MALVERN
COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

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MALVERN COMMUNITY SCHOOL DISTRICT

Officials

Name	Title	Term Expires
	Board of Education	
	(Before September 2009 Election)	
Susan Stogdill	President	2009
Dale Stephens	Vice President	2011
Brenda Koger		2009
Becky Bell		2011
Jeff Poort		2011
	(After September 2009 Election)	
Susan Stogdill	President	2013
Dale Stephens	Vice President	2011
Brenda Koger		2013
Becky Bell		2011
Jeff Poort		2011
	School Officials	
Curtis Barclay	Superintendent	
Susan Davis	District Secretary	
Darla Hetzel	District Treasurer	

BRUCE D. FRINK
Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report

To the Board of Education of
Malvern Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Malvern Community School District, Malvern, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2011 on our consideration of Malvern Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

202 Central Avenue East
P.O. Box 241
Clarion, IA 50525

Phone: (515) 532-6659
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bruce@frinkcpa.com

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Malvern Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

March 10, 2011

MALVERN COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Malvern 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 $3,757,149 in fiscal 2009 to $4,091,273 in fiscal 2010, while General Fund expenditures increased from $4,081,402 in fiscal 2009 to $4,200,648 in fiscal 2010. The District's General Fund balance decreased from $22,218 in fiscal 2009 to a negative $87,157 in 2010.

- Increases in property taxes accounted for the increase in revenues. State aid cuts in midyear negatively affected the cash flow of the District.

- The District's solvency ratio was a negative 2% at the end of fiscal 2010. The solvency ratio is indicative of the District's ability to meet its financial obligations. The District's General Fund Balance dropped significantly for the second consecutive year. Recommended solvency ratio is commonly around 10%.

- The statewide sales, service and use tax was used to help with the high school addition and debt retirement.

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 Malvern 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 Malvern 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 Malvern Community School District acts solely as an agent or custodian for the benefit of those outside of the 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 Student Activity and Fiduciary funds as well as a multiyear comparison of revenues and expenses.

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

Figure A-1
Malvern Community School District Annual Financial Report

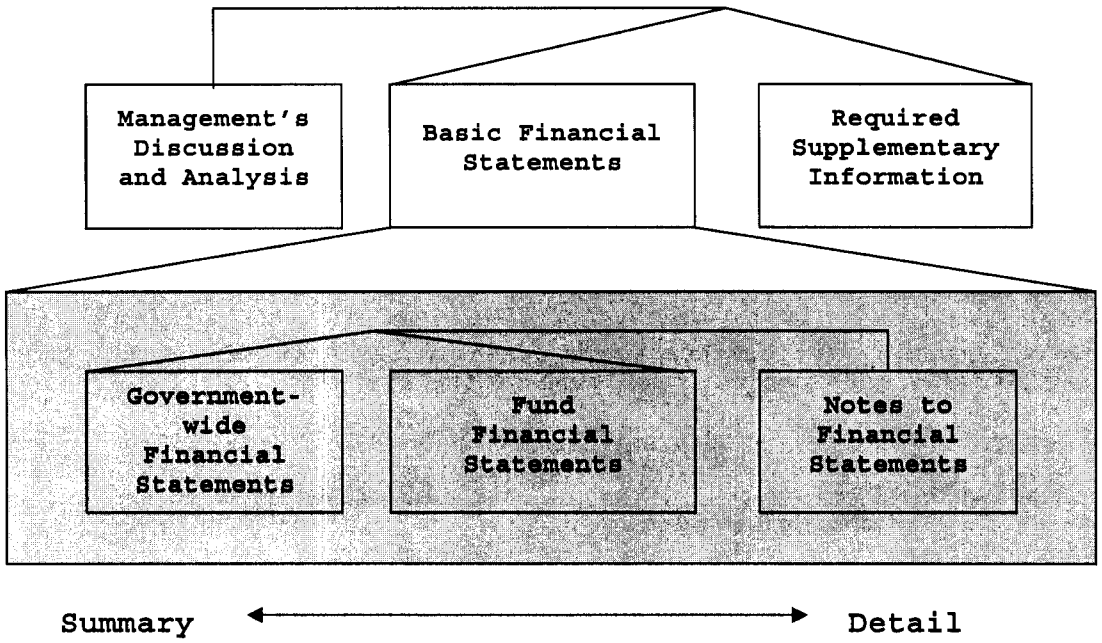

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	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	Activity the District operates similar to private businesses: food services and preschool	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 and preschool 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. The District has elected to present all funds as "major" for clarity of presentation.

