

ELDORA-NEW PROVIDENCE 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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Gary E. Horton CPA

PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

Independent Auditor's Report

To the Board of Education of
Eldora-New Providence 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 Eldora-New Providence Community School District, Eldora, 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.

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

The financial statements of Eldora-New Providence School Foundation have not been audited, and we were not engaged to audit the Foundation's financial statements as part of our audit of the Eldora-New Providence Community School District's basic financial statements. The Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Foundation's financial statements and because we did not apply any auditing procedures to the Foundation's financial statements, we do not express an opinion on the discretely presented component unit.

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 Eldora-New Providence 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 reports dated January 31, 2011, on our consideration of Eldora-New Providence Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 14 and 41 through 43 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. However, 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 Eldora-New Providence 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). We issued unqualified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information and we did not issue an opinion on the discretely presented component unit. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

January 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$7,722,652 in fiscal 2009 to \$7,628,790 in fiscal 2010, while General Fund expenditures increased from \$7,527,959 in fiscal 2009 to \$8,133,508 in fiscal 2010. The District's General Fund balance decreased from a negative \$89,973 in fiscal 2009 to a negative \$95,892 in fiscal 2010, a 6.6% decrease.
- General Fund revenues decreased primarily due to a 10% across the board cut in state foundation aid. In spite of this 10% across the board cut in state foundation aid of nearly \$330,000, the General Fund ending fund balance declined only \$5,919. The increase in expenditures was due primarily to expenditures related to repairs and equipment replacement required to address the damage resulting from the severe hail and wind storm of August 9, 2009.

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 Eldora-New Providence 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 Eldora-New Providence Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

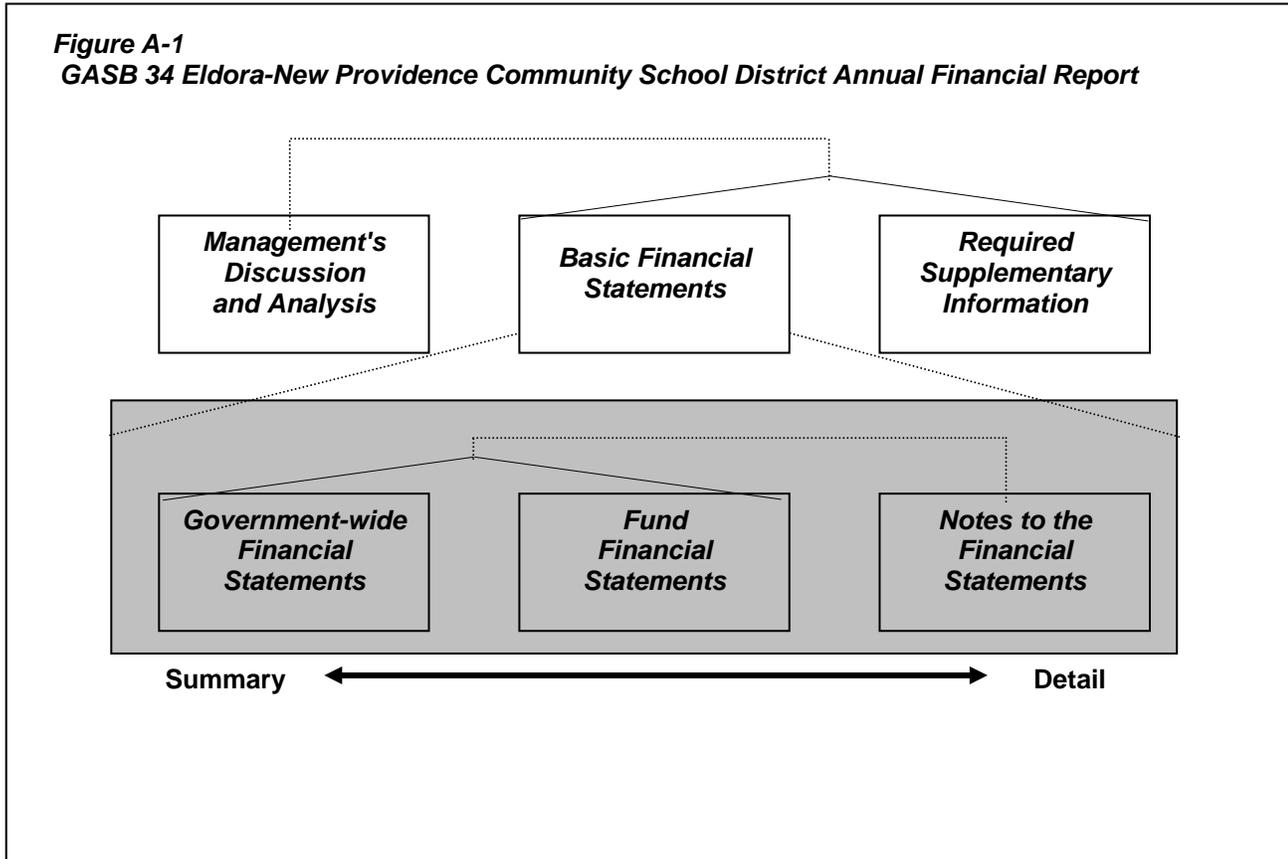


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: 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 fund 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, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net assets are an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health,

additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Daycare Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. In 2009-10 the District had one internal service fund used to account for a portion of the District's employee health benefit plan.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2009-2010 %
	Governmental Activities		Business-type Activities		Total School District		
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	8,028,671	5,817,489	(16,897)	(14,162)	8,011,774	5,803,327	-27.57
Capital assets	7,392,617	7,165,349	119,404	109,191	7,512,021	7,274,540	-3.16
Total assets	15,421,288	12,982,838	102,507	95,029	15,523,795	13,077,867	-15.76
Long-term liabilities	4,072,862	3,668,386	0	2,836	4,072,862	3,671,222	-9.86
Other liabilities	7,377,198	4,973,424	42,911	37,053	7,420,109	5,010,477	-32.47
Total liabilities	11,450,060	8,641,810	42,911	39,889	11,492,971	8,681,699	-24.46
Net Assets:							
Invested in capital assets, net of related debt	3,832,617	4,181,849	119,404	109,191	3,952,021	4,291,040	8.58
Restricted	535,270	750,246	0	0	535,270	750,246	40.16
Unrestricted	(396,659)	(591,067)	(59,808)	(54,051)	(456,467)	(645,118)	-41.33
TOTAL NET ASSETS	3,971,228	4,341,028	59,596	55,140	4,030,824	4,396,168	9.06

The District's combined total net assets increased by just over 9%, or approximately \$365,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), 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 approximately \$215,000 or 40% over the prior year. The increase was primarily a result of an insurance settlement that increased revenues in the Physical Plant and Equipment Levy Fund and decreased expenditures in the Sales Tax Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$189,000, or 41%. This reduction in unrestricted net assets was a result of the District using carryover fund balance (borrowed funds) to meet its financial obligations during the year and was necessitated by the 10% across the board cut in state revenue experienced during the fiscal year.

