

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
MARENGO, IOWA

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

JUNE 30, 2010

TABLE OF CONTENTS

	Page
OFFICIALS	3
INDEPENDENT AUDITOR’S REPORT	4-5
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Assets	8-9
B Statement of Activities	10-13
Governmental Fund Financial Statements:	
C Balance Sheet	14
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	15
E Statement of Revenues, Expenditures and Changes in Fund Balances	16-17
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	18
Proprietary Fund Financial Statements:	
G Statement of Net Assets	19
H Statement of Revenues, Expenses and Changes in Net Assets	20
I Statement of Cash Flows	21-22
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Assets	23
K Statement of Changes in Fiduciary Net Assets – Private-Purpose Trust Funds	24
Notes to Financial Statements	25-39
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 Plan	44
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	46
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	47-48
3 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	49-50
4 Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	51
5 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	52-53
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	54-55
SCHEDULE OF FINDINGS	56-59

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2009 Election)		
Jane Fry	President	2009
Janet Findlater	Vice President	2009
Larry Nelson	Board Member	2009
Dennis Roberts	Board Member	2011
Mark Swift	Board Member	2011
<u>Board of Education</u>		
(After September 2009 Election)		
Jane Fry	President	2013
Dennis Roberts	Vice President	2011
Mark Swift	Board Member	2011
Frank Davis	Board Member	2013
Dale Slaymaker	Board Member	2013
<u>School Officials</u>		
Alan Jensen	Superintendent	2012
Lynda K. Johnson	District Secretary/Treasurer	2010
Harned & McMeen	Attorney	2010
Gruhn Law Firm	Attorney	2010

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Iowa Valley 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 Iowa Valley Community School District, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Iowa Valley 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 January 26, 2011 on our consideration of Iowa Valley 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. 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.

The budgetary comparison information and schedule of funding progress for the retiree health plan on pages 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Iowa Valley 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 herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 as a whole.

Oskaloosa, Iowa
January 26, 2011

This page intentionally left blank

Basic Financial Statements

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 2,657,407	\$ 23,322	\$ 2,680,729
Receivables:			
Property tax:			
Current year	33,349	-	33,349
Succeeding year	1,966,544	-	1,966,544
Income surtax	387,790	-	387,790
Interfund receivable (payable) (note 3)	44,455	(44,455)	-
Accounts	71	-	71
Due from other governments	157,495	-	157,495
Inventories	-	9,103	9,103
Capital assets, net of accumulated depreciation (note 6)	4,460,360	31,995	4,492,355
Total assets	9,707,471	19,965	9,727,436
Liabilities			
Accounts payable	290,515	-	290,515
Salaries and benefits payable	606,380	23,044	629,424
Accrued interest payable	6,704	-	6,704
Deferred revenue:			
Succeeding year property tax	1,966,544	-	1,966,544
Other	509,733	1,847	511,580
Long-term liabilities (notes 7 and 8):			
Portion due within one year:			
Early retirement	69,352	-	69,352
Bonds payable	175,000	-	175,000
Portion due after one year:			
Early retirement	29,250	-	29,250
Bonds payable	1,910,000	-	1,910,000
Net OPEB liability	10,100	-	10,100
Total liabilities	5,573,578	24,891	5,598,469

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 2,375,360	\$ 31,995	\$ 2,407,355
Restricted for:			
Categorical funding (note 12)	332,114	-	332,114
Management levy	45,071	-	45,071
Physical plant and equipment levy	326,129	-	326,129
Other special revenue purposes	173,394	-	173,394
Capital projects	749,603	-	749,603
Unrestricted	<u>132,222</u>	<u>(36,921)</u>	<u>95,301</u>
Total net assets	<u>\$ 4,133,893</u>	<u>\$ (4,926)</u>	<u>\$ 4,128,967</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction	\$ 4,183,929	\$ 304,186	\$ 490,451
Support services:			
Student services	103,449	-	23,352
Instructional staff services	135,641	-	43,424
Administration services	577,058	-	-
Operation and maintenance of plant services	451,410	1,022	-
Transportation services	161,516	-	587
	<u>1,429,074</u>	<u>1,022</u>	<u>67,363</u>
Non-instructional programs	<u>5,791</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	156,733	-	-
Long-term debt interest and fiscal charges	85,676	-	-
AEA flowthrough	257,003	-	257,003
	<u>499,412</u>	<u>-</u>	<u>257,003</u>
Total governmental activities	<u>6,118,206</u>	<u>305,208</u>	<u>814,817</u>
Business-Type Activities:			
Support services:			
Food service operations	<u>8,152</u>	<u>-</u>	<u>-</u>
Non-instructional programs:			
Food service operations	262,844	147,612	129,620
Other enterprise operations	60,344	34,976	9,654
	<u>323,188</u>	<u>182,588</u>	<u>139,274</u>
Total business-type activities	<u>331,340</u>	<u>182,588</u>	<u>139,274</u>
Total	<u>\$ 6,449,546</u>	<u>\$ 487,796</u>	<u>\$ 954,091</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (3,389,292)	\$ -	\$ (3,389,292)
(80,097)	-	(80,097)
(92,217)	-	(92,217)
(577,058)	-	(577,058)
(450,388)	-	(450,388)
(160,929)	-	(160,929)
(1,360,689)	-	(1,360,689)
(5,791)	-	(5,791)
(156,733)	-	(156,733)
(85,676)	-	(85,676)
-	-	-
(242,409)	-	(242,409)
(4,998,181)	-	(4,998,181)
-	(8,152)	(8,152)
-	14,388	14,388
-	(15,714)	(15,714)
-	(1,326)	(1,326)
-	(9,478)	(9,478)
(4,998,181)	(9,478)	(5,007,659)

