	12	12	0
	<u>0</u>	<u>107</u>	<u>105,118</u>	<u>105,225</u>	<u>0</u>
Support services:					
Student services:					
Benefits	0	0	0	0	40,764
Administration:					
Benefits	0	0	0	0	317
Operation and maintenance of plant:					
Supplies	0	4,518	205	4,723	0
Transportation:					
Salaries	0	68	0	68	0
Benefits	0	10	0	10	0
	<u>0</u>	<u>4,596</u>	<u>205</u>	<u>4,801</u>	<u>41,081</u>
Non-instruction:					
Salaries	122,108	110,301	0	232,409	0
Benefits	41,661	27,073	0	68,734	0
Services	4,028	195	0	4,223	0
Supplies	228,136	2,641	0	230,777	0
Depreciation	4,647	7,188	0	11,835	0
Other	74	0	0	74	0
	<u>400,654</u>	<u>147,398</u>	<u>0</u>	<u>548,052</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>400,654</u>	<u>152,101</u>	<u>105,323</u>	<u>658,078</u>	<u>41,081</u>
OPERATING LOSS	(223,025)	(1,037)	(105,323)	(329,385)	1,144
NON-OPERATING REVENUES:					
Capital contributions	8,680	0	0	8,680	0
State sources	3,817	0	0	3,817	0
Federal sources	187,772	0	0	187,772	0
Interest income	31	0	0	31	50
TOTAL NON-OPERATING REVENUES	<u>200,300</u>	<u>0</u>	<u>0</u>	<u>200,300</u>	<u>50</u>
Change in net assets	(22,725)	(1,037)	(105,323)	(129,085)	1,194
Net assets beginning of year	(3,377)	189,954	115,009	301,586	72,732
Net assets end of year	<u>\$ (26,102)</u>	<u>188,917</u>	<u>9,686</u>	<u>172,501</u>	<u>73,926</u>

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Business type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	School Nutrition	Child Care	Building and Trades	Total	
Cash flows from operating activities:					
Cash received from sale of lunches and breakfasts	\$ 177,550	151,185	0	328,735	0
Cash received from miscellaneous operating activities	473	5,395	127,405	133,273	42,225
Cash payments to employees for services	(160,689)	(140,444)	0	(301,133)	0
Cash payments to suppliers for goods or services	(208,398)	(7,461)	(104,262)	(320,121)	(41,081)
Net cash provided by (used in) operating activities	(191,064)	8,675	23,143	(159,246)	1,144
Cash flows from non-capital financing activities:					
State grants received	3,817	0	0	3,817	0
Federal grants received	163,692	0	0	163,692	0
Net cash provided by non-capital financing activities	167,509	0	0	167,509	0
Cash flows from investing activities:					
Interest income	31	0	0	31	50
Net increase(decrease) in cash and cash equivalents	(23,524)	8,675	23,143	8,294	1,194
Cash and cash equivalents at beginning of year	(11,524)	1,536	(10,690)	(20,678)	72,732
Cash and cash equivalents at end of year	\$ (35,048)	10,211	12,453	(12,384)	73,926
Reconciliation of operating loss to net cash provided by(used in) operating activities:					
Operating loss	\$ (223,025)	(1,037)	(105,323)	(329,385)	1,144
Adjustments to reconcile operating loss to net cash provided by(used in) operating activities:					
Commodities consumed	24,080	0	0	24,080	0
Depreciation	4,647	7,188	0	11,835	0
Increase in inventories	(240)	0	0	(240)	0
Decrease in accounts receivable	1,710	953	127,405	130,068	0
Increase in accounts payable	0	0	1,061	1,061	0
Increase(Decrease) in salaries and benefits payable	2,202	(3,112)	0	(910)	0
Decrease in unearned revenue	(1,316)	0	0	(1,316)	0
Increase in compensated absences	0	4,563	0	4,563	0
Increase in other postemployment benefits	878	120	0	998	0
Net cash provided by(used in) operating activities	\$ (191,064)	8,675	23,143	(159,246)	1,144

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$24,080.