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 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 the Capital Projects Fund.

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

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

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

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

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

   - Agency Funds - The District holds money for outside groups in a custodial capacity.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	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 assets	$ 3,200	4,405	22	7	3,222	4,412	-26.97%
Capital assets	3,185	1,987	-	2	3,185	1,989	60.13%
Total assets	6,385	6,392	22	9	6,407	6,401	0.09%
Current liabilities	2,721	2,652	2	-	2,723	2,652	2.68%
Non-current liabilities	1,964	1,950	-	-	1,964	1,950	100.00%
Total liabilities	4,685	4,602	2	-	4,687	4,602	1.85%
Net Assets							
Invested in capital assets, net of related debt	1,260	37	-	2	1,260	39	3130.77%
Restricted	464	1,632	-	-	464	1,632	-71.57%
Unrestricted	(24)	121	20	7	(4)	128	-103.13%
Total net assets	$ 1,700	1,790	20	9	1,720	1,799	-4.39%

Net assets decreased by 4% primarily in the unrestricted area. This was due to a significant decrease in the General Fund. The increase in capital assets and decrease in restricted net assets offset each other. This is due to the timing on issuance of bonds for an addition to the high school. This result was projected in the FY09 audit report and occurred as expected.

Figure A-4 shows the changes 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
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues:							
Program revenues:							
Charges for service and sales	$ 607	629	88	73	695	702	-1.00%
Operating grants, contributions and restricted interest	887	755	74	75	961	830	15.78%
General revenues:							
Property tax	1,548	1,401	-	-	1,548	1,401	10.49%
Income surtax	194	207	-	-	194	207	-6.28%
Statewide sales, service and use tax	101	175	-	-	101	175	-42.29%
Unrestricted state grants	1,181	1,099	-	-	1,181	1,099	7.46%
Unrestricted investment earnings	4	11	-	-	4	11	-63.64%
Other	19	13	-	-	19	13	46.15%
Total revenues	4,541	4,290	162	148	4,703	4,438	5.97%
Program expenses:							
Governmental activities:							
Instruction	3,088	3,022	-	-	3,088	3,022	2.18%
Support Services	1,085	1,029	-	-	1,085	1,029	5.44%
Non-instructional programs	-	10	153	145	153	155	-1.29%
Other expenses	458	576	-	-	458	576	-20.49%
Total expenses	4,631	4,637	153	145	4,784	4,782	0.04%
Change in net assets	$ (90)	(347)	9	3	(81)	(344)	-76.45%

Property tax and unrestricted state grants account for 58% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 87% of the total expenses. This is a 2% increase in percentage of total expenses being directed to areas directly affecting student education.

Governmental Activities

Revenues for governmental activities were $4,541,089 and expenses were $4,630,862 for the year ended June 30, 2010.

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

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-2010	2010	2009	Change 2009-2010
Instruction	$ 3,088	3,022	2.18%	1,762	1,781	-1.07%
Support services	1,085	1,029	5.44%	1,064	1,006	5.77%
Non-instructional programs	-	10	100.00%	-	10	100.00%
Other expenses	458	576	-20.49%	312	456	-31.58%
Totals	$ 4,631	4,637	-0.13%	3,138	3,253	-3.54%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was $606,649.
- Federal and state governments subsidized certain programs with grants and contributions totaling $592,422.
- The net cost of governmental activities was financed with $1,548,750 in property tax and $1,181,190 in state foundation aid.

Proprietary-Type Funds

Revenues for the District's School Nutrition Fund during the year ended June 30, 2010 were $148,362 and expenses totaled $146,585. The revenues include charges for services, contributions, and federal and state reimbursements.

The District began a preschool program which netted over $7,000 in FY10.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Malvern 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 the District completed the fiscal year, its governmental funds reported combined fund balances of $293,480, which is less than last year's ending fund balance of $1,571,185. This is due to bond proceeds received in 2009 being spent in fiscal 2010. This result had been anticipated and disclosed in the FY09 audit report.

