

EDGEWOOD-COLESBURG 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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Edgewood-Colesburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Randall Mescher	President	2011
James Lueken	Vice President	2011
Joan Kerns	Board Member	2009
Steve Schwietert	Board Member	2009
Scot Christiansen	Board Member	2009
Board of Education (After September 2009 Election)		
Randall Mescher	President	2011
Steve Schwietert	Vice President	2013
Jason Jones	Board Member	2013
Jeff Lincoln	Board Member	2013
James Lueken	Board Member	2011
School Officials		
Ed Klamfoth	Superintendent	2009
Martha Romig	District Secretary/ Business Manager	2009
Marc Casey	Attorney	2009

EDGEWOOD-COLESBURG

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Edgewood-Colesburg 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 22, 2011 on our consideration of Edgewood-Colesburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Edgewood-Colesburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed an unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, 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, P.C.

March 22, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Edgewood-Colesburg 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 \$4,898,766 in fiscal 2009 to \$4,855,210 in fiscal 2010, while General Fund expenditures increased from \$4,973,206 in fiscal 2009 to \$5,079,335 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from \$653,412 in fiscal 2009 to \$429,287 in fiscal 2010.
- The decrease in General Fund revenues was attributable primarily to a decrease in state revenues received in fiscal 2010. The increase in expenditures was due to an increase in the negotiated salaries and benefits.

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 Edgewood-Colesburg 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 Edgewood-Colesburg 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 Edgewood-Colesburg 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 details of various federal programs benefiting the District.