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

Figure A-4

	Change in Net Assets						Percentage Change 2009-2010 %
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	1,393,898	1,254,032	316,640	333,213	1,710,538	1,587,245	-7.21
Operating grants & contributions	1,217,290	1,589,034	156,585	188,997	1,373,875	1,778,031	29.42
Capital grants & contributions	14,344	25,000	0	0	14,344	25,000	74.29
General Revenues:							
Property taxes	2,692,961	2,949,331	0	0	2,692,961	2,949,331	9.52
Income Surtax	188,871	198,485	0	0	188,871	198,485	5.09
Sales tax	437,603	428,974	0	0	437,603	428,974	-1.97
Unrestricted state grants	2,874,714	2,384,936	0	0	2,874,714	2,384,936	-17.04
Unrestricted investment earnings	73,575	30,187	67	0	73,642	30,187	-59.01
Other revenue	30,508	138,243	0	0	30,508	138,243	353.14
Total Revenues	8,923,764	8,998,222	473,292	522,210	9,397,056	9,520,432	1.31
Expenses:							
Instruction	5,691,993	5,882,161	0	0	5,691,993	5,882,161	3.34
Support services	2,026,510	1,977,228	0	0	2,026,510	1,977,228	-2.43
Non-instructional programs	146,914	132,632	528,977	563,574	675,891	696,206	3.01
Other expenditures	572,743	599,493	0	0	572,743	599,493	4.67
Total expenses	8,438,160	8,591,514	528,977	563,574	8,967,137	9,155,088	2.10
Change in net assets before transfers	485,604	406,708	(55,685)	(41,364)	429,919	365,344	-15.02
Transfers	(121,575)	(36,908)	121,575	36,908	0	0	0.00
CHANGE IN NET ASSETS	364,029	369,800	65,890	(4,456)	429,919	365,344	-15.02
Net assets beginning of year	3,607,199	3,971,228	(6,294)	59,596	3,600,905	4,030,824	11.94
Net assets end of year	3,971,228	4,341,028	59,596	55,140	4,030,824	4,396,168	9.06

In fiscal year 2010 property tax and unrestricted state grants account for 56% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 1.3% increase in revenues and a 2.1% increase in expenses. Property tax increased \$256,370 while unrestricted state revenues declined \$489,778. The increases in expenses funded by property taxes related in part to offsetting the 10% across the board cut received in state revenues and the underfunding of state aid.

Governmental Activities

Revenues for governmental activities were \$8,998,222 and expenses were \$8,591,514. In a difficult budget year, the District was able to minimize the impact on the budget by trimming expenses to more closely match available revenues. A significant factor in revenues and expenditures was insurance proceeds received as a result of a major hail and wind storm on August 9, 2009, that damaged the District's facilities.

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

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2009	2010	Percent Change 2009-2010	2009	2010	Percent Change 2009-2010
	\$	\$	%	\$	\$	%
Instruction	5,691,993	5,882,161	3.34	3,358,758	3,397,058	1.14
Support Services	2,026,510	1,977,228	-2.43	2,007,750	1,967,478	-2.01
Non-instructional Programs	146,914	132,632	-9.72	135,245	74,580	-44.86
Other Expenses	572,743	599,493	4.67	310,875	284,332	-8.54
TOTAL	8,438,160	8,591,514	1.81	5,812,628	5,723,448	-1.53

For the year ended June 30, 2010

- The cost financed by users of the District's programs was \$1,254,032. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,614,034.
- The net cost of governmental activities was financed with \$3,576,790 in property and local other taxes and \$2,384,936 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$522,210 and expenses were \$563,574. The District's business type activities include the School Nutrition Fund and the Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2010, the District increased meal prices in the Nutrition Fund. However, the increased costs of food exceeded the District's projections, resulting in a deficit in the Nutrition Fund at the end of the fiscal year.

During the year ended June 30, 2010, the District increased fees in the Daycare Fund. While there was a slight improvement between revenues and expenses, the Daycare Fund ending the fiscal year with a deficit. This deficit, by interagency agreement, is split evenly between the District and the City of Eldora.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$649,622, well above last year's ending fund balances of \$416,004. However, about half of the increase in combined fund balances in fiscal 2010 is due to insurance proceeds received in fiscal 2010 for the August 9, 2009 hail and wind storm that have been placed in reserve for future facility expenditures. The remainder of the increase in fund balances of the governmental funds was caused by reduction in staff costs in the General Fund, primarily in the area of Support Services. The District also continues to levy for cash reserves to improve its negative General Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position was essentially static from the end of Fiscal Year 2009 as compared to the end of Fiscal Year 2010. While the District levied for cash reserve to improve the financial position of its General Fund, this was more than offset by the 10% across the board cut in state aid of approximately \$330,000.
- The General Fund balance decreased slightly from a negative \$89,973 to a negative \$95,892. The unreserved portion of the General Fund balance decreased from a negative \$224,772 to a negative \$272,311 while the categorical reserved portion of the General Fund balance increased from \$134,799 to \$176,419. Had there not been a 10% across the board cut in state aid of \$329,454, it is likely that the District's General Fund balance would have improved significantly and ended with a positive balance.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$32,881 in fiscal 2009 to \$179,655 in fiscal 2010. The increase is primarily due to the amount set aside as reserved from insurance proceeds received as compensation for damage to the District's unoccupied facility built in 1916 (old middle school building) caused by the August 9, 2009 storm, which was established by the District to address the future needs of this facility.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$103,296 at June 30, 2009 to \$91,815 at June 30, 2010, representing a decrease of approximately 11%. For fiscal 2010, while the District increased meal prices, the Fund's net assets declined, primarily due to depreciation of capital assets, higher costs of food supplies, and increased staff costs as a result of the negotiated settlement with the support staff union.

The District continued the operation of the daycare, in accordance with the agreement with the City of Eldora. The Daycare Fund operated at a deficit. The operating deficit was smaller than the previous year, and net assets in the program improved from a negative \$43,700 at the end of fiscal 2009 to a negative \$36,675 at the end of fiscal 2010. By agreement, the deficit is split between the District and the City of Eldora.

BUDGETARY HIGHLIGHTS

The District's receipts were \$325,320 less than budgeted receipts, a variance of 3.3%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were \$145,656 more than budgeted, due primarily to the costs of repairs and equipment replacement required following the August 9, 2009 hail and wind storm. While expenditures for the repairs and equipment replacement fell within the four major areas of the certified budget, the revenues from insurance were accounted for outside of the major revenue source categories, which caused the District's total expenditures to exceed the amounts budgeted in Support Services, Non-instructional Programs, and Other Expenditures.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services, non-instructional programs, and other expenditures functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$7.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 3.16% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$366,910.

There was no significant change in capital asset activity during the year since there was no construction in progress during the fiscal year.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2009-2010 %
	Activities		Activities		School District		
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Land	252,655	252,655	0	0	252,655	252,655	0.00
Construction in progress	0	0	0	0	0	0	0.00
Buildings	6,247,909	6,100,703	0	0	6,247,909	6,100,703	-2.36
Improvements	127,148	125,430	0	0	127,148	125,430	-1.35
Equipment & furniture	764,905	686,561	119,404	109,191	884,309	795,752	-10.01
TOTAL	7,392,617	7,165,349	119,404	109,191	7,512,021	7,274,540	-3.16

Long-Term Debt

At June 30, 2010 the District had \$3,671,222 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 10% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

In July 2009 the District issued \$1,900,000 in revenue bonds funded by sales tax and \$1,000,000 in Qualified Zone Academic Bonds (QZAB) to pay for renovation and expansion of the high school and elementary school buildings. Planning for the project started in fiscal 2008 and the bonds were sold during fiscal 2009. The District had total outstanding bonded indebtedness at June 30, 2010 of \$2,933,500.

Board policy on licensed early retirement includes a provision that allows teachers with 15 years of service to the District to be paid for up to 105 days of unused sick leave upon retirement from the District. The Master Contract with Local 2003 (support staff union) provides for a separation benefit for support staff upon leaving District employment. In addition, early retirement plans that culminated in fiscal 2010 provide additional benefits for retired faculty. These retirement benefits created additional liability during fiscal 2010 of approximately \$654,093 to the District.