Governmental Fund Highlights

Several factors contributed to the decrease in the fund balance in the District's governmental funds. Some of these factors were unexpected; some were deliberately planned.

- The District experienced a 10.0% state aid cut in December, 2009.
- The District completed an addition to the high school building.
- The statewide sales, services and use tax was begun in July, 2008. This aided the school in infrastructure projects and property tax relief.

Proprietary Fund Highlights

School Nutrition Fund net assets increased by over $1,700 in fiscal year 2010. No General Fund transfers were necessary in FY10.

The Preschool Fund ended its first year with a profit exceeding $7,000.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

It is the District's practice, as is in most Iowa school district, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year.

Actual revenues were less than budgeted amounts primarily due to the fact that state aid revenues fell far short of anticipated amounts.

The District did not exceed its published budget in any of the four functions nor did it exceed its General Fund unspent authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District has invested more than $3.1 million, net of accumulated depreciation, by the end of fiscal 2009 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. The District completed an addition to the high school that cost approximately $2 million. Total depreciation expenses for the year exceeded $221,000.

Long-Term Debt

In 2009, the District borrowed $1,950,000 of revenue bonds for the purpose of constructing an addition to the high school. It will be paid off over the next 20 years using proceeds of the statewide sales, services and use tax. At June 30, 2010, the outstanding balance was $1,925,000.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District will need to monitor payroll expenses as they account for the vast majority of the General Fund budget.

- Alternative sources must be found due to funding inconsistencies on the parts of the federal and state governments. The State of Iowa enacted a 10% across the board cut in the fall of 2009.

- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the Federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.

- Enrollment increases and decreases will play a large part in determining the District's finances on an year to year basis. The legislature needs to ensure adequate allowable growth to properly fund education.

- The District participates in a whole grade sharing agreement with the Nishna Valley Community School District. This is providing our students with more academic course offerings as well as cost savings opportunities. The voters of the Malvern and Nishna Valley districts approved a reorganization effective July 1, 2011.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Darla Hetzel, District Business Manager, Malvern Community School District, 422 Main Street, Malvern, IA 51551.

Basic Financial Statements

MALVERN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	$ 671,758	11,148	682,906
Receivables:			
Property tax:			
Current year	21,121	-	21,121
Succeeding year	1,947,412	-	1,947,412
Income surtax - succeeding year	186,276	-	186,276
Due from other governments	371,944	-	371,944
Other receivables	1,873	-	1,873
Inventories	-	10,889	10,889
Capital assets, net of accumulated depreciation	3,184,843	416	3,185,259
Total assets	6,385,227	22,453	6,407,680
Liabilities			
Accounts payable	443,839	-	443,839
Accrued payroll and benefits	270,636	2,493	273,129
Deferred revenue:			
Succeeding year property tax	1,947,412	-	1,947,412
Federal programs	58,741	-	58,741
Long-term liabilities:			
Portion due within one year - revenue bonds	50,000	-	50,000
Portion due after one year			
Net OPEB liability	39,000	-	39,000
Revenue bonds	1,875,000	-	1,875,000
Total liabilities	4,684,628	2,493	4,687,121
Net assets			
Invested in capital assets, net of related debt	1,259,843	416	1,260,259
Restricted for:			
Management levy	47,693	-	47,693
Physical plant and equipment levy	200,230	-	200,230
Capital projects	194,472	-	194,472
Categorical funding	22,622	-	22,622
Unrestricted	(24,261)	19,544	(4,717)
Total net assets	$ 1,700,599	19,960	1,720,559

See notes to financial statements.

MALVERN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:	$ 3,088,426	602,049	723,986	(1,762,391)	-	(1,762,391)
Support services:						
Student services	67,461	-	-	(67,461)	-	(67,461)
Instructional staff services	40,473	-	-	(40,473)	-	(40,473)
Administration services	513,368	-	-	(513,368)	-	(513,368)
Operation and maintenance of plant services	274,803	-	16,272	(258,531)	-	(258,531)
Transportation services	188,404	4,600	-	(183,804)	-	(183,804)
	1,084,509	4,600	16,272	(1,063,637)	-	(1,063,637)
Other expenditures:						
AEA flowthrough	146,268	-	146,268	-	-	-
Long term debt interest and service fees	89,923	-	-	(89,923)	-	(89,923)
Facilities acquisition and construction	-	-	-	-	-	-
Depreciation (unallocated)*	221,736	-	-	(221,736)	-	(221,736)
	457,927	-	146,268	(311,659)	-	(311,659)
Total governmental activities	4,630,862	606,649	886,526	(3,137,687)	-	(3,137,687)