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs

General Revenues:

Property tax levied for:

 General purposes

 Debt service

 Capital outlay

Income surtax

Statewide sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		<u>Total</u>
\$	1,822,521	\$ -	\$	1,822,521
	87,136	-		87,136
	65,221	-		65,221
	435,642	-		435,642
	496,755	-		496,755
	2,425,580	-		2,425,580
	23,075	13		23,088
	30,085	-		30,085
	<hr/> 5,386,015	13		<hr/> 5,386,028
	387,834	(9,465)		378,369
	<hr/> 3,746,059	4,539		<hr/> 3,750,598
\$	<u>4,133,893</u>	<u>\$ (4,926)</u>	\$	<u>4,128,967</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 1,461,475	\$ 686,655	\$ 502,845	\$ 2,650,975
Receivables:				
Property tax:				
Current year	29,610	-	3,739	33,349
Succeeding year	1,707,875	-	258,669	1,966,544
Income surtax	242,369	-	145,421	387,790
Interfund receivable (note 3)	44,455	-	-	44,455
Accounts	71	-	-	71
Due from other governments	63,338	94,157	-	157,495
Total assets	\$ 3,549,193	\$ 780,812	\$ 910,674	\$ 5,240,679
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 256,196	\$ 31,209	\$ 3,110	\$ 290,515
Salaries and benefits payable	604,004	-	2,376	606,380
Deferred revenue:				
Succeeding year property tax	1,707,875	-	258,669	1,966,544
Other	752,102	-	145,421	897,523
Total liabilities	3,320,177	31,209	409,576	3,760,962
Fund balances:				
Reserved for:				
Categorical funding (note 12)	332,114	-	-	332,114
Debt service	-	-	3,323	3,323
Unreserved, reported in:				
General fund	(103,098)	-	-	(103,098)
Special revenue funds	-	-	497,775	497,775
Capital projects fund	-	749,603	-	749,603
Total fund balances	229,016	749,603	501,098	1,479,717
Total liabilities and fund balances	\$ 3,549,193	\$ 780,812	\$ 910,674	\$ 5,240,679

See notes to financial statements.

IOWA VALLEY 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	\$ 1,479,717
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,460,360
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	387,790
The balance of the Internal Service Fund, reported as a proprietary fund, is included in the government-wide statements because of the relationship of the internal transactions to the government as a whole.	6,432
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(6,704)
Long-term liabilities, including early retirement, G.O. bonds payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,193,702)</u>
Net assets of governmental activities	<u>\$ 4,133,893</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,005,759	\$ 496,755	\$ 407,412	\$ 2,909,926
Tuition	137,108	-	-	137,108
Other	64,751	1,876	178,804	245,431
State sources	3,076,294	-	166	3,076,460
Federal sources	139,948	-	-	139,948
Total revenues	<u>5,423,860</u>	<u>498,631</u>	<u>586,382</u>	<u>6,508,873</u>
Expenditures:				
Current:				
Instruction	<u>3,915,192</u>	<u>10,977</u>	<u>271,787</u>	<u>4,197,956</u>
Support services:				
Student services	103,364	-	85	103,449
Instructional staff services	116,486	19,155	-	135,641
Administration services	558,713	-	12,716	571,429
Operation and maintenance of plant services	401,817	7,500	43,418	452,735
Transportation services	129,619	-	9,495	139,114
	<u>1,309,999</u>	<u>26,655</u>	<u>65,714</u>	<u>1,402,368</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>5,250</u>	<u>5,250</u>
Other expenditures:				
Facilities acquisition	-	387,898	17,757	405,655
Long term debt:				
Principal	-	-	170,000	170,000
Interest and fiscal charges	-	-	86,115	86,115
AEA flowthrough	257,003	-	-	257,003
	<u>257,003</u>	<u>387,898</u>	<u>273,872</u>	<u>918,773</u>
Total expenditures	<u>5,482,194</u>	<u>425,530</u>	<u>616,623</u>	<u>6,524,347</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(58,334)</u>	<u>73,101</u>	<u>(30,241)</u>	<u>(15,474)</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General	Capital Projects	Nonmajor	Total
Other financing sources (uses):				
Sale of equipment	\$ 1,300	\$ -	\$ -	\$ 1,300
Interfund transfers in (note 4)	-	-	169,000	169,000
Interfund transfers out (note 4)	-	-	(169,000)	(169,000)
Total other financing sources (uses)	1,300	-	-	1,300
Net change in fund balances	(57,034)	73,101	(30,241)	(14,174)
Fund balances beginning of year	286,050	676,502	531,339	1,493,891
Fund balances end of year	\$ 229,016	\$ 749,603	\$ 501,098	\$ 1,479,717