**Figure A-7
Outstanding Long-Term Obligations**

	Total School District		Percentage
	2009	2010	Change
	\$	\$	2009-2010
			%
General Obligation Bonds	585,000	205,000	-64.96
QZAB Revenue Bonds	1,000,000	928,500	-7.15
Sales Tax Revenue Bonds	1,900,000	1,800,000	-5.26
Energy Management Notes	75,000	50,000	-33.33
Early Retirement/Termination Benefits	113,967	288,765	153.76
Compensated absences	398,895	365,328	-8.41
Net OPEB liability		33,629	NA
TOTAL	<u>4,072,862</u>	<u>3,671,222</u>	<u>-9.86</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- According to information provided by the Hardin, Grundy, and Marshall County Auditors, the District's total taxable valuation has increased slightly for property tax to be collected in fiscal 2012.
- School financing is highly dependent upon student enrollment. The District's October 2010 enrollment increased by ten students. Depending upon the Allowable Growth Rate yet to be set for fiscal 2012, this small increase in enrollment will likely provide a slight increase in the District's funding for fiscal year 2012.
- The District imposed a cash reserve levy of \$650,000 to offset the across the board cut in state aid in fiscal 2010 and the underfunding of state aid in both fiscal 2010 and 2011 plus to continue to work on reducing the General Fund balance deficit.
- The District experienced a 1.5% across the board cut in state aid in fiscal 2009, a 10% across the board cut in state aid in fiscal 2010, and state aid was underfunded by \$44,000 in fiscal 2010 and by \$225,571 in fiscal 2011 (these amounts are after factoring in the federal stimulus funding that was used by the state to partially offset the underfunding of state aid each year).
- While the state's economic picture is improving, there has not been enough improvement to completely offset the gap in state aid that was partially offset through federal stimulus funding. This means the state budget will continue to be restricted and possibly even reduced. As a result, the District cannot expect any growth in state aid for the immediate future.
- The District began a nine-year whole grade sharing agreement with the Hubbard-Radcliffe Community School District during fiscal 2008. Fiscal 2010 was the third year of this agreement. Because more students from the Eldora-New Providence District are being tuitioned to the combined middle school hosted by the Hubbard-Radcliffe District than are being tuitioned by the Hubbard-Radcliffe District to the combined high school hosted by the Eldora-New Providence District, the District has needed to adjust its staffing levels to account for this difference. Since staff salaries and benefits are the largest expense in the General Fund, the District will need to continue to monitor its staffing levels to align resources in the whole grade sharing agreement with expenditures.

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 Randall C. Nichols, Superintendent, or Cindy Bierle, District Secretary/Treasurer and Business Manager, Eldora-New Providence Community School District, 1010 Edgington Avenue, Eldora, Iowa, 50627.

BASIC FINANCIAL STATEMENTS

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total	Component Unit Eldora- New Providence School
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	1,245,743	4,687	1,250,430	177,984
Receivables:				
Property tax:				
Delinquent	108,276	-	108,276	-
Succeeding year	3,119,563	-	3,119,563	-
Accounts	78,384	2,872	81,256	-
Due from other governments	1,152,552	24,431	1,176,983	-
Internal balances	50,967	(50,967)	-	-
Inventories	8,545	4,815	13,360	-
Unamortized debt issue costs	53,459	-	53,459	-
Capital assets, net of accumulated depreciation	7,165,349	109,191	7,274,540	-
Total assets	12,982,838	95,029	13,077,867	177,984
Liabilities				
Accounts payable	62,277	1,357	63,634	-
Salaries and benefits payable	604,412	32,387	636,799	-
Due to other governments	1,091,871	-	1,091,871	-
Accrued interest payable	36,190	-	36,190	-
Deferred revenue:				
Succeeding year property tax	3,119,563	-	3,119,563	-
Other	59,111	3,309	62,420	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	205,000	-	205,000	-
Revenue bonds payable	105,000	-	105,000	-
QZAB revenue bonds payable	71,500	-	71,500	-
Energy management notes payable	25,000	-	25,000	-
Termination benefits	94,092	-	94,092	-
Compensated absences	41,127	-	41,127	-
Portion due after one year:				
Revenue bonds payable	1,695,000	-	1,695,000	-
QZAB revenue bonds payable	857,000	-	857,000	-
Energy management notes payable	25,000	-	25,000	-
Termination benefits	194,673	-	194,673	-
Compensated absences	324,201	-	324,201	-
Net OPEB liability	30,793	2,836	33,629	-
Total liabilities	8,641,810	39,889	8,681,699	-

See notes to financial statements.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total	Component Unit Eldora- New Providence School
	\$	\$	\$	\$
Net assets				
Invested in capital assets, net of related debt	4,181,849	109,191	4,291,040	-
Restricted for:				
Categorical funding	176,419	-	176,419	-
Physical plant and equipment levy	179,655	-	179,655	-
Other special revenue purposes	129,355	-	129,355	-
Sales tax capital projects projects	119,705	-	119,705	-
Debt service	145,112	-	145,112	-
Unrestricted	<u>(591,067)</u>	<u>(54,051)</u>	<u>(645,118)</u>	<u>177,984</u>
Total net assets	<u><u>4,341,028</u></u>	<u><u>55,140</u></u>	<u><u>4,396,168</u></u>	<u><u>177,984</u></u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	3,583,669	853,448	934,610	-
Special	1,415,457	178,814	196,204	-
Other	883,035	173,441	148,586	-
	<u>5,882,161</u>	<u>1,205,703</u>	<u>1,279,400</u>	<u>-</u>
Support services:				
Student	141,552	-	-	-
Instructional staff	496,733	-	-	-
Administration	611,297	-	-	-
Operation and maintenance of plant	410,880	955	-	-
Transportation	316,766	4,372	4,423	-
	<u>1,977,228</u>	<u>5,327</u>	<u>4,423</u>	<u>-</u>
Non-instructional programs	<u>132,632</u>	<u>43,002</u>	<u>15,050</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	10,012	-	-	25,000
Long-term debt interest	102,529	-	1,792	-
AEA flowthrough	288,369	-	288,369	-
Depreciation (unallocated)*	198,583	-	-	-
	<u>599,493</u>	<u>-</u>	<u>290,161</u>	<u>25,000</u>
Total governmental activities	<u>8,591,514</u>	<u>1,254,032</u>	<u>1,589,034</u>	<u>25,000</u>
Business type activities:				
Non-instructional programs:				
Food service operations	337,373	168,066	139,388	-
Daycare	226,201	165,147	49,609	-
Total business-type activities	<u>563,574</u>	<u>333,213</u>	<u>188,997</u>	<u>-</u>
Total primary government	<u>9,155,088</u>	<u>1,587,245</u>	<u>1,778,031</u>	<u>25,000</u>
Component Units:				
Eldora-New Providence School Foundation	39,227	-	36,617	-
Total	<u>9,194,315</u>	<u>1,587,245</u>	<u>1,814,648</u>	<u>25,000</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Transfers				
Total general revenues and transfers				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets
Primary Government

Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(1,795,611)	-	(1,795,611)	-
(1,040,439)	-	(1,040,439)	-
(561,008)	-	(561,008)	-
<u>(3,397,058)</u>	<u>-</u>	<u>(3,397,058)</u>	<u>-</u>
(141,552)	-	(141,552)	-
(496,733)	-	(496,733)	-
(611,297)	-	(611,297)	-
(409,925)	-	(409,925)	-
(307,971)	-	(307,971)	-
<u>(1,967,478)</u>	<u>-</u>	<u>(1,967,478)</u>	<u>-</u>
(74,580)	-	(74,580)	-
14,988	-	14,988	-
(100,737)	-	(100,737)	-
-	-	-	-
<u>(198,583)</u>	<u>-</u>	<u>(198,583)</u>	<u>-</u>
<u>(284,332)</u>	<u>-</u>	<u>(284,332)</u>	<u>-</u>
<u>(5,723,448)</u>	<u>-</u>	<u>(5,723,448)</u>	<u>-</u>
-	(29,919)	(29,919)	-
-	(11,445)	(11,445)	-
<u>-</u>	<u>(41,364)</u>	<u>(41,364)</u>	<u>-</u>
(5,723,448)	(41,364)	(5,764,812)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,610)</u>
<u>(5,723,448)</u>	<u>(41,364)</u>	<u>(5,764,812)</u>	<u>(2,610)</u>
2,559,231	-	2,559,231	-
335,353	-	335,353	-
54,747	-	54,747	-
198,485	-	198,485	-
428,974	-	428,974	-
2,384,936	-	2,384,936	-
30,187	-	30,187	6,156
138,243	-	138,243	-
(36,908)	36,908	-	-
<u>6,093,248</u>	<u>36,908</u>	<u>6,130,156</u>	<u>6,156</u>
369,800	(4,456)	365,344	3,546
<u>3,971,228</u>	<u>59,596</u>	<u>4,030,824</u>	<u>174,438</u>
<u>4,341,028</u>	<u>55,140</u>	<u>4,396,168</u>	<u>177,984</u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Assets			
Cash and pooled investments	701,225	544,518	1,245,743
Receivables:			
Property tax:			
Delinquent	87,887	20,389	108,276
Succeeding year	2,574,223	545,340	3,119,563
Accounts	78,384	-	78,384
Inventories	8,545	-	8,545
Interfund receivable	50,967	121,823	172,790
Due from other governments	1,075,521	77,031	1,152,552
Total assets	4,576,752	1,309,101	5,885,853
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	46,216	16,061	62,277
Salaries and benefits payable	604,412	-	604,412
Due to other governments	1,091,871	-	1,091,871
Interfund payable	119,637	2,186	121,823
Deferred revenue:			
Succeeding year property tax	2,574,223	545,340	3,119,563
Income surtax	177,174	-	177,174
Other	59,111	-	59,111
Total liabilities	4,672,644	563,587	5,236,231
Fund balances:			
Reserved for:			
Categorical funding	176,419	-	176,419
Debt service	-	181,302	181,302
Unreserved, reported in:			
General fund	(272,311)	-	(272,311)
Special revenue funds	-	444,507	444,507
Capital project fund	-	119,705	119,705
Total fund balances	(95,892)	745,514	649,622
Total liabilities and fund balances	4,576,752	1,309,101	5,885,853

ELDORA-NEW PROVIDENCE 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 (Exhibit C)	649,622
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,165,349
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	177,174
Debt issue costs are expensed in the governmental funds, but are capitalized and amortized over the life of the debt in the Statement of Net Assets.	53,459
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.	(36,190)
Long-term liabilities, including bonds payable, notes payable, compensated absences, termination benefits, and other postemployment benefits are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(3,668,386)</u>
Net assets of governmental activities (Exhibit A)	<u><u>4,341,028</u></u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	2,533,754	1,029,093	3,562,847
Tuition	922,038	-	922,038
Other	200,820	190,838	391,658
Intermediate sources	1,500	-	1,500
State sources	3,261,923	-	3,261,923
Federal sources	708,755	25,000	733,755
Total revenues	<u>7,628,790</u>	<u>1,244,931</u>	<u>8,873,721</u>
Expenditures:			
Current:			
Instruction:			
Regular	3,274,551	113,214	3,387,765
Special	1,407,354	-	1,407,354
Other	696,761	183,438	880,199
	<u>5,378,666</u>	<u>296,652</u>	<u>5,675,318</u>
Support services:			
Student	140,742	-	140,742
Instructional staff	415,881	-	415,881
Administration	604,816	-	604,816
Operation and maintenance of plant	898,461	33,434	931,895
Transportation	273,941	60,196	334,137
	<u>2,333,841</u>	<u>93,630</u>	<u>2,427,471</u>
Non-instructional programs	<u>132,632</u>	<u>-</u>	<u>132,632</u>
Other expenditures:			
Facilities acquisition	-	129,818	129,818
Long-term debt:			
Principal	-	576,500	576,500
Interest and fiscal charges	-	105,876	105,876
AEA flowthrough	288,369	-	288,369
	<u>288,369</u>	<u>812,194</u>	<u>1,100,563</u>
Total expenditures	<u>8,133,508</u>	<u>1,202,476</u>	<u>9,335,984</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(504,718)</u>	<u>42,455</u>	<u>(462,263)</u>
Other financing sources (uses):			
Compensation for loss of fixed assets	560,707	172,082	732,789
Operating transfers in	-	342,841	342,841
Operating transfers out	(61,908)	(317,841)	(379,749)
Total other financing sources (uses)	<u>498,799</u>	<u>197,082</u>	<u>695,881</u>
Net change in fund balances	(5,919)	239,537	233,618
Fund balances beginning of year	<u>(89,973)</u>	<u>505,977</u>	<u>416,004</u>
Fund balances end of year	<u>(95,892)</u>	<u>745,514</u>	<u>649,622</u>

ELDORA-NEW PROVIDENCE 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 (Exhibit E)		233,618
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and loss on disposal of capital assets exceeded expenditures for capital assets during the current year, as follows:		
Loss on disposal of capital assets	(46,907)	
Expenditures for capital assets	173,606	
Depreciation expense	<u>(353,967)</u>	(227,268)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		13,943
Issuance of long-term debt is a revenue in the governmental funds, but the issuance increases long-term debt in the Statement of Net Assets.		
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		576,500
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.		3,347
Debt issue costs are expensed in the governmental funds, but are capitalized and amortized over the life of the debt in the Statement of Net Assets.		(4,455)
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:		
Termination benefits	(174,798)	
Compensated absences	33,567	
Other postemployment benefits	<u>(30,793)</u>	(172,024)
An internal service fund is used by the District's management to charge the costs of the sick leave program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>(53,861)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>369,800</u></u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2010

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	4,687
Accounts receivable	2,872
Due from other governments	24,431
Inventories	4,815
Capital assets, net of accumulated depreciation	<u>109,191</u>
Total assets	<u>145,996</u>
Liabilities	
Interfund payable	50,967
Accounts payable	1,357
Salaries and benefits payable	32,387
Deferred revenue	3,309
Net OPEB liability	<u>2,836</u>
Total liabilities	<u>90,856</u>
Net assets	
Invested in capital assets	109,191
Unrestricted	<u>(54,051)</u>
Total net assets	<u><u>55,140</u></u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2010

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Operating revenues:		
Local sources:		
Charges for service	333,213	16
Operating expenses:		
Non-instructional programs:		
Salaries	239,598	30,785
Benefits	84,542	8,520
Purchased services	43,506	-
Supplies	182,985	-
Depreciation	12,943	-
Other	-	14,617
Total operating expenses	563,574	53,922
Operating gain (loss)	(230,361)	(53,906)
Non-operating revenues:		
State sources	4,094	-
Federal sources	151,478	-
Donations	33,425	-
Interest income	-	45
Total non-operating revenues	188,997	45
Gain (loss) before transfers	(41,364)	(53,861)
Transfers in	36,908	-
Change in net assets	(4,456)	(53,861)
Net assets beginning of year	59,596	53,861
Net assets end of year	55,140	-

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	168,442	-
Daycare services	161,811	-
Sale of services to other funds	-	16
Cash payments to employees for services	(328,895)	(39,305)
Cash payments to suppliers for goods or services	(205,322)	(14,617)
Net cash used by operating activities	<u>(203,964)</u>	<u>(53,906)</u>
Cash flows from non-capital financing activities:		
Loans from (repaid to) other funds	2,997	-
Transfers from (to) General Fund	36,908	-
Donations	14,925	-
State grants received	4,094	-
Federal grants received	135,044	-
Net cash provided by non-capital financing activities	<u>193,968</u>	<u>-</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	<u>(2,730)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>-</u>	<u>45</u>
Net increase (decrease) in cash and cash equivalents	(12,726)	(53,861)
Cash and cash equivalents at beginning of year	17,413	53,861
Cash and cash equivalents at end of year	<u>4,687</u>	<u>-</u>
Reconciliation of operating gain (loss) to net cash provided (used) by operating activities:		
Operating gain (loss)	(230,361)	(53,906)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	15,208	-
Depreciation	12,943	-
Decrease (increase) in inventories	4,604	-
Decrease (increase) in accounts receivable	(3,336)	-
(Decrease) increase in accounts payable	1,357	-
(Decrease) increase in salaries and benefits payable	(7,591)	-
(Decrease) increase in deferred revenue	376	-
(Decrease) increase in other postemployment benefits	2,836	-
Net cash used by operating activities	<u>(203,964)</u>	<u>(53,906)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010 the District received \$15,208 of federal commodities.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

1. Summary of Significant Accounting Policies

Eldora-New Providence Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Eldora and New Providence, Iowa and the predominately agricultural territory in a portion of Grundy, Hardin and Marshall 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, Eldora-New Providence 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 Eldora-New Providence Community School District Foundation has been included as a discretely presented component unit because of the nature and significance of its relationship with the District.

