

EAST CENTRAL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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East Central Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Steve Gendreau	President	2011
Warren Koch	Vice President	2011
Andrew Naeve	Board Member	2011
Mollie Galusha	Board Member	2013
Jon Wall	Board Member	2013
<b>School Officials</b>		
James House	Superintendent	2011
Sandra Hansen	District Secretary and Treasurer	2011
Brian Gruhn	Attorney	2011

EAST CENTRAL COMMUNITY SCHOOL DISTRICT

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3040**

**Telephone (641) 792-1910**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of the  
East Central 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 the East Central Community School District, Miles, Iowa as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as 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 East Central Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated December 22, 2011 on our consideration of East Central 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 these reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Central Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

December 22, 2011

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

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East Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$3,645,849 in fiscal 2010 to \$3,839,473 in fiscal 2011, while General Fund expenditures decreased from \$4,059,907 in fiscal 2010 to \$3,722,755 in fiscal 2011. This resulted in an increase in the District's General Fund balance from a deficit \$369,519 in fiscal 2010 to a deficit \$252,801 in fiscal 2011, a 31.59% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in state and local revenue sources in fiscal 2011. The decrease in expenditures was due primarily to decreases in expenses in the instructional and support services functional areas.

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report East Central Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which East Central Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

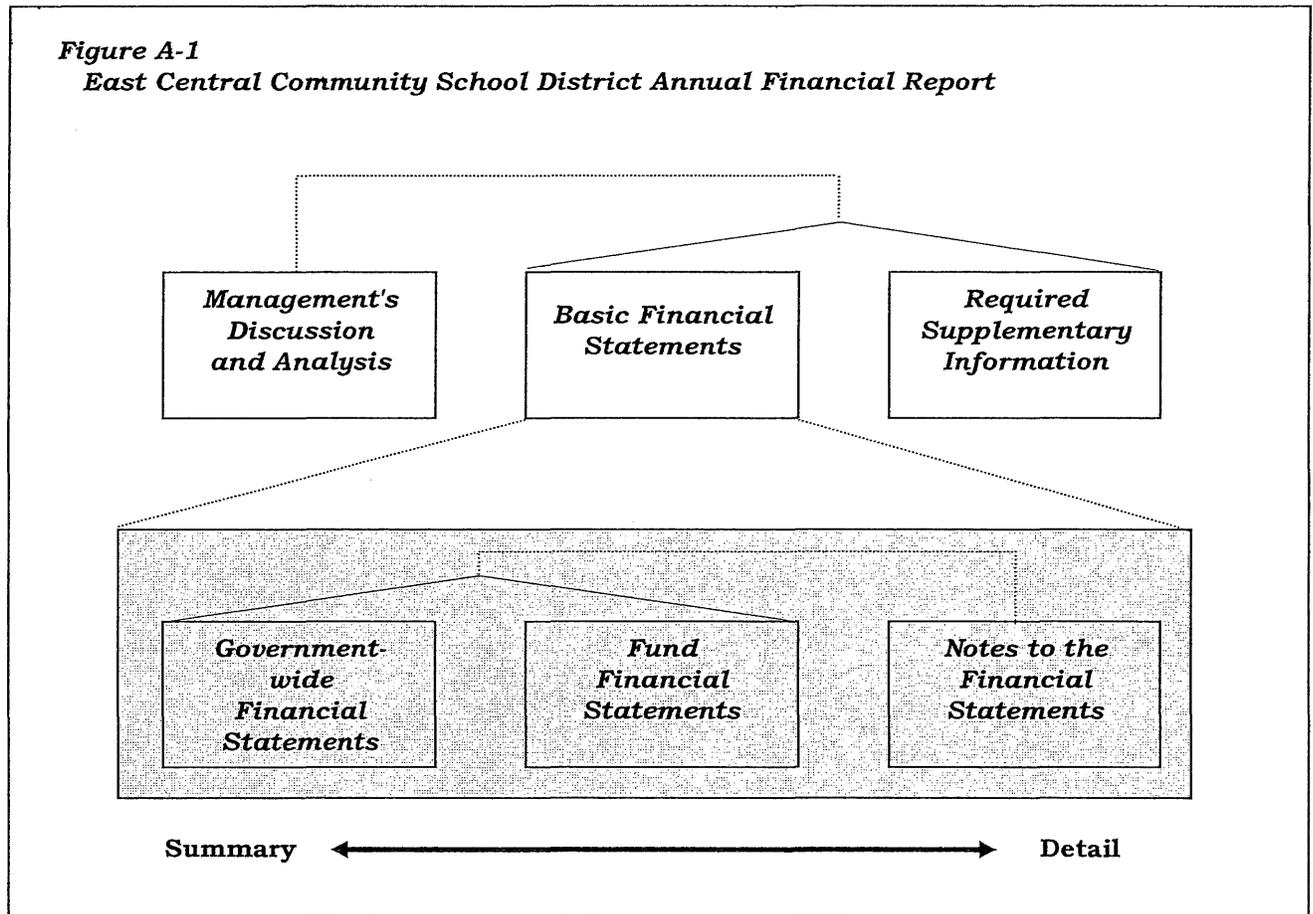


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3  
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 2,174,258	1,776,138	107,115	97,652	2,281,373	1,873,790	21.75%
Capital assets	990,710	1,054,093	11,009	12,154	1,001,719	1,066,247	-6.05%
Total assets	3,164,968	2,830,231	118,124	109,806	3,283,092	2,940,037	11.67%
Long-term obligations	187,793	75,377	0	0	187,793	75,377	149.14%
Other liabilities	1,974,811	1,828,142	0	0	1,974,811	1,828,142	8.02%
Total liabilities	2,162,604	1,903,519	0	0	2,162,604	1,903,519	13.61%
Net assets:							
Invested in capital assets, net of related debt	962,499	1,002,290	11,009	12,154	973,508	1,014,444	-4.04%
Restricted	508,720	398,061	0	0	508,720	398,061	27.80%
Unrestricted	(468,855)	(473,639)	107,115	97,652	(361,740)	(375,987)	-3.79%
Total net assets	\$ 1,002,364	926,712	118,124	109,806	1,120,488	1,036,518	8.10%

The District's combined net assets increased by 8.10%, or \$83,970, from the prior year. The largest portion of the District's net assets is the invested in capital assets, net of 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 \$110,659, or 27.80% over the prior year. The increase was primarily a result of the decrease in fund balance in the Special Revenue: Management and Student Activity Funds.