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

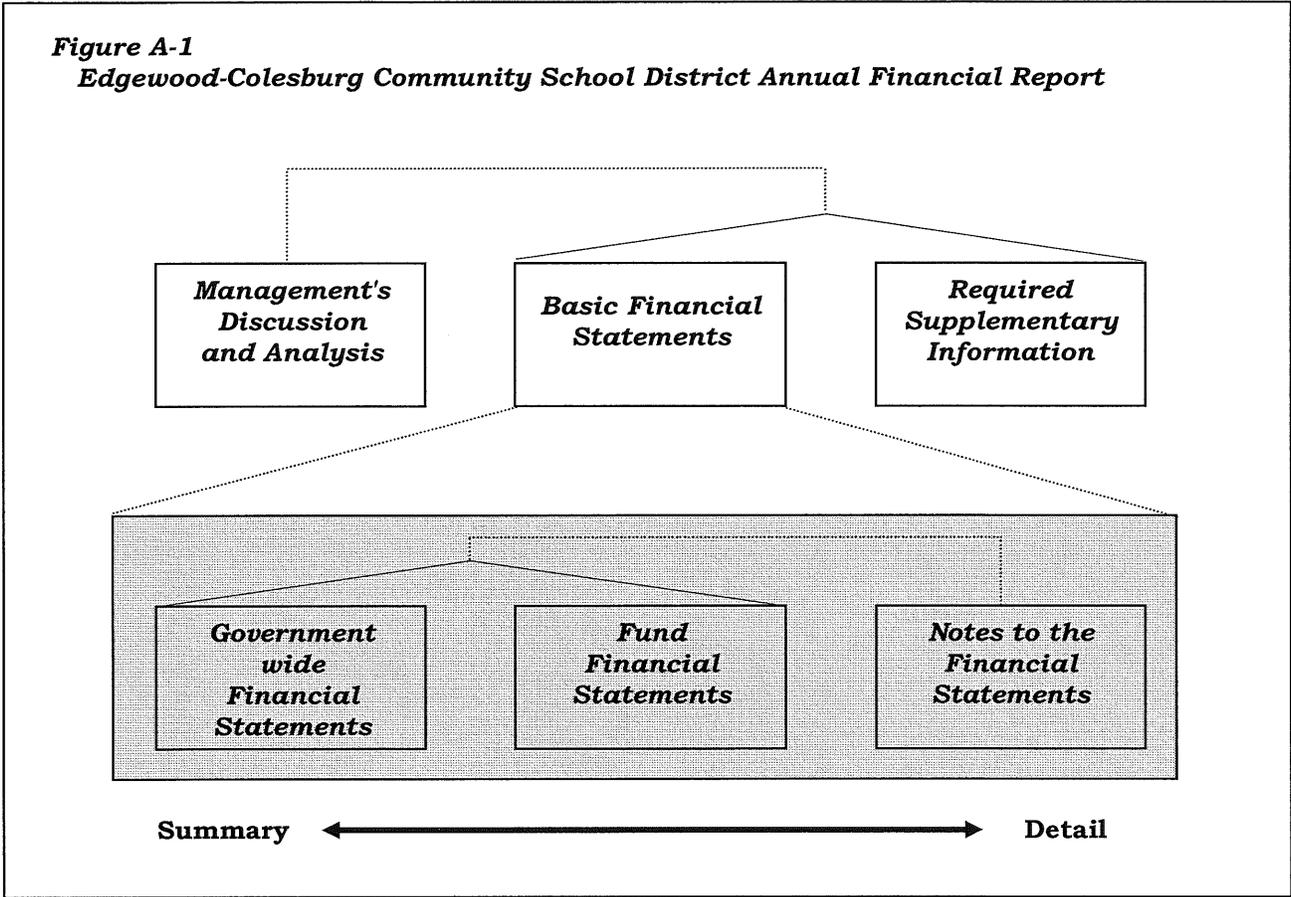


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 3,356,585	4,845,418	99,264	81,523	3,455,849	4,926,941	-29.86%
Capital assets	5,081,252	5,147,033	12,471	17,200	5,093,723	5,164,233	-1.37%
Total assets	8,437,837	9,992,451	111,735	98,723	8,549,572	10,091,174	-15.28%
Long-term obligations	2,411,660	2,377,506	-	-	2,411,660	2,377,506	1.44%
Other liabilities	2,374,953	3,805,138	3,482	2,964	2,378,435	3,808,102	-37.54%
Total liabilities	4,786,613	6,182,644	3,482	2,964	4,790,095	6,185,608	-22.56%
Net assets:							
Invested in capital assets, net of related debt	2,921,252	2,825,749	12,471	17,200	2,933,723	2,842,949	3.19%
Restricted	412,596	273,420	-	-	412,596	273,420	50.90%
Unrestricted	317,376	710,638	95,782	78,559	413,158	789,197	-47.65%
Total net assets	\$ 3,651,224	3,809,807	108,253	95,759	3,759,477	3,905,566	-3.74%

The District's combined net assets decreased by \$146,089 or 3.74% from the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$139,176 or 50.90% over the prior year.

Unrestricted net assets are the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased approximately \$376,039 or 47.65% from the prior year.

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

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for services	\$ 1,052,816	962,166	152,878	169,978	1,205,694	1,132,144	6.50%
Operating grants, contributions and restricted interest	945,840	897,199	165,272	130,772	1,111,112	1,027,971	8.09%
General revenues:							
Property tax	1,659,086	1,599,153	-	-	1,659,086	1,599,153	3.75%
Income surtax	134,569	128,738	-	-	134,569	128,738	4.53%
Statewide sales, services and use tax	281,599	281,285	-	-	281,599	281,285	0.11%
Unrestricted state grants	1,643,185	1,852,520	-	-	1,643,185	1,852,520	-11.30%
Unrestricted interest	20,276	70,223	273	275	20,549	70,498	-70.85%
Other	12,446	54,386	999	1,285	13,445	55,671	-75.85%
Total revenues	<u>5,749,817</u>	<u>5,845,670</u>	<u>319,422</u>	<u>302,310</u>	<u>6,069,239</u>	<u>6,147,980</u>	<u>-1.28%</u>
Program expenses:							
Governmental activities:							
Instructional	3,802,762	3,539,560	-	-	3,802,762	3,539,560	7.44%
Support services	1,647,981	1,610,927	2,710	3,024	1,650,691	1,613,951	2.28%
Non-instructional programs	-	-	304,218	281,176	304,218	281,176	8.19%
Other expenses	457,657	439,150	-	-	457,657	439,150	4.21%
Total expenses	<u>5,908,400</u>	<u>5,589,637</u>	<u>306,928</u>	<u>284,200</u>	<u>6,215,328</u>	<u>5,873,837</u>	<u>5.81%</u>
Change in net assets	(158,583)	256,033	12,494	18,110	(146,089)	274,143	-153.29%
Net assets beginning of year	<u>3,809,807</u>	<u>3,553,774</u>	<u>95,759</u>	<u>77,649</u>	<u>3,905,566</u>	<u>3,631,423</u>	<u>7.55%</u>
Net assets end of year	<u>\$ 3,651,224</u>	<u>3,809,807</u>	<u>108,253</u>	<u>95,759</u>	<u>3,759,477</u>	<u>3,905,566</u>	<u>-3.74%</u>

In fiscal 2009, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 64.67% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.60% of the revenue from business type activities.

The District's total revenues were approximately \$6.07 million, of which approximately \$5.75 million was for governmental activities and approximately \$.32 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 1.28% in revenues and a 5.81% increase in expenses. The increase in expenses was related to the increase in instructional costs during the year.

Governmental Activities

Revenues for governmental activities were \$5,749,817 and expenses were \$5,908,400 for the year ended June 30, 2010.

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

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 3,802,762	3,539,560	7.44%	2,000,899	1,856,941	7.75%
Support services	1,647,981	1,610,927	2.30%	1,647,981	1,610,927	2.30%
Other expenses	457,657	439,150	4.21%	260,864	262,403	-0.59%
Totals	<u>\$ 5,908,400</u>	<u>5,589,637</u>	<u>5.70%</u>	<u>3,909,744</u>	<u>3,730,271</u>	<u>4.81%</u>

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$1,052,816.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$945,840.
- The net cost of governmental activities was financed with \$1,793,655 in local taxes, \$281,599 of statewide sales, services and use tax, \$1,643,185 in unrestricted state grants, \$20,276 in investment earnings, and \$12,446 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$319,422 and expenses were \$306,928. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$864,172, compared to last year's ending fund balances of \$933,563.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Increased revenues from local and federal sources helped to offset the reduction in state sources. However, revenues still declined slightly while expenditures increased requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The fund balance in the Special Revenue, Management Levy Fund increased from \$22,902 at June 30, 2009 to \$72,591 at June 30, 2010.
- The fund balance in the Special Revenue, Physical Plant and Equipment Levy Fund decreased from \$5,493 at June 30, 2009 to \$6,446 at June 30, 2010.

- The Capital Projects Fund balance increased from \$156,129 in fiscal 2009 to \$262,242 for fiscal 2010. The increase in the fund balance was primarily due to the decreased expenditures for facilities acquisitions.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$95,759 at June 30, 2009 to \$108,253 at June 30, 2010, representing an increase of 13.05%. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

BUDGETARY HIGHLIGHTS

The District's receipts were \$378,508 less than originally expected, a variance of 5.88%. The most significant variance resulted from the District receiving less from 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$5,093,723, 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) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$285,841.