During the year ended June 30, 2010, the Nutrition Fund received contributed capital valued at \$8,680 from the Capital Projects Fund.

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2010

	<u>Private Purpose Trust</u>	<u>Agency</u>
	<u>Scholarship</u>	
Assets		
Cash and pooled investments	\$ 33,973	5,217
Liabilities		
Due to other groups	0	5,217
Net Assets		
Reserved for scholarships	\$ 33,973	0

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust Scholarship
Additions:	
Instruction:	
Local sources:	
Interest	\$ 387
Donations and contributions	20,902
Total additions	21,289
 Deductions:	
Instruction:	
Scholarships	9,065
 Change in net assets	12,224
 Net assets beginning of year	21,749
 Net assets end of year	\$ 33,973

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

The Eddyville-Blakesburg 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 Eddyville and Blakesburg, Iowa, and the predominate agricultural territory in Wapello, Monroe, Davis and Mahaska 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, Eddyville-Blakesburg Community School District has included all funds, 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 Eddyville-Blakesburg 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 Wapello, Monroe, Davis and Mahaska Counties Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise funds, School Nutrition Fund, Child Care Fund and Building and Trades Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Child Care Fund is used to

account for the day care service operations of the District. The Building and Trades Fund is used to account for the vocational program which builds different projects. The Internal Service Fund is used to account for partially self-funded health insurance premiums 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.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operation.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are

incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

D. Assets, Liabilities and Fund Balances

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

Asset Class	Amount
Land	\$ 0
Buildings	2,000
Land improvements	2,000
Intangibles	35,000
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	50 years
Land improvements	20 years
Intangibles	2 + 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 is payable in July and August, have been accrued as liabilities.

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

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The 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 Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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. For the year ended June 30, 2010, expenditures in the non-instructional programs function exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

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

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

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$2,220 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:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue, Physical Plant and Equipment Levy	\$ 179,224
Debt Service	Capital Projects	133,844
Total		<u>\$ 313,068</u>

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

The Special Revenue, Physical Plant and Equipment Levy Fund transferred funds to Debt Service Fund for the District's computer and phone lease.

The Capital Projects Fund transferred funds to the Debt Service Funds for the payment of the sports field lighting leases, the band instrument lease and the Kinetic computer lease.

(4) Iowa School Cash Anticipation Program (ISCAP)

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

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the 2009-10A warrants was 2.50% The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. During the year ended June 30, 2010, the District had no ISCAP borrowings or repayments.

During the year ended June 30, 2010, the District paid \$3,053 of interest on the ISCAP warrants.

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 54,747	0	0	54,747
Total capital assets not being depreciated	54,747	0	0	54,747
Capital assets being depreciated:				
Buildings	8,274,065	129,925	48,232	8,355,758
Land improvements	1,280,136	67,111	0	1,347,247
Machinery and equipment	2,862,023	84,253	425,378	2,520,898
Total capital assets being depreciated	12,416,224	281,289	473,610	12,223,903
Less accumulated depreciation for:				
Buildings	3,752,923	167,115	17,263	3,902,775
Land improvements	980,364	40,196	0	1,020,560
Machinery and equipment	2,149,927	174,781	395,599	1,929,109
Total accumulated depreciation	6,883,214	382,092	412,862	6,852,444
Total capital assets being depreciated, net	5,533,010	(100,803)	60,748	5,371,459
Governmental activities capital assets, net	\$ 5,587,757	(100,803)	60,748	5,426,206

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Capital assets being depreciated:				
Buildings	\$ 306,500	0	0	306,500
Machinery and equipment	143,951	8,680	0	152,631
Total capital assets being depreciated	450,451	8,680	0	459,131
Less accumulated depreciation for:				
Buildings	115,967	4,886	0	120,853
Machinery and equipment	111,589	6,949	0	118,538
Total accumulated depreciation	227,556	11,835	0	239,391
Business type activities capital assets, net	\$ 222,895	(3,155)	0	219,740

