

Jesup Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2010

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Independent Auditor's Report

To the Board of Education of
Jesup Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Jesup Community School District, Jesup, 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. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe my audit provides a reasonable basis for my opinions.

In my 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 Jesup 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, I have also issued my report dated March 17, 2011 on my consideration of Jesup Community School District's internal control over financial reporting and my 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 my 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 my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jesup Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by US Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge
Certified Public Accountant

March 17, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jesup 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 increased from \$7,017,613 in fiscal 2009 to \$7,190,020 in fiscal 2010, and General Fund expenditures increased from \$7,447,598 in fiscal 2009 to \$7,825,442 in fiscal 2010. The District's General Fund balance decreased from \$1,198,597 in fiscal year 2009 to \$563,175 in fiscal year 2010, a 47% decrease.
- The increase in General Fund revenues was attributable to an increase in local and federal revenues in fiscal year 2010.
- The increase in the General Fund expenditures was due primarily to the increase in negotiated salaries and benefits.
- A decrease in the District's General Fund balance resulted in the District's solvency ratio decreasing from 15.7% in 2009 to 6.4% in fiscal 2010. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

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 Jesup 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 Jesup 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 Jesup Community School District acts solely as an agent or custodian for the benefit of those outside of District.

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

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

Other Supplementary Information provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

Figure A-1
Jesup Community School District Annual Financial Report

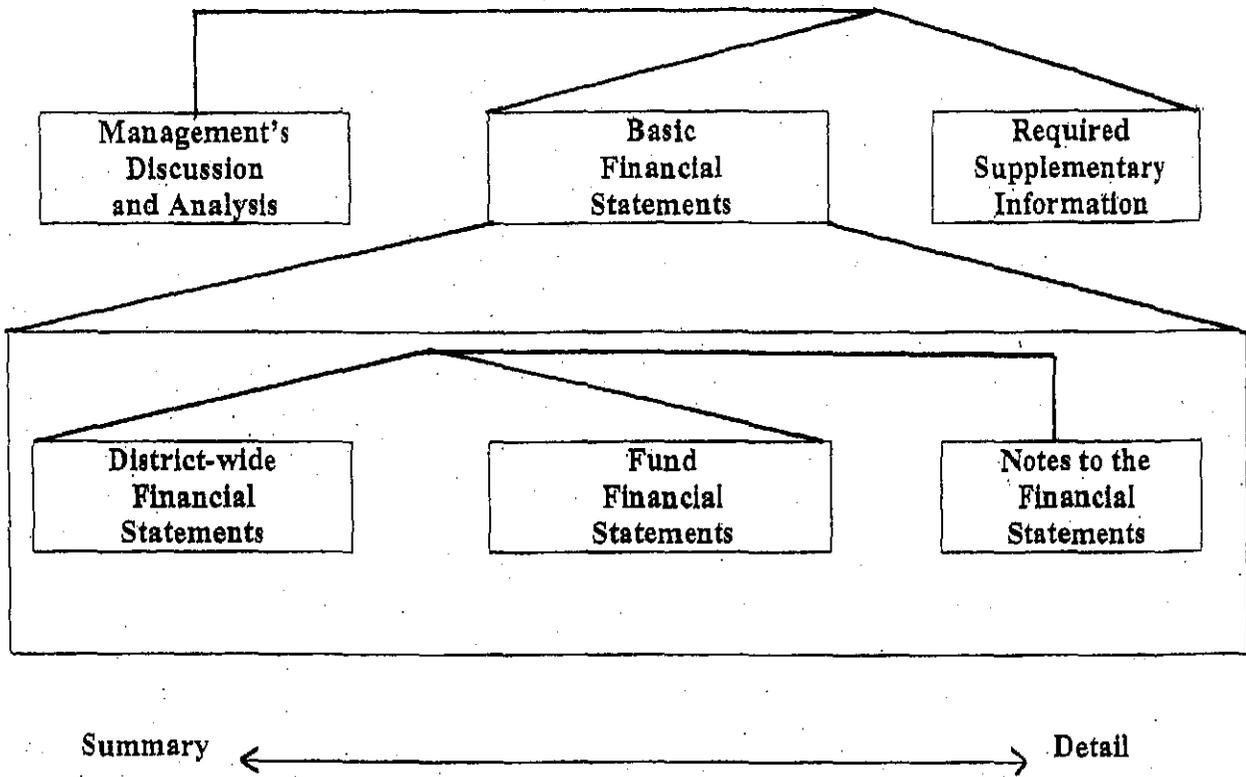


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in fund net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program, swimming pool and child care programs are 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 governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of a Trust Fund.

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

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

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

Reconciliation 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	2009-2010
Current and other assets	\$5,129,098	\$5,295,761	\$191,697	\$175,157	\$5,320,795	\$5,470,918	-2.8%
Capital assets	7,931,022	7,770,432	24,820	16,075	7,955,842	7,786,507	2.2%
Total assets	\$13,060,120	\$13,066,193	\$216,517	\$191,232	\$13,276,637	\$13,257,425	0.1%
Long-term liabilities	\$3,691,930	\$3,899,251	\$-	\$-	\$3,691,930	\$3,899,251	-5.3%
Other liabilities	3,754,077	3,143,047	8,123	13,520	3,762,200	3,156,567	19.2%
Total liabilities	\$7,446,007	\$7,042,298	\$8,123	\$13,520	\$7,454,130	\$7,055,818	5.6%
Net assets:							
Invested in capital assets, net of related debt	\$4,276,022	\$3,871,181	\$24,820	\$16,075	\$4,300,842	\$3,887,256	10.6%
Restricted	401,009	395,991	-	-	401,009	395,991	1.3%
Unrestricted	937,082	1,756,723	183,574	161,637	1,120,656	1,918,360	-41.6%
Total net assets	\$5,614,113	\$6,023,895	\$208,394	\$177,712	\$5,822,507	\$6,201,607	-6.1%

The District's combined net assets decreased by nearly 6.1%, or \$379,100, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$5,018, or 1.3% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$797,704, or 41.6% due in part to the increase in expenditures over the increase in revenue in the General Fund.

