

**TWIN CEDARS COMMUNITY SCHOOL DISTRICT  
BUSSEY, IOWA**

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

**June 30, 2010**

**Peak & Co., LLP  
Certified Public Accountants  
1370 NW 114<sup>th</sup> St., Suite 205  
Clive, IA 50325**

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-16
<b>Basic Financial Statements:</b>		
	<u>Exhibit</u>	
<b>Government-wide Financial Statements:</b>		
Statement of Net Assets	A	18
Statement of Activities	B	19
<b>Governmental Fund Financial Statements:</b>		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
<b>Proprietary Fund Financial Statements:</b>		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	25
Statement of Cash Flows	I	26
Notes to Financial Statements		27-38
<b>Required Supplementary Information:</b>		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		40
Notes to Required Supplementary Information - Budgetary Reporting		41
Schedule of Funding Progress for the Retiree Health Plan		42
<b>Other Supplementary Information:</b>		
	<u>Schedule</u>	
<b>Nonmajor Governmental Funds:</b>		
Combining Balance Sheet	1	44
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	45
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	46
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	47
Schedule of Expenditures of Federal Awards	5	48
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		49-50
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		51-52
Schedule of Findings and Questioned Costs		53-62

Twin Cedars Community School District

Officials

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
<u>Board of Education</u> (Before September, 2009 Election)		
Deb Haselhuhn	President	2009
Zack Dunkin	Vice-President	2011
Kelly Carlson	Board Member	2011
Steve Gilkerson	Board Member	2009
Steve Hoehns	Board Member	2011

<u>Board of Education</u> (After September, 2009 Election)		
Zack Dunkin	President	2011
Kelly Carlson	Vice-President	2011
Deb Haselhuhn	Board Member	2013
Steve Gilkerson	Board Member	2013
Steve Hoehns	Board Member	2011

<u>School Officials</u>		
Brian Vandersluis	Superintendent	2010
Lana Dunkin	District Secretary/ Treasurer/Business Manager	Indefinite
Ahlers Law Firm	Attorney	Indefinite

**Twin Cedars Community School District**

PEAK & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
1370 NW 114<sup>TH</sup> ST., SUITE 205  
CLIVE, IA 50325  
(515) 277-3077

Independent Auditor's Report

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Twin Cedars 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 principals.

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2011, on our consideration of Twin Cedars 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 preformed in accordance with Government Auditing Standards, and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 40 through 42 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Twin Cedars Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report 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 U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Co., LLP  
Certified Public Accountants

January 15, 2011

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **2010 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$4,102,391 in fiscal 2009 to \$3,923,884 in fiscal 2010, while General Fund expenditures decreased from \$4,267,270 in fiscal 2009 to \$4,219,911 in fiscal 2010. The District's General Fund balance decreased from \$943,435 at the end of fiscal 2009 to \$647,408 at the end of fiscal 2010, a 31.38% decrease. Two factors contributing to the General Fund balance decrease is the State of Iowa not meeting the financial obligations of local school districts through across the board (ATB) budget cuts and ending some categorical funding as well our districts ever-continuing declining enrollment.
- The District continues to make significant improvements to its facilities from the use of PPEL funds and Marion and Mahaska County Local Option Sales Tax revenues. A total of \$5,000 from the Local Option Sales Tax revenue was used to provide property tax relief to the District property owners in fiscal 2010.

### **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 Twin Cedars Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how government services were financed in the short term as well as what remains for future spending. Fund financial statements report Twin Cedars Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

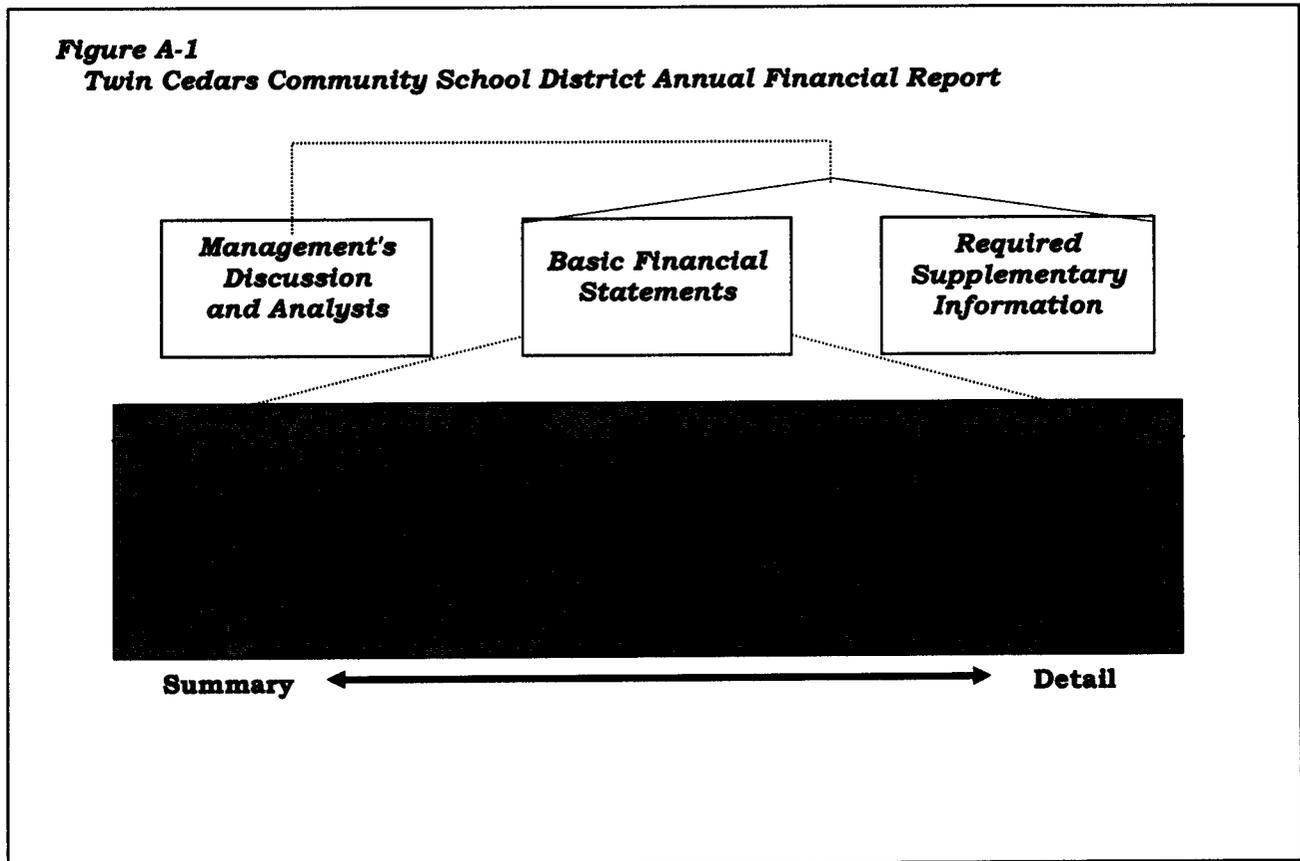


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary 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	
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	
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	
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	
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	

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

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

### *Fund Financial Statements*

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

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

The District has two kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and 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 one Enterprise Fund, the School Nutrition 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.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