See notes to financial statements.

IOWA VALLEY 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 \$ (14,174)

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 not 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:

Expenditures for capital assets	\$ 385,220	
Depreciation expense	<u>(175,778)</u>	209,442

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. (4,133)

The change in balance of the Internal Service Fund represents an overcharge to the governmental funds for services rendered and is therefore included in the government-wide statements as an adjustment to expenses. 1,272

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 170,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 439

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

Early retirement	35,088	
Net OPEB liability	<u>(10,100)</u>	<u>24,988</u>

Change in net assets of governmental activities \$ 387,834

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2010

	Enterprise Fund			Internal Service Fund
	School Nutrition	Other Enterprise	Total	Flex 125 Plan
Assets				
Cash and cash equivalents	\$ 23,322	\$ -	\$ 23,322	\$ 6,432
Inventories	9,103	-	9,103	-
Capital assets, net of accumulated depreciation (note 6)	31,995	-	31,995	-
Total assets	64,420	-	64,420	6,432
Liabilities				
Interfund payable (note 3)	-	44,455	44,455	-
Salaries and benefits payable	14,622	8,422	23,044	-
Deferred revenue	1,847	-	1,847	-
Total liabilities	16,469	52,877	69,346	-
Net Assets				
Invested in capital assets	31,995	-	31,995	-
Unrestricted	15,956	(52,877)	(36,921)	6,432
Total net assets	\$ 47,951	\$ (52,877)	\$ (4,926)	\$ 6,432

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2010

	Enterprise Fund			Internal Service Fund
	School Nutrition	Other Enterprise	Total	Flex 125 Plan
Operating revenues:				
Local sources:				
Charges for services	\$ 147,612	\$ 44,630	\$ 192,242	\$ 9,935
Operating expenses:				
Support services:				
Purchased services	6,649	-	6,649	8,669
Supplies	1,503	-	1,503	-
	<u>8,152</u>	<u>-</u>	<u>8,152</u>	<u>8,669</u>
Non-instructional programs:				
Salaries	74,420	45,745	120,165	-
Benefits	36,359	13,194	49,553	-
Supplies	146,466	1,405	147,871	-
Depreciation	5,599	-	5,599	-
	<u>262,844</u>	<u>60,344</u>	<u>323,188</u>	<u>-</u>
Total expenses	<u>270,996</u>	<u>60,344</u>	<u>331,340</u>	<u>8,669</u>
Operating income (loss)	(123,384)	(15,714)	(139,098)	1,266
Non-operating revenues:				
Interest on investments	11	2	13	6
State sources	3,047	-	3,047	-
Federal sources	126,573	-	126,573	-
Total non-operating revenues	<u>129,631</u>	<u>2</u>	<u>129,633</u>	<u>6</u>
Change in net assets	6,247	(15,712)	(9,465)	1,272
Net assets beginning of year	<u>41,704</u>	<u>(37,165)</u>	<u>4,539</u>	<u>5,160</u>
Net assets end of year	<u>\$ 47,951</u>	<u>\$ (52,877)</u>	<u>\$ (4,926)</u>	<u>\$ 6,432</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2010

	Enterprise Fund			Internal
	School Nutrition	Other Enterprise	Total	Service Fund Flex 125 Plan
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 145,717	\$ -	\$ 145,717	\$ -
Cash received from miscellaneous operating activities	593	44,630	45,223	9,935
Cash payments to employees for services	(109,208)	(59,569)	(168,777)	-
Cash payments to suppliers for goods or services	(133,649)	(1,405)	(135,054)	(8,669)
Net cash used by operating activities	<u>(96,547)</u>	<u>(16,344)</u>	<u>(112,891)</u>	<u>1,266</u>
Cash flows from non-capital financing activities:				
Increase in due to other funds	-	16,342	16,342	-
State grants received	3,047	-	3,047	-
Federal grants received	104,860	-	104,860	-
Net cash provided by non-capital financing activities	<u>107,907</u>	<u>16,342</u>	<u>124,249</u>	<u>-</u>
Cash flows from investing activities:				
Interest on investments	<u>11</u>	<u>2</u>	<u>13</u>	<u>6</u>
Net increase in cash and cash equivalents	11,371	-	11,371	1,272
Cash and cash equivalents beginning of year	<u>11,951</u>	<u>-</u>	<u>11,951</u>	<u>5,160</u>
Cash and cash equivalents end of year	<u>\$ 23,322</u>	<u>\$ -</u>	<u>\$ 23,322</u>	<u>\$ 6,432</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2010

