

ESSEX COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Basic Financial Statements		29-40
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of Funding Progress for the Retiree Health Fund		44
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	47
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	48
Combining Balance Sheet - Private Purpose Trust Accounts	4	49
Combining Schedule of Changes in Fiduciary Net Assets - Private Purpose Trust Accounts	5	50
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	6	51
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	7	52
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 <u>Government Auditing Standards</u>		53-54
Schedule of Findings		55-57

Essex Community School District
 Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Dennis Liljedahl	President	2009
Tim Johnson	Vice President	2009
Christy Johnson	Board Member	2011
Doug Ohnmacht	Board Member	2011
Blake Jensen	Board Member	2011
Board of Education (After September 2009 Election)		
Dennis Liljedahl	President	2013
Christy Johnson	Vice President	2011
Tim Johnson	Board Member	2013
Doug Ohnmacht	Board Member	2011
Blake Jensen	Board Member	2011
School Officials		
Ron Flynn	Superintendent	2010
Sherri Ruzek	Business Manager	2010
Kay Schaefer	Board Secretary	2010
Ahlers & Cooney, P.C.	District Attorney	2010



NOTLE, CORNMAN & JOHNSON P.C.

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(a professional corporation)

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INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Essex 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 five years ended June 30, 2009 (which are not presented here in) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Essex 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 \$2,611,722 in fiscal year 2009 to \$2,512,748 in fiscal year 2010, while General Fund expenditures increased from \$2,573,599 in fiscal 2009 to \$2,592,680 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from \$509,132 in fiscal 2009 to \$429,200 in fiscal 2010, a 15.70% decrease from prior year.
- The decrease in General Fund revenues was attributable to a decrease in state sources of revenue in fiscal 2010. The increase in expenditures was due in part to an increase in other instruction expenditures.
- Overall, the District's net assets in the governmental activities decreased by \$183,431 and decreased in the business type activities by \$3,651.

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 Essex 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 Essex Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Essex Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