<b>Figure A-3</b>							
<b>Condensed Statement of Net Assets</b>							
<b>(Expressed in Thousands)</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2010	2009	2010	2009	2010	2009-2010
Current and other assets	\$ 3,235	2,862	52	78	3,287	2,940	-10.6%
Capital assets	2,503	2,595	69	62	2,572	2,657	3.3%
<b>Total assets</b>	<b>5,738</b>	<b>5,457</b>	<b>121</b>	<b>140</b>	<b>5,859</b>	<b>5,597</b>	<b>-4.5%</b>
Long-term liabilities	675	674	-	7	675	681	0.9%
Other liabilities	1,653	1,672	2	2	1,655	1,674	1.1%
<b>Total liabilities</b>	<b>2,328</b>	<b>2,346</b>	<b>2</b>	<b>9</b>	<b>2,330</b>	<b>2,355</b>	<b>1.1%</b>
<b>Net assets</b>							
Invested in capital assets							
net of related debt	1,848	2,050	69	62	1,917	2,112	10.2%
Restricted	200	541	-	-	200	541	170.5%
Unrestricted	1,362	520	50	69	1,412	589	-58.3%
<b>Total net assets</b>	<b>\$ 3,410</b>	<b>3,111</b>	<b>119</b>	<b>131</b>	<b>3,529</b>	<b>3,242</b>	<b>-8.1%</b>

The District’s combined net assets decreased by nearly 8.1%, or approximately \$287,000, under the prior year. A large portion of the District’s net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net assets increased approximately \$341,000, or 170.5% from the prior year. The increase was primarily a result of an increase in the physical plant and equipment levy fund and local option sales tax monies received from the government that are categorical, which were not spent by June 30, 2010.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$823,000, or 58.3%. This decrease in unrestricted net assets was the result of the District using carryover fund balance to meet

its financial obligations during the year, and the result of the District's net OPEB liability recorded in the current year.

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

<b>Figure A-4</b>							
<b>Changes in Net Assets</b>							
<b>(Expressed in Thousands)</b>							
	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	2009	2010	2009	2010	2009	2010	2009-2010
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for service	\$ 504	559	138	114	642	673	4.8%
Operating grants, contributions and restricted interest	747	918	118	128	865	1,046	20.9%
Capital grants, contributions and restricted interest	4	1	-	-	4	1	-75.0%
<b>General revenues:</b>							
Property tax	1,139	1,172	-	-	1,139	1,172	2.9%
Income surtax	84	92	-	-	84	92	9.5%
Statewide sales, services and use tax	297	244	-	-	297	244	-17.8%
Unrestricted state grants	1,927	1,542	-	-	1,927	1,542	-20.0%
Unrestricted investment earnings	31	2	-	-	31	2	-93.5%
Other	15	39	23	-	38	39	2.6%
<b>Total revenues</b>	<b>4,748</b>	<b>4,569</b>	<b>279</b>	<b>242</b>	<b>5,027</b>	<b>4,811</b>	<b>-4.3%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instruction	3,072	3,212	-	-	3,072	3,212	4.6%
Support services	1,366	1,317	-	-	1,366	1,317	-3.6%
Non-instructional programs	1	1	231	230	232	231	-0.4%
Other expense	394	338	-	-	394	338	-14.2%
<b>Total expenses</b>	<b>4,833</b>	<b>4,868</b>	<b>231</b>	<b>230</b>	<b>5,064</b>	<b>5,098</b>	<b>0.7%</b>
<b>Increase (decrease) in net assets</b>	<b>(85)</b>	<b>(299)</b>	<b>48</b>	<b>12</b>	<b>(37)</b>	<b>(287)</b>	<b>-675.7%</b>
<b>Net assets beginning of year</b>	<b>3,495</b>	<b>3,410</b>	<b>71</b>	<b>119</b>	<b>3,566</b>	<b>3,529</b>	<b>-1.0%</b>
<b>Net assets end of year</b>	<b>\$ 3,410</b>	<b>3,111</b>	<b>119</b>	<b>131</b>	<b>3,529</b>	<b>3,242</b>	<b>-8.1%</b>

In fiscal 2010, property tax and unrestricted state grants account for 59.4% of the revenue from governmental activities while charges for service and operating grants and contributions account for 100.0% of the revenue from the business type activities.

The Districts total revenues were approximately \$4.8 million of which \$4.6 million was for governmental activities and approximately \$242,000 was for business type activities.

As shown in figure A-4, the District as a whole experienced a 4.3% decrease in revenues and a 0.7% increase in expenses. The increase in expenses was primarily due to adding some staff positions, increase in salaries and benefits for employees, and increased cost of educational materials and energy costs.

**Governmental Activities**

Revenues for governmental activities were \$4,569,704 and expenses were \$4,869,019 for the year ended June 30, 2010. In a different budget year, the District was able to balance the budget by trimming expenses to match available revenues, and using carryover fund balance to finance the deficit.

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

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

	Total Cost of Services			Net Cost of Services		
	2009	2010	Change 2009-2010	2009	2010	Change 2009-2010
Instruction	\$ 3,072	3,212	4.6%	1,975	1,898	-3.9%
Support services	1,366	1,317	-3.6%	1,363	1,316	-3.4%
Non-instructional programs	1	1	0.0%	1	1	0.0%
Other expenses	394	338	-14.2%	240	176	-26.7%
<b>Totals</b>	<b>\$ 4,833</b>	<b>4,868</b>	<b>0.7%</b>	<b>3,579</b>	<b>3,391</b>	<b>-5.3%</b>

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$559,476. This is mainly open enrollment and Special Education tuition in revenue.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$917,585.
- The net cost of governmental activities was financed with \$1,508,558 in property and other tax, including local option sales and services tax, and \$1,542,344 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$242,813 representing a 13.11% decrease under the prior year while expenses totaled \$230,597, a 0.17% decrease under the prior year. The District's business type activities include the School Nutrition Fund. Revenues for these activities were comprised of charges for service, federal and state reimbursements and investment income.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, Twin Cedars 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 \$1,112,132, below last year's ending fund balances of \$1,511,463. The fund balance decrease is primarily due to deficit spending in the General Fund.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the result of many factors. We have attempted to match revenues with expenditures in order to avoid deficit spending. 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 staff and administration have worked hard to keep costs to a minimum while still offering our students the best education possible. The impact of declining enrollment is beginning to have an effect on the General Fund balance.
- The General Fund balance decreased by 31.38% from \$943,435 to \$647,408. The impact of declining enrollment is beginning to have an effect on the General Fund balance as well as the 10% ATB cut at the State level.
- The Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund balance increased by \$15,396 from fiscal 2009 to fiscal 2010.
- The Debt Service Fund Balance increased \$31,161 due to the District levying additional taxes. Debt Service Funds are categorical and can not be used for any other purpose but to pay debt service. In FY 2011 the District levied \$0 for Debt Service.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$119,264 at June 30, 2009 to \$131,480 at June 30, 2010. The District has worked hard to not stockpile supplies and to be efficient in the preparation and serving of the food. We hope through the continued use of sound purchasing practices we are able to keep the costs down.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$280,755 less than budgeted revenues, a variance of 5.53%. The most significant variance resulted from the District receiving more money from federal sources than originally anticipated, but less money from the State of Iowa.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditure functional area due to 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 \$2.595 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3.3% 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 \$200,541 for both governmental and business type activities.