	Enterprise Fund			Internal Service Fund
	School Nutrition	Other Enterprise	Total	Flex 125 Plan
Reconciliation of operating loss to net cash used by operating activities:				
Operating income (loss)	\$ (123,384)	\$ (15,714)	\$ (139,098)	\$ 1,266
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	5,599	-	5,599	-
Commodities used	21,713	-	21,713	-
(Increase) in inventories	(327)	-	(327)	-
(Decrease) in accounts payable	(417)	-	(417)	-
(Decrease) increase in salaries and benefits payable	1,571	(630)	941	-
(Decrease) in deferred revenue	(1,302)	-	(1,302)	-
Net cash used by operating activities	<u>\$ (96,547)</u>	<u>\$ (16,344)</u>	<u>\$ (112,891)</u>	<u>\$ 1,266</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$21,713 of federal commodities.

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ 7,886	\$ 74,369
Inventories	<u>-</u>	<u>466</u>
Total assets	<u>7,886</u>	<u>74,835</u>
Liabilities:		
Accounts payable	-	480
Due to other organizations	<u>-</u>	<u>74,355</u>
Total liabilities	<u>-</u>	<u>74,835</u>
Net assets:		
Reserved for scholarships	<u>\$ 7,886</u>	<u>\$ -</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
Year Ended June 30, 2010

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Fundraisers and contributions	\$ 6,206
Interest	335
Total additions	6,541
Deductions:	
Support services:	
Scholarships awarded	5,150
Loss on investments	1,425
	6,575
Change in net assets	(34)
Net assets beginning of year, as restated (note 13)	7,920
Net assets end of year	\$ 7,886

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies

Iowa Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Marengo, Iowa, and agricultural territory in Iowa County. 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, Iowa Valley 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. Iowa Valley 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 Iowa County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

The District reports the following major governmental funds:

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

The 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 Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

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

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of 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 operations.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. 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 District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

Interfund Receivables/Payables – Certain transactions occur between funds in the normal course of District business. These transactions are shown as interfund receivables and payables to the extent that such transactions have not been repaid by year end.

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.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-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	\$ 2,500
Buildings	50,000
Improvements other than buildings	50,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-20 years

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible 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 represents 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, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unearned grant revenues and unearned meal revenues.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the District-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.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The District had no compensated absences liability at June 30, 2010.

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.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-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. Net assets restricted through enabling legislation as of June 30, 2010 consists of \$1,626,311.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

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

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

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 2. Cash and Pooled Investments (continued)

At June 30, 2010, the District had investments as follows:

	<u>Value</u>
Money Market Mutual Funds	\$ 13,544
Iowa Schools Joint Investment Trust - Diversified Portfolio	<u>520,465</u>
	<u>\$ 534,009</u>

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Money Market Mutual Fund is stated at fair value, determined based on securities traded on a national or international exchange based on the last reported sales price at current exchange rates.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody’s Investors Service. The investment in the Money Market Mutual Funds is not rated.

Note 3. Interfund Receivables/Payables

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise Fund, Preschool	\$ <u>44,455</u>

This amount arises due to pooled cash funds.

Note 4. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Physical Plant and Equipment Levy	\$ <u>169,000</u>

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

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools 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. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program.

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

During the year ended June 30, 2010, the District paid \$9,790 of interest on the ISCAP warrants.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. 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	\$ 253,500	\$ -	\$ -	\$ 253,500
Construction in progress	-	76,714	-	76,714
Total capital assets not being depreciated	<u>253,500</u>	<u>76,714</u>	<u>-</u>	<u>330,214</u>
Capital assets being depreciated:				
Buildings	6,524,553	287,649	-	6,812,202
Improvements other than buildings	342,258	3,020	-	345,278
Furniture and equipment	830,815	17,837	52,111	796,541
Total capital assets being depreciated	<u>7,697,626</u>	<u>308,506</u>	<u>52,111</u>	<u>7,954,021</u>
Less accumulated depreciation for:				
Buildings	2,756,796	126,301	-	2,883,097
Improvements other than buildings	305,802	8,316	-	314,118
Furniture and equipment	637,610	41,161	52,111	626,660
Total accumulated depreciation	<u>3,700,208</u>	<u>175,778</u>	<u>52,111</u>	<u>3,823,875</u>
Total capital assets being depreciated, net	<u>3,997,418</u>	<u>132,728</u>	<u>-</u>	<u>4,130,146</u>
Governmental activities capital assets, net	<u>\$ 4,250,918</u>	<u>\$ 209,442</u>	<u>\$ -</u>	<u>\$ 4,460,360</u>
Business-type activities:				
Furniture and equipment	\$ 82,183	\$ -	\$ -	\$ 82,183
Less accumulated depreciation	44,189	5,999	-	50,188
Business-type activities capital assets, net	<u>\$ 37,994</u>	<u>\$ (5,999)</u>	<u>\$ -</u>	<u>\$ 31,995</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction	\$ 14,397
Support services:	
Administration	4,547
Operation and maintenance of plant services	5,634
Transportation	22,402
Facility acquisition	<u>128,798</u>
Total governmental activities depreciation expense	<u>\$ 175,778</u>