The Eldora-New Providence Community School District Foundation was established to maintain, develop, and expand the facilities and services of the Eldora-New Providence Community School District, and to foster educational opportunities for the students, staff, faculty and the residents of the geographical area served by the Eldora-New Providence Community School District. The Foundation has a December 31, year-end. Foundation financial statements are shown in the Statement of Net Assets and the Statement of Activities in separate columns. As explained in the Independent Auditor's Opinion, the Foundation financial statements have not been audited.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental fund:

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

The District's proprietary funds include the Enterprise, School Nutrition Fund and the Enterprise Daycare Fund. These funds are used to account for the food service operations and child care operations of the District.

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's sick leave payment program.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the 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, have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the

District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% 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 and governmental funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	3-20 years
Furniture and equipment	7-30 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or 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 are imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures exceeded the amounts budgeted in the support services, non-instructional programs and other expenditures functional areas.

2. **Cash and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain

registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

	Amortized Cost
	\$
Diversified Portfolio	475

The investments are valued at an amortized cost 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. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2010, is as follows:

Receivable Fund	Payable Fund	Amount
		\$
General Fund	Nonmajor – Daycare Fund	50,967
Nonmajor – Physical Plant and Equipment Levy	General Fund	119,637
Nonmajor – Physical Plant and Equipment Levy	Nonmajor – Debt Service	2,186

The loans are for cash flow purposes.

4. Interfund Transfers

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

Transfer To	Transfer From	Amount
		\$
Nonmajor - Debt Service Fund	General Fund	25,000
Nonmajor - Debt Service Fund	Nonmajor - Capital Projects Fund	317,841
Nonmajor Enterprise – Daycare Fund	General Fund	18,470
Nonmajor Enterprise – Nutrition Fund	General Fund	18,438

Transfers to the Debt Service Fund move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfers from the General Fund to the Daycare and Nutrition Funds covered fund deficits.

5. 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. N.A. 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 Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co., NA prime rate plus 50 basis points with a minimum interest rate of 4.50% A summary of the District's ISCAP activity for the year ended June 30, 2010, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
			\$	\$	\$	\$
2009-10A	6/25/09	6/23/10	-	600,000	600,000	-
2009-10B	2/1/10	1/21/11	-	-	-	-
			<u>-</u>	<u>600,000</u>	<u>600,000</u>	<u>-</u>

During the year ended June 30, 2010, the District paid \$9,245 of interest on the ISCAP warrants.

6. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>252,655</u>	<u>-</u>	<u>-</u>	<u>252,655</u>
Capital assets being depreciated:				
Buildings	9,339,377	49,437	208,227	9,180,587
Improvements other than buildings	229,087	10,250	-	239,337
Furniture and equipment	<u>2,238,864</u>	<u>113,919</u>	<u>98,723</u>	<u>2,254,060</u>
Total capital assets being deprec.	<u>11,807,328</u>	<u>173,606</u>	<u>306,950</u>	<u>11,673,984</u>
Less accumulated depreciation for:				
Buildings	3,091,468	186,615	198,199	3,079,884
Improvements other than buildings	101,939	11,968	-	113,907
Furniture and equipment	<u>1,473,959</u>	<u>155,384</u>	<u>61,844</u>	<u>1,567,499</u>
Total accumulated depreciation	<u>4,667,366</u>	<u>353,967</u>	<u>260,043</u>	<u>4,761,290</u>
Total capital assets being depreciated, net	<u>7,139,962</u>	<u>(180,361)</u>	<u>46,907</u>	<u>6,912,694</u>
Governmental activities capital assets, net	<u>7,392,617</u>	<u>(180,361)</u>	<u>46,907</u>	<u>7,165,349</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	297,112	2,730	-	299,842
Less accumulated depreciation	<u>177,708</u>	<u>12,943</u>	-	<u>190,651</u>
Business type activities capital assets, net	<u>119,404</u>	<u>(10,213)</u>	-	<u>109,191</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	2,058
Support services:	
Instructional staff support	79,636
Operation and maintenance of plant services	37,666
Transportation	<u>36,024</u>
	155,384
Unallocated depreciation	<u>198,583</u>
Total depreciation expense – governmental activities	<u>353,967</u>
Business type activities:	
Food services	<u>12,943</u>

7 Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	585,000	-	380,000	205,000	205,000
QZAB revenue bonds	1,000,000	-	71,500	928,500	71,500
Sales tax revenue bonds	1,900,000	-	100,000	1,800,000	105,000
Energy management notes	75,000	-	25,000	50,000	25,000
Termination benefits	113,967	217,787	42,989	288,765	94,092
Compensated absences	398,895	-	33,567	365,328	41,127
Net OPEB liability	-	<u>30,793</u>	-	<u>30,793</u>	-
Total	<u>4,072,862</u>	<u>248,580</u>	<u>653,056</u>	<u>3,668,386</u>	<u>541,719</u>

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Business type activities:					
Net OPEB liability	-	<u>2,836</u>	-	<u>2,836</u>	-

Termination Benefits

The District offered a voluntary early retirement plan to its certified employees during fiscal years 2008 and 2010. Eligible employees must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences and must have completed 15 years of service in the most recent 15 years. The application for early retirement is subject to approval by the Board of Education.

Under the 2010 plan the District will cover medical insurance for up to eight years or until age 65 for the employee and a cash payment of \$36,000 to be paid over three years.

At June 30, 2010, the District has obligations to ten participants with a total liability of \$288,765. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$42,989.

General Obligation Bonds Payable

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

<u>Year Ending June 30,</u>	<u>Bond Issue of May, 1998</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2011	4.45	205,000	9,225	214,225

Qualified Zone Academy Revenue Bonds – The District issued \$1,000,000 of qualified zone academy revenue bonds in July 2008. The bonds were issued to finance remodeling of existing school facilities that have been designated qualified zone academy projects. The bonds are interest free. The annual payments will be made from the statewide sales tax.

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>
	<u>%</u>	<u>\$</u>
2011	-	71,500
2012	-	71,500
2013	-	71,500
2014	-	71,500
2015	-	71,500
2016-2020	-	357,500
2021-2023	-	213,500
		<u>928,500</u>

Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue of July 2008			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	4.29	105,000	74,968	179,968
2012	4.29	110,000	70,356	180,356
2013	4.29	115,000	65,530	180,530
2014	4.29	120,000	60,490	180,490
2015	4.29	125,000	55,234	180,234
2016-2020	4.29	715,000	188,868	903,868
2021-2023	4.29	510,000	33,248	543,248
		<u>1,800,000</u>	<u>548,694</u>	<u>2,348,694</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,900,000 bonds issued in July 2008. The bonds were issued for the purpose of financing a school addition and remodeling. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 45% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,348,694. For the current year, \$100,000 of principal and \$79,365 of interest were paid on the bonds and total statewide sales, services and use tax revenues were \$428,974.

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

- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose for which the statewide sales, services and use tax may be used. The District has not set aside monies in the required sinking fund, which is part of the Capital Projects Fund.

Energy Management Capital Loan Notes

The District issued \$250,000 of notes at no interest on June 30, 2002. The proceeds of the notes were used to purchase and install a wind generator. Details of the District's energy management capital loan notes are as follows:

Year Ending June 30,	June 30, 2002 Issue		
	Principal	Interest	Total
	\$	\$	\$
2011	25,000	-	25,000
2012	25,000	-	25,000
	<u>50,000</u>	<u>-</u>	<u>50,000</u>

During the year ended June 30, 2010, the District's General Fund made principal payments totaling \$25,000 under the note agreements.