Figure A-4 shows the change in net assets for the year ended June 30, 2010 compared to the year ended 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:							
Program revenues:							
Charges for service	\$772,829	\$713,139	\$278,002	\$288,186	\$1,050,831	\$1,001,325	4.9%
Operating grants, contributions and restricted interest	1,399,532	1,183,699	145,800	143,921	1,545,332	1,327,620	16.4%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	2,375,019	2,301,571	-	-	2,375,019	2,301,571	3.2%
Statewide sales, service and use tax	566,714	533,680	-	-	566,714	533,680	6.2%
Unrestricted state grants	3,119,396	3,420,831	-	-	3,119,396	3,420,831	-8.8%
Unrestricted investment earnings	10,530	42,281	125	618	10,655	42,899	-75.2%
Other	124,382	58,345	-	-	124,382	58,345	113.2%
Total revenues	\$8,368,402	\$8,253,546	\$423,927	\$432,725	\$8,792,329	\$8,686,271	1.2%
Program expenses:							
Governmental activities:							
Instruction	\$5,892,009	\$5,717,558	\$-	\$-	\$5,892,009	\$5,717,558	3.1%
Support services	2,223,751	2,162,205	-	-	2,223,751	2,162,205	2.8%
Non-instructional programs	8,465	12,024	391,356	400,991	399,821	413,015	-3.2%
Other expenses	653,959	510,088	-	-	653,959	510,088	28.2%
Total expenses	\$8,778,184	\$8,401,875	\$391,356	\$400,991	\$9,169,540	\$8,802,866	4.2%
Change in net assets	-\$409,782	-\$148,329	\$32,571	\$31,734	-\$377,211	-\$116,595	-223.5%

In fiscal year 2010, property tax and unrestricted state grants account for 65.7% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue.

The District's total revenues were approximately \$8.8 million, of which approximately \$8.4 million was for governmental activities and less than \$0.4 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.2% increase in revenues and a 4.2% increase in expenses. Property tax increased approximately \$73,000. The increase in expenses is related to an increase in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$8,368,402 and expenses were \$8,778,184. In a difficult year, the District used a portion of its reserves to cover the deficit.

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

**Figure A-5
Total and Net Cost of Governmental Activities**

	Total Cost of Services		Change	Net Cost of Services		Change
	2010	2009	2009-10	2010	2009	2009-10
Instruction	\$5,892,009	\$5,717,558	3.1%	\$3,759,332	\$3,858,592	-2.6%
Support services	2,223,751	2,162,205	2.8%	2,184,067	2,124,333	2.8%
Non-instructional programs	8,465	12,024	-29.6%	8,465	12,024	-29.6%
Other expenses	653,959	510,088	28.2%	653,959	510,088	28.2%
Totals	\$8,778,184	\$8,401,875	4.5%	\$6,605,823	\$6,505,037	1.5%

- The cost financed by users of the District's programs was \$1,050,831.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,545,332.
- The net cost of governmental activities was financed with \$2,941,733 in property and other taxes and \$3,119,396 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$423,927 and expenses were \$391,356. The District's business type activities include the Before & After School Fund, School Nutrition Fund and Swimming Pool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,614,113, well below last year's ending fund balances of \$6,023,895.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and federal grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures, requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$1,198,597 to \$563,175 due, in part, to the negotiated salaries and benefits and existing expenditure commitments of the District.
- The Capital Projects Fund balance decreased from \$613,601 to \$501,526 due, in part, to the increased transfer to Debt Service to meet the principal and interest payment needed this year.

Proprietary Fund Highlights

- School Nutrition Fund net assets increased from \$94,359 to \$124,594 at June 30, 2010, due, in part, to the increase in charges for meals.
- Swimming Pool Fund net assets decreased from \$32,618 to 22,397 due, in part, to the closing of the pool.
- Before and After School net assets increased from \$50,735 to \$61,403 due, in part, to revenues exceeding expenses for the year.

BUDGETARY HIGHLIGHTS

The District's receipts were \$304,283 less than budgeted receipts, a variance of 3.4%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

The District's 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 instructional functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$7,955,842, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 2.2% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$402,831.

The original cost of the District's capital assets was \$13,957,535. Governmental funds account for \$13,906,123, with the remainder of \$51,412 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in process category, with the completion of the HVAC Renovation project from 2009.

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	2009-2010
Land	\$33,500	\$33,500	\$-	\$-	\$33,500	\$33,500	-
Construction in process	20,627	259,683	-	-	20,627	259,683	-92.1%
Buildings	6,971,967	6,623,409	-	-	6,971,967	6,623,409	5.3%
Improvements other than Buildings	207,685	189,332	-	-	207,685	189,332	9.7%
Furniture and equipment	697,243	664,508	24,820	16,075	722,063	680,583	7.7%
Totals	\$7,931,022	\$7,770,432	\$24,820	\$16,075	\$7,955,842	\$7,786,507	2.2%

Long-Term Debt

At June 30, 2010, the District had \$3,655,000 in general obligation and other long-term debt outstanding. This represents a decrease of 6.3% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$10 million.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-2010
General obligation bonds	\$3,655,000	\$3,870,000	-5.6%
LOST revenue bond	-	29,251	-100%
Totals	\$3,655,000	\$3,899,251	-6.3%