The original cost of the District's capital assets was \$8,201,788. Governmental funds account for \$8,066,271 with the remainder of \$135,517 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land category. The District's land increased from \$17,022 at June 30, 2009 to \$92,022 at June 30, 2010. During the year ended June 30 2010, the District's purchased three town lots from the City of Edgewood.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2009-10
Land	\$ 92,022	17,022	-	-	92,022	17,022	440.61%
Buildings	4,298,818	4,434,082	-	-	4,298,818	4,434,082	-3.05%
Land improvements	390,018	386,458	-	-	390,018	386,458	0.92%
Machinery and equipment	300,394	309,471	12,471	17,200	312,865	326,671	-4.23%
Total	\$ 5,081,252	5,147,033	12,471	17,200	5,093,723	5,164,233	-1.37%

Long-Term Debt

At June 30, 2010, the District had \$2,411,660 in general obligation and other long-term debt outstanding. This represents an increase of 1.44% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District had a total of \$2,100,000 in outstanding general obligation bonds at June 30, 2010.

At June 30, 2010, the District had \$60,000 outstanding on a land contract with the City of Edgewood.

The District's had an outstanding early retirement payable from the Special Revenue, Management Levy Fund of \$190,000 at June 30, 2010.

During its initial year of recording net OPEB liability in accordance with GASB Statement No. 45, the District disclosed a balance of \$61,660 at June 30, 2010.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total	Total	Total
	District	District	Change
	June 30,	June 30,	June 30,
	2010	2009	2009-10
General obligation bonds	\$ 2,100,000	2,315,000	-9.29%
Revenue bonds	-	6,284	-100.00%
Land contract	60,000	-	100.00%
Early retirement	190,000	56,222	237.95%
Net OPEB liability	61,660	-	100.00%
Totals	<u>\$ 2,411,660</u>	<u>2,377,506</u>	<u>1.44%</u>

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 budget guarantee, (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases are negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Martha Romig, District Secretary/Business Manager, Edgewood-Colesburg Community School District, 403 W. Union St., P.O. Box 315, Edgewood, Iowa, 52042.

BASIC FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,273,839	83,866	1,357,705
Receivables:			
Property tax:			
Delinquent	23,123	-	23,123
Succeeding year	1,662,068	-	1,662,068
Income surtax	123,871	-	123,871
Accounts	1,136	-	1,136
Due from other governments	272,548	-	272,548
Inventories	-	15,398	15,398
Capital assets, net of accumulated depreciation	5,081,252	12,471	5,093,723
Total assets	8,437,837	111,735	8,549,572
Liabilities			
Accounts payable	39,320	-	39,320
Salaries and benefits payable	387,530	-	387,530
Accrued interest payable	6,411	-	6,411
Deferred revenue:			
Succeeding year property tax	1,662,068	-	1,662,068
Other	279,624	-	279,624
Unearned revenue	-	3,482	3,482
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	225,000	-	225,000
Land contract	15,000	-	15,000
Early Retirement	82,000	-	82,000
Portion due after one year:			
General obligation bonds	1,875,000	-	1,875,000
Land contract	45,000	-	45,000
Early Retirement	108,000	-	108,000
Net OPEB liability	61,660	-	61,660
Total liabilities	4,786,613	3,482	4,790,095
Net Assets			
Invested in capital assets, net of related debt	2,921,252	12,471	2,933,723
Categorical funding	50,302	-	50,302
Debt service	5,781	-	5,781
Capital projects	262,242	-	262,242
Physical plant and equipment levy	6,446	-	6,446
Other special revenue	87,825	-	87,825
Unrestricted	317,376	95,782	413,158
Total net assets	\$ 3,651,224	108,253	3,759,477