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 122,179
Support services:		
Student		8,332
Administration		7,289
Transportation		36,981
		174,781
Unallocated depreciation		207,311
Total governmental activities depreciation expense		\$ 382,092
Business type activities:		
Food service		\$ 4,647
Day Care		7,188
Total business type activities depreciation expense		\$ 11,835

6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Government activities:					
Early retirement	\$ 369,751	330,376	152,514	547,613	223,118
Compensated absences	10,806	39,828	10,806	39,828	39,828
Computer lease	123,491	0	123,491	0	0
Kinetic computer lease	235,167	0	55,001	180,166	57,454
Telephone lease	43,649	0	43,649	0	0
Band instruments lease	31,773	0	31,773	0	0
Baseball lights lease	137,116	0	6,986	130,130	6,765
Softball lights lease	49,706	0	2,714	46,992	2,443
Football lights lease	170,721	0	8,074	162,647	8,456
Net OPEB liability	0	13,972	0	13,972	0
Total	\$ 1,172,180	384,176	435,008	1,121,348	338,064
Business type activities:					
Compensated absences	\$ 1,185	4,563	0	5,748	5,748
Net OPEB liability	0	998	0	998	0
Total	\$ 1,185	5,561	0	6,746	5,748

Kinetic Computer Lease

During the year ended June 30, 2008, the District obtained financing for 70 computers and computer switches. Payments will be made from the Capital Projects Fund.

Year Ending June 30,	Computer Lease Dated June 16, 2008				
	Interest Rates	Principal	Interest	Total	
2011	4.461 % \$	57,454	8,037	65,491	
2012	4.461	60,017	5,474	65,491	
2013	4.461	62,695	2,797	65,492	
Total		\$ 180,166	16,308	196,474	

Sports Field Lighting Leases

During the year ended June 30, 2009, the District obtained financing for lighting of the football, softball, and baseball fields. Payments were made from the Capital Projects Fund.

Year Ending June 30,	Baseball Light Lease Dated August 7, 2008				Softball Light Lease Dated September 2, 2008			
	Interest Rate	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
2011	4.69 % \$	6,765	6,155	12,920	4.63 % \$	2,443	2,223	4,666
2012	4.69	7,085	5,835	12,920	4.63	2,559	2,107	4,666
2013	4.69	7,420	5,500	12,920	4.63	2,679	1,987	4,666
2014	4.69	7,771	5,149	12,920	4.63	2,806	1,860	4,666
2015	4.69	8,139	4,781	12,920	4.63	2,939	1,727	4,666
2016-2020	4.69	46,846	17,755	64,601	4.63	16,917	6,413	23,330
2021-2024	4.69	46,104	5,576	51,680	4.63	16,649	2,015	18,664
Total		\$ 130,130	50,751	180,880		\$ 46,992	18,332	65,324

Year Ending June 30,	Football Light Lease Dated June 27, 2008				Total Light Leases		
	Interest Rate	Principal	Interest	Total	Principal	Interest	Total
2011	4.75 % \$	8,456	7,693	16,149	\$ 17,664	16,071	33,735
2012	4.75	8,856	7,293	16,149	18,500	15,235	33,735
2013	4.75	9,274	6,875	16,149	19,373	14,362	33,735
2014	4.75	9,713	6,436	16,149	20,290	13,445	33,735
2015	4.75	10,172	5,976	16,149	21,250	12,484	33,734
2016-2020	4.75	58,552	22,193	80,745	122,315	46,361	168,676
2021-2024	4.75	57,624	6,973	64,597	120,377	14,564	134,941
Total		\$ 162,647	63,439	226,086	\$ 339,769	132,522	472,291