Jesup Community School District

Statement of Activities

Year Ended June 30, 2010

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 3,843,157	\$ 402,106	\$ 1,114,507	\$ -
Special instruction	1,040,419	77,482	235,645	-
Other instruction	1,008,433	286,333	16,604	-
	<u>\$ 5,892,009</u>	<u>\$ 765,921</u>	<u>\$ 1,366,756</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 135,716	\$ -	\$ 5,935	\$ -
Instructional staff services	190,041	-	-	-
Administration services	856,304	-	-	-
Operation and maintenance of plant services	601,485	6,908	-	-
Transportation services	440,205	-	26,841	-
	<u>\$ 2,223,751</u>	<u>\$ 6,908</u>	<u>\$ 32,776</u>	<u>\$ -</u>
Non-Instructional:				
Community services	\$ 8,465	\$ -	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ 100,027	\$ -	\$ -	\$ -
Long-term debt interest	156,967	-	-	-
AEA flow-through	396,965	-	-	-
	<u>\$ 653,959</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 8,778,184</u>	<u>\$ 772,829</u>	<u>\$ 1,399,532</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 350,656	\$ 237,220	\$ 145,435	\$ -
Swimming pool operations	14,668	4,447	-	-
Before & after school	26,032	36,335	365	-
	<u>\$ 391,356</u>	<u>\$ 278,002</u>	<u>\$ 145,800</u>	<u>\$ -</u>
Total	<u>\$ 9,169,540</u>	<u>\$ 1,050,831</u>	<u>\$ 1,545,332</u>	<u>\$ -</u>

See notes to financial statements.

Exhibit B

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ -2,326,544	\$ -	\$ -2,326,544
-727,292	-	-727,292
-705,496	-	-705,496
<u>\$ -3,759,332</u>	<u>\$ -</u>	<u>\$ -3,759,332</u>
\$ -129,781	\$ -	\$ -129,781
-190,041	-	-190,041
-856,304	-	-856,304
-594,577	-	-594,577
-413,364	-	-413,364
<u>\$ -2,184,067</u>	<u>\$ -</u>	<u>\$ -2,184,067</u>
<u>\$ -8,465</u>	<u>\$ -</u>	<u>\$ -8,465</u>
\$ -100,027	\$ -	\$ -100,027
-156,967	-	-156,967
-396,965	-	-396,965
<u>\$ -653,959</u>	<u>\$ -</u>	<u>\$ -653,959</u>
<u>\$ -6,605,823</u>	<u>\$ -</u>	<u>\$ -6,605,823</u>
\$ -	\$ 31,999	\$ 31,999
-	-10,221	-10,221
-	10,668	10,668
<u>\$ -</u>	<u>\$ 32,446</u>	<u>\$ 32,446</u>
<u>\$ -6,605,823</u>	<u>\$ 32,446</u>	<u>\$ -6,573,377</u>

Jesup Community School District

Statement of Activities

Year Ended June 30, 2010

	<u>Program Revenues</u>		
	<u>Charges</u>	<u>Operating</u>	<u>Capital</u>
	<u>for</u>	<u>Grants,</u>	<u>Grants,</u>
	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>
		<u>and</u>	<u>and</u>
		<u>Restricted</u>	<u>Restricted</u>
<u>Expenses</u>		<u>Interest</u>	<u>Interest</u>

General Revenues:

Property Tax Levied For:

General purposes

Debt service

Capital outlay

Statewide sales, service and use tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total General Revenues

Change in net assets

Loss on disposal of assets

Change in net assets

Net assets beginning of year

Net Assets End of Year

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ 2,123,478	\$ -	\$ 2,123,478
183,080	-	183,080
68,461	-	68,461
566,714	-	566,714
3,119,396	-	3,119,396
10,530	125	10,655
124,382	-	124,382
\$ 6,196,041	\$ 125	\$ 6,196,166
\$ -409,782	\$ 32,571	\$ -377,211
-	-1,889	-1,889
\$ -409,782	\$ 30,682	\$ -379,100
6,023,895	177,712	6,201,607
\$ 5,614,113	\$ 208,394	\$ 5,822,507

Jesup Community School District

Balance Sheet
Governmental Funds

June 30, 2010

	General	Capital Projects	Non-major Funds	Total
Assets				
Cash and Pooled Investments	\$ 1,535,926	\$ 502,423	\$ 334,022	\$ 2,372,371
Receivables:				
Property Tax:				
Delinquent	14,335	-	2,031	16,366
Succeeding year	2,190,782	-	316,033	2,506,815
Accounts	5,387	-	-	5,387
Due from other governments	134,814	93,345	-	228,159
Due from other funds	504	-	50	554
Total Assets	\$ 3,881,748	\$ 595,768	\$ 652,136	\$ 5,129,652
Liabilities and Fund Balances				
Liabilities:				
Interfund payable	\$ 50	\$ -	\$ 504	\$ 554
Accounts payable	139,849	94,242	5	234,096
Salaries and benefits payable	658,469	-	208	658,677
Deferred Revenue:				
Succeeding year property tax	2,190,782	-	316,033	2,506,815
Others	329,423	-	-	329,423
Total Liabilities	\$ 3,318,573	\$ 94,242	\$ 316,750	\$ 3,729,565
Fund Balances:				
Reserved for:				
Categorical funding	\$ 65,623	\$ -	\$ -	\$ 65,623
Debt service	-	-	16,406	16,406
Unreserved	497,552	501,526	318,980	1,318,058
Total Fund Balance	\$ 563,175	\$ 501,526	\$ 335,386	\$ 1,400,087
Total Liabilities and Fund Balances	\$ 3,881,748	\$ 595,768	\$ 652,136	\$ 5,129,652

Jesup 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 16)	\$	1,400,087
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds		7,931,022
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		-25,066
Long-term liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the funds		<u>-3,691,930</u>
Net assets of governmental activities (page 13)	\$	<u>5,614,113</u>