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, and Restricted Contributions Interest	Governmental Activities	Business Type Activities	
Governmental activities:						
Instruction:						
Regular	\$ 2,282,213	773,660	491,647	(1,016,906)	-	(1,016,906)
Special	588,990	81,938	102,875	(404,177)	-	(404,177)
Other	931,559	197,218	154,525	(579,816)	-	(579,816)
	<u>3,802,762</u>	<u>1,052,816</u>	<u>749,047</u>	<u>(2,000,899)</u>	<u>-</u>	<u>(2,000,899)</u>
Support services:						
Student	62,992	-	-	(62,992)	-	(62,992)
Instructional staff	120,866	-	-	(120,866)	-	(120,866)
Administration	598,084	-	-	(598,084)	-	(598,084)
Operation and maintenance of plant	467,167	-	-	(467,167)	-	(467,167)
Transportation	398,872	-	-	(398,872)	-	(398,872)
	<u>1,647,981</u>	<u>-</u>	<u>-</u>	<u>(1,647,981)</u>	<u>-</u>	<u>(1,647,981)</u>
Other expenditures:						
Facilities acquisitions	13,334	-	-	(13,334)	-	(13,334)
Long-term debt interest	84,958	-	-	(84,958)	-	(84,958)
AEA flowthrough	196,793	-	196,793	-	-	-
Depreciation(unallocated)*	162,572	-	-	(162,572)	-	(162,572)
	<u>457,657</u>	<u>-</u>	<u>196,793</u>	<u>(260,864)</u>	<u>-</u>	<u>(260,864)</u>
Total governmental activities	5,908,400	1,052,816	945,840	(3,909,744)	-	(3,909,744)
Business Type activities:						
Support services:						
Operation and maintenance of plant	2,710	-	-	-	(2,710)	(2,710)
Non-instructional programs:						
Nutrition services	304,218	152,878	165,272	-	13,932	13,932
Total business type activities	<u>306,928</u>	<u>152,878</u>	<u>165,272</u>	<u>-</u>	<u>11,222</u>	<u>11,222</u>
Total	<u>\$ 6,215,328</u>	<u>1,205,694</u>	<u>1,111,112</u>	<u>(3,909,744)</u>	<u>11,222</u>	<u>(3,898,522)</u>
General Revenues:						
Local tax for:						
General purposes				\$ 1,428,422	-	1,428,422
Debt service				190,486	-	190,486
Capital outlay				40,178	-	40,178
Income Surtax				134,569	-	134,569
Statewide sales, services and use tax				281,599	-	281,599
Unrestricted state grants				1,643,185	-	1,643,185
Unrestricted investment earnings				20,276	273	20,549
Other				12,446	999	13,445
Total general revenues				<u>3,751,161</u>	<u>1,272</u>	<u>3,752,433</u>
Changes in net assets				(158,583)	12,494	(146,089)
Net assets beginning of year				<u>3,809,807</u>	<u>95,759</u>	<u>3,905,566</u>
Net assets end of year				<u>\$ 3,651,224</u>	<u>108,253</u>	<u>3,759,477</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Other Nonmajor Governmental Funds	Total
Assets			
Cash and pooled investments	\$ 924,262	349,577	1,273,839
Receivables:			
Property tax:			
Delinquent	18,072	5,051	23,123
Succeeding year	1,344,234	317,834	1,662,068
Income surtax	123,871	-	123,871
Accounts	1,136	-	1,136
Due from other governments	192,291	80,257	272,548
Total assets	\$ 2,603,866	752,719	3,356,585
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	39,320	-	39,320
Salaries and benefits payable	387,530	-	387,530
Deferred revenue:			
Succeeding year property tax	1,344,234	317,834	1,662,068
Income surtax	123,871	-	123,871
Other	279,624	-	279,624
Total liabilities	2,174,579	317,834	2,492,413
Fund balances:			
Reserved for:			
Debt Service	-	5,781	5,781
Categorical funding	50,302	-	50,302
Unreserved	378,985	429,104	808,089
Total fund balances	429,287	434,885	864,172
Total liabilities and fund balances	\$ 2,603,866	752,719	3,356,585

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG 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)	\$	864,172
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		5,081,252
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.		(6,411)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		123,871
Long-term liabilities, including bonds payable, land contract payable, early retirement payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(2,411,660)</u>
Net assets of governmental activities (page 18)	\$	<u>3,651,224</u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Other Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 1,415,375	649,793	2,065,168
Tuition	741,616	-	741,616
Other	134,509	234,728	369,237
State sources	2,181,574	-	2,181,574
Federal sources	382,136	-	382,136
Total revenues	<u>4,855,210</u>	<u>884,521</u>	<u>5,739,731</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,166,038	17,373	2,183,411
Special	547,282	4,000	551,282
Other	704,713	223,371	928,084
	<u>3,418,033</u>	<u>244,744</u>	<u>3,662,777</u>
Support services:			
Student	62,119	-	62,119
Instructional staff	120,151	-	120,151
Administration	567,363	1,682	569,045
Operation and maintenance of plant	375,223	59,867	435,090
Transportation	339,653	57,393	397,046
	<u>1,464,509</u>	<u>118,942</u>	<u>1,583,451</u>
Other expenditures:			
Facilities acquisitions	-	119,202	119,202
Long-term debt:			
Principal	-	221,284	221,284
Interest	-	85,615	85,615
AEA flowthrough	196,793	-	196,793
	<u>196,793</u>	<u>426,101</u>	<u>622,894</u>
Total expenditures	<u>5,079,335</u>	<u>789,787</u>	<u>5,869,122</u>
Excess(deficiency) of revenues over(under) expenditures	(224,125)	94,734	(129,391)
Other financing sources(uses):			
Transfers in	-	116,285	116,285
Transfers out	-	(116,285)	(116,285)
Land contract proceeds	-	60,000	60,000
Total other financing sources(uses)	<u>-</u>	<u>60,000</u>	<u>60,000</u>
Net change in fund balances	(224,125)	154,734	(69,391)
Fund balances beginning of year	<u>653,412</u>	<u>280,151</u>	<u>933,563</u>
Fund balances end of year	<u>\$ 429,287</u>	<u>434,885</u>	<u>864,172</u>

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG 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) \$ (69,391)

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

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

Capital outlays	\$ 216,731	
Depreciation expense	(281,112)	
Loss on disposal	<u>(1,400)</u>	(65,781)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. 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:

Issued	(60,000)	
Repaid	<u>221,284</u>	161,284

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. 657

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 10,086

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

Early Retirement	(133,778)	
Other postemployment benefits	<u>(61,660)</u>	(195,438)

Changes in net assets of governmental activities (page 19) \$ (158,583)