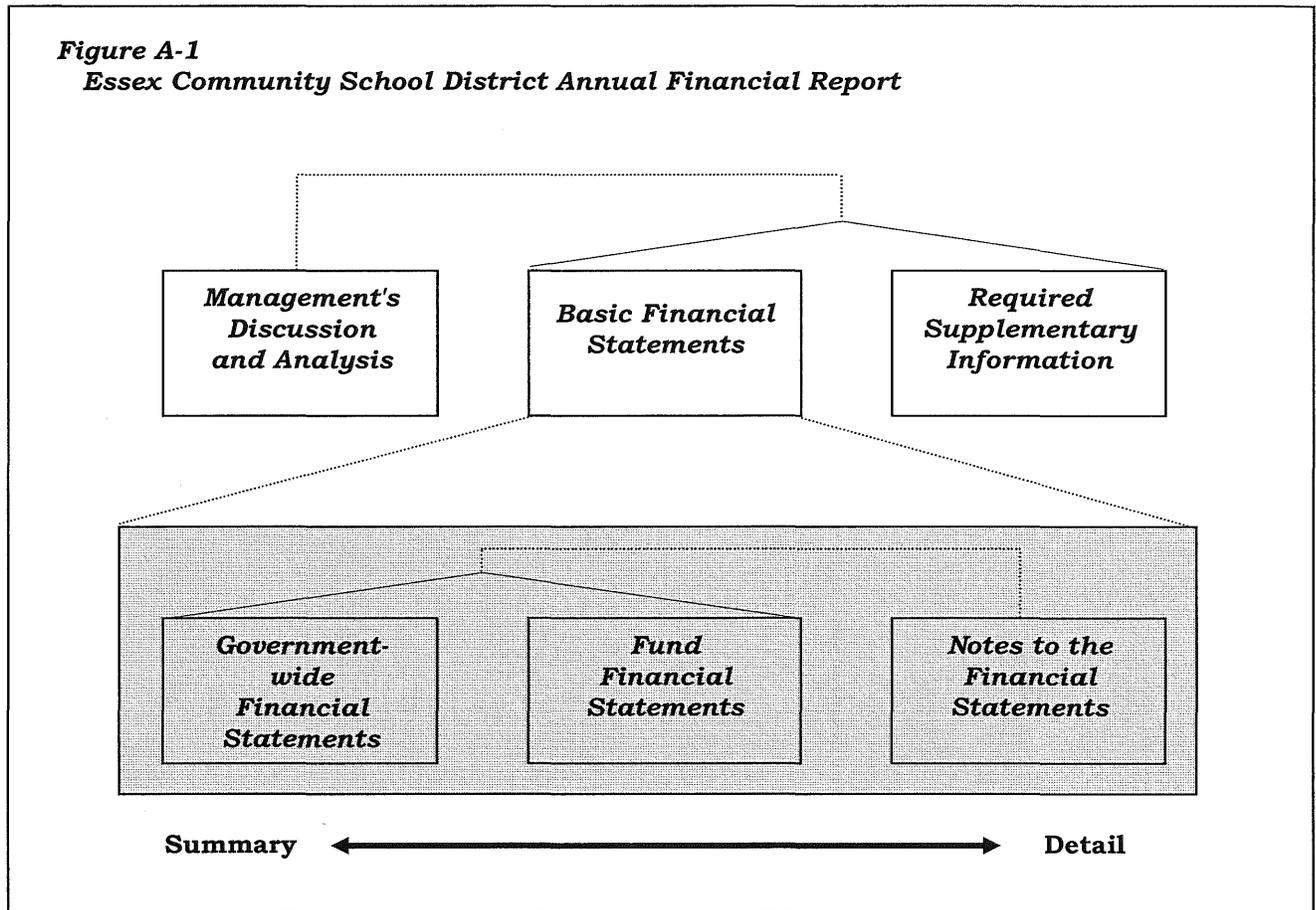


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities and the Empowerment Program, whereby the District acts as the fiscal agent.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 2,020,034	2,221,886	1,800	4,182	2,021,834	2,226,068	-9.17%
Capital assets	1,730,488	1,502,491	6,502	8,914	1,736,990	1,511,405	14.93%
Total assets	<u>3,750,522</u>	<u>3,724,377</u>	<u>8,302</u>	<u>13,096</u>	<u>3,758,824</u>	<u>3,737,473</u>	<u>0.57%</u>
Long-term obligations	420,653	38,459	-	-	420,653	38,459	993.77%
Other liabilities	1,231,834	1,404,452	907	2,050	1,232,741	1,406,502	-12.35%
Total liabilities	<u>1,652,487</u>	<u>1,442,911</u>	<u>907</u>	<u>2,050</u>	<u>1,653,394</u>	<u>1,444,961</u>	<u>14.42%</u>
Net assets:							
Invested in capital assets, net of related debt	1,480,488	1,502,491	6,502	8,914	1,486,990	1,511,405	-1.62%
Restricted	222,967	206,933	-	-	222,967	206,933	7.75%
Unrestricted	394,580	572,042	893	2,132	395,473	574,174	-31.12%
Total net assets	<u>\$ 2,098,035</u>	<u>2,281,466</u>	<u>7,395</u>	<u>11,046</u>	<u>2,105,430</u>	<u>2,292,512</u>	<u>-8.16%</u>

The District's combined net assets decreased by 8.16%, or \$187,082 from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, 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 7.75%, or \$16,034 compared to prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased 31.12%, or \$178,701 from the prior year.

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

Figure A-4 Changes in Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 255,078	252,371	58,151	57,926	313,229	310,297	0.94%
Operating grants, contributions and restricted interest	520,097	442,134	48,231	49,760	568,328	491,894	15.54%
Capital grants, contributions and restricted interest	1,704	-	-	-	1,704	-	100.00%
General revenues:							
Local tax	914,623	863,476	-	-	914,623	863,476	5.92%
Income surtax	132,474	139,017	-	-	132,474	139,017	-4.71%
Statewide sales, services and use tax	143,236	162,314	-	-	143,236	162,314	-11.75%
Unrestricted state grants	742,836	1,102,532	-	-	742,836	1,102,532	-32.62%
Other general revenues	16,429	85,745	1,684	46	18,113	85,791	-78.89%
Transfers	(3,300)	(13,600)	3,300	13,600	-	-	0.00%
Total revenues and transfers	<u>2,723,177</u>	<u>3,033,989</u>	<u>111,366</u>	<u>121,332</u>	<u>2,834,543</u>	<u>3,155,321</u>	<u>-10.17%</u>
Program expenses:							
Governmental activities:							
Instructional	1,866,186	1,844,723	-	-	1,866,186	1,844,723	1.16%
Support services	836,016	749,923	-	-	836,016	749,923	11.48%
Non-instructional programs	-	-	115,017	126,932	115,017	126,932	-9.39%
Other expenses	204,406	290,116	-	-	204,406	290,116	-29.54%
Total expenses	<u>2,906,608</u>	<u>2,884,762</u>	<u>115,017</u>	<u>126,932</u>	<u>3,021,625</u>	<u>3,011,694</u>	<u>0.33%</u>
Change in net assets	(183,431)	149,227	(3,651)	(5,600)	(187,082)	143,627	-230.26%
Net assets beginning of year	<u>2,281,466</u>	<u>2,132,239</u>	<u>11,046</u>	<u>16,646</u>	<u>2,292,512</u>	<u>2,148,885</u>	<u>6.68%</u>
Net assets end of year	<u>\$ 2,098,035</u>	<u>2,281,466</u>	<u>7,395</u>	<u>11,046</u>	<u>2,105,430</u>	<u>2,292,512</u>	<u>-8.16%</u>

Local tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 70.99% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 95.52% of business type activities revenue.

The District's total revenues were approximately \$2.83 million, of which approximately \$2.72 million was for governmental activities and approximately \$0.11 million was for business type activities.

As shown in figure A-4, the District as a whole experienced a 10.17% decrease in revenues and a 0.33% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$2,723,177 and expenses were \$2,906,608.