Jesup Community School District

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

Year Ended June 30, 2010

	General	Capital Projects	Non-Major Funds	Total
Revenues:				
Local Sources:				
Local tax	\$ 2,073,518	\$ 566,714	\$ 301,501	\$ 2,941,733
Tuition	463,047	-	-	463,047
Other	134,720	34,545	275,429	444,694
Intermediate sources	-	-	-	-
State sources	4,107,501	-	193	4,107,694
Federal sources	411,234	-	-	411,234
Total Revenues	\$ 7,190,020	\$ 601,259	\$ 577,123	\$ 8,368,402
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 3,528,648	\$ -	\$ 31,840	\$ 3,560,488
Special instruction	1,115,856	-	-	1,115,856
Other instruction	734,785	-	272,027	1,006,812
	\$ 5,379,289	\$ -	\$ 303,867	\$ 5,683,156
Support Services:				
Student services	\$ 132,597	\$ -	\$ 2,674	\$ 135,271
Instructional staff services	212,305	-	535	212,840
Administration services	840,580	-	5,890	846,470
Operation and maintenance of plant services	503,812	-	59,218	563,030
Transportation services	356,672	-	100,808	457,480
	\$ 2,045,966	\$ -	\$ 169,125	\$ 2,215,091
Non-instructional:				
Community service	\$ 3,222	\$ -	\$ 5,243	\$ 8,465
Other Expenditures:				
Facilities acquisition	-	436,527	4,673	441,200
Long-Term Debt:				
Principal	-	-	244,251	244,251
Interest and fiscal charges	-	-	158,222	158,222
AEA flow-through	396,965	-	-	396,965
	\$ 396,965	\$ 436,527	\$ 407,146	\$ 1,240,638
Total Expenditures	\$ 7,825,442	\$ 436,527	\$ 885,381	\$ 9,147,350
Excess (deficiency) of revenues over (under) expenditures	\$ -635,422	\$ 164,732	\$ -308,258	\$ -778,948
Other Financing Sources (Uses):				
Operating transfers in (out)	-	-276,807	272,807	-
Net change in fund balances	\$ -635,422	\$ -112,075	\$ -31,451	\$ -778,948
Fund balances beginning of year	1,198,597	613,601	366,837	2,179,035
Fund Balances End of Year	\$ 563,175	\$ 501,526	\$ 335,386	\$ 1,400,087

See notes to financial statements.

Jesup 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 18) \$ -778,948

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, these costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 558,901	
Depreciation expense	<u>-198,311</u>	160,590

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

Repaid		244,251
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,255

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:

Other postemployment benefits		<u>-36,930</u>
-------------------------------	--	----------------

Change in Net Assets of Governmental Activities (page 15) \$ -409,782

Jesup Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2010

	Before & After School	Swimming Pool	School Nutrition
Assets			
Cash and cash equivalents	\$ 61,396	\$ 22,517	\$ 103,667
Accounts receivable	96	-	216
Inventories	-	-	3,805
Capital assets, net of accumulated depreciation	-	-	24,820
Total Assets	\$ 61,492	\$ 22,517	\$ 132,508
Liabilities			
Accounts payable	\$ 89	\$ -	\$ -
Salaries and benefits payable	-	120	1,571
Deferred revenue	-	-	6,343
Total Liabilities	\$ 89	\$ 120	\$ 7,914
Net Assets			
Invested in capital assets, net of related debt	\$ -	\$ -	\$ 24,820
Unrestricted	61,403	22,397	99,774
Total Net Assets	\$ 61,403	\$ 22,397	\$ 124,594

Jesup Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2010

	Before & After School	Swimming Pool	School Nutrition
Operating revenues:			
Local sources:			
Charges for service	\$ 36,335	\$ 4,447	\$ 237,220
Operating expenses:			
Non-instructional programs:			
Operations:			
Salaries	\$ 19,773	\$ 8,470	\$ 125,000
Benefits	2,501	1,064	17,964
Purchased services	150	692	4,437
Supplies	3,519	4,397	198,735
Other	89	45	-
Depreciation	-	-	4,520
Total operating expenses	\$ 26,032	\$ 14,668	\$ 350,656
Operating income (loss)	\$ 10,303	\$ -10,221	\$ -113,436
Non-operating revenues:			
State sources	\$ -	\$ -	\$ 4,154
Federal sources	365	-	141,281
Interest income	-	-	125
Total non-operating revenues	\$ 365	\$ -	\$ 145,560
Change in net assets before loss	\$ 10,668	\$ -10,221	\$ 32,124
Loss in disposal of assets	-	-	-1,889
Net change in net assets	\$ 10,668	\$ -10,221	\$ 30,235
Net assets beginning of year	50,735	32,618	94,359
Net Assets End of Year	\$ 61,403	\$ 22,397	\$ 124,594

Jesup Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2010

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 237,393
Cash paid to employees for services	141,114
Cash paid to suppliers for goods or services	191,317
Net cash used by operating activities	<u>\$ 95,038</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 4,154
Federal grants received	127,808
Net cash provided by non-capital financing activities	<u>\$ 131,962</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 125</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -15,154</u>
Net increase in cash and cash equivalents	\$ 21,895
Cash and cash equivalents beginning of year	<u>81,772</u>
Cash and Cash Equivalents End of Year	<u>\$ 103,667</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -113,436
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	13,473
Depreciation	4,520
(Increase) in inventories	-933
Decrease in accounts receivable	895
Increase in salaries and benefits payable	1,165
(Decrease) in deferred revenue	-722
Net Cash Used by Operating Activities	<u>\$ 95,038</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$13,473 of federal commodities.