The original cost of the District's capital assets was \$5.5 million. Governmental funds account for \$5.4 million, with the remainder of \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

During the year, the major increases in assets were the costs incurred to perform building repairs, renovations and facility improvements, and new vehicles.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2010	2009	2010	2009	2010	2009-2010
Land	\$ 22	22	-	-	22	22	0.0%
Buildings	1,282	1,214	-	-	1,282	1,214	-5.3%
Improvements other than buildings	708	868	-	-	708	868	22.6%
Furniture and equipment	491	491	69	62	560	553	-1.3%
<b>Totals</b>	<b>\$ 2,503</b>	<b>2,595</b>	<b>69</b>	<b>62</b>	<b>2,572</b>	<b>2,657</b>	<b>3.3%</b>

### Long-Term Debt

At June 30, 2010, the District had \$673,952 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 0.1% 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.

**Figure A-7**  
**Outstanding Long-term Obligations**  
**(Expressed in Thousands)**

	Total District		Total Change
	June 30,		June 30,
	2009	2010	2009-2010
General obligation bonds	\$ 350	285	-18.6%
Revenue bonds	305	260	-14.8%
Early retirement	16	11	-31.3%
Compensated absences	4	6	50.0%
Net OPEB liability	-	112	100.0%
<b>Totals</b>	<b>\$ 675</b>	<b>674</b>	<b>-0.1%</b>

### **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 experienced a decrease in enrollment in the fall of 2010. The District has gone from serving 502 students in 2006 to 430 in 2010, a decrease of 72 students over the past four years. This will negatively affect our General Fund balances in the future.
- The District has taken measures to maintain the current facilities. Improvements to the gym, outdoor athletic facilities, exterior and interior doors, some flooring and work done on the driveway and parking lot were completed. The District has continued to improve its equipment and this year (fiscal 2010) we have replaced the roof at the High School Building and Elementary gym. Monies for these improvements came from Local Option Sales Tax and PPEL Funds. Several projects remain to be completed in the upcoming year to get the District's facilities to a level of acceptance.
- Fiscal 2010 negotiations with the Twin Cedars Education Association for the 2010-11 school year took more money than the new monies received by the Twin Cedars Community School District. The District will negotiate a new agreement during fiscal 2011 for the 2011-2012 school year. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Because of the District's decline in enrollment over the past four years, this will significantly impact General Fund balances.

### **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 Brian VanderSluis, Superintendent, Twin Cedars Community School District, 2204 HWY G71, Bussey, Iowa, 50044.

**Basic Financial Statements**

## Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,343,257	71,344	1,414,601
Receivables:			
Property tax:			
Delinquent	31,815	-	31,815
Succeeding year	1,260,641	-	1,260,641
Accounts	-	368	368
Due from other funds	1,855	-	1,855
Due from other governments	223,915	-	223,915
Inventories	-	5,655	5,655
Prepaid expenses	-	1,360	1,360
Capital assets, net of accumulated depreciation	2,595,206	61,691	2,656,897
<b>Total assets</b>	<b>5,456,689</b>	<b>140,418</b>	<b>5,597,107</b>
<b>Liabilities</b>			
Accounts payable	7,744	-	7,744
Salaries and benefits payable	378,738	-	378,738
Due to other governments	17,738	-	17,738
Due to other funds	-	1,855	1,855
Accrued interest payable	6,801	-	6,801
Deferred revenue:			
Succeeding year property tax	1,260,641	-	1,260,641
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	65,000	-	65,000
Revenue bonds	50,000	-	50,000
Early retirement	5,295	-	5,295
Compensated absences	5,563	-	5,563
Portion due after one year:			
General obligation bonds	220,000	-	220,000
Revenue bonds	210,000	-	210,000
Early retirement	6,177	-	6,177
Net OPEB liability	111,917	7,083	119,000
<b>Total liabilities</b>	<b>2,345,614</b>	<b>8,938</b>	<b>2,354,552</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,050,206	61,691	2,111,897
Restricted for:			
Categorical funding	47,904	-	47,904
Management levy	63,390	-	63,390
Physical plant and equipment levy	101,760	-	101,760
School infrastructure	217,278	-	217,278
Debt service	62,706	-	62,706
Other special revenue purposes	47,753	-	47,753
Unrestricted	520,078	69,789	589,867
<b>Total net assets</b>	<b>\$ 3,111,075</b>	<b>131,480</b>	<b>3,242,555</b>

See notes to financial statements.

## 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	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions / Programs:</b>							
Governmental activities:							
Instruction:							
Regular instruction	\$ 1,645,662	373,134	514,163	-	(758,365)	-	(758,365)
Special instruction	667,856	47,783	198,910	-	(421,163)	-	(421,163)
Other instruction	898,670	138,559	41,851	-	(718,260)	-	(718,260)
	<u>3,212,188</u>	<u>559,476</u>	<u>754,924</u>	<u>-</u>	<u>(1,897,788)</u>	<u>-</u>	<u>(1,897,788)</u>
Support services:							
Student	108,059	-	-	-	(108,059)	-	(108,059)
Instructional staff	68,184	-	-	-	(68,184)	-	(68,184)
Administration	418,442	-	-	-	(418,442)	-	(418,442)
Operation and maintenance of plant	387,399	-	-	-	(387,399)	-	(387,399)
Transportation	335,325	-	1,326	-	(333,999)	-	(333,999)
	<u>1,317,409</u>	<u>-</u>	<u>1,326</u>	<u>-</u>	<u>(1,316,083)</u>	<u>-</u>	<u>(1,316,083)</u>
Non-instructional programs	1,019	-	-	-	(1,019)	-	(1,019)
Other expenditures:							
Facilities acquisition	84,882	-	-	614	(84,268)	-	(84,268)
Long-term debt interest	24,832	-	144	-	(24,688)	-	(24,688)
AEA flowthrough	161,191	-	161,191	-	-	-	-
Depreciation (unallocated)*	67,498	-	-	-	(67,498)	-	(67,498)
	<u>338,403</u>	<u>-</u>	<u>161,335</u>	<u>614</u>	<u>(176,454)</u>	<u>-</u>	<u>(176,454)</u>
Total governmental activities	4,869,019	559,476	917,585	614	(3,391,344)	-	(3,391,344)
Business type activities:							
Non-instructional programs:							
Food service operations	230,597	114,491	128,101	-	-	11,995	11,995
Total	<u>\$ 5,099,616</u>	<u>673,967</u>	<u>1,045,686</u>	<u>614</u>	<u>(3,391,344)</u>	<u>11,995</u>	<u>(3,379,349)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes					\$ 1,043,198	-	1,043,198
Debt service					73,296	-	73,296
Capital outlay					55,301	-	55,301
Statewide sales, services and use tax					244,819	-	244,819
Income surtax					91,944	-	91,944
Unrestricted state grants					1,542,344	-	1,542,344
Unrestricted investment earnings					2,585	221	2,806
Other					38,542	-	38,542
Total general revenues					<u>3,092,029</u>	<u>221</u>	<u>3,092,250</u>
Change in net assets					(299,315)	12,216	(287,099)
Net assets beginning of year					<u>3,410,390</u>	<u>119,264</u>	<u>3,529,654</u>
Net assets end of year					<u>\$ 3,111,075</u>	<u>131,480</u>	<u>3,242,555</u>

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

See notes to financial statements.