MALVERN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:						
Non-instructional programs:						
Nutrition services	146,585	74,694	73,668	-	1,777	1,777
Day care	6,345	13,310	53	-	7,018	7,018
Total business type activities	152,930	88,004	73,721	-	8,795	8,795
Total	$ 4,783,792	694,653	960,247	(3,137,687)	8,795	(3,128,892)
General Revenues:						
Property tax levied for:						
General purposes				1,416,495	-	1,416,495
Management levy				39,931	-	39,931
Capital outlay				92,324	-	92,324
Income surtax:						
General purposes				103,007	-	103,007
Capital outlay				91,414	-	91,414
Statewide sales, services and use tax				100,640	-	100,640
Unrestricted state grants				1,181,190	-	1,181,190
Unrestricted investment earnings				4,297	-	4,297
Other				18,676	-	18,676
Total general revenues				3,047,974	-	3,047,974
Change in net assets				(89,713)	8,795	(80,918)
Net assets beginning of year				1,790,312	11,165	1,801,477
Net assets end of year				$ 1,700,599	19,960	1,720,559

* This amount excludes the depreciation that is included in the direct expenses of the various programs.
See notes to financial statements.

MALVERN COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Total
Assets						
Cash and pooled investments	$ 259,524	25,618	80,103	112,041	194,472	671,758
Receivables:						
Property tax:						
Current year	19,317	-	544	1,260	-	21,121
Succeeding year	1,771,310	-	50,000	126,102	-	1,947,412
Income surtax - succeeding year	99,347	-	-	86,929	-	186,276
Due from other governments	371,746	198	-	-	-	371,944
Other receivables	1,516	357	-	-	-	1,873
Total assets	$ 2,522,760	26,173	130,647	326,332	194,472	3,200,384
Liabilities and Fund Balance						
Liabilities:						
Accounts payable	$ 409,883	1,002	32,954	-	-	443,839
Accrued payroll and benefits	270,636	-	-	-	-	270,636
Deferred revenue:			-			
Succeeding year property tax	1,771,310	-	50,000	126,102	-	1,947,412
Succeeding year income surtax	99,347	-	-	86,929	-	186,276
Federal programs	58,741	-	-	-	-	58,741
Total liabilities	2,609,917	1,002	82,954	213,031	-	2,906,904
Fund balances:						
Reserved for categorical funding	22,622	-	-	-	-	22,622
Unreserved, reported in:						
Capital projects	-	-	-	-	194,472	194,472
Special revenue	-	25,171	47,693	113,301	-	186,165
General fund	(109,779)	-	-	-	-	(109,779)
Total fund balances	(87,157)	25,171	47,693	113,301	194,472	293,480
Total liabilities and fund balances	$ 2,522,760	26,173	130,647	326,332	194,472	3,200,384

See notes to financial statements.

MALVERN COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2010

Total fund balances of governmental funds (Exhibit C)	$ 293,480
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Income surtax receivable at June 30, 2010 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	186,276
Capital assets used in governmental activities are not assets in the governmental funds.	3,184,843
Long-term liabilities, including revenue bonds payable and net OPEB liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(1,964,000)
Net assets of governmental activities (Exhibit A)	$ 1,700,599

See notes to financial statements.

MALVERN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Revenues:							
Local sources:							
Local tax	$ 1,525,215	-	39,931	188,737	100,640	-	1,854,523
Tuition	602,049	-	-	-	-	-	602,049
Other	44,202	115,008	12,015	2,372	1,812	-	175,409
State sources	1,609,630	-	22	51	-	-	1,609,703
Federal sources	310,177	-	-	-	-	-	310,177
Total revenues	4,091,273	115,008	51,968	191,160	102,452	-	4,551,861
Expenditures:							
Current:							
Instruction	2,896,750	106,296	46,380	-	-	-	3,049,426
Support services:							
Student services	67,461	-	-	-	-	-	67,461
Instructional staff services	77,365	-	-	64,482	50,547	-	192,394
Administration services	510,366	-	3,002	-	-	-	513,368
Operation and maintenance of plant services	321,030	-	38,764	2,400	-	-	362,194
Transportation services	181,408	-	6,996	-	-	-	188,404
	1,157,630	-	48,762	66,882	50,547	-	1,323,821