Jesup Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2010

	<u>Swimming Pool</u>
Cash flows from operating activities:	
Cash received from services	\$ 4,447
Cash paid to employees for services	-10,883
Cash paid to suppliers for goods or services	-9,715
Net cash provided by operating activities	<u>\$ -16,151</u>
Net decrease in cash and cash equivalents	\$ -16,151
Cash and cash equivalents beginning of year	<u>38,668</u>
Cash and Cash Equivalents End of Year	<u>\$ 22,517</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating income	\$ -10,221
Adjustments to reconcile operating loss to net cash used by operating activities:	
(Decrease) in salaries and benefits payable	-1,349
(Decrease) in accounts payable	-4,581
Net Cash Provided by Operating Activities	<u>\$ -16,151</u>

Jesup Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2010

	Before and After School
Cash flows from operating activities:	
Cash received from services	\$ 36,239
Cash paid to employees for services	-22,274
Cash paid to suppliers for goods or services	-3,669
Net cash provided by operating activities	<u>\$ 10,296</u>
Cash flows from non-capital financing activities:	
Federal grants received	\$ 365
Net cash provided by non-capital financing activities	<u>\$ 365</u>
Net increase in cash and cash equivalents	\$ 10,661
Cash and cash equivalents beginning of year	<u>50,735</u>
Cash and Cash Equivalents End of Year	<u>\$ 61,396</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating income	\$ 10,303
Adjustments to reconcile operating loss to net cash used by operating activities:	
Increase in accounts payable	89
(Increase) in accounts receivable	-96
Net Cash Used by Operating Activities	<u>\$ 10,296</u>

Jesup Community School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Trust Scholarship
Assets	
Cash and pooled investments	\$ 7,392
Total Assets	\$ 7,392
Liabilities	
Accounts payable	\$ -
Net assets	
Reserved for scholarships	\$ 7,392

See notes to financial statements.

Jesup Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year Ended June 30, 2010

	Trust
	Scholarship
Additions:	
Local sources:	
Interest income	\$ 737
Deductions:	
Support services:	
Scholarships awarded	\$ -
Change in net assets	\$ 737
Net assets beginning of year	6,655
Net Assets End of Year	\$ 7,392

Jesup Community School District

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

Jesup Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. 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 Jesup, Iowa and portions of the predominately agricultural territories in Buchanan and Black Hawk 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, Jesup 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. Jesup Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

Unrestricted net assets consist of net assets 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 clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District's proprietary funds are the Enterprise, Before and After School Fund, School Nutrition Fund and Swimming Pool Fund. These funds are used to account for the food service and swimming pool operations and before and after school program 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 Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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

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

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

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

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 as well as property tax receivable and other receivables not collected within sixty days after year-end.

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

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

Fund Equity – 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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

During the year ended June 30, 2010, expenditures in the instructional functional area exceeded the amount budgeted.

(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.

(3) Due from and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Student Activity	\$ 504
Student Activity	General Fund	50
Total		<u>\$ 554</u>

The Student Activity Fund owes the General Fund for salaries and benefits. The General Fund owes the Student Activity Fund for drug free expenditures. The balances will be repaid by June 30, 2011.

(4) Inter-fund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 202,362
Physical Plant and Equipment Levy	Capital Projects	74,445
Total		<u>\$ 276,807</u>

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

(5) **Capital Assets**

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

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 33,500	\$ -	\$ -	\$ 33,500
Construction in progress	259,683	20,627	259,683	20,627
Total capital assets not being depreciated	<u>\$ 293,183</u>	<u>\$ 20,627</u>	<u>\$ 259,683</u>	<u>\$ 54,127</u>
Capital assets being depreciated:				
Buildings	\$ 9,776,943	\$ 548,083	\$ -	\$ 10,325,026
Improvements other than buildings	601,405	33,582	-	634,987
Furniture and equipment	2,675,691	232,292	16,000	2,891,983
Total capital assets being depreciated	<u>\$ 13,054,039</u>	<u>\$ 813,957</u>	<u>\$ 16,000</u>	<u>\$ 13,851,996</u>
Less accumulated depreciation for:				
Buildings	\$ 3,153,534	\$ 199,525	\$ -	\$ 3,353,059
Improvements other than buildings	412,073	15,229	-	427,302
Furniture and equipment	2,011,183	183,557	-	2,194,740
Total accumulated depreciation	<u>\$ 5,576,790</u>	<u>\$ 398,311</u>	<u>\$ -</u>	<u>\$ 5,975,101</u>
Total capital assets being depreciated, net	<u>\$ 7,477,249</u>	<u>\$ 415,646</u>	<u>\$ 16,000</u>	<u>\$ 7,876,895</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,770,432</u>	<u>\$ 436,273</u>	<u>\$ 275,683</u>	<u>\$ 7,931,022</u>
	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 41,030	\$ 15,154	\$ 4,772	\$ 51,412
Less accumulated depreciation	24,955	4,520	2,883	26,592
Business Type Activities Capital Assets, Net	<u>\$ 16,075</u>	<u>\$ 10,634</u>	<u>\$ 1,889</u>	<u>\$ 24,820</u>
Depreciation expense was charged to the following functions:				
Governmental Activities:				
Instruction:				
Regular				\$ 255,898
Special				3,111
Other				19,263
Support services:				
Administration				4,940
Operation and maintenance of plant				44,500
Transportation				70,599
Total Depreciation Expense – Governmental Activities				<u>\$ 398,311</u>
Business Type Activities:				
Food service operations				<u>\$ 4,520</u>

(6) **Long-term Liabilities**

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

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 3,870,000	\$ -	\$ 215,000	\$ 3,655,000	\$ 220,000
LOST revenue bond	29,251	-	29,251	-	-
Net OPEB liability	-	36,930	-	36,930	-
Total	<u>\$ 3,899,251</u>	<u>\$ 36,930</u>	<u>\$ 244,251</u>	<u>\$ 3,691,930</u>	<u>\$ 220,000</u>

General Obligation Bonds Payable

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

Year Ending June 30,	Issued May 2003			
	Interest Rates	Principal	Interest	Total
2011	3.60%	\$ 220,000	\$ 150,398	\$ 370,398
2012	3.75%	230,000	142,478	372,478
2013	3.80%	240,000	133,853	373,853
2014	4.00%	245,000	124,733	369,733
2015	4.00%	255,000	114,933	369,933
2016	4.00%	265,000	104,733	369,733
2017	4.00%	275,000	94,133	369,133
2018	4.10%	290,000	83,133	373,133
2019	4.20%	300,000	71,243	371,243
2020	4.25%	310,000	58,643	368,643
2021	4.35%	325,000	45,468	370,468
2022	4.45%	340,000	31,330	371,330
2023	4.50%	360,000	16,200	376,200
Total		<u>\$ 3,655,000</u>	<u>\$ 1,171,278</u>	<u>\$ 4,826,278</u>

LOST Revenue Bond Payable

The LOST Revenue Bond issued July 1, 2005 was paid in full during the current fiscal year. The District was only liable for the principal on this loan. The interest was paid by an NSSI grant.