## Twin Cedars Community School District

Exhibit C

Balance Sheet  
Governmental Funds

June 30, 2010

	General	Nonmajor	Total
<b>Assets</b>			
Cash and pooled investments	\$ 881,295	461,962	1,343,257
Receivables:			
Property tax:			
Delinquent	26,156	5,659	31,815
Succeeding year	1,172,435	88,206	1,260,641
Due from other funds	51,662	1,853	53,515
Due from other governments	149,639	74,276	223,915
<b>Total assets</b>	<b>\$ 2,281,187</b>	<b>631,956</b>	<b>2,913,143</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 6,688	1,056	7,744
Salaries and benefits payable	378,738	-	378,738
Due to other governments	17,738	-	17,738
Due to other funds	1,853	49,807	51,660
Deferred revenue:			
Succeeding year property tax	1,172,435	88,206	1,260,641
Other	56,327	28,163	84,490
<b>Total liabilities</b>	<b>1,633,779</b>	<b>167,232</b>	<b>1,801,011</b>
<b>Fund balances:</b>			
Reserved for:			
Categorical funding	47,904	-	47,904
Debt service	-	62,706	62,706
Unreserved, reported in:			
General fund	599,504	-	599,504
Special revenue funds	-	184,740	184,740
Capital projects fund	-	217,278	217,278
<b>Total fund balances</b>	<b>647,408</b>	<b>464,724</b>	<b>1,112,132</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,281,187</b>	<b>631,956</b>	<b>2,913,143</b>

See notes to financial statements.

Twin Cedars Community School District

Exhibit D

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

June 30, 2010

<b>Total fund balances of governmental funds (page 20)</b>	<b>\$ 1,112,132</b>
 <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.	2,595,206
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	84,490
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(6,801)
Long-term liabilities, including bonds payable, early retirement, compensated absences and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(673,952)</u>
<b>Net assets of governmental activities (page 18)</b>	<b><u>\$ 3,111,075</u></b>

See notes to financial statements.

## Twin Cedars Community School District

Exhibit E

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

Year ended June 30, 2010

	General	Nonmajor	Total
<b>Revenues:</b>			
Local sources:			
Local tax	\$ 1,019,864	490,772	1,510,636
Tuition	405,005	-	405,005
Other	26,422	148,969	175,391
Intermediate sources	6,000	-	6,000
State sources	2,010,285	185	2,010,470
Federal sources	444,351	-	444,351
Total revenues	3,911,927	639,926	4,551,853
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	1,566,526	38,382	1,604,908
Special	632,639	4,050	636,689
Other	736,792	138,323	875,115
	2,935,957	180,755	3,116,712
Support services:			
Student	107,380	679	108,059
Instructional staff	67,815	369	68,184
Administration	397,549	13,573	411,122
Operation and maintenance of plant	310,588	32,597	343,185
Transportation	239,142	45,241	284,383
	1,122,474	92,459	1,214,933
Non-instructional programs	289	730	1,019
Other expenditures:			
Facilities acquisition	-	333,367	333,367
Long-term debt:			
Principal	-	110,000	110,000
Interest and fiscal charges	-	25,919	25,919
AEA flowthrough	161,191	-	161,191
	161,191	469,286	630,477
Total expenditures	4,219,911	743,230	4,963,141
Excess (deficiency) of revenues over (under) expenditures	(307,984)	(103,304)	(411,288)
Other financing sources (uses):			
Sale of capital assets	11,957	-	11,957
Operating transfers in	-	93,640	93,640
Operating transfers out	-	(93,640)	(93,640)
Total other financing sources (uses)	11,957	-	11,957
Net change in fund balances	(296,027)	(103,304)	(399,331)
Fund balances beginning of year	943,435	568,028	1,511,463
Fund balances end of year	\$ 647,408	464,724	1,112,132

See notes to financial statements.

Twin Cedars Community School District

Exhibit F

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

Year ended June 30, 2010

**Net change in fund balances - total governmental funds (page 22)** **\$ (399,331)**

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of 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	\$ 294,460	
Depreciation expense	<u>(191,586)</u>	102,874

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (10,883)

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. 5,894

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. 110,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,087

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

Early retirement	4,413	
Compensated absences	(1,452)	
Other postemployment benefits	<u>(111,917)</u>	<u>(108,956)</u>

**Change in net assets of governmental activities (page 19)** **\$ (299,315)**

See notes to financial statements.

Twin Cedars Community School District

Exhibit G

Statement of Net Assets  
Proprietary Fund

June 30, 2010

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 71,344
Accounts receivable	368
Inventories	5,655
Prepaid expenses	1,360
Capital assets, net of accumulated depreciation	<u>61,691</u>
<b>Total assets</b>	<u>140,418</u>
<b>Liabilities</b>	
Due to other funds	1,855
Net OPEB liability	<u>7,083</u>
<b>Total liabilities</b>	<u>8,938</u>
<b>Net Assets</b>	
Invested in capital assets	61,691
Unrestricted	<u>69,789</u>
<b>Total net assets</b>	<u>\$ 131,480</u>

See notes to financial statements.

Twin Cedars Community School District

Exhibit H

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

Year ended June 30, 2010

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 114,491</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	82,428
Benefits	19,039
Purchased services	10,724
Supplies	109,451
Depreciation	8,955
Total operating expenses	<u>230,597</u>
Operating loss	<u>(116,106)</u>
Non-operating revenues (expenses):	
State sources	2,339
Federal sources	125,762
Interest income	221
Total non-operating revenues	<u>128,322</u>
Increase in net assets	12,216
Net assets beginning of year	<u>119,264</u>
Net assets end of year	<u>\$ 131,480</u>

See notes to financial statements.

## Twin Cedars Community School District

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2010

	<u>School Nutrition</u>
<b>Cash flows from operating activities:</b>	
Cash received from sale of lunches and breakfasts	\$ 116,760
Cash paid to employees for services	(94,231)
Cash paid to suppliers for goods and services	(101,381)
Net cash used by operating activities	<u>(78,852)</u>
<b>Cash flows from non-capital financing activities:</b>	
State grants received	2,339
Federal grants received	106,164
Net cash provided by non-capital financing activities	<u>108,503</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	(1,486)
Net cash used by capital and related financing activities	<u>(1,486)</u>
<b>Cash flows from investing activities:</b>	
Interest on investments	221
<b>Net increase in cash and cash equivalents</b>	<b>28,386</b>
<b>Cash and cash equivalents beginning of year</b>	<b>42,958</b>
<b>Cash and cash equivalents end of year</b>	<b><u>\$ 71,344</u></b>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (116,106)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	19,597
Depreciation	8,955
Decrease in accounts receivable	2,269
(Increase) in inventory	(803)
Increase in due to other funds	153
Increase in other postemployment benefits	7,083
Net cash used by operating activities	<u>\$ (78,852)</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2010, the District received \$19,597 of federal commodities.

See notes to financial statements.

Twin Cedars Community School District

Notes to Financial Statements

June 30, 2010

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Twin Cedars Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Bussey, Iowa, and the predominate agricultural territory of Marion and Mahaska 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, Twin Cedars Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The 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 do 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 Marion 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 the following 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 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 and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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 financial statements:

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. 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 1 1/2% 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 and intangibles are reported in 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
Intangibles	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated/amortized 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
Intangibles	5-10 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 collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, 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.