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2010

	School Nutrition
Assets	
Cash and pooled investments	\$ 83,866
Inventories	15,398
Capital assets, net of accumulated depreciation	<u>12,471</u>
Total assets	<u>111,735</u>
Liabilities	
Unearned revenue	<u>3,482</u>
Net Assets	
Invested in capital assets	12,471
Unrestricted	<u>95,782</u>
Total net assets	<u><u>\$ 108,253</u></u>

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

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 152,878
Other local revenue	999
Total operating revenue	153,877
Operating expenses:	
Support services:	
Operation and maintenance of plant	
Services	1,499
Supplies	1,211
	2,710
Non-instructional programs:	
Food service operations:	
Salaries	100,303
Benefits	15,196
Services	325
Supplies	183,641
Other	24
Depreciation	4,729
	304,218
Total operating expenses	306,928
Operating loss	(153,051)
Non-operating revenues:	
State sources	3,009
Federal sources	162,263
Interest income	273
Total non-operating revenues	165,545
Change in net assets	12,494
Net assets beginning of year	95,759
Net assets end of year	\$ 108,253

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 153,396
Cash received from miscellaneous operating activities	999
Cash payments to employees for services	(115,499)
Cash payments to suppliers for goods or services	(151,051)
Net cash used by operating activities	(112,155)
Cash flows from non-capital financing activities:	
State grants received	3,009
Federal grants received	133,412
Net cash provided by non-capital financing activities	136,421
Cash flows from investing activities:	
Interest on investments	273
Net increase in cash and cash equivalents	24,539
Cash and cash equivalents at beginning of year	59,327
Cash and cash equivalents at end of year	\$ 83,866
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (153,051)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities consumed	28,851
Depreciation	4,729
Decrease in inventories	6,798
Increase in unearned revenue	518
Net cash used by operating activities	\$ (112,155)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2010, the District received \$28,851 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2010

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 25,132
Liabilities	-
Net Assets	
Restricted for scholarships	\$ 25,132

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and Contributions	\$ 1,100
Interest Income	546
Total additions	<u>1,646</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>1,916</u>
Change in net assets	(270)
Net assets beginning of year	<u>25,402</u>
Net assets end of year	<u>\$ 25,132</u>

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

The Edgewood-Colesburg 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-school. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Edgewood and Colesburg, Iowa, and the predominate agricultural territory in Delaware and Clayton 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, Edgewood-Colesburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Edgewood-Colesburg 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 Delaware and Clayton 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 and proprietary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

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

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating

revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

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

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

Capital Assets - Capital assets, which include property, machinery 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	\$ 1,500
Buildings	1,500
Land improvements	1,500
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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

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

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

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

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

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.

(2) Cash and Pooled Investments

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

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

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Obligations Portfolio which are valued at an amortized cost of \$1,234 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 116,285</u>

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

The Capital Projects Fund transferred funds to the Debt Service Fund for the payment of General Obligation Bonds and Revenue Bonds.

(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 that 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%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2009-10A	6/25/09	6/23/10	\$ -	150,000	150,000	-

During the year ended June 30, 2010, the District paid \$21,527 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
Business type activities:				
Machinery and equipment	\$ 135,517	-	-	135,517
Less accumulated depreciation	118,317	4,729	-	123,046
Business type activities capital assets, net	\$ 17,200	(4,729)	-	12,471

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 17,022	75,000	-	92,022
Total capital assets not being depreciated	<u>17,022</u>	<u>75,000</u>	<u>-</u>	<u>92,022</u>
Capital assets being depreciated:				
Buildings	6,206,408	734	-	6,207,142
Land improvements	501,311	30,134	-	531,445
Machinery and equipment	1,191,529	110,863	66,730	1,235,662
Total capital assets being depreciated	<u>7,899,248</u>	<u>141,731</u>	<u>66,730</u>	<u>7,974,249</u>
Less accumulated depreciation for:				
Buildings	1,772,326	135,998	-	1,908,324
Land improvements	114,853	26,574	-	141,427
Machinery and equipment	882,058	118,540	65,330	935,268
Total accumulated depreciation	<u>2,769,237</u>	<u>281,112</u>	<u>65,330</u>	<u>2,985,019</u>
Total capital assets being depreciated, net	<u>5,130,011</u>	<u>(139,381)</u>	<u>1,400</u>	<u>4,989,230</u>
Governmental activities capital assets, net	<u>\$ 5,147,033</u>	<u>(64,381)</u>	<u>1,400</u>	<u>5,081,252</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 29,521
Special	1,277
Other	3,300
Support services:	
Student	698
Instructional staff	540
Administration	6,012
Operation and maintenance of plant	7,108
Transportation	70,084
	<u>118,540</u>
Unallocated depreciation	<u>162,572</u>
Total governmental activities depreciation expense	<u>\$ 281,112</u>
Business type activities:	
Food services	<u>\$ 4,729</u>

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,315,000	-	215,000	2,100,000	225,000
Revenue bonds	6,284	-	6,284	-	-
Land contract	-	60,000	-	60,000	15,000
Early retirement	56,222	150,000	16,222	190,000	82,000
Net OPEB liability	-	61,660	-	61,660	-
Total	\$ 2,377,506	271,660	237,506	2,411,660	322,000

General Obligation Bonds

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

Year Ending June 30,	Interest Rates	Bond Issue of May 1, 2003		
		Principal	Interest	Total
2011	3.50	% \$ 225,000	76,930	301,930
2012	3.50	235,000	69,055	304,055
2013	3.50	245,000	60,830	305,830
2014	3.65	255,000	52,255	307,255
2015	3.65	265,000	42,948	307,948
2016	3.70	280,000	33,275	313,275
2017	3.80	290,000	22,915	312,915
2018	3.90	305,000	11,895	316,895
Total		\$ 2,100,000	370,103	2,470,103