MALVERN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Other expenditures:							
AEA flowthrough	146,268	-	-	-	-	-	146,268
Debt service:							
Principal	-	-	-	-	-	25,000	25,000
Interest	-	-	-	-	-	104,910	104,910
Facilities acquisition and construction	-	-	-	78,535	1,101,606	-	1,180,141
	146,268	-	-	78,535	1,101,606	129,910	1,456,319
Total expenditures	4,200,648	106,296	95,142	145,417	1,152,153	129,910	5,829,566
Excess (deficiency) of revenues over (under) expenditures	(109,375)	8,712	(43,174)	45,743	(1,049,701)	(129,910)	(1,277,705)
Other financing sources(uses):							
Operating transfers in	-	-	-	-	-	129,910	129,910
Operating transfers (out)	-	-	-	-	(129,910)	-	(129,910)
	-	-	-	-	(129,910)	129,910	-
Net change in fund balance	(109,375)	8,712	(43,174)	45,743	(1,179,611)	-	(1,277,705)
Fund balances beginning of year	22,218	16,459	90,867	67,558	1,374,083	-	1,571,185
Fund balances end of year	$ (87,157)	25,171	47,693	113,301	194,472	-	293,480

See notes to financial statements.

MALVERN COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2010

Net change in fund balances - total governmental funds (Exhibit E)	$ (1,277,705)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. This represents the change in income surtax receivable from FY09 to FY10.	(10,712)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of purchases and depreciation expense in the year are as follows:	
Capital outlays	1,419,453
Depreciation expense	(221,736)
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	25,000
Other postemployment benefits are reported in the Statement of Activities, but do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(39,000)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	14,987
Change in net assets of governmental activities (Exhibit B)	$ (89,713)

See notes to financial statements.

MALVERN COMMUNITY SCHOOL DISTRICT

Combining Statement of Net Assets
Proprietary Funds

June 30, 2010

	School Nutrition	Preschool	Total
Assets			
Cash and pooled investments	$ 4,130	7,018	11,148
Inventories	10,889	-	10,889
Capital assets, net of accumulated depreciation	416	-	416
Total assets	15,435	7,018	22,453
Liabilities			
Accrued payroll and benefits	2,493	-	2,493
Net Assets			
Invested in capital assets	416	-	416
Unrestricted	12,526	7,018	19,544
Total net assets	$ 12,942	7,018	19,960

See notes to financial statements.

MALVERN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	School Nutrition	Preschool	Total
Operating revenue:			
Local sources:			
Charges for services	$ 74,694	13,310	88,004
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	64,277	-	64,277
Benefits	9,333	-	9,333
Services	2,966	-	2,966
Supplies	69,963	-	69,963
Depreciation	46	-	46
	146,585	-	146,585
Other enterprise operations:			
Salaries	-	150	150
Benefits	-	21	21
Services	-	3,035	3,035
Supplies	-	3,139	3,139
	-	6,345	6,345
Total operating expenses	146,585	6,345	152,930
Operating income (loss)	(71,891)	6,965	(64,926)
Non-operating revenues:			
Local sources	127	53	180
State sources	1,361	-	1,361
Federal sources	72,180	-	72,180
	73,668	53	73,721
Change in fund net assets	1,777	7,018	8,795
Net assets beginning of year	11,165	-	11,165
Net assets end of year	$ 12,942	7,018	19,960

See notes to financial statements.