Business-type activities:

Food service operations	<u>\$ 5,999</u>
-------------------------	-----------------

Note 7. Long-Term Liabilities

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

	Early Retirement	General Obligation Bonds	Net OPEB Liability	Total
Balance beginning of year	\$ 133,690	\$ 2,255,000	\$ -	\$ 2,388,690
Additions	55,852	-	10,100	65,952
Reductions	90,940	170,000	-	260,940
Balance end of year	<u>\$ 98,602</u>	<u>\$ 2,085,000</u>	<u>\$ 10,100</u>	<u>\$ 2,193,702</u>
Due within one year	<u>\$ 69,352</u>	<u>\$ 175,000</u>	<u>\$ -</u>	<u>\$ 244,352</u>

Early Retirement

The District offered a one-time voluntary early retirement plan to its certified employees for the year ended June 30, 2009. The identical offer was extended for an additional year through June 30, 2010. Eligible employees must have completed thirteen years of contracted service to the District and have been at least 55 years old before the fiscal year end.

The early retirement benefit for each eligible employee was a cash payment of 50% of the employee's present year salary excluding any extracurricular salaries, extended contract, Phase III and Teacher Quality payments. An employee can also remain on the District's health insurance program as long as they pay the entire monthly premium.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 7. Long-Term Liabilities (continued)

Early Retirement (continued)

The District offered various plans in prior years as early retirement incentives. Details of these plans are available upon request.

At June 30, 2010, the District had obligations to seven participants with a total liability of \$98,602. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$90,940. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

General Obligation Bonds

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	3.25 %	\$ 175,000	\$ 80,445	\$ 255,445
2012	3.45	185,000	74,758	259,758
2013	3.55	190,000	68,375	258,375
2014	3.70	195,000	61,630	256,630
2015	3.80	205,000	54,415	259,415
2016	3.90	210,000	46,625	256,625
2017	4.00	215,000	38,435	253,435
2018	4.10	230,000	29,835	259,835
2019	4.20	235,000	20,405	255,405
2020	4.30	245,000	10,535	255,535
		<u>\$ 2,085,000</u>	<u>\$ 485,458</u>	<u>\$ 2,570,458</u>

Note 8. Other Postemployment Benefits (OPEB)

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

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 56 active and 7 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 8. Other Postemployment Benefits (OPEB) (continued)

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

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

Annual required contribution	\$ 34,100
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>34,100</u>
Contributions made	<u>24,000</u>
Increase in net OPEB obligation	10,100
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 10,100</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 24,000 to the medical plan.

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 34,100	70.4%	\$ 10,100

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 \$376,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$376,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,437,000, and the ratio of the UAAL to covered payroll was 10.9%. As of June 30, 2010, there were no trust fund assets.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 8. Other Postemployment Benefits (OPEB) (continued)

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

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

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

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000. The UAAL is being amortized as a level dollar cost over the service of the group on a closed basis over 30 years.

Note 9. Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$224,705, \$217,874, and \$201,514, respectively, equal to the required contributions for each year.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 10. Risk Management

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

Note 11. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$257,003 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 12. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Returning dropout and dropout prevention	\$ 182,531
Gifted and talented program	75,443
Teacher salary supplement	26,613
Professional development	22,844
Professional development for model core curriculum	14,550
Market factor incentives	4,500
Limited English proficiency	2,429
Market factor	1,273
Educational Excellence - Phase II	1,177
Home school assistance program	<u>754</u>
	<u>\$ 332,114</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 13. Restatement of Beginning Balance

The district has been accounting for other organizations through an Expendable Trust Fund. However, the District is now reporting those other organizations through an Agency Fund. The effects of this change on the July 1, 2009 beginning balances are as follows:

	Balance June 30, 2009 before restatement		Balance July 1, 2009 after restatement	
	Trust Fund	Agency Fund	Trust Fund	Agency Fund
Assets				
Cash and investments	\$ 58,120	\$ -	\$ 7,920	\$ 50,200
Inventories	2,906	-	-	2,906
	<u>61,026</u>	<u>-</u>	<u>7,920</u>	<u>53,106</u>
Liabilities and Net Assets				
Liabilities:				
Due to other organizations	-	-	-	53,106
Net Assets:				
Reserved for scholarships	<u>\$ 61,026</u>	<u>\$ -</u>	<u>\$ 7,920</u>	<u>\$ -</u>

Note 14. Construction Commitments

The District has entered into a contract totaling \$589,700 for the new auditorium interior. As of June 30, 2010, \$24,100 of work had been incurred on the project. The balance of \$565,600 remaining at June 30, 2010 will be paid as work on the project progresses.