During the year ended June 30, 2010, the District made principal, interest and fees payments totaling \$402,473 under the agreements.

(7) **Pension and Retirement Benefits**

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the years ended June 30, 2010, 2009 and 2008. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$338,662, \$317,464, and \$276,867 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

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

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 83 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are 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 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 obligations:

Annual required contribution	\$	43,359
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost	\$	43,359
Contributions made		6,429
Increase in net OPEB obligation	\$	36,930
Net OPEB obligation beginning of year		-
Net OPEB obligation end of year	\$	36,930

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 \$607,207 to the medical plan. Plan members eligible for benefits contributed \$44,819, or 7% 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	\$43,359	14.8%	\$36,930

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 \$329,314, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$329,314. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,731,000 and the ratio of the UAAL to covered payroll was 8.8%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, 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 unit credit 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%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$333.77 per month for retirees less than age 65 and \$515.60 per month for retirees who have attained 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

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$396,965 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Construction Commitments

The District entered into a contract for the Prairie Grove Rural School project for \$428,260. At June 30, 2010, \$20,627 was in construction in process, with the balance of \$407,633 to be completed in 2011.

(12) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Home School Assistance	\$ 1,726
Beginning Teacher Mentoring	556
Teacher Salary Supplement	47,986
Non Public Textbook	154
Core Curriculum	15
PWIM	9,436
Professional Development	3,024
Market Factor (08)	2,726
Total	<u>\$ 65,623</u>

(13) Subsequent Events

The District has evaluated subsequent events through March 17, 2011 which is the date that the financial statement were available to be issued.

Required Supplementary Information

Jesup Community School District

**Budgetary Comparison Schedule of Revenue, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund**

Required Supplementary Information

Year Ended June 30, 2010

	<u>Governmental Funds Actual</u>	<u>Proprietary Fund Actual</u>
Receipts:		
Local sources	\$ 3,849,474	\$ 278,127
Intermediate sources	-	-
State sources	4,107,694	4,154
Federal sources	411,234	141,646
Total Receipts	<u>\$ 8,368,402</u>	<u>\$ 423,927</u>
Disbursements:		
Instruction	\$ 5,683,156	\$ -
Support services	2,215,091	-
Non-instructional programs	8,465	391,356
Other expenditures	1,240,638	-
Total Disbursements	<u>\$ 9,147,350</u>	<u>\$ 391,356</u>
Excess (deficiency) of revenue over (under) expenditures/expenses	\$ -778,948	\$ 32,571
Other financing (uses), net	<u>-</u>	<u>-1,889</u>
Excess (deficiency) of revenue and other financing sources over (under) expenditures/expenses and other financing uses	\$ -778,948	\$ 30,682
Balances beginning of year	<u>2,179,035</u>	<u>177,712</u>
Balances End of Year	<u>\$ 1,400,087</u>	<u>\$ 208,394</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts	Final to Actual Variance
\$	4,127,601	\$ 3,910,072	\$ 217,529
	-	-	-
	4,111,848	4,971,540	-859,692
	552,880	215,000	337,880
\$	8,792,329	\$ 9,096,612	\$ -304,283
\$	5,683,156	\$ 5,280,000	\$ -403,156
	2,215,091	2,495,450	280,359
	399,821	411,500	11,679
	1,240,638	1,407,048	166,410
\$	9,538,706	\$ 9,593,998	\$ 55,292
\$	-746,377	\$ -497,386	\$ -248,991
	-1,889	-	-1,889
\$	-748,266	\$ -497,386	\$ -250,880
	2,356,747	3,025,710	-668,963
\$	1,608,481	\$ 2,528,324	\$ -919,843

Jesup 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 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 Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a 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 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 in the instructional function exceeded the amount budgeted.

Jesup Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

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	\$-	\$329	\$329	0.0%	\$3,731	8.8%

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

Jesup Community School District

Combining Balance Sheet
Non-Major Funds

June 30, 2010

	Special Revenue				Total
	Debt Service	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Assets					
Cash and pooled investments	\$ 15,179	\$ 81,404	\$ 120,111	\$ 117,328	\$ 334,022
Receivables:					
Property Tax:					
Delinquent	1,227	345	-	459	2,031
Succeeding year	175,698	70,000	-	70,335	316,033
Due from other fund	-	-	50	-	50
Total Assets	\$ 192,104	\$ 151,749	\$ 120,161	\$ 188,122	\$ 652,136
Liabilities & Fund Equity					
Liabilities:					
Inter-fund payable	\$ -	\$ -	\$ 504	\$ -	\$ 504
Accounts payable	-	-	5	-	5
Salaries and benefits payable	-	-	208	-	208
Deferred revenue:					
Succeeding year property tax	175,698	70,000	-	70,335	316,033
Total Liabilities	\$ 175,698	\$ 70,000	\$ 717	\$ 70,335	\$ 316,750
Fund Equity:					
Restricted	\$ 16,406	\$ -	\$ -	\$ -	\$ 16,406
Unreserved fund balances	-	81,749	119,444	117,787	318,980
Total Fund Equity	\$ 16,406	\$ 81,749	\$ 119,444	\$ 117,787	\$ 335,386
Total Liabilities & Fund Equity	\$ 192,104	\$ 151,749	\$ 120,161	\$ 188,122	\$ 652,136