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

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 1,866,186	1,844,723	1.16%	1,191,597	1,246,732	-4.42%
Support services	836,016	749,923	11.48%	836,016	749,923	11.48%
Other expenses	204,406	290,116	-29.54%	102,116	193,602	-47.25%
Totals	<u>\$ 2,906,608</u>	<u>2,884,762</u>	<u>0.76%</u>	<u>2,129,729</u>	<u>2,190,257</u>	<u>-2.76%</u>

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$255,078.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$521,801.
- The net cost of governmental activities was financed with \$914,623 in local tax, \$132,474 of income surtax, \$143,236 in statewide sales, services and use tax, \$742,836 in unrestricted state grants, \$3,300 in interest income and \$9,829 in other revenues net of transfers.

Business Type Activities

Revenues of the District's business type activities were \$111,366 and expenses were \$115,017. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$675,021, down from last year's ending fund balances of \$712,077.

Governmental Fund Highlights

- The District's General Fund financial position changed from \$509,132 to \$429,200. This was due in part to the reduction in state sources of revenue during the year.
- The District's Capital Projects Fund increased \$24,861 to an ending fund balance of \$128,642.
- The Special Revenue, Physical Plant and Equipment Levy fund balance increased from \$1,380 in fiscal year 2009 to \$10,212 in fiscal year 2010.

Proprietary Funds Highlights

The School Nutrition Fund net assets decreased from \$11,046 at June 30, 2009 to \$7,395 at June 30, 2010.

BUDGETARY HIGHLIGHTS

The District's revenues were \$535,270 less than budgeted revenues, a variance of 15.92 %. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of disbursements paid at year-end.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$1.74 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) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$105,499.

The original cost of the District's capital assets was \$3,624,068. Governmental funds account for \$3,564,608 with the remainder of \$59,460 in the School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$17,200 at June 30, 2009, compared to \$26,025 reported at June 30, 2010.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 4,812	4,812	-	-	4,812	4,812	0.00%
Construction in progress	26,025	17,200	-	-	26,025	17,200	33.91%
Buildings	1,534,578	1,271,109	-	-	1,534,578	1,271,109	20.73%
Land improvements	13,144	14,733	-	-	13,144	14,733	-10.79%
Machinery and equipment	151,929	194,637	6,502	8,914	158,431	203,551	-22.17%
Total	\$ 1,730,488	1,502,491	6,502	8,914	1,736,990	1,511,405	14.93%

Long-Term Debt

At June 30, 2010, the District had \$420,653 in total long-term debt outstanding. This represents an increase of 993.8% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

During the year ended June 30, 2010, the district issue \$250,000 of Qualified School Construction Bonds to fund various construction projects.

The District had total outstanding early retirement payable from the Special Revenue, Management Levy Fund of \$107,700 at June 30, 2010.

During its initial year of recording net OPEB liability in accordance with GASB Statement No. 45, the District disclosed a balance of \$62,953 at June 30, 2010.

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-10
QSCB bonds	\$ 250,000	-	100.0%
Early retirement	107,700	38,459	180.0%
Net OPEB liability	62,953	-	100.0%
Totals	<u>\$ 420,653</u>	<u>38,459</u>	<u>993.8%</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:

- Increases in health insurance premiums, along with salaries and benefits for the employees is always a concern for the District.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sherri Ruzek, Business Manager, Essex Community School District, 111 Forbes Street, Essex, Iowa, 51638.



BASIC FINANCIAL STATEMENTS

ESSEX COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 817,794	565	818,359
Receivables:			
Property tax:			
Delinquent	15,863	-	15,863
Succeeding year	955,685	-	955,685
Income surtax	113,179	-	113,179
Accounts	6,601	485	7,086
Due from other governments	110,912	-	110,912
Inventories	-	750	750
Capital assets, net of accumulated depreciation	1,730,488	6,502	1,736,990
Total assets	3,750,522	8,302	3,758,824
Liabilities			
Accounts payable	55,935	-	55,935
Salaries and benefits payable	205,851	-	205,851
Deferred revenue:			
Succeeding year property tax	955,685	-	955,685
Other	14,363	-	14,363
Unearned revenue	-	907	907
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	26,299	-	26,299
Portion due after one year:			
QSCB bonds payable	250,000	-	250,000
Early retirement payable	81,401	-	81,401
Net OPEB liability	62,953	-	62,953
Total liabilities	1,652,487	907	1,653,394
Net Assets			
Invested in capital assets, net of related debt	1,480,488	6,502	1,486,990
Restricted for:			
Categorical funding	48,583	-	48,583
Capital projects	128,642	-	128,642
Physical plant and equipment levy	10,212	-	10,212
Other special revenue purposes	35,530	-	35,530
Unrestricted	394,580	893	395,473
Total net assets	\$ 2,098,035	7,395	2,105,430