Land Contract

During the year ended June 30, 2010, the District entered into a contract with the City of Edgewood to purchase three city lots for \$75,000. Details of the contracted payments are as follows:

Year Ending June 30,	Land Contract of 2010	
		Principal
2011	\$	15,000
2012		15,000
2013		15,000
2014		15,000
Total	\$	60,000

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of

Education. The early retirement incentive for each eligible employee is equal to a \$30 per day of unused sick leave and subject to a maximum of \$4,000 per individual per year. Early retirement benefits paid during the year ended June 30, 2010, totaled \$16,222.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$218,636, \$195,573 and \$181,187, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and vision benefits for retirees and their spouses. There are 51 active and 3 retired members in the plan. Participants must be age 55 or older at age of retirement.

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

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

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

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

Annual required contribution	\$ 75,511
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>75,511</u>
Contributions made	<u>(13,851)</u>
Increase in net OPEB obligation	61,660
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 61,660</u></u>

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

For the year ended June 30, 2010, the District contributed \$13,851 to the medical plan. Plan members eligible for benefits contributed \$179,347, or 92.83% of the premium costs.

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

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 \$719,555, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$719,555. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,287,001 and the ratio of the UAAL to covered payroll was 31.46%. As of June 30, 2010, there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual health care cost trend rate is 6.0% for the year ended June 30, 2010.

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

Projected claim costs of the medical plan are \$492 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

Edgewood-Colesburg 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 \$196,793 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) 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
Four-year-old Preschool State Aid	\$ 33,512
Professional Development for Model Core Curriculum	16,589
Professional Development	131
Market Factor Incentives	70
Total	<u>\$ 50,302</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 3,176,021	154,150	3,330,171	3,320,741	3,320,741	9,430
State sources	2,181,574	3,009	2,184,583	2,733,120	2,733,120	(548,537)
Federal sources	382,136	162,263	544,399	383,800	383,800	160,599
Total revenues	5,739,731	319,422	6,059,153	6,437,661	6,437,661	(378,508)
Expenditures/Expenses:						
Instruction	3,662,777	-	3,662,777	3,665,436	3,665,436	2,659
Support services	1,583,451	2,710	1,586,161	1,876,424	1,876,424	290,263
Non-instructional programs	-	304,218	304,218	325,000	325,000	20,782
Other expenditures	622,894	-	622,894	708,210	708,210	85,316
Total expenditures/expenses	5,869,122	306,928	6,176,050	6,575,070	6,575,070	399,020
Excess(deficiency) of revenues over(under) expenditures/expenses	(129,391)	12,494	(116,897)	(137,409)	(137,409)	20,512
Other financing sources	60,000	-	60,000	-	-	60,000
Excess(deficiency) of revenues over(under) expenditures and other financing uses	(69,391)	12,494	(56,897)	(137,409)	(137,409)	80,512
Balances beginning of year	933,563	95,759	1,029,322	956,068	956,068	73,254
Balances end of year	\$ 864,172	108,253	972,425	818,659	818,659	153,766

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG 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.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

EDGEWOOD-COLESBURG 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)	UAAAL as a
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 719,555	719,555	0.00%	\$ 2,287,001	31.46%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Special Revenue						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
Assets							
Cash and pooled investments	\$ 70,665	87,825	5,902	164,392	181,985	3,200	349,577
Receivables:							
Property tax:							
Delinquent	1,926	-	544	2,470	-	2,581	5,051
Succeeding year	135,000	-	39,904	174,904	-	142,930	317,834
Due from other governments	-	-	-	-	80,257	-	80,257
Total assets	\$ 207,591	87,825	46,350	341,766	262,242	148,711	752,719
Liabilities and Fund Balances							
Liabilities:							
Deferred revenue:							
Succeeding year property tax	\$ 135,000	-	39,904	174,904	-	142,930	317,834
Fund balances:							
Reserved:							
Debt service	-	-	-	-	-	5,781	5,781
Unreserved	72,591	87,825	6,446	166,862	262,242	-	429,104
Total fund balances	72,591	87,825	6,446	166,862	262,242	5,781	434,885
Total liabilities and fund balances	\$ 207,591	87,825	46,350	341,766	262,242	148,711	752,719

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Special Revenue						Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
Revenues:							
Local sources:							
Local tax	\$ 137,530	-	40,178	177,708	281,599	190,486	649,793
Other	12,459	221,112	775	234,346	1	381	234,728
Total revenues	149,989	221,112	40,953	412,054	281,600	190,867	884,521
Expenditures:							
Current:							
Instruction:							
Regular	17,373	-	-	17,373	-	-	17,373
Special	4,000	-	-	4,000	-	-	4,000
Other	-	223,371	-	223,371	-	-	223,371
Support services:							
Administration	1,667	-	-	1,667	-	15	1,682
Operation and maintenance of plant	59,867	-	-	59,867	-	-	59,867
Transportation	17,393	-	40,000	57,393	-	-	57,393
Other expenditures:							
Facilities acquisitions	-	-	-	-	119,202	-	119,202
Long-term debt:							
Principal	-	-	-	-	-	221,284	221,284
Interest	-	-	-	-	-	85,615	85,615
Total expenditures	100,300	223,371	40,000	363,671	119,202	306,914	789,787
Excess(deficiency) of revenues over(under) expenditures	49,689	(2,259)	953	48,383	162,398	(116,047)	94,734
Other financing sources(uses):							
Transfers in	-	-	-	-	-	116,285	116,285
Transfers out	-	-	-	-	(116,285)	-	(116,285)
Land contract proceeds	-	-	-	-	60,000	-	60,000
Total other financing sources(uses)	-	-	-	-	(56,285)	116,285	60,000
Net change in fund balances	49,689	(2,259)	953	48,383	106,113	238	154,734
Fund balances beginning of year	22,902	90,084	5,493	118,479	156,129	5,543	280,151
Fund balances end of year	\$ 72,591	87,825	6,446	166,862	262,242	5,781	434,885