Unrestricted net assets are 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 increased by \$14,247, or 3.79%. The increase was primarily a result of the increase in fund balance in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4  
Changes of Net Assets

	Governmental		Business type		Total		Total Change 2010-11
	Activities		Activities		School District		
	2011	2010	2011	2010	2011	2010	
Revenues:							
Program revenues:							
Charges for services	\$ 187,285	204,870	98,912	105,973	286,197	310,843	-7.93%
Operating grants, contributions and restricted interest	655,383	793,487	86,454	94,757	741,837	888,244	-16.48%
General revenues:							
Property tax	1,416,327	1,359,146	0	0	1,416,327	1,359,146	4.21%
Statewide sales, services and use tax	275,078	236,923	0	0	275,078	236,923	16.10%
Nonspecific program federal funding	98,844	0	0	0	98,844	0	100.00%
Unrestricted state grants	1,603,532	1,481,340	0	0	1,603,532	1,481,340	8.25%
Unrestricted investment earnings	6,446	1,696	218	326	6,664	2,022	229.57%
Other general revenues	46,548	19,550	5,679	1,116	52,227	20,666	152.72%
Total revenues	4,289,443	4,097,012	191,263	202,172	4,480,706	4,299,184	4.22%
Program expenses:							
Governmental activities:							
Instructional	2,709,117	2,837,476	3,019	3,002	2,712,136	2,840,478	-4.52%
Support services	1,295,814	1,249,043	367	6,837	1,296,181	1,255,880	3.21%
Non-instructional programs	0	0	179,559	170,645	179,559	170,645	5.22%
Other expenses	208,860	313,051	0	0	208,860	313,051	-33.28%
Total expenses	4,213,791	4,399,570	182,945	180,484	4,396,736	4,580,054	-4.00%
Changes in net assets	75,652	(302,558)	8,318	21,688	83,970	(280,870)	-129.90%
Net assets beginning of year, as restated	926,712	1,229,270	109,806	88,118	1,036,518	1,317,388	-21.32%
Net assets end of year	\$ 1,002,364	926,712	118,124	109,806	1,120,488	1,036,518	8.10%

Property tax, statewide sales, services and use tax and unrestricted state grants account for 76.82% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 96.92% of the revenue from business type activities.

The District's total revenues were approximately \$4.48 million of which approximately \$4.29 million was for governmental activities and approximately \$0.19 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.22% increase in revenues and a 4.00% decrease in expenses. The increase in revenues was due to increased property tax, statewide sales, services and use tax, and unrestricted state grants the District received during fiscal 2011. The decrease in expenses was related to decreases in the instructional programs expenses.

## Governmental Activities

Revenues for governmental activities were \$4,289,443 and expenses were \$4,213,791.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 2,709,117	2,837,476	-4.52%	2,038,070	1,996,849	2.06%
Support services	1,295,814	1,249,043	3.74%	1,283,057	1,249,043	2.72%
Other expenses	208,860	313,051	-33.28%	49,996	155,321	-67.81%
Totals	<u>\$ 4,213,791</u>	<u>4,399,570</u>	<u>-4.22%</u>	<u>3,371,123</u>	<u>3,401,213</u>	<u>-0.88%</u>

- The cost financed by users of the District's programs was \$187,285.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$655,383.
- The net cost of governmental activities was financed with \$1,416,327 in property tax, \$275,078 in statewide sales, services and use tax, \$98,844 in nonspecific program federal funding, \$1,603,532 in unrestricted state grants, \$6,446 in interest income and \$46,548 in other general revenues.