MALVERN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2010

	School Nutrition	Preschool	Total
Cash flows from operating activities:			
Cash received from sale of services	$ 74,828	13,310	88,138
Cash payments to employees for services	(71,117)	(171)	(71,288)
Cash payments to suppliers for goods or services	(62,709)	(6,174)	(68,883)
Net cash (used by) operating activities	(58,998)	6,965	(52,033)
Cash flows from non-capital financing activities:			
State grants received	1,361	-	1,361
Federal grants received	56,987	-	56,987
Net cash provided by non-capital financing activities	58,348	-	58,348
Cash flows from investing activities:			
Interest on investments	127	53	180
Net increase in cash and cash equivalents	(523)	7,018	6,495
Cash and cash equivalents beginning of year	4,653	-	4,653
Cash and cash equivalents end of year	$ 4,130	7,018	11,148
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating income (loss)	$ (71,891)	-	(71,891)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Depreciation	46	-	46
Commodities used	15,193	-	15,193
Decrease in receivables	134	-	134
(Increase) in inventory	(4,973)	-	(4,973)
Increase in accrued payroll and benefits	2,493	-	2,493
	$ (58,998)	$ -	$ (58,998)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received federal commodities valued at $15,193.

See notes to financial statements.

MALVERN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2010

	Private Purpose Trusts	
	Chantry Bequest	Agency Funds
Assets		
Cash and pooled investments	$ 1,033	6,741
Liabilities		
Other payables	-	6,741
Net Assets		
Reserved for special purposes	$ 1,033	-

See notes to financial statements.

Exhibit K

MALVERN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2010

	Private Purpose Trusts
	Chantry Bequest
Additions:	
Local sources:	
Miscellaneous	$ 33
Total additions	33
Deductions:	
Support services:	
Scholarships	-
Total deductions	-
Change in net assets	33
Net assets beginning of year	1,000
Net assets end of year	$ 1,033

See notes to financial statements.

(1) Summary of Significant Accounting Policies

Malvern Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the City of Malvern, Iowa, and agricultural area in Mills County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Malvern 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. Malvern Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

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 Physical Plant and Equipment Levy is used to account for the purchase of equipment and the repairing, remodeling and construction of buildings and land improvements.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

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, School Nutrition Fund and Preschool Funds. The School Nutrition Fund is used to account for the food service operations of the District. The Preschool Fund is used to account for a preschool operated by the District.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Investments and Cash Equivalents - The cash balances of most District funds are invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current 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 become 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. There were no intangible assets that met the designated threshold amount.

Asset Class	Amount
Land	$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000
Intangible assets	50,000

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

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

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

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

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.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2010.

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. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ending June 30, 2010, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and 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.

The District had no investments at June 30, 2010.

(3) 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	30,000	-	-	30,000
Construction in progress	702,412	-	702,412	-
	732,412	-	702,412	30,000
Capital assets being depreciated:				
Land improvements	274,684	-	-	274,684
Buildings	1,609,094	1,961,104	-	3,570,198
Furniture and equipment	1,539,884	160,761	-	1,700,645
Total capital assets being depreciated	3,423,662	2,121,865	-	5,545,527
Less accumulated depreciation for:				
Land improvements	124,517	9,556	-	134,073
Buildings	1,015,119	71,404	-	1,086,523
Furniture and equipment	1,029,312	140,776	-	1,170,088
Total accumulated depreciation	2,168,948	221,736	-	2,390,684
Total capital assets being depreciated, net	1,254,714	1,900,129	-	3,154,843
Governmental activities, capital assets, net	$ 1,987,126	1,900,129	702,412	3,184,843
Business type activities:				
Furniture and equipment	17,528	-	-	17,528
Less accumulated depreciation	17,066	46	-	17,112
Business type activities capital assets, net	$ 462	(46)	-	416

Depreciation expense was charged to the following functions:

Governmental activities:	
Unallocated	$ 221,736
Business Type activities:	
Food service operations	$ 46

(4) 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, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were $121,398, $115,545, and $102,760 respectively, equal to the required contributions for each year.

(5) 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 $146,268 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(6) Risk Management

Malvern 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	$129,910

This transfer was for the purpose of transferring sales tax revenues collected in the Capital Projects Fund to the Debt Service Fund where it was spent for revenue bond debt service payments.

(8) Whole Grade Sharing/Reorganization

The District agreed to a whole grade sharing agreement with the Nishna Valley Community School District beginning with the 2007-2008 school year. Students in grades 5-8 attend Nishna Valley Community School District and grades 9-12 attend Malvern Community School District. The schools are known as East Mills Middle School and East Mills High School.

In December 2010, the voters of the two districts approved the reorganization of the two districts into the East Mills Community School District effective July 1, 2011.