Note 15. Financial Condition

The District's General Fund had a deficit unreserved, undesignated fund balance of \$103,098 at June 30, 2010. Also, the Enterprise Fund, Preschool had a deficit unrestricted net assets balance of \$52,877 at June 30, 2010. In addition, the District's business-type activities had a deficit unrestricted net assets balance of \$36,921 at June 30, 2010.

This page intentionally left blank

Required Supplementary Information

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Fund
 Required Supplementary Information
 Year Ended June 30, 2010

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 3,292,465	\$ 192,255	\$ 3,484,720	\$ 3,591,884	\$ (107,164)
State sources	3,076,460	3,047	3,079,507	4,048,113	(968,606)
Federal sources	139,948	126,573	266,521	395,000	(128,479)
Total revenues	<u>6,508,873</u>	<u>321,875</u>	<u>6,830,748</u>	<u>8,034,997</u>	<u>(1,204,249)</u>
EXPENDITURES/EXPENSES:					
Instruction	4,197,956	-	4,197,956	5,129,206	931,250
Support services	1,402,368	8,152	1,410,520	2,055,044	644,524
Non-instructional programs	5,250	323,188	328,438	396,500	68,062
Other expenditures	918,773	-	918,773	1,451,013	532,240
Total expenditures/expenses	<u>6,524,347</u>	<u>331,340</u>	<u>6,855,687</u>	<u>9,031,763</u>	<u>2,176,076</u>
Excess (deficiency) of revenues over (under) expenditures/ expenses	(15,474)	(9,465)	(24,939)	(996,766)	971,827
Other financing sources, net	1,300	-	1,300	-	1,300
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(14,174)	(9,465)	(23,639)	(996,766)	973,127
Balance beginning of year	<u>1,493,891</u>	<u>4,539</u>	<u>1,498,430</u>	<u>1,771,089</u>	<u>(272,659)</u>
Balance end of year	<u>\$ 1,479,717</u>	<u>\$ (4,926)</u>	<u>\$ 1,474,791</u>	<u>\$ 774,323</u>	<u>\$ 700,468</u>

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2010

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function 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, expenditures did not exceed the amounts budgeted.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2010

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 376	\$ 376	0.0%	\$ 3,437	10.9%

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

Other Supplementary Information

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Assets					
Cash and pooled investments	\$ 145,734	\$ 173,520	\$ 181,681	\$ 1,910	\$ 502,845
Receivables:					
Property tax:					
Current year	1,269	-	1,057	1,413	3,739
Succeeding year	125,000	-	52,823	80,846	258,669
Income surtax	-	-	145,421	-	145,421
Total assets	\$ 272,003	\$ 173,520	\$ 380,982	\$ 84,169	\$ 910,674
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,080	\$ -	\$ 2,030	\$ -	\$ 3,110
Salaries and benefits payable	2,250	126	-	-	2,376
Deferred revenue:					
Succeeding year property tax	125,000	-	52,823	80,846	258,669
Other	-	-	145,421	-	145,421
Total liabilities	128,330	126	200,274	80,846	409,576
Fund balances:					
Reserved for:					
Debt service	-	-	-	3,323	3,323
Unreserved:					
Undesignated	143,673	173,394	180,708	-	497,775
Total fund balances	143,673	173,394	180,708	3,323	501,098
Total liabilities and fund balances	\$ 272,003	\$ 173,520	\$ 380,982	\$ 84,169	\$ 910,674