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 1,357,573	154,173	343,242	-	(860,158)	-	(860,158)
Special	235,810	9,460	49,166	-	(177,184)	-	(177,184)
Other	272,803	91,445	27,103	-	(154,255)	-	(154,255)
	<u>1,866,186</u>	<u>255,078</u>	<u>419,511</u>	<u>-</u>	<u>(1,191,597)</u>	<u>-</u>	<u>(1,191,597)</u>
Support services:							
Student services	69,081	-	-	-	(69,081)	-	(69,081)
Instructional staff	50,886	-	-	-	(50,886)	-	(50,886)
Administration	396,134	-	-	-	(396,134)	-	(396,134)
Operation and maintenance of plant	186,247	-	-	-	(186,247)	-	(186,247)
Transportation	133,668	-	-	-	(133,668)	-	(133,668)
	<u>836,016</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(836,016)</u>	<u>-</u>	<u>(836,016)</u>
Other expenditures:							
Facilities acquisitions	49,985	-	-	1,704	(48,281)	-	(48,281)
AEA flowthrough	100,586	-	100,586	-	-	-	-
Depreciation(unallocated)*	53,835	-	-	-	(53,835)	-	(53,835)
	<u>204,406</u>	<u>-</u>	<u>100,586</u>	<u>1,704</u>	<u>(102,116)</u>	<u>-</u>	<u>(102,116)</u>
Total governmental activities	2,906,608	255,078	520,097	1,704	(2,129,729)	-	(2,129,729)
Business Type activities:							
Non-instructional programs:							
Nutrition services	115,017	58,151	48,231	-	-	(8,635)	(8,635)
Total	\$ 3,021,625	313,229	568,328	1,704	(2,129,729)	(8,635)	(2,138,364)
General Revenues and Transfers:							
General revenues:							
Local tax for:							
General purposes					\$ 894,067	-	894,067
Capital outlay					20,556	-	20,556
Income surtax					132,474	-	132,474
Statewide sales, services and use tax					143,236	-	143,236
Unrestricted state grants					742,836	-	742,836
Unrestricted investment earnings					3,300	7	3,307
Other general revenues					13,129	1,677	14,806
Transfers					(3,300)	3,300	-
Total general revenues and transfers					<u>1,946,298</u>	<u>4,984</u>	<u>1,951,282</u>
Changes in net assets					(183,431)	(3,651)	(187,082)
Net assets beginning of year					2,281,466	11,046	2,292,512
Net assets end of year					<u>\$ 2,098,035</u>	<u>7,395</u>	<u>2,105,430</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

ESSEX COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 615,838	85,836	116,120	817,794
Receivables:				
Property tax				
Delinquent	14,645	-	1,218	15,863
Succeeding year	863,369	-	92,316	955,685
Income surtax	113,179	-	-	113,179
Accounts	6,466	-	135	6,601
Due from other governments	68,106	42,806	-	110,912
Total assets	\$ 1,681,603	128,642	209,789	2,020,034
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 55,641	-	294	55,935
Salaries and benefits payable	205,851	-	-	205,851
Deferred revenue:				
Succeeding year property tax	863,369	-	92,316	955,685
Income surtax	113,179	-	-	113,179
Other	14,363	-	-	14,363
Total liabilities	1,252,403	-	92,610	1,345,013
Fund balances:				
Reserved for:				
Categorical funding	48,583	-	-	48,583
Unreserved, designated	4,511	-	-	4,511
Unreserved, undesignated	376,106	128,642	117,179	621,927
Total fund balances	429,200	128,642	117,179	675,021
Total liabilities and fund balances	\$ 1,681,603	128,642	209,789	2,020,034

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 20)	\$	675,021
 <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 in the governmental funds.		1,730,488
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		113,179
Long-term liabilities, including QSCB bonds payable, early retirement payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(420,653)
		<hr/>
Net assets of governmental activities (page 18)	\$	<u>2,098,035</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 968,884	143,236	70,391	1,182,511
Tuition	137,499	-	-	137,499
Other	43,508	66	95,509	139,083
State sources	1,031,916	-	-	1,031,916
Federal sources	227,243	-	403	227,646
Total revenues	<u>2,409,050</u>	<u>143,302</u>	<u>166,303</u>	<u>2,718,655</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,214,399	-	23,791	1,238,190
Special	229,700	-	-	229,700
Other	188,769	-	86,662	275,431
	<u>1,632,868</u>	<u>-</u>	<u>110,453</u>	<u>1,743,321</u>
Support services:				
Student	68,166	-	-	68,166
Instructional staff	52,774	-	-	52,774
Administration	362,914	-	6,926	369,840
Operation and maintenance of plant	166,886	-	15,186	182,072
Transportation	101,686	-	4,441	106,127
	<u>752,426</u>	<u>-</u>	<u>26,553</u>	<u>778,979</u>
Other expenditures:				
Facilities acquisitions	-	363,441	11,282	374,723
Long-term debt:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
AEA flowthrough	100,586	-	-	100,586
	<u>100,586</u>	<u>363,441</u>	<u>11,282</u>	<u>475,309</u>
Total expenditures	<u>2,485,880</u>	<u>363,441</u>	<u>148,288</u>	<u>2,997,609</u>
Excess(deficiency)of revenues over (under)expenditures	(76,830)	(220,139)	18,015	(278,954)
Other financing sources(uses):				
QSCB bonds issued	-	250,000	-	250,000
Issuance cost of bonds	-	(5,000)	-	(5,000)
Transfer in	103,500	100,000	-	203,500
Transfer out	(106,800)	(100,000)	-	(206,800)
Compensation for loss on fixed assets	198	-	-	198
Total other financing sources(uses)	<u>(3,102)</u>	<u>245,000</u>	<u>-</u>	<u>241,898</u>
Net change in fund balances	(79,932)	24,861	18,015	(37,056)
Fund balances beginning of year	509,132	103,781	99,164	712,077
Fund balances end of year	<u>\$ 429,200</u>	<u>128,642</u>	<u>117,179</u>	<u>675,021</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds(page 22) \$ (37,056)