## Business type Activities

Revenues of the District's business type activities were \$191,263 and expenses were \$182,945. The District's business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$199,447, compared to last year's ending fund balance of a deficit \$52,004. The primary reason for the increase in combined fund balance in fiscal 2011 is due to an increase in revenues in the General Fund and Capital Projects: Statewide Sales, Services and Use Tax Fund.

## Governmental Fund Highlights

- The District's increase in General Fund financial position is the product of many factors. The increase in local and state revenue sources coupled with a decrease in fund expenditures caused the increase in the General Fund balance.
- The Capital Projects Fund now includes the Statewide Sales, Services and Use Tax Fund and the Physical Plant and Equipment Levy Fund due to reclassification by GASB 54. In previous years Physical Plant and Equipment Levy Fund was not part of Capital Projects. The Capital Projects Fund Balance increased from \$177,218 at June 30, 2010, to \$347,110 at June 30, 2011. Revenues increased by \$38,155 or 16.10% and expenditures decreased by \$134,748 or

62.28%. The increase in revenues was primarily due to increased sales tax revenues received by the District. There was no activity in the Physical Plant and Equipment Levy Fund during the fiscal year.

### Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$109,806 at June 30, 2010 to \$118,124 at June 30, 2011, representing an increase of 7.58%. The Nutrition Fund balance increased to \$109,050 in fiscal 2011 as compared to \$104,052 in fiscal 2010. The District's Day Care Fund increased from \$5,754 in fiscal 2010 to \$9,074 in fiscal 2011.

### BUDGETARY HIGHLIGHTS

Over the course of the year, East Central Community School District amended its budget one time to reflect additional support services expenditures.

The District's revenues were \$126,947 less than budgeted revenues, a variance of 2.76%. The most significant variance resulted from the District receiving less in state sources, than originally anticipated.

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

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2011, the District had invested \$1,001,719, 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 amount represents a net decrease of 6.05% over from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$132,516.

The original cost of the District's capital assets was \$4,218,157. Governmental funds account for \$4,178,221 with the remainder of \$39,936 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's land improvements category totaled \$297,243 at June 30, 2011, compared to \$321,008 reported at June 30, 2010. The decrease in the land improvements category was due to depreciation expense taken during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 6,827	6,827	0	0	6,827	6,827	0.00%
Buildings	456,500	482,731	0	0	456,500	482,731	-5.43%
Land improvements	297,243	321,008	0	0	297,243	321,008	-7.40%
Machinery and equipment	230,140	243,527	11,009	12,154	241,149	255,681	-5.68%
Total	\$ 990,710	1,054,093	11,009	12,154	1,001,719	1,066,247	-6.05%

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## Long-Term Debt

At June 30, 2011, the District had \$187,793 in revenue bonds, other postemployment benefits, early retirement, and compensated absences outstanding. This represents an increase of 149.14% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,		June 30,
	2011	2010	2010-11
Revenue bonds	\$ 28,211	51,803	-45.54%
Net OPEB liability	46,982	23,574	99.30%
Early retirement	97,635	0	100.00%
Compensated absences	14,965	0	100.00%
	<u>\$ 187,793</u>	<u>75,377</u>	<u>149.14%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sandra Hansen, District Board Secretary, East Central Community School District, P.O. Box 340, Miles, Iowa, 52064.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 546,682	99,973	646,655
Receivables:			
Property tax:			
Delinquent	29,891	0	29,891
Succeeding year	1,457,178	0	1,457,178
Accounts	1,911	1,924	3,835
Due from other governments	138,596	0	138,596
Inventories	0	5,218	5,218
Capital assets, net of accumulated depreciation	990,710	11,009	1,001,719
<b>TOTAL ASSETS</b>	<b>3,164,968</b>	<b>118,124</b>	<b>3,283,092</b>
<b>LIABILITIES</b>			
Accounts payable	197,255	0	197,255
Salaries and benefits payable	296,756	0	296,756
Deferred revenue:			
Succeeding year property tax	1,457,178	0	1,457,178
Other	23,622	0	23,622
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	17,268	0	17,268
Early retirement payable	41,918	0	41,918
Compensated absences payable	14,965	0	14,965
Portion due after one year:			
Revenue bonds payable	10,943	0	10,943
Early retirement payable	55,717	0	55,717
Net OPEB liability	46,982	0	46,982
<b>TOTAL LIABILITIES</b>	<b>2,162,604</b>	<b>0</b>	<b>2,162,604</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	962,499	11,009	973,508
Restricted for:			
Categorical funding	114,615	0	114,615
Student activities	46,995	0	46,995
Physical plant and equipment	5,808	0	5,808
School infrastructure	341,302	0	341,302
Unrestricted	(468,855)	107,115	(361,740)
<b>TOTAL NET ASSETS</b>	<b>\$ 1,002,364</b>	<b>118,124</b>	<b>1,120,488</b>