8. 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 contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$268,467, \$263,199, and \$242,803 respectively, equal to the required contributions for each year.

9. Other Postemployment Benefits (OPEB)

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

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 84 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for 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	47,695
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>47,695</u>
Contributions made	<u>14,066</u>
Increase in net OPEB obligation	33,629
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>33,629</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 \$14,066 to the medical plan. Plan members eligible for benefits contributed 6,066, or 30% 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:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u> \$
June 30, 2010	47,695	29%	33,629

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 \$343,251, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$343,251. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,090,000, and the ratio of the UAAL to covered payroll was 11.1%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized over 30 years.

10. Risk Management

The 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.

11. 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 \$288,369 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.

12. Fund Balance Deficits

The General Fund has a \$272,311 deficit unreserved fund balance, the Nonmajor Daycare Fund has a \$36,675 deficit unrestricted net assets, and the Nonmajor School Nutrition Fund has a \$17,376 deficit unrestricted net assets at June 30, 2010.

13. Operating Lease

The District entered into a contract to lease copy machines. The payments the District will make over the four years are as follows:

Year Ended June 30	Lease Payment
	\$
2011	32,280
2012	32,280
2013	32,280
2014	32,280

14. Categorical Funding

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

Program	Amount
	\$
Gifted and Talented	35,195
Returning dropout and dropout prevention program	20,668
Preschool	24,987
Home school assistance program	78,908
Other state programs	16,661
	<u>176,419</u>

15. Impairment of Capital Assets

The District's middle school building has been closed and suffered severe hail damage during fiscal year 2010. The District plans to demolish the building sometime in the future. A \$10,028 impairment loss has been recorded to write off the building.

REQUIRED SUPPLEMENTARY INFORMATION

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,876,543	366,638	5,243,181	5,294,905	5,294,905	(51,724)
Intermediate sources	1,500	-	1,500	-	-	1,500
State sources	3,261,923	4,094	3,266,017	3,996,346	3,996,346	(730,329)
Federal sources	733,755	151,478	885,233	430,000	430,000	455,233
Total revenues	<u>8,873,721</u>	<u>522,210</u>	<u>9,395,931</u>	<u>9,721,251</u>	<u>9,721,251</u>	<u>(325,320)</u>
Expenditures/Expenses:						
Instruction	5,675,318	-	5,675,318	5,818,200	5,818,200	142,882
Support services	2,427,471	-	2,427,471	2,321,500	2,321,500	(105,971)
Non-instructional programs	132,632	563,574	696,206	578,000	578,000	(118,206)
Other expenditures	1,100,563	-	1,100,563	1,036,202	1,036,202	(64,361)
Total expenditures/expenses	<u>9,335,984</u>	<u>563,574</u>	<u>9,899,558</u>	<u>9,753,902</u>	<u>9,753,902</u>	<u>(145,656)</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(462,263)	(41,364)	(503,627)	(32,651)	(32,651)	(470,976)
Other financing sources (uses) net	<u>695,881</u>	<u>36,908</u>	<u>732,789</u>	<u>-</u>	<u>-</u>	<u>732,789</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	233,618	(4,456)	229,162	(32,651)	(32,651)	261,813
Balance beginning of year	<u>416,004</u>	<u>59,596</u>	<u>475,600</u>	<u>211,425</u>	<u>211,425</u>	<u>264,175</u>
Balance end of year	<u><u>649,622</u></u>	<u><u>55,140</u></u>	<u><u>704,762</u></u>	<u><u>178,774</u></u>	<u><u>178,774</u></u>	<u><u>525,988</u></u>

ELDORA-NEW PROVIDENCE 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 Internal Service, 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. 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 function 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. The District did not amend its budget during the year.

During the year ended June 30, 2010, expenditures in the support services, non-instructional programs and other expenditures functions exceeded the amounts budgeted.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
July 1, 2009	-	343,251	343,251	0.0%	3,090,000	11.1%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

Assets	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
	\$	\$	\$	\$	\$	\$
Cash and pooled investments	126,816	143,050	58,228	216,424	-	544,518
Receivables:						
Property tax:						
Delinquent	8,681	-	1,970	-	9,738	20,389
Succeeding year	275,000	-	55,716	-	214,624	545,340
Interfund receivable	-	-	121,823	-	-	121,823
Due from other governments	-	-	-	77,031	-	77,031
Total assets	410,497	143,050	237,737	293,455	224,362	1,309,101
Liabilities & Fund Balances						
Liabilities:						
Accounts payable	-	13,695	2,366	-	-	16,061
Interfund payables	-	-	-	-	2,186	2,186
Deferred revenue:						
Succeeding year property tax	275,000	-	55,716	-	214,624	545,340
Total liabilities	275,000	13,695	58,082	-	216,810	563,587
Fund balances:						
Reserved for debt service	-	-	-	173,750	7,552	181,302
Unreserved fund balance reported in:						
Special revenue funds	135,497	129,355	179,655	-	-	444,507
Capital project funds	-	-	-	119,705	-	119,705
Total fund balances	135,497	129,355	179,655	293,455	7,552	745,514
Total liabilities and fund balances	410,497	143,050	237,737	293,455	224,362	1,309,101

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2010

	Special Revenue Funds					Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Capital Projects	Debt Service	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	210,019	-	54,747	428,974	335,353	1,029,093
Other	11,718	176,462	447	419	1,792	190,838
Federal sources	-	-	25,000	-	-	25,000
Total revenues	<u>221,737</u>	<u>176,462</u>	<u>80,194</u>	<u>429,393</u>	<u>337,145</u>	<u>1,244,931</u>
Expenditures:						
Current:						
Instruction:						
Regular	113,214	-	-	-	-	113,214
Other	-	183,438	-	-	-	183,438
Support services:						
Operation and maintenance of plant	32,599	835	-	-	-	33,434
Transportation	6,396	-	53,800	-	-	60,196
Other expenditures:						
Facilities acquisition	-	-	51,702	78,116	-	129,818
Long-term debt:						
Principal	-	-	-	-	576,500	576,500
Interest and fiscal charges	-	-	-	-	105,876	105,876
Total expenditures	<u>152,209</u>	<u>184,273</u>	<u>105,502</u>	<u>78,116</u>	<u>682,376</u>	<u>1,202,476</u>
Excess (deficiency) of revenues over (under) expenditures	69,528	(7,811)	(25,308)	351,277	(345,231)	42,455
Other financing sources (uses):						
Compensation for loss of fixed assets	-	-	172,082	-	-	172,082
Operating transfers in	-	-	-	-	342,841	342,841
Operating transfers out	-	-	-	(317,841)	-	(317,841)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>172,082</u>	<u>(317,841)</u>	<u>342,841</u>	<u>197,082</u>
Net change in fund balance	69,528	(7,811)	146,774	33,436	(2,390)	239,537
Fund balances beginning of year	<u>65,969</u>	<u>137,166</u>	<u>32,881</u>	<u>260,019</u>	<u>9,942</u>	<u>505,977</u>
Fund balances end of year	<u><u>135,497</u></u>	<u><u>129,355</u></u>	<u><u>179,655</u></u>	<u><u>293,455</u></u>	<u><u>7,552</u></u>	<u><u>745,514</u></u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2010

	Enterprise Funds		
	School		Total
	Nutrition	Daycare	
	\$	\$	\$
Assets			
Cash and cash equivalents	4,687	-	4,687
Accounts receivable	-	2,872	2,872
Due from other governments	-	24,431	24,431
Inventories	4,815	-	4,815
Capital assets, net of accumulated depreciation	109,191	-	109,191
Total assets	118,693	27,303	145,996
Liabilities			
Interfund payable	-	50,967	50,967
Accounts payable	-	1,357	1,357
Salaries and benefits payable	21,543	10,844	32,387
Deferred revenue	3,309	-	3,309
Net OPEB liability	2,026	810	2,836
Total liabilities	26,878	63,978	90,856
Net assets			
Invested in capital assets	109,191	-	109,191
Unrestricted	(17,376)	(36,675)	(54,051)
Total net assets	91,815	(36,675)	55,140