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

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

Loss on disposal	\$ (285)	
Depreciation expense	(103,087)	
Capital outlay expenditures	<u>331,369</u>	227,997

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

7,822

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

Early Retirement	(69,241)	
Other postemployment benefits	<u>(62,953)</u>	(132,194)

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

(250,000)

Changes in net assets of governmental activities(page 19) \$ (183,431)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 565
Accounts receivable	485
Inventories	750
Capital assets, net of accumulated depreciation	<u>6,502</u>
Total assets	<u>8,302</u>
Liabilities	
Unearned revenue	<u>907</u>
Net Assets	
Invested in capital assets	6,502
Unrestricted	893
Total net assets	<u>\$ 7,395</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 58,151
Miscellaneous	1,677
Total operating revenues	59,828
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	39,978
Benefits	5,707
Services	1,895
Supplies	64,972
Depreciation	2,412
Other	53
Total operating expenses	115,017
Operating loss	(55,189)
Non-operating revenues:	
State sources	1,137
Federal sources	47,094
Interest income	7
Total non-operating revenues	48,238
Loss before other financing sources(uses)	(6,951)
Other financing sources(uses):	
Transfer In	6,800
Transfer Out	(3,500)
Total other financing sources(uses)	3,300
Decrease in net assets	(3,651)
Net assets beginning of year	11,046
Net assets end of year	\$ 7,395

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 56,523
Cash received from miscellaneous operating activities	1,677
Cash payments to employees for services	(45,685)
Cash payments to suppliers for goods or services	(61,086)
Net cash used by operating activities	(48,571)
Cash flows from non-capital financing activities:	
State grants received	1,137
Federal grants received	41,468
Net cash provided by non-capital financing activities	42,605
Cash flows from capital and related financing activities:	
Net Transfer from General Fund	3,300
Cash flows from investing activities:	
Interest on investments	7
Net decrease in cash and cash equivalents	(2,659)
Cash and cash equivalents at beginning of year	3,224
Cash and cash equivalents at end of year	\$ 565
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (55,189)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities consumed	5,626
Depreciation	2,412
Decrease in inventories	209
Increase in accounts receivable	(486)
Decrease in unearned revenue	(1,143)
Net cash used by operating activities	\$ (48,571)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2010, the District received \$5,626 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

ESSEX COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2010

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 49,635	1,557
Liabilities		
Due to other groups	-	1,557
Net Assets		
Restricted for scholarships	40,000	-
Unrestricted	9,635	-
	<u>\$ 49,635</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Additions	
Local sources:	
Interest income	\$ 852
Deductions	
Instruction:	
Scholarships awarded	3,000
Change in net assets	(2,148)
Net assets beginning of year	51,783
Net assets end of year	\$ 49,635

SEE NOTES TO FINANCIAL STATEMENTS.

ESSEX COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

The Essex 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 City of Essex, Iowa, and the predominate agricultural territory in a portion of Page and Montgomery 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, Essex 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 Essex Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but 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 Page and Montgomery 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 support.

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

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

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

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

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

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

The District reports the following major governmental fund:

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the School Nutrition Fund and Resale Fund, which are used to account for the District's food service operations and resale operations.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

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

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

Asset Class	Amount
Land	\$ 500
Buildings	1,000
Land improvements	1,000
Intangibles	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized

since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. However, during the year disbursements in the other expenditures functional area exceeded the amounts budgeted.

(2) Cash and Pooled Investments

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

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

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$392,966 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Transfers

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

Transfer to	Transfer from	Amount
Capital Projects	General	\$ 100,000
General	Capital Projects	100,000
Nutrition	General	6,800
General	Nutrition	3,500
Total		<u>\$ 210,300</u>

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

The transfers shown above were made for cash flow purposes. The General Fund also provided some deficit relief to the Nutrition Fund.

(4) Iowa School Cash Anticipation Program (ISCAP)

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

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the 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%. During the year ended June 30, 2010, the District had no ISCAP advance activity.

During the year ended June 30, 2010, the District paid \$1,388 of interest on the ISCAP warrants.