Jesup Community School District

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Funds**

Year Ended June 30, 2010

	Special Revenue				Total
	Debt Service	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:					
Local Sources:					
Local tax	\$ 183,080	\$ 49,960	\$ -	\$ 68,461	\$ 301,501
Other	46	14	272,320	3,049	275,429
State sources	117	32	-	44	193
Total Revenues	\$ 183,243	\$ 50,006	\$ 272,320	\$ 71,554	\$ 577,123
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ -	\$ 31,840	\$ -	\$ -	\$ 31,840
Other instruction	-	-	272,027	-	272,027
Support Services:					
Student services	-	2,674	-	-	2,674
Instructional staff services	-	535	-	-	535
Administration services	-	5,890	-	-	5,890
Operation and maintenance of plant services	-	59,218	-	-	59,218
Transportation services	-	12,934	-	87,874	100,808
Non-instructional:					
Community services	-	-	5,243	-	5,243
Other expenditures:					
Facilities acquisitions	-	-	-	4,673	4,673
Principal	244,250	-	-	-	244,250
Interest and fiscal charges	158,223	-	-	-	158,223
Total Expenditures	\$ 402,473	\$ 113,091	\$ 277,270	\$ 92,547	\$ 885,381
Excess (deficiency) of revenues over (under) expenditures	\$ -219,230	\$ -63,085	\$ -4,950	\$ -20,993	\$ -308,258
Other Financing Sources (Uses):					
Operating transfers in	\$ 202,362	\$ -	\$ -	\$ 74,445	\$ 276,807
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	\$ -16,868	\$ -63,085	\$ -4,950	\$ 53,452	\$ -31,451
Fund balances beginning of year	33,274	144,834	124,394	64,335	366,837
Fund Balances End of Year	\$ 16,406	\$ 81,749	\$ 119,444	\$ 117,787	\$ 335,386

See accompanying independent auditor's report.

Jesup Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2010

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Choir robes	\$ 732	\$ 335	\$ -	\$ -	\$ 1,067
Activity books	11,217	8,146	141	60	19,282
Athletics	9,322	90,793	91,168	-60	8,887
Fine arts	8,312	3,337	6,705	-	4,944
Student Council	10,526	1,670	3,296	-250	8,650
Summer ball	10,499	5,418	5,243	-	10,674
FHA	2,399	6,908	8,584	-	723
High School Fine Arts Trip	6,189	15,366	27,964	4,800	-1,609
Language Club	757	-	-	-	757
Miscellaneous	1,714	518	2,133	-	99
Yearbook	2,558	9,774	11,260	-	1,072
National Honor Society	4	474	476	-	2
Class of 2005	163	-	-	-	163
Class of 2007	1,388	-	-	-	1,388
Class of 2008	1,659	-	-	-	1,659
Class of 2009	3,129	-	128	-	3,001
Class of 2010	2,055	-	1,206	75	924
Class of 2011	95	9,013	7,079	100	2,129
Class of 2012	336	305	53	50	638
Class of 2013	-	4,735	2,534	25	2,226
Middle School	5,733	17,973	18,806	116	5,016
FFA	9,112	18,734	18,642	-	9,204
J-Stars	18,706	26,398	24,492	-4,800	15,812
Tree Project	-	3,330	3,242	412	500
Interest account	6,449	287	-	-	6,736
Elementary	9,891	9,120	11,732	-116	7,163
PTO	1,449	39,686	32,386	-412	8,337
Total	\$ 124,394	\$ 272,320	\$ 277,270	\$ -	\$ 119,444

Jesup Community School District

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

For the Last Seven Years

	Modified Accrual Basis			
	2010	2009	2008	2007
Revenues:				
Local Sources:				
Local tax	\$ 2,941,733	\$ 2,835,251	\$ 2,714,990	\$ 2,595,434
Tuition	463,047	413,652	365,464	327,907
Other	444,694	400,113	411,311	431,642
Intermediate sources	-	-	-	-
State sources	4,107,694	4,284,148	3,904,474	3,686,043
Federal sources	411,234	320,382	223,379	234,996
Total	\$ 8,368,402	\$ 8,253,546	\$ 7,619,618	\$ 7,276,022
Expenditures:				
Instruction:				
Regular instruction	\$ 3,560,488	\$ 3,480,389	\$ 3,164,596	\$ 2,821,626
Special instruction	1,115,856	1,055,944	871,587	768,508
Other instruction	1,006,812	908,797	828,366	793,271
Support services:				
Student services	135,271	124,779	124,883	116,722
Instructional staff services	212,840	204,314	183,242	147,291
Administration services	846,470	791,922	747,242	696,152
Operation and maintenance of plant services	563,030	568,582	562,346	528,321
Transportation services	457,480	444,009	393,511	462,137
Non-instructional:				
Community services	8,465	12,024	9,686	9,627
Other expenditures:				
Facilities acquisition	441,200	365,611	493,501	354,400
Long-term debt:				
Principal	244,251	239,246	229,246	248,492
Interest and other charges	158,222	165,310	171,810	178,935
AEA flow-through	396,965	318,371	283,684	272,123
Total	\$ 9,147,350	\$ 8,679,298	\$ 8,063,700	\$ 7,397,605

See accompanying independent auditor's report.

Modified Accrual Basis		
2006	2005	2004
\$ 2,403,758	\$ 1,815,802	\$ 1,858,831
275,991	298,173	308,685
521,100	833,829	737,297
-	-	-
3,522,995	3,141,551	3,291,040
273,936	675,829	1,337,382
<u>\$ 6,997,780</u>	<u>\$ 6,765,184</u>	<u>\$ 7,533,235</u>

\$ 2,668,183	\$ 2,519,755	\$ 2,523,006
736,763	727,863	721,687
751,050	689,613	459,065
113,227	439,592	284,723
129,927	179,958	163,584
665,048	718,590	763,110
447,598	368,754	454,477
329,828	282,983	265,734
4,551	5,911	4,332
901,040	3,016,743	2,767,935
185,000	175,000	170,000
185,872	192,435	198,810
249,422	246,686	251,380
<u>\$ 7,367,509</u>	<u>\$ 9,027,843</u>	<u>\$ 9,027,843</u>

See accompanying independent auditor's report.