**Compensated Absences** – District employees accumulate 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 has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts 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 other expenditures functional area exceeded the amounts 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.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Diversified Portfolio which are valued at an amortized cost of \$3,013, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

**(3) DUE FROM AND DUE TO OTHER FUNDS**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Physical Plant and Equipment Levy	\$ 29,807
	Capital Projects	20,000
	Proprietary: School Nutrition	<u>1,855</u>
		<u>51,662</u>
Special Revenue: Physical Plant and Equipment Levy	General	<u>797</u>
Debt Service	General	<u>1,056</u>
	Total	<u>\$ 53,515</u>

The above represents Nutrition Fund payroll which was accrued as a liability in the General Fund, and the reclassification of various transactions.

**(4) INTERFUND TRANSFERS**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 93,640</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
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 22,375	-	-	22,375
Total capital assets not being depreciated	22,375	-	-	22,375
Capital assets being depreciated:				
Buildings	3,374,877	-	-	3,374,877
Improvements other than buildings	918,232	205,604	-	1,123,836
Furniture and equipment	1,013,362	88,856	174,216	928,002
Total capital assets being depreciated	5,306,471	294,460	174,216	5,426,715
Less accumulated depreciation for:				
Buildings	2,093,286	67,498	-	2,160,784
Improvements other than buildings	209,981	45,968	-	255,949
Furniture and equipment	522,364	78,120	163,333	437,151
Total accumulated depreciation	2,825,631	191,586	163,333	2,853,884
Total capital assets being depreciated, net	2,480,840	102,874	10,883	2,572,831
Governmental activities capital assets, net	\$ 2,503,215	102,874	10,883	2,595,206

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 109,070	1,486	-	110,556
Less accumulated depreciation	39,911	8,955	-	48,866
Business type activities capital assets, net	\$ 69,159	(7,469)	-	61,690

Depreciation expense was charged to the following functions:

**Governmental activities:**

Instruction:		
Other		\$ 6,555
Support services:		
Administration		3,036
Operation and maintenance of plant		51,521
Transportation		<u>62,976</u>
		124,088
Unallocated		<u>67,498</u>
Total depreciation expense - governmental activities		<u>\$ 191,586</u>

**Business type activities:**

Food service operations		<u>\$ 8,955</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
<b>Governmental activities:</b>					
General obligation bonds	\$ 350,000	-	65,000	285,000	65,000
Revenue bonds	305,000	-	45,000	260,000	50,000
Early retirement	15,885	-	4,413	11,472	5,295
Compensated absences	4,111	5,563	4,111	5,563	5,563
Net OPEB liability	-	111,917	-	111,917	-
<b>Total</b>	<u>\$ 674,996</u>	<u>117,480</u>	<u>118,524</u>	<u>673,952</u>	<u>125,858</u>

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
<b>Business type activities:</b>					
Net OPEB liability	\$ -	7,083	-	7,083	-

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of November 1, 1998			
	Interest Rates	Principal	Interest	Total
2011	4.30%	\$ 65,000	12,588	77,588
2012	4.40%	70,000	9,792	79,792
2013	4.45%	75,000	6,712	81,712
2014	4.50%	75,000	3,375	78,375
Total		\$ 285,000	32,467	317,467

Revenue Bonds

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

Year Ending June 30,	Bond Issue of April 1, 2005			
	Interest Rates	Principal	Interest	Total
2011	3.40%	\$ 50,000	8,155	58,155
2012	3.40%	50,000	6,455	56,455
2013	3.40%	50,000	4,755	54,755
2014	3.50%	55,000	2,943	57,943
2015	3.60%	55,000	990	55,990
Total		\$ 260,000	23,298	283,298

The District has pledged future statewide sales, services and use tax revenues to repay the \$435,000 bonds issued in April 2005. The bonds were issued for the purpose of financing a portion of the costs of major school improvements. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through fiscal year 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 22 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$283,298. For the current year, principal and interest paid on the bonds and total statewide sales, services and use tax revenues were \$54,736 and \$253,829, respectively.

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

- a) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- b) 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.
- c) 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.

Early Retirement

In March 2009, the District approved a voluntary early retirement plan for employees. Eligible employees must have completed 34 years of full-time service to the District and must be between the ages of 55 and 57 on or before June 30 of the year in which the licensed employee wishes to retire. The application for early retirement was subject to approval by the Board of Education.

Upon retirement, the licensed employee is eligible to continue participation in the District's group insurance plan at the District's expense for three years by meeting the requirements of the insurer.

At June 30, 2010, the District has obligations to one participant with a total liability of \$11,472. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$4,413.

**(7) OPERATING LEASES**

The District has entered into operating leases for copy machines at \$1,749 per month. Future minimum lease payments in relation to these leases are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2011	\$ 20,988
2012	<u>12,243</u>
	<u>\$ 33,231</u>

During the fiscal year, payments made under these lease agreements were \$20,988.

**(8) PENSION AND RETIREMENT BENEFITS**

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$173,023, \$167,362 and \$143,621, respectively, equal to the required contributions for each year.

**(9) OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 80 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 Principal. 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 obligation:

Annual required contribution	\$ 132,000
Contributions made	<u>(13,000)</u>
Increase in net OPEB obligation	119,000
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>\$ 119,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$13,000 to the medical plan. Plan members eligible for benefits contributed \$7,031, or 3% 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	\$ 132,000	9.8%	\$ 119,000

**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 \$1.044 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.044 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,655,000 and the ratio of the UAAL to covered payroll was 39.3%. 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 projected unit credit cost actuarial cost method was used. The actuarial assumptions includes a 5% 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. The assumed rate of retirement was determined by attained age after becoming eligible to retire and continuing health coverage.

Projected claim costs of the medical plan are \$859 per month for retirees less than age 65 and \$650 per month for retirees who have attained age 65. 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.

**(10) RISK MANAGEMENT**

Twin Cedars 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.

**(11) AREA EDUCATION AGENCY**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$161,191 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.

**Required Supplementary Information**

Twin Cedars Community School District

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts	Budget to Actual Variance
<b>Revenues:</b>					
Local sources	\$ 2,091,032	114,712	2,205,744	2,282,409	(76,665)
Intermediate sources	6,000	-	6,000	2,000	4,000
State sources	2,010,470	2,339	2,012,809	2,461,012	(448,203)
Federal sources	444,351	125,762	570,113	330,000	240,113
<b>Total revenues</b>	<b>4,551,853</b>	<b>242,813</b>	<b>4,794,666</b>	<b>5,075,421</b>	<b>(280,755)</b>
<b>Expenditures/Expenses:</b>					
Instruction	3,116,712	-	3,116,712	4,403,486	1,286,774
Support services	1,214,933	-	1,214,933	2,224,403	1,009,470
Non-instructional programs	1,019	230,597	231,616	330,169	98,553
Other expenditures	630,477	-	630,477	569,381	(61,096)
<b>Total expenditures/expenses</b>	<b>4,963,141</b>	<b>230,597</b>	<b>5,193,738</b>	<b>7,527,439</b>	<b>2,333,701</b>
<b>Excess (deficiency) of revenues over (under) expenditures/expenses</b>	<b>(411,288)</b>	<b>12,216</b>	<b>(399,072)</b>	<b>(2,452,018)</b>	<b>2,052,946</b>
<b>Other financing sources, net</b>	<b>11,957</b>	<b>-</b>	<b>11,957</b>	<b>-</b>	<b>11,957</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses</b>	<b>(399,331)</b>	<b>12,216</b>	<b>(387,115)</b>	<b>(2,452,018)</b>	<b>2,064,903</b>
<b>Balances beginning of year</b>	<b>1,511,463</b>	<b>119,264</b>	<b>1,630,727</b>	<b>1,652,136</b>	<b>(21,409)</b>
<b>Balances end of year</b>	<b>\$ 1,112,132</b>	<b>131,480</b>	<b>1,243,612</b>	<b>(799,882)</b>	<b>2,043,494</b>

See accompanying independent auditor's report.