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds

Year ended June 30, 2010

	Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	168,066	165,147	333,213
Operating expenses:			
Non-instructional programs:			
Salaries	93,627	145,971	239,598
Benefits	45,203	39,339	84,542
Purchased services	18,734	24,772	43,506
Supplies	166,866	16,119	182,985
Depreciation	12,943	-	12,943
Total operating expenses	337,373	226,201	563,574
Operating gain (loss)	(169,307)	(61,054)	(230,361)
Non-operating revenues:			
State sources	2,480	1,614	4,094
Federal sources	136,908	14,570	151,478
Donations	-	33,425	33,425
Total non-operating revenues	139,388	49,609	188,997
Gain (loss) before transfers	(29,919)	(11,445)	(41,364)
Transfers in	18,438	18,470	36,908
Change in net assets	(11,481)	7,025	(4,456)
Net assets beginning of year	103,296	(43,700)	59,596
Net assets end of year	91,815	(36,675)	55,140

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2010

	Enterprise Funds		
	School		Total
	Nutrition	Daycare	
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	168,442	-	168,442
Daycare services	-	161,811	161,811
Cash payments to employees for services	(142,522)	(186,373)	(328,895)
Cash payments to suppliers for goods or services	(165,788)	(39,534)	(205,322)
Net cash used by operating activities	<u>(139,868)</u>	<u>(64,096)</u>	<u>(203,964)</u>
Cash flows from non-capital financing activities:			
Loans from (repaid to) other funds	(12,746)	15,743	2,997
Transfers from General Fund	18,438	18,470	36,908
Donations	-	14,925	14,925
State grants received	2,480	1,614	4,094
Federal grants received	121,700	13,344	135,044
Net cash provided by non-capital financing activities	<u>129,872</u>	<u>64,096</u>	<u>193,968</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	<u>(2,730)</u>	<u>-</u>	<u>(2,730)</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(12,726)	-	(12,726)
Cash and cash equivalents at beginning of year	<u>17,413</u>	<u>-</u>	<u>17,413</u>
Cash and cash equivalents at end of year	<u><u>4,687</u></u>	<u><u>-</u></u>	<u><u>4,687</u></u>
Reconciliation of operating gain (loss) to net cash provided (used) by operating activities:			
Operating gain (loss)	(169,307)	(61,054)	(230,361)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	15,208	-	15,208
Depreciation	12,943	-	12,943
Decrease (increase) in inventories	4,604	-	4,604
Decrease (increase) in accounts receivable	-	(3,336)	(3,336)
(Decrease) increase in accounts payable	-	1,357	1,357
(Decrease) increase in salaries and benefits payable	(5,718)	(1,873)	(7,591)
(Decrease) increase in deferred revenue	376	-	376
(Decrease) increase in other postemployment benefits	2,026	810	2,836
Net cash used by operating activities	<u>(139,868)</u>	<u>(64,096)</u>	<u>(203,964)</u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance	Revenues	Expenditures	Intra-fund Transfers	Balance End
	Beginning of Year				
	\$	\$	\$	\$	\$
Elementary challenge	1,067	24,195	23,997	-	1,265
Drama club	390	660	88	217	1,179
HS vocal music	3,380	9,776	7,462	706	6,400
HS instrumental music	3,437	956	837	706	4,262
Music resale	210	571	502	-	279
Performance team	759	2,085	3,128	284	-
HS athletics general	9,121	3,758	12,220	9,529	10,188
South Hardin uniform fund	18,858	66	-	(120)	18,804
HS athletic resale	29	-	-	-	29
HS basketball	5,373	11,899	11,328	(2,936)	3,008
HS athletic medical	360	-	778	1,000	582
HS athletic clinics	212	-	155	-	57
HS baseball/softball	930	6,419	7,514	(240)	(405)
HS track	3,550	7,749	8,869	(370)	2,060
HS track resurfacing	24,962	2,959	-	-	27,921
HS cross country	1,069	2,083	2,843	(141)	168
HS tennis	374	579	893	-	60
HS golf	-	2,149	2,956	807	-
Cheerleaders	1,461	4,403	4,190	-	1,674
HS football	5,346	12,842	22,201	(5,288)	(9,301)
Football fund raisers	749	6,636	7,597	212	-
HS wrestling	6,852	4,983	4,888	494	7,441
HS volleyball	2,377	4,737	2,806	570	4,878
HS student council	58	2,302	2,094	-	266
Get a grip	2,420	165	737	-	1,848
National Honor Society	5,225	1,826	775	(127)	6,149
FFA	8,280	17,572	20,334	-	5,518
Spanish club	687	-	-	-	687
Class of 2009	493	-	-	-	493
Class of 2010	3,324	1,400	3,808	-	916
Class of 2011	8,350	2,685	7,644	-	3,391
Class of 2012	937	16,363	7,664	(364)	9,272
Class of 2013	-	1,005	69	-	936
HS concessions, donations	12,109	9,473	4,870	(6,735)	9,977
Concessions, equipment	-	209	-	1,796	2,005
HS annual/2009	4,417	340	2,688	-	2,069
HS annual/2010	-	13,617	8,338	-	5,279
Total	137,166	176,462	184,273	-	129,355

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	3,562,847	3,307,914	3,065,083	2,807,471	2,435,057	2,218,849	2,146,596
Tuition	922,038	1,053,973	1,089,985	476,037	432,390	450,521	539,036
Other	391,658	467,313	506,318	595,340	353,876	287,871	371,978
Intermediate sources	1,500	-	-	-	-	-	-
State sources	3,261,923	3,663,084	3,681,270	3,144,613	3,037,791	2,916,933	2,808,713
Federal sources	733,755	426,830	243,776	256,781	241,466	239,826	245,777
Total revenues	<u>8,873,721</u>	<u>8,919,114</u>	<u>8,586,432</u>	<u>7,280,242</u>	<u>6,500,580</u>	<u>6,114,000</u>	<u>6,112,100</u>
Expenditures:							
Instruction:							
Regular	3,387,765	3,424,959	3,446,073	2,546,190	2,379,427	2,443,073	2,424,608
Special	1,407,354	1,362,417	1,441,756	1,012,515	911,520	1,033,569	1,076,093
Other	880,199	847,229	825,586	742,927	687,808	523,538	531,043
Support services:							
Student	140,742	152,229	167,077	152,211	292,966	266,640	262,857
Instructional staff	415,881	359,938	296,240	333,836	313,084	125,522	120,932
Administration	604,816	678,591	652,480	665,812	562,549	574,249	572,346
Operation and maintenance	931,895	490,575	584,854	503,120	507,324	396,198	415,384
Transportation	334,137	296,163	298,044	269,662	158,180	143,738	162,906
Non-instructional programs	132,632	146,914	140,569	176,273	-	2,782	2,528
Other expenditures:							
Facilities acquisition	129,818	2,427,660	478,000	34,003	32,923	135,720	38,687
Long-term debt:							
Principal	576,500	390,000	440,000	420,000	395,000	435,246	616,823
Interest and other charges	105,876	83,350	61,662	79,400	96,062	114,037	141,831
AEA flowthrough	288,369	245,434	240,201	213,293	197,357	191,554	195,946
Total expenditures	<u>9,335,984</u>	<u>10,905,459</u>	<u>9,072,542</u>	<u>7,149,242</u>	<u>6,534,200</u>	<u>6,385,866</u>	<u>6,561,984</u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures \$</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	12,657
National School Lunch Program (non-cash)	10.555	FY10	15,208
National School Lunch Program	10.555	FY10	108,404
Special Milk Program for Children	10.556	FY10	640
			<u>136,909</u>
Child and Adult Care Food Program	10.558	FY10	14,570
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	107,293
Title I Grants to Local Educational Agencies	84.010A	FY10	15,171
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	12,067
			<u>134,531</u>
Special Education Preschool Grant (IDEA)	84.173	FY10	1,255
Safe and Drug Free Schools and Communities - State Grants	84.186	FY10	2,974
Fund for the Improvement of Education	84.215	FY10	25,000
Advanced Placement Program	84.330	FY10	56
Improving Teacher Quality State Grants	84.367	FY10	34,817
Grants for State Assessments and Related Activities	84.369	FY10	3,588
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	311,377
Area Education Agency 267			
Special Education - Grants to States	84.027	FY10	33,825
Career and Technical Education - Basic Grants to States	84.048	FY10	10,160
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	59,414
U.S. Department of Health and Human Services:			
Marshall County Coalition for Youth			
Temporary Assistance for Needy Families	93.558	FY10	15,050
Total			<u><u>783,526</u></u>