Early Retirement

The District offers a voluntary early retirement plan to its Teachers, Teachers Aides, Custodians, Cooks, Secretaries and Bus Drivers. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive cash benefit for each eligible employee is based on a percentage of the employee's current salary. The District also pays an early retirement incentive for a single health insurance policy until the retiree is age sixty-five. Early retirement benefits paid during the year ended June 30, 2010, totaled \$152,514. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the years ended June 30, 2010, 2009 and 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$320,592, \$305,583, and \$288,788, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

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

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 80 active and 17 retired members in the plan. Employees must be age 59 or older at retirement and have fifteen or more years of continuous service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 37,080
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>37,080</u>
Contributions made	<u>(22,110)</u>
Increase in net OPEB obligation	14,970
Net OPEB obligation - beginning of year	<u>0</u>
Net OPEB obligation - end of year	<u><u>\$ 14,970</u></u>

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

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 37,080	59.63%	\$ 14,970

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 \$342,327, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$342,327. The covered payroll (annual payroll of active employees covered by the plan) was \$2,826,179, and the ratio of the UAAL to the covered payroll was 12.1%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare 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 the 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 that are 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 projected unit credit cost method was used. The actuarial assumptions include 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 assumptions were developed from the 2006 Society of Actuaries Study.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$284,229 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Net Assets

At June 30, 2010, the Childcare Fund had deficit unrestricted net assets of \$1,005 and the Nutrition Fund had deficit unrestricted net assets of \$55,920.

(12) Categorical Funding

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

Project	Amount
Market factor	\$ 1,055
Professional Development for Model Core Curriculum	21,622
Professional Development	12,639
Total	\$ 35,316

(13) Budget Overexpenditure

During the year ended June 30, 2010, District expenditures in the non-instructional programs function exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 5,855,227	328,724	6,183,951	6,637,667	6,637,667	(453,716)
State sources	2,562,467	3,817	2,566,284	3,261,049	3,261,049	(694,765)
Federal sources	702,975	187,772	890,747	530,422	530,422	360,325
Total revenues	9,120,669	520,313	9,640,982	10,429,138	10,429,138	(788,156)
Expenditures/expenses:						
Instruction	5,207,395	105,225	5,312,620	6,580,112	6,580,112	1,267,492
Support services	2,810,951	4,801	2,815,752	4,379,817	4,032,880	1,217,128
Non-instructional programs	17,875	548,052	565,927	559,582	554,582	(11,345)
Other expenditures	1,136,121	0	1,136,121	1,162,756	1,644,693	508,572
Total expenditures/expenses	9,172,342	658,078	9,830,420	12,682,267	12,812,267	2,981,847
Excess(deficiency) of revenues over(under) expenditures/expenses	(51,673)	(137,765)	(189,438)	(2,253,129)	(2,383,129)	2,193,691
Other financing sources, net	0	8,680	8,680	1	1	8,679
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(51,673)	(129,085)	(180,758)	(2,253,128)	(2,383,128)	2,202,370
Balance beginning of year	3,276,749	301,586	3,578,335	3,129,256	3,129,256	449,079
Balance end of year	\$ 3,225,076	172,501	3,397,577	876,128	746,128	2,651,449

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides 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 which increased budget expenditures by \$130,000.

During the year ended June 30, 2010, District expenditures in the non-instructional programs function exceeded the amount budgeted.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	\$ -	\$342,327	\$342,327	0.0%	\$2,826,179	12.1%

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

OTHER SUPPLEMENTARY INFORMATION

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Special Revenue Funds				
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	Support Trust	Total
Assets					
Cash and pooled investments	\$ 116,062	449,721	339,215	25,262	930,260
Receivables:					
Property tax:					
Delinquent	0	3,766	1,064	0	4,830
Succeeding year	0	275,000	108,416	0	383,416
Total Assets	\$ 116,062	728,487	448,695	25,262	1,318,506
Liabilities and Fund Balances					
Liabilities:					
Interfund payable	\$ 433	0	0	0	433
Accounts payable	0	8,391	0	0	8,391
Deferred revenue:					
Succeeding year property tax	0	275,000	108,416	0	383,416
Total liabilities	433	283,391	108,416	0	392,240
Unreserved fund balances	115,629	445,096	340,279	25,262	926,266
Liabilities and Fund Balances	\$ 116,062	728,487	448,695	25,262	1,318,506