Twin Cedars Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2010

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

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

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

During the year ended June 30, 2010, expenditures in the other expenditures function exceeded the amounts budgeted.

Twin Cedars 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	July 1, 2009	\$ -	1,044	1,044	0.0%	\$ 2,655	39.3%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

**Other Supplementary Information**

Twin Cedars Community School District

Schedule 1

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2010

	Special Revenue					Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Capital Projects	
<b>Assets</b>						
Cash and pooled investments	\$ 61,222	48,809	101,106	59,660	191,165	461,962
Receivables:						
Property tax:						
Delinquent	2,168	-	1,501	1,990	-	5,659
Succeeding year	72,000	-	16,206	-	-	88,206
Due from other funds	-	-	797	1,056	-	1,853
Due from other governments	-	-	28,163	-	46,113	74,276
<b>Total assets</b>	<b>\$ 135,390</b>	<b>48,809</b>	<b>147,773</b>	<b>62,706</b>	<b>237,278</b>	<b>631,956</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	1,056	-	-	-	1,056
Due to other funds	-	-	29,807	-	20,000	49,807
Deferred revenue:						
Succeeding year property tax	72,000	-	16,206	-	-	88,206
Other	-	-	28,163	-	-	28,163
<b>Total liabilities</b>	<b>72,000</b>	<b>1,056</b>	<b>74,176</b>	<b>-</b>	<b>20,000</b>	<b>167,232</b>
<b>Fund balances:</b>						
Reserved for debt service	-	-	-	62,706	-	62,706
Unreserved, reported in:						
Special revenue funds	63,390	47,753	73,597	-	-	184,740
Capital projects fund	-	-	-	-	217,278	217,278
<b>Total fund balances</b>	<b>63,390</b>	<b>47,753</b>	<b>73,597</b>	<b>62,706</b>	<b>217,278</b>	<b>464,724</b>
<b>Total liabilities and fund balances</b>	<b>\$ 135,390</b>	<b>48,809</b>	<b>147,773</b>	<b>62,706</b>	<b>237,278</b>	<b>631,956</b>

See accompanying independent auditor's report.

## Twin Cedars Community School District

Schedule 2

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

Year ended June 30, 2010

	Special Revenue					Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Capital Projects	
<b>Revenues:</b>						
Local sources:						
Local tax	\$ 79,780	-	83,932	73,231	253,829	490,772
Other	9,380	138,761	70	144	614	148,969
State sources	71	-	49	65	-	185
Total revenues	89,231	138,761	84,051	73,440	254,443	639,926
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	10,315	-	28,067	-	-	38,382
Special	4,050	-	-	-	-	4,050
Other	5,217	133,106	-	-	-	138,323
Support services:						
Student	679	-	-	-	-	679
Instructional staff	369	-	-	-	-	369
Administration	13,573	-	-	-	-	13,573
Operation and maintenance of plant	23,872	-	8,725	-	-	32,597
Transportation	15,241	-	15,000	-	15,000	45,241
Non-instructional programs	730	-	-	-	-	730
Other expenditures:						
Facilities acquisition	-	-	16,863	-	316,504	333,367
Long-term debt:						
Principal	-	-	-	110,000	-	110,000
Interest and fiscal charges	-	-	-	25,919	-	25,919
Total expenditures	74,046	133,106	68,655	135,919	331,504	743,230
Excess (deficiency) of revenues over (under) expenditures	15,185	5,655	15,396	(62,479)	(77,061)	(103,304)
Other financing sources (uses):						
Operating transfers in	-	-	-	93,640	-	93,640
Operating transfers out	-	-	-	-	(93,640)	(93,640)
Total other financing sources (uses)	-	-	-	93,640	(93,640)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	15,185	5,655	15,396	31,161	(170,701)	(103,304)
Fund balances beginning of year	48,205	42,098	58,201	31,545	387,979	568,028
Fund balances end of year	\$ 63,390	47,753	73,597	62,706	217,278	464,724

See accompanying independent auditor's report.

## Twin Cedars Community School District

Schedule 3

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
H.S. Tag	\$ 807	521	245	-	1,083
Biology	398	495	715	-	178
Honor Society	373	-	138	-	235
Co-Ed Athletics	2,047	23,763	25,101	-	709
Boys Athletics	6,244	22,587	18,597	-	10,234
Boys Basketball	349	993	1,054	-	288
Football	238	1,225	1,459	-	4
Baseball	1,050	268	1,314	-	4
Girls Athletics	4,277	19,451	17,358	-	6,370
Softball	5	2,727	2,060	-	672
Activity Tickets	892	-	20	(270)	602
Boys Track	250	-	-	-	250
Girls Basketball	495	1,732	1,958	-	269
Volleyball	542	5,748	5,867	-	423
Pep Club	897	566	495	-	968
Yearbook	7,412	4,381	2,493	-	9,300
FFA	3,809	20,940	21,679	-	3,070
H.S. Student Council	213	2,179	1,797	-	595
Elem. Student Council	903	2,611	3,497	-	17
Elem. Fundraisers	(90)	4,464	4,485	270	159
Technology Club	421	810	174	-	1,057
Archery Club	-	100	-	-	100
Science Club	194	-	-	-	194
H.S. Music	196	100	20	-	276
H.S. Colorguard	8	-	-	-	8
Class of 2009	2,186	-	-	(2,186)	-
Class of 2010	2,418	13,177	14,754	2,186	3,027
Class of 2011	1,669	5,364	2,946	-	4,087
Class of 2012	724	844	406	-	1,162
Class of 2013	128	-	-	-	128
Class of 2014	145	-	-	-	145
Art Club	382	615	715	-	282
Cheerleaders	1,457	1,278	1,927	-	808
Drill Team	1,059	1,824	1,834	-	1,049
<b>Total</b>	<b>\$ 42,098</b>	<b>138,763</b>	<b>133,108</b>	<b>-</b>	<b>47,753</b>

See accompanying independent auditor's report.