* Total for Special Education Cluster (IDEA) is \$94,494

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Eldora-New Providence 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 Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Gary E. Horton CPA

PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

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
Eldora-New Providence 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 Eldora-New Providence 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 January 31, 2011. We did not issue an opinion on the Eldora-New Providence School Foundation, which is included in the District's financial statements as a discretely presented component unit, because we were not engaged to and did not audit the Foundation. 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 Eldora-New Providence Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Eldora-New Providence Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Eldora-New Providence 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 material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eldora-New Providence 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.

Eldora-New Providence 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 Eldora-New Providence 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 Eldora-New Providence Community School District and other parties to whom Eldora-New Providence 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 Eldora-New Providence 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

January 31, 2011

Gary E. Horton CPA

PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

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
Eldora-New Providence Community School District:

Compliance

We have audited Eldora-New Providence Community School District's compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Eldora-New Providence Community School District's major federal programs for the year ended June 30, 2010. Eldora-New Providence 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 grants applicable to each of its major federal programs is the responsibility of Eldora-New Providence Community School District's management. Our responsibility is to express an opinion on Eldora-New Providence Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Eldora-New Providence 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 Eldora-New Providence Community School District's compliance with those requirements.

In our opinion, Eldora-New Providence 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

Management of Eldora-New Providence Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Eldora-New Providence Community School District's internal control over compliance with requirements that

could have a direct and material effect on a major federal program 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 Eldora-New Providence 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 deficiencies in internal control over compliance we consider to be a material weaknesses.

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 that 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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 10-III-A and 10-III-B to be material weaknesses.

Eldora-New Providence Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Eldora-New Providence Community School District's responses and, accordingly, we express no opinion on the responses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Eldora-New Providence Community School District and other parties to whom Eldora-New Providence 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

January 31, 2011

ELDORA-NEW PROVIDENCE 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 governmental activities, business type activities, each major fund and the aggregate remaining fund information. A disclaimer was issued on the discretely presented component unit.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements. No significant deficiencies were reported.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements. No significant deficiencies were reported.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
 - Title I Part A Cluster
 - 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) Eldora-New Providence Community School District did not qualify as a low-risk auditee.

ELDORA-NEW PROVIDENCE 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:

10-II-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks, and bank reconciliations, preparation and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

10-II-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported

ELDORA-NEW PROVIDENCE 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 Deficiencies:

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

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

10-III-A Reporting: Iowa schools must file quarterly financial reports for ARRA spending with the Iowa Department of Education. We noted that the ARRA State Fiscal Stabilization Fund quarterly report for the March 31, 2010 quarterly financial report did not match the District's accounting records. The discrepancy was adjusted so that the June 30, 2010 quarterly report showed the accumulated expenditures and matched the accounting records.

Iowa schools must file annual reports with the Iowa Department of Education showing Title I annual expenditures. The line items on the Title I annual report did not match the accounting records. The Iowa Department of Education allowed the District to file an amended report showing the actual line item expenditures and allowed an additional line item for indirect costs.

Recommendation: The District should develop controls to ensure that employees filing federal financial reports consult with the accounting office before filing any federal financial reports. Discrepancies between the Grant Administrator's records of expenditures and the accounting office's record of expenditures should be reconciled before the federal financial reports are filed.

District Response: We will change our process for filing federal financial reports.

Conclusion: Response accepted.

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

10-III-B Allowable costs: The District does not have a system in place to ensure that the amount of actual time that an aid spends on the Title I Program was the actual amount of time charged to the Title I program. The Title I Program also incurred approximately \$2,450 of expenditures for supplies and services that were not posted to Title I expenditure accounts as incurred.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards (continued):

Recommendation: The District needs to develop a system to track the actual amount of time that employees spend on the Title I program and develop a system to identify expenditures for federal grant supplies and services so that they can be coded to correct expenditure accounts as incurred.

District Response: We have reviewed our class schedules for fiscal year 2011 to ensure that the correct percentage of employee time is being charged to Title I and we have reviewed rules for federal expenditure coding with Grant Administrators.

Conclusion: Response accepted.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

10-IV-A Certified Budget: Expenditures for the year ended June 30, 2010, exceeded the amounts budgeted in the support services, non-instructional programs and other expenditures functional areas.

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

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

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

10-IV-C Travel Expenses: 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.

10-IV-D Business Transactions: No business transactions between the District and District officials or employees were noted.

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

10-IV-F Board Minutes: We noted no transactions requiring board approval that had not been approved by the Board.

10-IV-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

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

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

10-IV-J Certified Annual Report (CAR): The Certified Annual Report was certified timely to the Iowa Department of Education.

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

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

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

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

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

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

Conclusion: Response accepted.

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

Beginning balance	\$	\$
		260,019
Statewide sales, services and use tax		428,974
Interest income		419
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	78,116	
Debt service for school infrastructure:		
General obligation debt	138,473	
Revenue debt	179,368	395,957
		<u>293,455</u>
Ending balance		

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

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	\$	\$
Debt service Levy	1.9519	317,841
Physical plant and equipment levy	.6825	111,133

10-IV-M Financial Condition: The District has a General Fund deficit unreserved fund balance of \$272,311, the Daycare Fund has a deficit unrestricted net assets balance of \$36,675 and the School Nutrition Fund has a deficit unrestricted net assets of \$17,376 at June 30, 2010.

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

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

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

District Response: The District has made budget cuts and implemented a cash reserve levy to reduce the General Fund deficit. The Daycare Center is a joint effort with the City of Eldora and the City is going to help offset the deficits.

Conclusion: Response accepted.

10-IV-N Use of School Vehicles: We noted that one maintenance employee has use of a school vehicle for commuting from home to school. This is a taxable fringe benefit.

Recommendation: The District should review and follow Internal Revenue Service guidelines for determining the taxable portion of the personal use of the vehicle.

District Response: We will follow the relevant IRS guidelines and the value of commuting in school vehicles will be reported on employee W-2 forms for calendar year 2010.

Conclusion: Response accepted.

10-IV-O Interfund Loans: The Iowa Department of Education has issued a Declaratory Order covering interfund loans. The Order states that all loans between funds must be approved by the board of directors, interest must be paid on the interfund loan and the loan must be repaid before the October 1 after each year-end.

We noted that the General Fund loans the Daycare Fund monies for cash flow as needed.

Recommendation: The District should follow the June 16, 2008 Declaratory Order with respect to the interfund loan to the Daycare Fund.

District Response: We are investigating ways to increase day care revenues so that it will have cash for operations.

Conclusion: Response accepted.

10-IV-P Transfers to Daycare Fund: The District and the City of Eldora have an agreement that the school will run a daycare center in a building owned by the City of Eldora and that the City of Eldora will cover 50% of the daycare center financial deficits. In the past the District has transferred General Fund money to the Daycare Fund to cover the District's share of deficits. The Iowa Department of Education has issued an opinion that General Fund money may not be used to cover Daycare Fund deficits.

Recommendation: The District should discuss this issue with its attorney.

District Response: We have discussed this with our attorney.

Conclusion: Response accepted.