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG 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
Athletic Supplies	\$ 1	-	-	1
Band student purchase	19	468	693	(206)
Band Resale	(30)	449	444	(25)
Band Fundraising	676	-	-	676
Cheerleading	84	400	484	-
Track	-	12,471	12,470	1
Cross Country	69	1,269	1,293	45
Golf	4	1,843	1,847	-
Boys Basketball	2,800	2,421	4,354	867
Boys Basketball Fundraising	36	925	763	198
Football	2,499	5,873	7,483	889
Baseball	-	5,415	5,414	1
Wrestling	1	4,559	4,560	-
Wrestling fundraiser	10	331	331	10
Girls Basketball	2,589	3,587	5,638	538
Girls Basketball Fundraising	-	1,459	1,448	11
Volleyball Fundraiser	2,251	11,257	11,637	1,871
Volleyball	1	4,871	4,871	1
Softball	598	4,015	3,173	1,440
Softball Fundraising	985	591	-	1,576
Athletics General	64	3,164	3,228	-
Friends of the Arts	8,082	3,757	7,480	4,359
ED-CO Partners	1,147	4,726	3,599	2,274
Drama	193	4,178	4,371	-
Post Prom	2,582	13,658	13,155	3,085
Envir. First Grant/FFA	1,649	-	-	1,649
FFA	2,741	25,820	26,989	1,572
Spanish Club	1,457	-	-	1,457
FFA CD	2,541	32	-	2,573
HS Student Council	3,397	260	191	3,466
Class of 2010	3,064	353	3,417	-
Class of 2011	4,423	-	1,256	3,167
Class of 2012	3,283	-	45	3,238
Class of 2013	3,153	-	44	3,109
Class of 2014	3,442	5,182	6,731	1,893
Class of 2015	-	6,111	3,125	2,986
JH Student Council	222	303	280	245
Yearbook	24,309	16,385	16,091	24,603
F.B.L.A.	414	24,034	20,481	3,967
HS Supplies	1,085	1,709	1,790	1,004
Elem. Activities	3,812	13,851	12,841	4,822
Concessions	323	6,439	2,984	3,778
Perrinjaquet Assistance	4,379	-	-	4,379
Elem. Fundraising	-	28,128	28,128	-
HS Art Club	-	776	242	534
Elem. Perrinjaquet Asst.	1,729	42	-	1,771
Total	\$ 90,084	221,112	223,371	87,825

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Private Purpose Trust - Scholarship Fund					
	Carl Lewis Scholarship	High School Scholarship	Gull Memorial	Fannon Memorial Scholarship	James L. Kinyon Scholarship	Total
ASSETS						
Cash and pooled investments	\$ 5,073	2,656	6,066	1,337	10,000	25,132
LIABILITIES	-	-	-	-	-	-
NET ASSETS						
Reserved for scholarships	\$ 5,073	2,656	6,066	1,337	10,000	25,132

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG 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
	Carl Lewis Scholarship	High School Scholarship	Gull Memorial	Fannon	Gregg	James L.		
				Memorial Scholarship	Engelken Memorial	Kinyon Scholarship		
Additions:								
Local sources:								
Gifts and contributions	\$ -	600	-	-	500	-	1,100	
Interest income	118	108	-	39	-	281	546	
	118	708	-	39	500	281	1,646	
Deductions:								
Instruction:								
Regular:								
Scholarships awarded	184	750	-	200	500	282	1,916	
Change in net assets	(66)	(42)	-	(161)		(1)	(270)	
Net assets beginning of year	5,139	2,698	6,066	1,498	-	10,001	25,402	
Net assets end of year	\$ 5,073	2,656	6,066	1,337	-	10,000	25,132	

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG 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	\$ 2,065,168	2,004,761	1,958,360	1,938,919	1,813,901	1,913,747	1,783,513
Tuition	741,616	736,362	706,711	728,093	586,667	502,505	478,385
Other	369,237	370,042	388,463	367,519	381,038	308,499	319,185
State sources	2,181,574	2,494,999	2,494,805	2,363,543	2,237,613	2,096,722	2,133,576
Federal sources	382,136	235,091	269,833	229,470	293,486	300,814	222,504
Total	\$ 5,739,731	5,841,255	5,818,172	5,627,544	5,312,705	5,122,287	4,937,163
Expenditures:							
Current:							
Instruction:							
Regular	\$ 2,183,411	2,332,188	2,100,200	2,149,016	1,995,453	1,847,168	1,727,156
Special	551,282	507,870	517,226	629,351	624,870	615,222	589,104
Other	928,084	733,670	654,481	528,264	494,560	500,319	414,213
Support services:							
Student	62,119	114,773	124,370	121,225	126,475	142,973	110,208
Instructional staff	120,151	112,518	136,115	116,857	176,521	93,179	131,528
Administration	569,045	545,348	613,033	572,646	557,427	525,863	676,436
Operation and maintenance of plant	435,090	465,641	600,653	550,263	458,005	341,650	433,954
Transportation	397,046	375,406	351,366	356,250	316,373	241,271	273,619
Non-instructional programs	-	-	-	-	-	1,000	2,942
Other expenditures:							
Facilities acquisitions	119,202	128,428	87,882	77,862	92,269	162,094	2,116,448
Long-term debt:							
Principal	221,284	296,286	290,892	269,538	236,285	235,000	215,000
Interest	85,615	97,796	110,358	121,721	127,265	137,171	152,210
AEA flow-through	196,793	176,747	172,996	168,497	162,305	161,081	164,446
Total	\$ 5,869,122	5,886,671	5,759,572	5,661,490	5,367,808	5,003,991	7,007,264