## Twin Cedars Community School District

Schedule 4

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
<b>Revenues:</b>							
<b>Local sources:</b>							
Local tax	\$ 1,510,636	1,519,191	1,461,397	1,478,546	1,458,722	1,397,579	1,205,560
Tuition	405,005	353,033	403,511	424,002	408,503	419,604	363,672
Other	175,391	201,177	285,813	394,363	277,689	180,712	166,176
Intermediate sources	6,000	1,000	1,000	4,000	-	259	3,677
State sources	2,010,470	2,449,019	2,363,267	2,182,695	2,241,092	2,033,027	1,899,892
Federal sources	444,351	225,015	177,260	114,229	168,480	187,471	180,871
<b>Total</b>	<b>\$ 4,551,853</b>	<b>4,748,435</b>	<b>4,692,248</b>	<b>4,597,835</b>	<b>4,554,486</b>	<b>4,218,652</b>	<b>3,819,848</b>
<b>Expenditures:</b>							
<b>Instruction:</b>							
Regular	\$ 1,604,908	1,720,238	1,617,640	1,559,467	1,461,801	1,666,724	1,535,124
Special	636,689	611,392	570,309	452,342	497,621	438,539	406,274
Other	875,115	719,297	655,178	574,753	620,710	540,050	416,960
<b>Support services:</b>							
Student	108,059	150,045	133,446	110,566	47,096	75,559	99,427
Instructional staff	68,184	71,986	52,360	74,889	144,663	56,041	70,516
Administration	411,122	420,349	419,711	416,607	372,084	310,662	405,059
Operation and maintenance of plant	343,185	406,645	426,512	389,404	276,500	231,380	252,735
Transportation	284,383	393,309	313,953	346,069	228,280	292,898	277,058
Non-instructional programs	1,019	875	890	892	25,383	19,896	782
<b>Other expenditures:</b>							
Facilities acquisition	333,367	148,254	204,637	324,412	389,650	160,561	29,941
<b>Long-term debt:</b>							
Principal	110,000	105,000	151,355	97,253	57,145	52,043	46,946
Interest and other charges	25,919	29,932	36,232	40,008	39,148	30,080	31,063
AEA flowthrough	161,191	151,211	147,150	137,266	134,159	130,759	131,635
<b>Total</b>	<b>\$ 4,963,141</b>	<b>4,928,533</b>	<b>4,729,373</b>	<b>4,523,928</b>	<b>4,294,240</b>	<b>4,005,192</b>	<b>3,703,520</b>

See accompanying independent auditor's report.

Twin Cedars Community School District

Schedule 5

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Grantor/Program	CFDA Number	Grant Number	Expenditures
Direct:			
U.S. Department of Education:			
Rural Education	84.358	FY10	\$ 18,447
Subtotal - Direct			18,447
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	24,093
National School Lunch Program	10.555	FY10	101,669 *
Special Milk Program for Children	10.556	FY10	281
			126,043
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	67,344
ARRA - Title I Grants to Local Educational Agencies Recovery Act	84.389	FY10	16,965
			84,309
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY10	1,272
Grants for State Assessments and Related Activities	84.369	FY10	3,153
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	222,142
Pella Community School District:			
Career and Technical Education -- Basic Grants to States	84.048	FY10	4,986
Heartland Area Education Agency:			
Special Education - Grants to States	84.027	FY10	22,570 **
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	61,717 **
Subtotal - Indirect			526,192
Total			\$ 544,639

\* - Includes \$19,597 of non-cash awards.

\*\* - Total for Special Education Cluster (IDEA) is \$84,287.

**Basis of Presentation** - The Schedule of Expenditure of Federal Awards includes the federal grant activity of Twin Cedars 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.

See accompanying independent auditor's report.

PEAK & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
1370 NW 114<sup>TH</sup> ST., SUITE 205  
CLIVE, IA 50325

(515) 277-3077

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  
Twin Cedars 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 Twin Cedars Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 15, 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 Twin Cedars 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 Twin Cedars Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Twin Cedars Community School District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

Twin Cedars Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Twin Cedars 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 the Twin Cedars Community School District and other parties to whom the Twin Cedars 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 the Twin Cedars 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.

Peak & Co., LLP  
Certified Public Accountants

January 15, 2011

PEAK & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
1370 NW 114<sup>TH</sup> ST., SUITE 205  
CLIVE, IA 50325

(515) 277-3077

Independent Auditor's Report on Compliance with Requirements That Could Have a  
Direct and Material Effect on Each Major Program and on Internal Control  
over Compliance in Accordance with OMB Circular A-133

To the Board of Education of  
Twin Cedars Community School District:

We have audited Twin Cedars Community School District's compliance, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on Twin Cedars Community School District's major federal programs for the year ended June 30, 2010. Twin Cedars School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Twin Cedars Community School District's management. Our responsibility is to express an opinion on Twin Cedars Community School District's compliance based on our audit.

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

In our opinion, Twin Cedars Community School District compiled, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Twin Cedars 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 our audit, we considered Twin Cedars 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 our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Twin Cedars Community School District's internal control over compliance.

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of Finding and Questioned Costs as items III-A-10, III-B-10 and III-C-10 to be material weaknesses.

Twin Cedars Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Twin Cedars 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 Twin Cedars Community School District and other parties to whom Twin Cedars 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.

Peak & Co., LLP  
Certified Public Accountants

January 15, 2011

Twin Cedars Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and 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) 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 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
    - CFDA Number 10.556 – Special Milk Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Twin Cedars Community School District did not qualify as a low-risk auditee.

Twin Cedars Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-10 **Segregation of Duties** – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are sometimes all done by the same person.

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

**Response** – We will continue to review our procedures and implement additional controls where possible.

**Conclusion** – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-10 **Fixed Assets** – Fixed assets were not periodically counted and reconciled to the fixed asset listing by an independent person. Also, a perpetual record of fixed assets is not kept. Generally accepted accounting principles require an accurate fixed asset listing be maintained.

**Recommendation** – To provide additional control over the proper recording of fixed assets, fixed assets should be periodically counted and reconciled to the fixed asset listing by a person who does not have custody of the fixed assets. Also, a perpetual fixed asset listing should be kept.

**Response** – We will review this situation.

**Conclusion** – Response accepted.

II-C-10 **Financial Reporting** – During the audit, we identified material amounts of receivables, payables, and capital asset additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

**Recommendation** – The District should implement procedures to ensure all receivables, payables, and capital asset additions are identified and included in the District's financial statements.

**Response** – We will double check these in the future to avoid missing any receivables, payables, and capital asset transactions.

**Conclusion** – Response accepted.

Twin Cedars Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

II-D-10 Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Twin Cedars Community School District does not have the internal resources to prepare the full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles in preparing full-disclosure financial statements for external reporting purposes is difficult. However, we recommend that District officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than to rely on external assistance.

Response – We recognize our limitations; however, it is not fiscally responsible to add additional staff for this purpose.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Twin Cedars Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**CFDA Number 10.553: School Breakfast Program  
CFDA Number 10.555: National School Lunch Program and  
CFDA Number 10.556: Special Milk Program for Children  
Federal Award Year: 2010  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education**

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

III-A-10     Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are sometimes all done by the same person.

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

Response and Corrective Action Plan – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Twin Cedars Community School District  
Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**CFDA Number 10.553: School Breakfast Program**  
**CFDA Number 10.555: National School Lunch Program and**  
**CFDA Number 10.556: Special Milk Program for Children**  
**Federal Award Year: 2010**  
**U.S. Department of Agriculture**  
**Passed through the Iowa Department of Education**

III-B-10     Verification of Free and Reduced Meal Applications – The District is required to verify its free and reduced price eligibility of households selected from a sample of approved applications on file on October 1. The District indicated that they chose the option to verify 3% of the total eligible applications on file. While this option is acceptable to the State of Iowa, the District did not properly calculate 3% of eligible application. The District calculated that two applications were required to be verified. However, based on the calculation requirements as established by the State of Iowa, the District should have verified three applications, instead of only two applications that they did verify.