(5) **Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,812	-	-	4,812
Construction in progress	17,200	299,325	290,500	26,025
Total capital assets not being depreciated	<u>22,012</u>	<u>299,325</u>	<u>290,500</u>	<u>30,837</u>
Capital assets being depreciated:				
Buildings	2,342,307	316,000	-	2,658,307
Land improvements	171,075	-	8,190	162,885
Machinery and equipment	706,035	6,544	-	712,579
Total capital assets being depreciated	<u>3,219,417</u>	<u>322,544</u>	<u>8,190</u>	<u>3,533,771</u>
Less accumulated depreciation for:				
Buildings	1,071,198	52,531	-	1,123,729
Land improvements	156,342	1,304	7,905	149,741
Machinery and equipment	511,398	49,252	-	560,650
Total accumulated depreciation	<u>1,738,938</u>	<u>103,087</u>	<u>7,905</u>	<u>1,834,120</u>
Total capital assets being depreciated, net	<u>1,480,479</u>	<u>219,457</u>	<u>285</u>	<u>1,699,651</u>
Governmental activities capital assets, net	<u>\$ 1,502,491</u>	<u>518,782</u>	<u>290,785</u>	<u>1,730,488</u>
Business type activities:				
Machinery and equipment	\$ 59,460	-	-	59,460
Less accumulated depreciation	50,546	2,412	-	52,958
Business type activities capital assets, net	<u>\$ 8,914</u>	<u>(2,412)</u>	<u>-</u>	<u>6,502</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 15,949
Other	835
Support services:	
Instructional staff	1,031
Administration	3,090
Operation and maintenance of plant	811
Transportation	27,536
	<u>49,252</u>
Unallocated depreciation	<u>53,835</u>
Total governmental activities depreciation expense	<u>\$ 103,087</u>
Business type activities:	
Food services	<u>\$ 2,412</u>

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
QSCB bonds	\$ -	250,000	-	250,000	-
Early retirement	38,459	74,513	5,272	107,700	26,299
Net OPEB liability	-	62,953	-	62,953	-
Total	\$ 38,459	387,466	5,272	420,653	26,299

Qualified School Construction Bonds

During the year ended June 30, 2010, the District issued zero interest Qualified School Construction Bonds (QSCB). Money is set aside within the Capital Projects fund by making annual deposits into a Farmers Savings Bank escrow account that will be used to pay the indebtedness due September 1, 2024, of \$250,000.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine and must have completed twenty-five years of continuous service to the District. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement benefits paid during the year ended June 30, 2010, totaled \$5,272. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$94,154, \$92,780, and \$85,914 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 23 active and 4 retired members in the plan. Participants must be age 55 or older at age of retirement.

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

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

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

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

Annual required contribution	\$ 66,826
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>66,826</u>
Contributions made	<u>(3,873)</u>
Increase in net OPEB obligation	62,953
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 62,953</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 \$3,873 to the medical plan. Retired members eligible for the plan contributed \$57,162 or 93.65% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$66,826	5.80%	\$62,953

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 \$490,695, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$490,695. The

covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,195,497 and the ratio of the UAAL to covered payroll was 41.05%. As of June 30, 2010, there were no trust fund assets.

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

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

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

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$610 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2010 were \$262,177.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

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.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$100,586 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(11) Budget Overexpenditure

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

(12) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

Project	Amount
Returning Dropouts and Dropout Prevention Programs	\$ 26,867
Beginning Teacher Mentoring and Induction Program	1,119
Teacher Salary Supplement	8,310
Market Factor	780
Professional Development for Model Core Curriculum	5,988
Professional Development	5,519
Total	<u>\$ 48,583</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 1,459,093	59,835	1,518,928	1,645,231	1,645,231	(126,303)
State sources	1,031,916	1,137	1,033,053	1,531,760	1,531,760	(498,707)
Federal sources	227,646	47,094	274,740	185,000	185,000	89,740
Total revenues	<u>2,718,655</u>	<u>108,066</u>	<u>2,826,721</u>	<u>3,361,991</u>	<u>3,361,991</u>	<u>(535,270)</u>
Expenditures/Expenses:						
Instruction	1,743,321	-	1,743,321	2,395,734	2,395,734	652,413
Support services	778,979	-	778,979	1,131,794	1,131,794	352,815
Non-instructional programs	-	115,017	115,017	160,166	160,166	45,149
Other expenditures	475,309	-	475,309	315,292	315,292	(160,017)
Total expenditures/expenses	<u>2,997,609</u>	<u>115,017</u>	<u>3,112,626</u>	<u>4,002,986</u>	<u>4,002,986</u>	<u>890,360</u>
Deficiency of revenues under expenditures/expenses	(278,954)	(6,951)	(285,905)	(640,995)	(640,995)	355,090
Other financing sources, net	241,898	3,300	245,198	-	-	245,198
Deficiency of revenues and other financing sources under expenditures/expenses	(37,056)	(3,651)	(40,707)	(640,995)	(640,995)	600,288
Balance beginning of year	712,077	11,046	723,123	689,387	689,387	33,736
Balance end of year	<u>\$ 675,021</u>	<u>7,395</u>	<u>682,416</u>	<u>48,392</u>	<u>48,392</u>	<u>634,024</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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

During the year ended June 30, 2010, the District's disbursements in the other expenditures functional area exceeded the amounts budgeted.