(9) Long-Term Debt

Revenue Bonds

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

Bond Issue of December 1, 2008				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2011	2.70%	$ 50,000	89,247	139,247
2012	2.70	65,000	87,897	152,897
2013	3.25	65,000	86,142	151,142
2014	3.25	80,000	84,030	164,030
2015	3.25	80,000	81,430	161,430
2016-2020	3.75-4.60	455,000	356,758	811,758
2021-2025	4.90-5.25	560,000	242,235	802,235
2026-2029	5.25-5.40	570,000	78,915	648,915
Total		$1,925,000	1,106,654	3,031,654

The District has pledged future statewide sales, services and use tax revenues to repay the $1,950,000 of bonds issued in May 2009. The bonds were issued for the purpose of financing a portion of the costs of an addition and remodeling of the existing high school. The bonds are payable solely from the proceeds of the statewide sales, service and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 60 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is $3,031,654. For the current year $25,000 of principal and $104,910 of interest were paid on the bonds and total statewide sales, services and use tax revenues were $100,640.

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

a) $164,077 of the proceeds from the issuance of the revenue bonds are deposited in a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.

b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.

c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year. The balance of this account at June 30, 2010 was $27.

d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The required reserve account was established by the District.

(10) Other Postemployment Benefits (OPEB)

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 39 active and 1 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 Coventry. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit subsidy and an OPEB liability.

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

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

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

Annual required contribution	$46,000
Interest on net OPEB Obligation	-
Adjustment to annual required contribution	-
Annual OPEB Cost	46,000
Contributions made	(7,000)
Increase in net OPEB obligation	39,000
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	$39,000

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the 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 $7,000 to the medical plan.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$46,000	15.2%	$39,000

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 $171,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $171,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately $1,826,000 and the ratio of the UAAL to covered payroll was 9.4%. 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, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

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 GASB 45 report Table 1, paragraph 356.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(11) Financial Condition

The District's General Fund had a deficit of $87,157 at June 30, 2010.

Required Supplementary Information

MALVERN COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues:						
Local sources	$ 2,631,981	88,184	2,720,165	3,184,693	3,184,693	(464,528)
State sources	1,609,703	1,361	1,611,064	2,170,860	2,170,860	(559,796)
Federal sources	310,177	72,180	382,357	244,000	244,000	138,357
Total revenues	4,551,861	161,725	4,713,586	5,599,553	5,599,553	(885,967)
Expenditures/Expenses:						
Instruction	3,049,426	-	3,049,426	3,803,130	3,803,130	753,704
Support services	1,323,821	-	1,323,821	1,350,500	1,350,500	26,679
Non-instructional programs	-	152,930	152,930	153,758	153,758	828
Other expenditures	1,456,319	-	1,456,319	1,869,261	1,869,261	412,942
Total expenditures/expenses	5,829,566	152,930	5,982,496	7,176,649	7,176,649	1,194,153
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,277,705)	8,795	(1,268,910)	(1,577,096)	(1,577,096)	308,186
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(1,277,705)	8,795	(1,268,910)	(1,577,096)	(1,577,096)	308,186
Balance beginning of year	1,571,185	11,165	1,582,350	1,799,537	1,799,537	(217,187)
Balance end of year	$ 293,480	19,960	313,440	222,441	222,441	90,999

See accompanying independent auditor's report.

MALVERN COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2010, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

MALVERN COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

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	Jul 1, 2009	$0	$171	$171	0.0%	$1,826	9.4%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

MALVERN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	647	826	624	849
Vocal Music	407	1,769	2,167	9
Instrumental Music	(269)	576	307	-
Athletics	1,759	46,118	42,095	5,782
National Honor Society	(71)	1,163	695	397
Speech Club	79	-	50	29
Dance Team	58	-	-	58
Annual	3,082	3,306	3,153	3,235
Art Club	237	-	41	196
Concessions	66	19,336	16,630	2,772
Panther Den	506	-	-	506
Cheerleading	581	1,759	2,243	97
FCCLA	143	12,978	12,662	459
HOSA	(393)	6,723	6,167	163
Library Club	86	-	-	86
Weight Club	204	21	-	225
Class of 2008	2,927	-	2,927	-
Class of 2009	942	-	319	623
Class of 2010	(257)	3,158	2,646	255
Class of 2011	1,910	8,061	6,873	3,098
Class of 2012	1,234	1,836	361	2,709
Class of 2013	-	669	284	385
Class of 2014	-	167	167	-
Music Revolving	115	394	-	509
Shop	40	-	-	40
Student Council	115	287	226	176
Chantry Activity	1,407	5,861	5,592	1,676
Chantry Library	67	-	-	67
Chantry Reading	837	-	67	770
Totals	16,459	115,008	106,296	25,171

See accompanying independent auditor's report.