Recommendation – The District should implement procedures to ensure that the State of Iowa requirements are followed when it verifies free and reduced price eligibility of households.

Response and Corrective Action Planned – The above was a miscalculation on our part. We will implement procedures to ensure that this does not happen again.

Conclusion – Response accepted.

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

III-C-10     ARRA Reporting and Accounting – During our review, we noted that cumulative expenditures to date as reported on the ARRA reports for the first three quarters of the fiscal year did not agree with cumulative expenditures to date as recorded on the District's general ledger.

Recommendation – The District reconcile its ARRA quarterly reports with the general ledger to ensure amounts reconcile prior to submission of the quarterly reports.

Response and Corrective Action Planned – We have begun to do this in fiscal year 2011, so this should no longer be an issue.

Conclusion – Response accepted.

Twin Cedars Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-10     Certified Budget – Expenditures for the year ended June 30, 2010 exceeded the certified budget amounts in the other expenditures 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 accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Conclusion – Response accepted.
- IV-B-10     Questionable Disbursements – No expenditures we believe 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 that the coverage is adequate for current operations.
- IV-F-10     Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. For the invoices paid on June 30, 2010, there was insufficient documentation the date the Board President approved the expenditures for advance payment in accordance with the District’s policy. A specific reason for holding a closed session was not documented in the Board Minutes as required by Chapter 21.5 of the Code of Iowa. The Board does not document their approval for transfers which take place between funds.
- Recommendation – Sufficient documentation should be maintained to evidence proper Board President approval of expenditures paid in advance of the full Board approval. Procedures should be implemented to ensure compliance with Chapter 21.5 of the Code of Iowa in relation to closed sessions. In addition, the Board should improve all interfund transfers.
- Response – We will implement these recommendations.
- Conclusion – Response accepted.
- IV-G-10     Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on the Certified Enrollment Certification Form for October 2009 was understated by .3 students.
- Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Twin Cedars Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

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 12C of the Code of Iowa and District’s investment policy were noted.

IV-J-10 Certified Annual Report – The Certified Annual Report was timely certified to the State of Iowa. However, we noted material variances in the amounts reported.

Recommendation – The District should contact the Iowa Department of Education to resolve this situation.

Response – We have contacted the Department of Education and will make adjustments through the certified annual report for the next fiscal year.

Conclusion – Response accepted.

IV-K-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds. However, the District did not record revenues and expenditures related to categorical funding until the end of the fiscal year. The Department of Education requires that all categorical funding be recorded to specific account codes. Since the District did not record categorical funding to specific account codes during the year, it appears the District is not in compliance with the Department of Education requirements. In addition, for several of the categorical funding programs, the District is unable to document the specific costs paid for with categorical funding receipts. This procedure does not appear to be in compliance with the Department of Education requirements.

Recommendation – The District should consult the Iowa Department of Education regarding corrective action to be taken.

Response – We will implement this recommendation.

Conclusion – Response accepted.

Twin Cedars Community School District  
 Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

Beginning balance		\$ 387,979
Statewide sales, services and use tax	\$ 253,829	
Interest on investments	614	254,443
Expenditures/transfers out:		
School infrastructure:		
Equipment	15,000	
Other improvements	316,504	
Debt service for school infrastructure:		
General obligation debt	38,904	
Revenue debt	54,736	425,144
Ending balance		\$ 217,278

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

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.1205	\$ 93,640
Physical plant and equipment levy	1.9169	160,189

IV-M-10      Disbursements – While the Board approved the list of bills, the Board President does not consistently sign the list of bills approved. Without this, there is less assurance that the actual bills paid by the District were approved by the Board.

Recommendation – The Board President should sign the list of approved bills, with a list retained by the District.

Response – We will review this area and take action as necessary.

Conclusion – Response accepted.

Twin Cedars Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

- IV-N-10 Construction Project – The District entered into a roofing construction project during the fiscal year. Change orders were not always used when there were changes to the scope of the project, or to extend the completion date of the project.
- Recommendation – In the future, change orders should be used and approved when there are changes to the scope of the project or to extend the completion date of the project.
- Response – We were unaware of this requirement until the auditor brought it to our attention. We will implement this recommendation in the future.
- Conclusion – Response accepted.
- IV-O-10 Payroll – Instances were noted where there was not documented support for employee payroll deductions. An instance was noted where sick leave taken was not recorded on the employees perpetual leave records.
- Recommendation – The District implement procedures to ensure there is adequate support for employee payroll withholdings. In addition, all employee sick leave taken should be recorded on the employees perpetual leave records.
- Response – We will implement these recommendations.
- Conclusion – Response accepted.
- IV-P-10 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and the back of each cancelled check. In some cases, the District retains cancelled checks through electronic image, but in other cases the District did not obtain an image of the front and/or back of each cancelled check as required.
- Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.
- Response – We will implement this recommendation.
- Conclusion – Response accepted.
- IV-Q-10 Compliance Issues – We noted instances in which the District failed to file IRS 1099-Misc. Forms. The Board Secretary does not sign all checks as required by Chapter 291.8 of the Code of Iowa.
- Recommendation – The District implement procedures to ensure all IRS 1099-Misc. Forms are filed in the future. The Board Secretary should sign all checks as required by Chapter 291.8 of the Code of Iowa.
- Response – We will implement these recommendations.
- Conclusion – Response accepted.

Twin Cedars Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

IV-R-10 Miscellaneous – For Activity Fund fundraisers, there are no documented procedures in place to reconcile the cash receipts to the amount of money that should have been collected based on the quantity of merchandise purchased for resale or gross profit percentage.

The District has not filed a state gas tax refund claim form in several years.

It does not appear the District received \$50 from the sale of old equipment.

The District does not appear to have procedures in place to ensure all tuition due to other Districts are appropriately paid. As a result, we identified one student in which the District overpaid a neighboring District by approximately \$5,000.

Recommendation – The District should implement procedures for Activity Fund fundraisers which documents the reconciliation of actual monies collected to the amount of money which should have been collected based on the quantity of merchandise purchased for resale or gross profit percentages. Also, the District should file for state gas tax refunds, and ensure all monies are received from the sale of old equipment. In addition, the District should implement procedures to ensure all tuition paid to other Districts are appropriately paid, and to follow-up on the apparent overpayment to the other District.

Response – We will implement these recommendations.

Conclusion – Response accepted.

Twin Cedars Community School District  
 Corrective Action Plan for Federal Audit Findings  
 Year Ended June 30, 2010

<u>Comment Number</u>	<u>Comment Title</u>	<u>Corrective Action Plan</u>	<u>Contact Person, Title, Phone Number</u>	<u>Anticipated Date of Completion</u>
III-A-10	Segregation of Duties Over Federal Revenues	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	Brian Vandersluis Superintendent (641)944-5241	Immediately
III-B-10	Verification of Free and Reduced Meal Applications	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs. In addition, an independent person will verify the calculation.	Brian Vandersluis Superintendent (641)944-5241	Oct. 1, 2010
III-C-10	ARRA Reporting and Accounting	The Superintendent and Business Manager will review the ARRA quarterly reports and general ledger to ensure amounts reconcile prior to the submission of the report.	Brian Vandersluis Superintendent (641)944-5241	Effective with the third quarter 2010 report.

**Twin Cedars Community School District**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2010**

**None – There were no audit findings related to federal funds in the prior audit.**