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 74,857	\$ -	\$ 245,482	\$ 87,073	\$ 407,412
Other	11,067	167,273	464	-	178,804
State sources	56	-	47	63	166
Total revenues	<u>85,980</u>	<u>167,273</u>	<u>245,993</u>	<u>87,136</u>	<u>586,382</u>
Expenditures:					
Current:					
Instruction	116,531	155,256	-	-	271,787
Support services:					
Student services	85	-	-	-	85
Administration services	12,716	-	-	-	12,716
Operation and maintenance of plant services	43,418	-	-	-	43,418
Transportation services	9,495	-	-	-	9,495
Non instructional programs	5,250	-	-	-	5,250
Other expenditures:					
Facilities acquisition	-	-	17,757	-	17,757
Long term debt:					
Principal	-	-	-	170,000	170,000
Interest and fiscal charges	-	-	-	86,115	86,115
Total expenditures	<u>187,495</u>	<u>155,256</u>	<u>17,757</u>	<u>256,115</u>	<u>616,623</u>
Excess (deficiency) of revenues over (under) expenditures	(101,515)	12,017	228,236	(168,979)	(30,241)
Other financing sources (uses):					
Interfund transfers in	-	-	-	169,000	169,000
Interfund transfers out	-	-	(169,000)	-	(169,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(169,000)</u>	<u>169,000</u>	<u>-</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Net change in fund balances	\$ (101,515)	\$ 12,017	\$ 59,236	\$ 21	\$ (30,241)
Fund balances beginning of year	245,188	161,377	121,472	3,302	531,339
Fund balances end of year	\$ 143,673	\$ 173,394	\$ 180,708	\$ 3,323	\$ 501,098

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
AFS Club	\$ 1,628	\$ -	\$ 985	\$ 643
Annual	8,377	11,073	10,980	8,470
Band	3,997	5,469	6,558	2,908
Choir - Sunshine Inn	3,488	5,866	8,283	1,071
Class of:				
2008	412	-	-	412
2009	884	-	-	884
2010	1,289	55	745	599
2011	75	6,186	4,281	1,980
2013	-	50	-	50
Dramatics - Senior High/Junior High	2,654	2,134	1,659	3,129
FCS Club	361	367	350	378
FFA	15,005	26,255	27,234	14,026
Fine Arts Special Projects	34,005	411	-	34,416
Interest Income	8,061	301	-	8,362
IV Boys BB Camp	56	2,655	793	1,918
IV Girls BB Camp	82	3,054	2,972	164
IV FB/Track Camp	2,699	11,781	9,483	4,997
IV Softball Camp	1,508	2,711	1,998	2,221
IV Girls VB Camp	3,164	1,505	3,267	1,402
JH Cheerleaders	132	-	-	132
HS Cheerleaders	1,933	4,414	4,497	1,850
Pep Club	3,471	3,929	3,102	4,298
Playground Project	373	-	-	373
Student Council - Elem	3,628	1,088	2,076	2,640
Student Council - HS	27,650	8,083	11,151	24,582
TAG - Special Project	4	-	-	4
Tiger's Eye	1,846	-	-	1,846
Tiger Pride Videos	473	-	-	473
Spanish Trip	35	9,225	11,058	(1,798)
Baseball	(1,814)	3,647	6,603	(4,770)
Basketball - Boys	3,001	3,833	3,499	3,335
Basketball - Girls	224	4,507	3,346	1,385
Football	7,548	11,548	8,841	10,255

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Golf - Boys & Girls	\$ (32)	\$ 1,710	\$ 1,394	\$ 284
Softball	(685)	1,429	5,443	(4,699)
Track - Boys	8,524	3,473	1,688	10,309
Track - Girls	4,689	3,131	3,597	4,223
Volleyball	4,473	6,744	3,019	8,198
Wrestling	2,495	12,464	4,627	10,332
Special Events	5,664	8,175	1,727	12,112
 Total	 \$ 161,377	 \$ 167,273	 \$ 155,256	 \$ 173,394

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2010

	Balance Beginning of Year, as restated	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 50,200	\$ 65,530	\$ 41,361	\$ 74,369
Inventory	2,906	-	2,440	466
Total assets	<u>\$ 53,106</u>	<u>\$ 65,530</u>	<u>\$ 43,801</u>	<u>\$ 74,835</u>
Liabilities				
Accounts payable	\$ -	\$ 480	\$ -	\$ 480
Due to other organizations	53,106	65,050	43,801	74,355
Total liabilities	<u>\$ 53,106</u>	<u>\$ 65,530</u>	<u>\$ 43,801</u>	<u>\$ 74,835</u>

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST SIX YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	\$ 2,909,926	\$ 2,862,787	\$ 2,885,059	\$ 2,672,973
Tuition	137,108	144,967	104,244	159,160
Other	245,431	331,557	196,782	445,902
Intermediate sources	-	-	2,446	-
State sources	3,076,460	3,454,253	3,333,862	3,145,971
Federal sources	139,948	167,692	142,668	138,600
Total revenues	<u>\$ 6,508,873</u>	<u>\$ 6,961,256</u>	<u>\$ 6,665,061</u>	<u>\$ 6,562,606</u>
Expenditures:				
Instruction	\$ 4,197,956	\$ 3,954,208	\$ 3,682,576	\$ 3,960,891
Support services:				
Student services	103,449	173,914	131,993	198,377
Instructional staff services	135,641	139,136	148,739	144,168
Administration services	571,429	587,083	666,380	658,850
Operation and maintenance of plant services	452,735	450,607	441,493	431,878
Transportation services	139,114	128,764	141,463	232,534
Non-instructional programs	5,250	4,551	4,204	4,604
Other expenditures:				
Facilities acquisition	405,655	307,315	78,732	228,212
Long-term debt:				
Principal	170,000	165,000	160,000	155,000
Interest and fiscal charges	86,115	91,140	95,465	100,115
AEA flowthrough	257,003	229,080	215,770	203,803
Total expenditures	<u>\$ 6,524,347</u>	<u>\$ 6,230,798</u>	<u>\$ 5,766,815</u>	<u>\$ 6,318,432</u>

See accompanying independent auditor's report.