MALVERN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2010

Account	Balance Beginning of Year	Additions	Deductions	Balance End of Year
HS Employees	$ 405	-	-	405
Cash for Schools	-	7,155	1,644	5,511
Smile Award	-	925	100	825
	$ 405	8,080	1,744	6,741

See accompanying independent auditor's report.

MALVERN COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	$ 1,854,523	1,763,125	1,647,261	1,628,061	1,376,113	1,194,922	1,250,232
Tuition	602,049	620,425	544,632	222,137	136,444	213,692	226,804
Other	175,409	212,152	194,657	168,238	134,396	121,193	139,890
State sources	1,609,703	1,532,294	1,741,706	1,594,802	1,746,407	1,613,886	1,593,423
Federal sources	310,177	141,336	125,819	124,286	308,270	190,316	134,211
Total	4,551,861	4,269,332	4,254,075	3,737,524	3,701,630	3,334,009	3,344,560
Expenditures:							
Instruction	3,049,426	3,021,944	2,712,744	2,164,686	2,127,764	2,233,970	2,052,031
Support services:							
Student services	67,461	47,401	64,570	74,833	68,597	45,733	25,108
Instructional staff	192,394	176,145	137,257	116,660	119,236	77,231	34,013
Administration	513,368	465,008	429,760	409,828	407,527	388,657	384,915
Operation and maintenance of plant	362,194	334,589	334,022	317,858	330,047	355,409	292,777
Transportation	188,404	271,054	172,337	184,978	206,629	158,796	135,273
Non-instructional programs:							
Food service operations	-	-	17,000	5,000	-	-	117,642
Other expenditures:							
Facilities acquisition	1,180,141	953,106	297,790	271,382	423,123	25,625	39,526
Debt service:							
Principal	25,000	-	42,590	42,590	42,590	-	-
Interest and services	104,910	-	1,749	3,498	5,248	-	-
AEA flowthrough	146,268	118,588	117,776	116,080	111,172	109,615	111,479
Total	$ 5,829,566	5,387,835	4,327,595	3,707,393	3,841,933	3,395,036	3,192,764

See accompanying independent auditor's report.

BRUCE D. FRINK
Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

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

To the Board of Education of the
Malvern Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Malvern Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 10, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

202 Central Avenue East
P.O. Box 241
Clarion, IA 50525

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Fax: (515) 532-3677
bruce@frinkcpa.com

Compliance and Other Matters

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

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

Malvern Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Malvern Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Malvern Community School District and other parties to whom Malvern Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

March 10, 2011

MALVERN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2010

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-10 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

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

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

I-B-10 Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

MALVERN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2010

Part II: Other Findings Related to Required Statutory Reporting:

II-A-10 Certified Budget - Expenditures for the year ended June 30, 2010, did not exceed the budget amounts in any of the four functions. The District did not exceed its unspent authorized budget for the year ended June 30, 2010.

II-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.

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

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

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

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

II-G-10 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-H-10 Certified Annual Report - The Certified Annual Report was certified timely to the Department of Education.

II-I-10 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

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

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

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

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

Beginning balance	$ -
Statewide sales, services and use tax revenue	100,640
Expenditures/transfers out:	
School infrastructure:	
Buildings	100,640
Ending balance	$ -

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

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

	Per $1,000 Of Taxable Valuation	Property Tax Dollars
Debt Service	$ .94	100,640

II-M-10 Financial Condition - The District's General Fund had a deficit fund balance of $87,157 at June 30, 2010.

Recommendation - We recommend that the District look for alternatives to return the General Fund to a positive balance.

Response - We believe that if not for the timing of the states most recent cut in state funding, the District would have had a positive fund balance. Sharing and reorganization should assist in achieving cost savings as well.

Conclusion - Response accepted.