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG 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 Nonmajor Governmental Total
	Student Activity	Management Levy	Physical Plant and Equipment Levy	Support Trust	Total Special Revenue Funds	Debt Service	
REVENUES:							
Local sources:							
Local tax	\$ 0	375,247	97,373	0	472,620	0	472,620
Other	287,655	11,975	0	511	300,141	0	300,141
State sources	0	145	14	0	159	0	159
TOTAL REVENUES	287,655	387,367	97,387	511	772,920	0	772,920
EXPENDITURES:							
Current:							
Instruction:							
Regular	0	75,196	0	0	75,196	0	75,196
Other	256,819	0	0	0	256,819	0	256,819
Support services:							
Administration	0	87,671	60,291	0	147,962	0	147,962
Operation and maintenance of plant	0	45,001	0	0	45,001	0	45,001
Student transportation	0	19,401	0	0	19,401	0	19,401
Non-instructional programs:							
Food service operations	0	17,875	0	0	17,875	0	17,875
Other expenditures							
Facilities acquisitions	0	0	23,113	0	23,113	0	23,113
Long-term debt:							
Principal	0	0	0	0	0	271,688	271,688
Interest and fiscal charges	0	0	0	0	0	41,380	41,380
TOTAL EXPENDITURES	256,819	245,144	83,404	0	585,367	313,068	898,435
Excess(Deficiency) of revenues over(under) expenditures	30,836	142,223	13,983	511	187,553	(313,068)	(125,515)
Other financing sources(uses):							
Transfer in	0	0	0	0	0	313,068	313,068
Transfer out	0	0	(179,224)	0	(179,224)	0	(179,224)
Total other financing sources(uses)	0	0	(179,224)	0	(179,224)	313,068	133,844
Net change in fund balances	30,836	142,223	(165,241)	511	8,329	0	8,329
FUND BALANCES BEGINNING OF YEAR	84,793	302,873	505,520	24,751	917,937	0	917,937
FUND BALANCES END OF YEAR	\$ 115,629	445,096	340,279	25,262	926,266	0	926,266

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Activity Management	\$ 26,990	72,403	57,784	41,609
Uniform	0	2,706	618	2,088
Cross Country	378	179	189	368
Boys Basketball	561	6,499	5,581	1,479
Football	1,093	16,370	13,355	4,108
Baseball	(834)	3,087	4,284	(2,031)
JH Baseball	0	3,891	3,136	755
Boys Track	301	2,406	2,618	89
Golf	517	2,000	2,080	437
Wrestling	3,060	10,975	9,491	4,544
Girls Basketball	4,362	15,297	17,790	1,869
Volleyball	1,073	9,208	8,220	2,061
Softball	3,576	14,980	12,375	6,181
Girls Track	647	233	752	128
JH Softball	0	280	150	130
Cheerleading	11	0	11	0
Cheerleading Football	(188)	2,077	1,889	0
Cheerleading Basketball	151	7,804	5,329	2,626
Cheerleading Wrestling	117	265	382	0
Interest	0	206	206	0
Class of 2010	1,719	0	444	1,275
Class of 2011	408	7,262	6,022	1,648
National Honor Society	89	0	0	89
HS Student Council	1,053	1,751	1,632	1,172
EEAC Student Council	1,887	3,086	1,383	3,590
E-B Jr High Student Council	3,912	3,985	2,566	5,331
BAC 7/8 Activity	9,527	9,464	10,609	8,382
BAC Elementary	684	4,937	1,210	4,411
FFA	5,949	29,755	29,250	6,454
Thespian Club	(247)	690	443	0
Jr Red Cross	455	0	400	55
Tri M Society	417	15	221	211
Drama/Play	1,521	0	1,465	56
FFA CD	4,164	0	0	4,164
Vocal	15	0	15	0
Yearbook	13,813	5,511	5,693	13,631
Concessions	804	45,511	45,547	768
Family Career	1,034	2,284	1,720	1,598
Band	0	171	171	0
MS Band Fundraiser	(5,334)	1,819	998	(4,513)
MS Drama	110	0	0	110
Future Business Leaders	998	548	790	756
Total	\$ 84,793	287,655	256,819	115,629