ESSEX COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended	Actuarial Valuation	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2010	July 1, 2009	-	\$ 490,695	490,695	0.00%	\$ 1,195,497	41.05%

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

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue			Total Special Revenue Funds
	Manage- ment Levy	Physical Plant & Equipment Levy	Student Activity	
Assets				
Cash and pooled investments	\$ 70,573	9,858	35,689	116,120
Receivables:				
Property tax:				
Delinquent	864	354	-	1,218
Succeeding year	70,000	22,316	-	92,316
Accounts	-	-	135	135
Total assets	\$ 141,437	32,528	35,824	209,789
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-	294	294
Deferred revenue:				
Succeeding year property tax	70,000	22,316	-	92,316
Total liabilities	70,000	22,316	294	92,610
Fund balances:				
Unreserved:				
Undesignated	71,437	10,212	35,530	117,179
Total liabilities and fund balances	\$ 141,437	32,528	35,824	209,789

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ESSEX COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 OTHER NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

	Special Revenue			Total Special Revenue Funds
	Manage- ment Levy	Physical Plant and Equipment Levy	Student Activity	
Revenues:				
Local sources:				
Local tax	\$ 49,835	20,556	-	70,391
Other	4,707	-	90,802	95,509
Federal sources	-	403	-	403
Total revenues	<u>54,542</u>	<u>20,959</u>	<u>90,802</u>	<u>166,303</u>
Expenditures:				
Current:				
Instruction:				
Regular	23,791	-	-	23,791
Other	-	-	86,662	86,662
Support services:				
Administration	6,926	-	-	6,926
Operation and maintenance of plant	14,341	845	-	15,186
Transportation	4,441	-	-	4,441
Other expenditures:				
Facilities acquisitions	-	11,282	-	11,282
Total expenditures	<u>49,499</u>	<u>12,127</u>	<u>86,662</u>	<u>148,288</u>
Net change in fund balances	5,043	8,832	4,140	18,015
Fund balances beginning of year	66,394	1,380	31,390	99,164
Fund balances end of year	<u>\$ 71,437</u>	<u>10,212</u>	<u>35,530</u>	<u>117,179</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 3,092	943	592	3,443
Instrumental music	50	149	19	180
Athletics	602	30,315	25,616	5,301
Skate Fund	-	1,271	1,271	-
JH VB tournament	3,818	1,973	4,486	1,305
Football fund	102	4,912	4,629	385
HS basketball	362	-	59	303
Softball girls	308	222	437	93
Elementary can drive	168	-	150	18
Class of 2009	940	-	500	440
Class of 2010	5,244	13,844	18,052	1,036
Class of 2011	54	12,634	8,656	4,032
Class of 2012	271	15	-	286
Class of 2013	(37)	85	-	48
Class of 2014	-	195	50	145
Class of 2015	-	48	41	7
Elementary Playground Equipment	2,659	7,971	4,234	6,396
Pep club	906	1,903	1,425	1,384
E-Stars	1,514	2,616	2,143	1,987
Safety patrol	17	-	-	17
Claire McKinney music fund	416	-	-	416
Annual	2,336	5,745	5,543	2,538
Elementary	566	-	29	537
Industrial arts	2,635	800	1,486	1,949
Media center	673	-	-	673
Special projects	481	-	319	162
National honor society	115	-	114	1
Pop fund	1,858	406	2,264	-
Box tops	609	-	609	-
Project class	123	-	-	123
Student council	1,508	4,755	3,938	2,325
Total	\$ 31,390	90,802	86,662	35,530

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ESSEX COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 PRIVATE PURPOSE TRUST ACCOUNTS
 JUNE 30, 2010

	Claire McKinney Trust	Saunder Scholarship	Joan Hamilton Scholarship	Danielle Wallin Scholarship	ES&C Scholarship	Total
Assets						
Cash and pooled investments	\$ 990	21,969	20,844	5,148	684	49,635
Liabilities	-	-	-	-	-	-
Net Assets						
Restricted for scholarships	-	20,000	20,000	-	-	40,000
Unrestricted	990	1,969	844	5,148	684	9,635
	\$ 990	21,969	20,844	5,148	684	49,635

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ESSEX COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN
 FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2010

	Claire McKinney Trust	Saunders Scholarship	Joan Hamilton Scholarship	Danielle Wallin Scholarship	ES&C Scholarship	Total
Additions:						
Interest	\$ -	379	378	95	-	852
Total additions	-	379	378	95	-	852
Deductions:						
Scholarships	-	500	1,000	1,000	500	3,000
Change in net assets	-	(121)	(622)	(905)	(500)	(2,148)
Net assets beginning of year	990	22,090	21,466	6,053	1,184	51,783
Net assets end of year	\$ 990	21,969	20,844	5,148	684	49,635