	<u>2006</u>		<u>2005</u>
\$	2,260,877	\$	1,999,518
	127,401		133,010
	347,904		307,765
	-		-
	3,140,564		2,906,807
	<u>151,901</u>		<u>154,165</u>
\$	<u><u>6,028,647</u></u>	\$	<u><u>5,501,265</u></u>
\$	3,967,370	\$	3,685,635
	192,850		196,432
	86,402		216,939
	649,443		580,017
	436,270		407,681
	204,699		150,272
	16,078		21,568
	75,276		5,261
	155,000		155,000
	104,765		109,415
	<u>198,574</u>		<u>189,855</u>
\$	<u><u>6,086,727</u></u>	\$	<u><u>5,718,075</u></u>

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
Iowa Valley 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 Iowa Valley Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 26, 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 Iowa Valley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Iowa Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Iowa Valley 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 significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct 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 noted no material weaknesses in internal controls over financial reporting during the course of our audit.

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 items I-A-10 and I-B-10 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa Valley 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, noncompliance 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 noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Iowa Valley Community School 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.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Iowa Valley 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.

Oskaloosa, Iowa
January 26, 2011

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2010

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted all payroll duties are performed by one individual.

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. To improve the segregation of duties in the payroll area an individual independent of the payroll process could review the computer generated direct deposit listing for reasonableness as well as perform the actual distribution of payroll checks.

Response – We will review our control procedures and have implemented the review of the direct deposit listing already.

Conclusion – Response accepted.

I-B-10 Financial Reporting – During the audit, we noted that school nutrition depreciation expense was not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all school nutrition depreciation expense is identified and included in the District's financial statements.

Response – We will make sure school nutrition depreciation expense is recorded in the District's financial statements in the future.

Conclusion – Response accepted.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2010

Part II: Other Findings Related to Statutory Reporting:

- II-A-10 Certified Budget – Expenditures for the year ended June 30, 2010, did not exceed the amount budgeted.
- II-B-10 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of 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:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mark Swift, Board Member Owner of Brown’s True Value Hardware	School supplies	\$4,895

In accordance with Chapter 279.7A of the Code of Iowa, the transaction appears to represent a conflict of interest since the cumulative amount was greater than \$2,500 for the fiscal year.

Recommendation – The District should contact legal counsel for advice toward the best resolution of this situation.

Response – These types of supplies are hard to purchase in Marengo due to the limited number of vendors and would be more expensive to purchase elsewhere. We will look into this situation in the future.

Conclusion – Response accepted.

- 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 – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-10 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- 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 – 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 were noted.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2010

Part II: Other Findings Related to Statutory Reporting (continued):

II-J-10 Certified Annual Report – The Certified Annual Report was timely certified to the Iowa Department of Education. However, we noted significant deficiencies in the amounts reported.

Recommendation – The District has reported certain funds as Trust funds to the State. However, these funds would be more properly classified as an Agency fund and have been reclassified as such for financial reporting purposes.

Response – We will consider reclassifying these funds for future reporting to the State of Iowa.

Conclusion – Response accepted.

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

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

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

Beginning balance		\$	488,580
Statewide sales and services tax revenue			496,755
Interest			1,876
Expenditures/transfers out:			
School infrastructure:			
Buildings and improvements	\$	244,309	
Equipment		10,639	254,948
Ending balance		\$	<u>732,263</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2010

Part II: Other Findings Related to Statutory Reporting (continued):

II-L-10 Statewide Sales and Services Tax (continued)

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

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	<u> </u>	<u> </u>
Physical plant and equipment levy	\$ 1.15300	\$ 145,421
Debt service levy	\$ 2.72081	\$ 343,158

II-M-10 Financial Condition – At June 30, 2010, the District’s General Fund had deficit unreserved, undesignated fund balance of \$103,098. Also, business-type activities had deficit unrestricted net assets of \$36,921, and the District’s Enterprise Fund, Preschool had unrestricted deficit net assets of \$52,877.

Recommendation – The District should investigate alternatives to eliminate these deficits and return the general fund, business-type activities and enterprise funds to sound conditions and insure that individual student activity accounts are monitored more closely.

Response – We will investigate alternatives to eliminate these deficits.

Conclusion – Response accepted.