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2010

	Private Purpose Trust - Scholarship Fund							Total
	BAC	FFA	Thelma	Carroll D	Harry	Christina		
	Schroeder Scholarship	FFA Scholarship	Memorial Scholarship	Hohl Scholarship	Mc Mullin Scholarship	Carr Memorial CD Scholarship	McKenna Scholarship	
ASSETS								
Cash and pooled investments	\$ 1,016	6,460	6,616	1,264	7,750	1,489	9,378	33,973
LIABILITIES	0	0	0	0	0	0	0	0
NET ASSETS								
Reserved for scholarships	\$ 1,016	6,460	6,616	1,264	7,750	1,489	9,378	33,973

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust - Scholarship Fund							Total
	BAC	FFA	Thelma	Carroll D	Harry	Christina		
	Schroeder Scholarship	FFA Scholarship	Memorial Scholarship	Hohl Scholarship	Mc Mullin Scholarship	Carr Memorial CD Scholarship	McKenna Scholarship	
Additions:								
Local sources:								
Interest income	\$ 16	217	120	0	0	34	0	387
Donations and Contributions	0	0	0	5,024	6,000	500	9,378	20,902
	16	217	120	5,024	6,000	534	9,378	21,289
Deductions:								
Instruction:								
Scholarships	65	0	0	5,000	3,000	1,000	0	9,065
Changes in net assets	(49)	217	120	24	3,000	(466)	9,378	12,224
Net assets beginning of year	1,065	6,243	6,496	1,240	4,750	1,955	0	21,749
Net assets end of year	\$ 1,016	6,460	6,616	1,264	7,750	1,489	9,378	33,973

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2010

	Beginning Balance	Increases	Decreases	Ending Balance
BAC Faculty				
Assets:				
Cash and other investments	\$ 561	1,131	637	1,055
Liabilities:				
Due to other groups	\$ 561	1,131	637	1,055
E-B HS Faculty				
Assets:				
Cash and other investments	\$ 1,747	0	812	935
Liabilities:				
Due to other groups	\$ 1,747	0	812	935
Band Boosters				
Assets:				
Cash and other investments	\$ 0	10,330	7,103	3,227
Liabilities:				
Due to other groups	\$ 0	10,330	7,103	3,227
Total				
Assets:				
Cash and other investments	\$ 2,308	11,461	8,552	5,217
Liabilities:				
Due to other groups	\$ 2,308	11,461	8,552	5,217

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG 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	\$ 4,687,870	4,660,450	4,450,003	4,400,083	4,160,233	3,816,851	3,164,785
Tuition	740,186	713,615	880,055	883,897	1,091,012	585,509	638,838
Other	427,171	432,679	445,519	380,575	300,615	567,934	404,322
State sources	2,562,467	3,153,573	3,138,946	3,232,823	2,900,185	2,856,947	2,691,921
Federal sources	702,975	303,509	201,630	219,238	266,667	280,788	312,395
Total	\$ 9,120,669	9,263,826	9,116,153	9,116,616	8,718,712	8,108,029	7,212,261
Expenditures:							
Current:							
Instruction:							
Regular	\$ 3,245,492	3,246,975	3,251,271	3,379,829	3,325,982	3,510,809	3,074,981
Special	1,112,057	1,121,044	1,026,208	980,574	945,318	955,630	871,201
Other	849,846	793,132	692,614	563,514	661,387	489,972	555,274
Support services:							
Student	262,860	197,075	169,086	150,896	37,448	67,230	165,055
Instructional staff	353,921	214,407	327,919	559,431	173,734	122,397	219,814
Administration	913,824	945,084	916,786	946,784	886,521	778,248	780,750
Operation and maintenance of plant	689,966	672,260	705,781	666,231	668,700	647,461	671,715
Transportation	590,380	577,200	714,185	737,271	584,158	551,283	476,909
Non-instructional programs	17,875	15,248	23,003	24,498	9,449	25,860	24,508
Other expenditures:							
Facilities acquisitions	538,824	1,396,362	527,724	409,954	101,263	364,123	295,160
Long-term debt:							
Principal	271,688	143,950	85,299	73,347	0	0	0
Interest	41,380	13,727	14,225	2,247	0	0	0
AEA flow-through	284,229	253,336	246,674	246,125	226,534	215,713	218,241
Total	\$ 9,172,342	9,589,800	8,700,775	8,740,701	7,620,494	7,728,726	7,353,608