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Beginning Balance	Increases	Decreases	Ending Balance
JUST HELP KIDS				
Assets:				
Cash and other investments	\$ 702	-	-	702
Liabilities:				
Due to other groups	\$ 702	-	-	702
NURSE FUND				
Assets:				
Cash and other investments	\$ 677	825	647	855
Liabilities:				
Due to other groups	\$ 677	825	647	855
TOTAL				
Cash and other investments	\$ 1,379	825	647	1,557
Liabilities:				
Due to other groups	\$ 1,379	825	647	1,557

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis						
	Years Ended June 30						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 1,182,511	1,161,837	1,055,988	1,082,481	1,088,623	1,059,879	1,162,114
Tuition	137,499	144,879	172,999	169,071	133,075	121,086	153,736
Other	139,083	186,817	188,003	216,450	254,312	176,562	143,036
Intermediate sources	-	2,000	2,459	-	-	3,174	-
State sources	1,031,916	1,423,390	1,354,443	1,281,715	1,121,983	1,038,057	1,060,391
Federal sources	227,646	121,276	79,855	88,941	96,413	95,460	108,576
Total	<u>\$ 2,718,655</u>	<u>3,040,199</u>	<u>2,853,747</u>	<u>2,838,658</u>	<u>2,694,406</u>	<u>2,494,218</u>	<u>2,627,853</u>
Expenditures:							
Instruction:							
Regular	\$ 1,238,190	1,422,297	1,360,453	1,189,956	1,117,705	1,094,300	1,023,146
Special	229,700	218,744	189,187	139,147	134,904	138,480	167,814
Other	275,431	184,576	186,324	247,660	245,153	212,114	184,216
Support services:							
Student	68,166	91,984	90,473	82,955	69,713	42,331	24,112
Instructional staff	52,774	53,447	59,012	86,405	51,631	63,508	34,772
Administration	369,840	358,304	339,246	340,349	303,500	284,193	253,979
Operation and maintenance of plant	182,072	195,571	208,738	213,757	184,159	155,805	139,977
Transportation	106,127	90,669	109,306	114,733	94,646	77,486	97,851
Other expenditures:							
Facilities acquisition	374,723	196,903	47,542	71,672	154,069	117,703	38,705
Long-term debt:							
Principal	-	100,000	160,000	160,000	155,000	170,127	154,251
Interest and other charges	-	3,700	8,660	13,140	16,937	21,394	24,215
AEA flowthrough	100,586	96,514	87,568	84,149	74,390	78,350	73,674
Total	<u>\$ 2,997,609</u>	<u>3,012,709</u>	<u>2,846,509</u>	<u>2,743,923</u>	<u>2,601,807</u>	<u>2,455,791</u>	<u>2,216,712</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Essex Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Essex 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 Essex Community School District and other parties to whom Essex 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 Essex Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2011

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

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

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

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

Response - We will review internal controls in place, investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-10 Supporting Documents for Meal Reimbursements - It was noted during the audit, an instance of a meal reimbursement which lacked a detailed receipt or other form of supporting documentation.

Recommendation - Board Policy number 401.10 requires employees that use District credit cards to submit a detailed receipt in addition to a credit card receipt for purchases made. In exceptional circumstances, the Superintendent or the Board may allow a claim without proper receipt, in which case written documentation explaining the exceptional circumstance is maintained. The District should review procedures in place with personnel to ensure the proper detailed documentation will be available with paid meal reimbursements.

Response - We give each employee a copy of the school business procedures handbook that references the reimbursement policy. If there is not supporting documentation for reimbursement, the employee will not be reimbursed.

Conclusion -Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted

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

Part II: Other Findings Related to Required Statutory Reporting:

II-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, exceeded the amount budgeted in other expenditures functional area.

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

Response - The budget will be monitored more closely for over expenditures and a budget amendment will be made if needed.

Conclusion - Response accepted.

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

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

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

Name, Title and Business Connection	Transaction Description	Amount
Charles Humphrey, transportation director Owns construction company	purchased services	\$3,363

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the transportation director do not appear to represent a conflict of interest.

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

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

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

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

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

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

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

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

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$	-
Statewide sales, services and use tax revenue			143,236
Expenditures/transfers out:			
School Infrastructure			
Buildings	\$	128,642	
Equipment		14,594	143,236
Ending Balance		\$	-

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

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Physical plant and equipment levy	\$ 1.34000	\$ 83,745

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

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

Response - These checks have been reissued. The reconciliations will be monitored more closely and the age of the outstanding checks will be noted.

Conclusion - Response accepted.

II-N-10 Payrolled Employee Paid Through Accounts Payable - We noted an instance of a District payrolled employee being paid through accounts payable for additional services provided in the form of athletic officiating.

Recommendation - Additional payments to employees of the District who provide additional services to the District should be handled through the regular payroll process and included with their income for quarterly Federal 941 reports and employee W-2's.

Response - Employees will no longer receive payments through accounts payable for services rendered.

Conclusion -Response accepted.