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

Grantor/Program	CFDA Number	Grant Number	Expenditures
Direct:			
U.S. Department of Education:			
Rural Education	84.358	FY 10	\$ 28,099
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 10	23,224
National School Lunch Program	10.555	FY 10	139,039 *
			<u>162,263</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY 10	122,247
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 09	1,970
			<u>124,217</u>
Career and Technical Education - Basic Grants to States	84.048	FY 10	1,544
Special Education - Preschool Grants	84.173	FY 10	785 **
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 10	2,349
Tech-Prep Education	84.243	FY 10	1,000
Advanced Placement Program	84.330	FY 10	168
Improving Teacher Quality State Grants	84.367	FY 10	31,324
Grants for State Assessments and Related Activities	84.369	FY 10	3,842
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY 09	38,715
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY 10	48,004
			<u>86,719</u>
Area Education Agency:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY 10	26,999 **
ARRA - Special Education Grants to States, Recovery Act	84.391	FY 09	14,764 **
ARRA - Special Education Grants to States, Recovery Act	84.391	FY 10	25,953 **
			<u>67,716</u>
Total			<u>\$ 510,026</u>

* -Includes \$28,851 in non-cash awards.

** -Total for Special Education Cluster (IDEA) is \$68,501.

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

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
Edgewood-Colesburg 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 Edgewood-Colesburg 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 22, 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 Edgewood-Colesburg 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 Edgewood-Colesburg Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Edgewood-Colesburg 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Edgewood-Colesburg 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.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Edgewood-Colesburg 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 22, 2011

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

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

To the Board of Education of
Edgewood-Colesburg Community School District:

Compliance

We have audited the compliance of Edgewood-Colesburg 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. Edgewood-Colesburg 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 Edgewood-Colesburg Community School District's management. Our responsibility is to express an opinion on Edgewood-Colesburg Community School District's compliance based on our audit.

We conducted our audit on compliance in accordance with U.S. generally accepted accounting 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 Edgewood-Colesburg 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 Edgewood-Colesburg Community School District's compliance with those requirements.

In our opinion, Edgewood-Colesburg 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 Edgewood-Colesburg 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 Edgewood-Colesburg 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 Edgewood-Colesburg Community School District's internal control over compliance.

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

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 22, 2011

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major Programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program

 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 - ARRA - Title I Grants to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Edgewood-Colesburg Community School District did not qualify as a low-risk auditee.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

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

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

Response - We are continuing to work on maximizing internal control and will implement changes where feasible.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

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

CFDA Number 84.010: Title I Grants to Local Educational Agencies
CFDA Number 84.389: ARRA - Title I Grants to Local Educational Agencies, Recovery Act
Federal Award Year: 2009, 2010
U.S. Department of Education
Passed through the Iowa Department of Education

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

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

Response - We are continuing to work on maximizing internal control and will implement changes where feasible.

Conclusion - Response accepted.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District expenditures for the year ended June 30, 2010 did not exceed the certified budgeted amounts in any functional area.

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

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

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

Name, Title and Business Connection	Transaction Description	Amount
Randy Mescher, Board President Part-owner of Edgewood Building Center	Supplies	\$1,704

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

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 - No variances in the basic enrollment data certified to the Department of Education were noted.

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

IV-I-10 Deposits and Investments - 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 timely with the Department of Education.

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

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

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

Beginning Balance		\$	36,572
Statewide sales, services and use tax revenue			<u>281,599</u>
Expenditures/transfers out:			
School infrastructures:			
Land	\$	15,039	
Buildings		5,604	
Other improvements		38,559	
Debt service for school infrastructure			
General obligation debt		110,000	
Revenue debt		<u>6,285</u>	<u>175,487</u>
Ending Balance		\$	<u><u>142,684</u></u>

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

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.90192	\$ 110,000
Physical plant and equipment levy	\$ 1.34000	\$ 163,428

IV-M-10 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - Our Board President and Athletic Director will sign all officiating contracts.

Conclusion - Response accepted.

IV-N-10 Student Activity Fund - We noted during our audit that PSAT revenues and expenses were recorded in the Student Activity Fund.

Recommendation - The PSAT receipts and expenditures are instructional in nature and therefore, more appropriately accounted for in the General fund. 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 the students established under Iowa Administrative Code 281-12.6(1). The District should refrain from recording instructional items in the Student Activity Fund in the future.

Response - This type of receipts and expenditures will be run through the General Fund.

Conclusion - Response accepted.