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	\$ 34,336
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	153,118 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 10	318
			<u>187,772</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0657-G	78,486
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	43,428
			<u>121,914</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	<u>7,371</u>
FUND FOR IMPROVEMENT OF EDUCATION(FIRE LIFE SAFETY GRANT)	84.215	FY 10	<u>25,000</u>
IMPROVING TEACHER QUALITY STATE GRANTS(TITLE IIA)	84.367	FY 10	<u>32,508</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 10	<u>4,940</u>
STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>317,386</u>
KEYSTONE AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 10	40,190
SPECIAL EDUCATION - GRANTS TO STATES(PART B), RECOVERY ACT	84.391	FY 09	21,979
SPECIAL EDUCATION - GRANTS TO STATES(PART B), RECOVERY ACT	84.391	FY 10	87,915
			<u>150,084</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	<u>8,545</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:			
LEARN AND SERVE AMERICA - SCHOOL AND COMMUNITY BASED PROGRAMS	94.004	FY 09	4,702
LEARN AND SERVE AMERICA - SCHOOL AND COMMUNITY BASED PROGRAMS	94.004	FY 10	1,000
			<u>5,702</u>
TOTAL			<u>\$ 861,222</u>

* - Includes \$24,080 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Eddyville-Blakesburg 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

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

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

To the Board of Education of the
Eddyville-Blakesburg 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 Eddyville-Blakesburg Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 17, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eddyville-Blakesburg Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Eddyville-Blakesburg Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Eddyville-Blakesburg 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 we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

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

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

Compliance and Other Matters

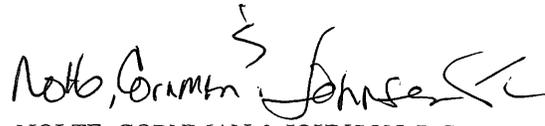
As part of obtaining reasonable assurance about whether Eddyville-Blakesburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which 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.

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2011

NOLTE, CORNMAN & JOHNSON P.C.

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

To the Board of Education of
Eddyville-Blakesburg Community School District:

Compliance

We have audited the compliance of Eddyville-Blakesburg 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. Eddyville-Blakesburg 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 Eddyville-Blakesburg Community School District's management. Our responsibility is to express an opinion on Eddyville-Blakesburg 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 Eddyville-Blakesburg 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 Eddyville-Blakesburg Community School District's compliance with those requirements.

In our opinion, Eddyville-Blakesburg 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 Eddyville-Blakesburg 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 Eddyville-Blakesburg 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 Eddyville-Blakesburg Community School District's internal control over compliance.

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

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2011

EDDYVILLE-BLAKESBURG 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 significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were the following:
- Clustered
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 - Title I Grants to Local Educational Agencies, Recovery Act
 - Individual
 - CFDA Number 84.394 - 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) Eddyville-Blakesburg Community School District did not qualify as a low-risk auditee.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
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YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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 - The District will continue to review the internal control structure and work to segregate duties when feasible.

Conclusion - Response accepted.

II-B-10 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however we noted that purchase orders from the Activity Fund were being completed after the product had been ordered.