Jesup Community School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Grantor/Program	CFDA Number	Grant Number	Expendi- tures	
Indirect:				
US Department of Agriculture:				
Iowa Department of Education:				
School Breakfast Program	10.553	FY10	\$ 18,519	
National School Lunch Program	10.555	FY10	123,127	*
			<u>\$ 141,646</u>	
US Department of Education:				
Iowa Department of Education:				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	84.010	FY10	\$ 89,168	
ARRA – Title I Grants to Local Educational Agencies – Recovery Act	84.389	FY10	19,678	
			<u>\$ 108,846</u>	
Career and Technical Education – Basic Grants to States	84.048	FY10	\$ 9,045	
Safe and Drug-Free Schools and Communities – State Grants	84.186	FY10	\$ 2,624	
Enhancing Education through Technology	84.318	FY10	100	
Title III English Language Acquisition State Grants	84.365	FY10	4,149	
Improving Teacher Quality State Grants	84.367	FY10	\$ 44,708	
Grants for State Assessment	84.369	FY10	\$ 5,935	
ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act	84.394	FY10	\$ 109,028	
Area Education Agency 267:				
Special Education – Grants to States	84.027	FY10	\$ 52,903	**
ARRA – Special Education Grants to States- Recovery Act	84.391	FY10	\$ 73,896	**
Total			<u>\$ 552,880</u>	

*- Includes \$13,473 of non-cash awards.

** - Total for CFDA Number 84.391 is \$73,896 and total for Special Education Cluster (IDEA) is \$126,799

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

**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**

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
Jesup Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jesup 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 my report thereon dated March 17, 2011. I conducted my 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 my audit, I considered the Jesup Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Jesup Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Jesup Community School District's internal control over financial reporting.

My 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, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I 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 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.

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. I consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-A-10 to be a significant deficiency

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jesup Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV 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 my audit of the financial statements of the District. Since my 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.

Jesup Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Jesup Community School District's responses and, accordingly, I 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 Jesup Community School District and other parties to whom Jesup 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.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Jesup Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

March 17, 2011

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

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

To the Board of Education of
Jesup Community School District:

Compliance

I have audited the compliance of Jesup Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Jesup Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Jesup Community School District's management. My responsibility is to express an opinion on Jesup Community School District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jesup Community School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Jesup Community School District's compliance with those requirements.

In my opinion, Jesup Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Jesup Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing my audit, I considered Jesup Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Jesup Community School District's internal control over compliance.

My consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

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

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


Keith Oltrogge
Certified Public Accountant

March 17, 2011

Jesup Community School District

Schedule of Findings

Year Ended June 30, 2010

Part I – Summary of the Independent Auditor’s Results:

- a) Unqualified opinions were issued on the financial statements.
- b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) No material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
 - Clustered Programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - Clustered Programs:
 - CFDA Number 84.010 Title I Grants to Local Education Agencies
 - CFDA Number 84.389 – ARRA – Title I Grants to Local Education Agencies, Recovery Act
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Jesup Community School District did not qualify as a low-risk auditee.

Jesup Community School District

Schedule of Findings

Year Ended June 30, 2010

Part II – Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is common control deficiency of most small Districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

Jesup Community School District

Schedule of Findings

Year Ended June 30, 2010

Part III – Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

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

CFDA Number 84.010: Title I Grants to Local Education Agencies
CFDA Number 84.389: ARRA – Title I Grants to Local Education Agencies, Recovery Act
Federal Award Year: 2010
US Department of Education
Passed through Iowa Department of Education

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

SIGNIFICANT DEFICIENCIES:

No matters were reported

Jesup Community School District

Schedule of Findings

Year Ended June 30, 2010

Part IV - Other Findings Related to Statutory Reporting:

IV-A-10 Certified Budget – Disbursements for the year ended June 30, 2010 exceeded the certified budget amounts in the instructional function.

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

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

Conclusion – Response accepted.

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

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

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

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

IV-F-10 Board Minutes – No transactions requiring Board approval, which had not been approved by the Board, were noted.

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

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

IV-I-10 Deposits and Investments – 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.

IV-J-10 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

Jesup Community School District

Schedule of Findings

Year Ended June 30, 2010

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

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

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

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

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

Conclusion – Response accepted.

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

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

Beginning balance		\$	22,709
Statewide sales, service and use tax revenue			566,714
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	409,150	
Equipment		589	
Other improvements		12,344	
Debt service for school infrastructure:			
General obligation debt		202,362	624,445
Ending balance		\$	<u>-35,022</u>

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

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.914913	\$ 566,714
Physical plant and equipment levy	-	-
Public educational and recreational levy	-	-

Jesup Community School District

Schedule of Findings

Year Ended June 30, 2010

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

IV-M-10 Activity Accounts – One student activity account had a deficit balance at June 30, 2010.

Recommendation – The District should investigate alternatives to eliminate this deficit in order to return this account to a sound financial condition.

Response – The District is investigating alternatives to eliminate the deficit in the student activity account at the end of the fiscal year.

Conclusion – Response accepted.

IV-N-10 Student Activity Fund – In accordance with IAR 281-98.70 upon dissolution of the student activity, such as a graduated class, the surplus must be used to support other student activities in the Student Activity Fund. The District has not closed the student accounts for the Past Graduates Classes (2005, 2007, 2008 and 2009).

Recommendation – The balances in the Past Graduated Classes should be transferred to other student activities accounts.

Response – We will transfer the accounts.

Conclusion – Response accepted.

IV-O-10 Revenue Bonds – The District has complied with the provisions of the revenue bonds.