Recommendation -The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District has implemented changes to the purchase order system so that all disbursements are approved prior to ordering.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010 exceeded the amount budgeted in the non-instructional programs area.

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

Response - The District will amend the budget in accordance with Chapter 24.9 of the Code of Iowa as needed in the future.

Conclusion - Response accepted.

IV-B-10 Questionable Disbursements - We noted during our audit that the District gave cash to students as incentive prizes for being top sellers of FFA fruit. Cash incentive prizes do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District has resolved the FFA prize incentive and no longer allows a cash incentive.

Conclusion - Response accepted.

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 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 variances in the basic enrollment data 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 used to supplant rather than supplement other funds.
- IV-L-10 Statewide Sales, Service and Use Tax - During our audit, there was no instances of non-compliance noted with the use of the statewide sales, service and use tax revenue provisions Chapter 423F.3 of the Code of Iowa.

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

Beginning Balance		\$	0
Statewide sales, service and use tax			558,265
Expenditures/transfers out:			
School Infrastructure			
Equipment	\$	119,842	
Other improvements		438,423	558,265
Ending Balance			<u>\$ 0</u>

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

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Physical Plant & Equipment Levy	<u>\$ 1.64000</u>	<u>\$ 526,821</u>

- IV-M-10 Financial Condition - At June 30, 2010, the Childcare Fund had deficit unrestricted net assets of \$1,005 and the Nutrition Fund had deficit unrestricted net assets of \$55,920.

During our audit, we noted that the District had two deficit accounts in the Student Activity Fund totaling \$6,544.

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

Response - The District is reviewing alternatives for eliminating these deficits.

Conclusion - Response accepted.

- IV-N-10 Checks Outstanding - We noted during our audit that the District had checks included in the Activity and Nutrition Fund bank reconciliations which have been outstanding for over a year.

Recommendation - The District should research the outstanding checks to determine if they should be reissued, voided, 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 has researched outstanding checks and taken necessary action to resolve them.

Conclusion - Response accepted.

IV-O-10 District and Regional Rents - The District receives money for use of facilities when hosting district and regional events. Currently the District's practice is to receipt rents for hosting district and regional events into the Activity Fund.

Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. In the future, the District should receipt rent collected for facility usage into the General Fund.

Response - Rent collected for facility usage will be receipted into the General Fund.

Conclusion - Response accepted.

IV-P-10 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. Specific examples of questioned items and recommendations are as follows:

Box Tops Donations: We noted during our audit that Box Tops donations are being receipted into the Student Activity Fund.

Recommendation - Donations given to a school should be expended according to donor request. According to information contained on the website for Box Tops, the donation can be used for items such as books, computers or playground equipment. Since the items listed for purchase with Box Tops donations appear more instructional in nature, the most logical place to record these donations would be the General Fund.

Response - The District will receipt Box Tops donations into the General Fund.

Conclusion - Response accepted.

Target Donations: We noted during our audit that donations from Target are recorded in the Student Activity Fund.

Recommendation - Target donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

Response - The District will receipt Target donations into the General Fund.

Conclusion - Response accepted.

Eddyville Clinic Scholarships: The Activity Management account awards scholarships from proceeds from donations and miscellaneous receipts generated by the Student Activity Fund during the year.

Recommendation - When donations are received by the District the revenues should be recorded in the fund that may legally pay for the purpose of the donation. Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds from scholarship donations should be placed and expended from the Private Purpose Trust Fund.

Response - The District will receipt scholarship donations into the Private Purpose Trust Fund.

Conclusion - Response accepted.

Instructional Supplies: We noted during our audit that the Elementary Student Council account was purchasing library books.

Recommendation - The purchase of library books is considered an instructional expense. Purchase of instructional materials is most appropriate from the General Fund. In the future, the purchase of library books should be made from the General Fund.

Response - The District will receipt donations for library books into the General Fund and make expenditures for instructional supplies from the General Fund.

Conclusion - Response accepted.