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
<b>Governmental activities:</b>						
Instruction:						
Regular	\$ 1,911,534	107,687	262,525	(1,541,322)	0	(1,541,322)
Special	529,706	9,657	71,486	(448,563)	0	(448,563)
Other	267,877	69,941	149,751	(48,185)	0	(48,185)
	<u>2,709,117</u>	<u>187,285</u>	<u>483,762</u>	<u>(2,038,070)</u>	<u>0</u>	<u>(2,038,070)</u>
Support services:						
Student	77,254	0	6,366	(70,888)	0	(70,888)
Instructional staff	200,505	0	3,391	(197,114)	0	(197,114)
Administration	467,886	0	3,000	(464,886)	0	(464,886)
Operation and maintenance of plant	333,252	0	0	(333,252)	0	(333,252)
Transportation	216,917	0	0	(216,917)	0	(216,917)
	<u>1,295,814</u>	<u>0</u>	<u>12,757</u>	<u>(1,283,057)</u>	<u>0</u>	<u>(1,283,057)</u>
Other expenses:						
AEA flowthrough	158,864	0	158,864	0	0	0
Depreciation (unallocated)*	49,996	0	0	(49,996)	0	(49,996)
	<u>208,860</u>	<u>0</u>	<u>158,864</u>	<u>(49,996)</u>	<u>0</u>	<u>(49,996)</u>
Total governmental activities	4,213,791	187,285	655,383	(3,371,123)	0	(3,371,123)
<b>Business Type activities:</b>						
Instruction:						
Regular	3,019	6,335	0	0	3,316	3,316
Support services:						
Operation and maintenance of plant	367	0	0	0	(367)	(367)
Non-instructional programs:						
Nutrition services	179,559	92,577	86,454	0	(528)	(528)
Total business type activities	182,945	98,912	86,454	0	2,421	2,421
Total	\$ 4,396,736	286,197	741,837	(3,371,123)	2,421	(3,368,702)
<b>General Revenues:</b>						
Property tax for:						
General purposes				\$ 1,416,327	0	1,416,327
Statewide sales, services and use tax				275,078	0	275,078
Nonspecific program federal funding				98,844	0	98,844
Unrestricted state grants				1,603,532	0	1,603,532
Unrestricted investment earnings				6,446	218	6,664
Other general revenues				46,548	5,679	52,227
Total general revenues				<u>3,446,775</u>	<u>5,897</u>	<u>3,452,672</u>
Changes in net assets				75,652	8,318	83,970
Net assets beginning of year				926,712	109,806	1,036,518
Net assets end of year				<u>\$ 1,002,364</u>	<u>118,124</u>	<u>1,120,488</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 165,328	270,682	110,672	546,682
Receivables:				
Property tax:				
Delinquent	27,841	0	2,050	29,891
Succeeding year	1,303,659	0	153,519	1,457,178
Accounts	1,911	0	0	1,911
Due from other governments	58,110	80,486	0	138,596
<b>TOTAL ASSETS</b>	<b>\$ 1,556,849</b>	<b>351,168</b>	<b>266,241</b>	<b>2,174,258</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	188,599	1,072	7,584	197,255
Salaries and benefits payable	293,770	2,986	0	296,756
Deferred revenue:				
Succeeding year property tax	1,303,659	0	153,519	1,457,178
Other	23,622	0	0	23,622
Total liabilities	1,809,650	4,058	161,103	1,974,811
Fund balances:				
Reserved for:				
Categorical funding	114,615	0	0	114,615
Management levy purposes	0	0	58,143	58,143
Student activities	0	0	46,995	46,995
School infrastructure	0	341,302	0	341,302
Physical plant and equipment	0	5,808	0	5,808
Unassigned	(367,416)	0	0	(367,416)
Total fund balances	(252,801)	347,110	105,138	199,447
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,556,849</b>	<b>351,168</b>	<b>266,241</b>	<b>2,174,258</b>

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2011

Total fund balances of governmental funds (page 20)	\$ 199,447
<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.	990,710
Long-term liabilities, including revenue bonds payable, early retirement payable, compensated absences payable and other postemployment benefits payable are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(187,793)</u>
Net assets of governmental activities (page 18)	<u>\$ 1,002,364</u>

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,319,191	275,078	97,136	1,691,405
Tuition	104,601	0	0	104,601
Other	67,252	0	77,679	144,931
State sources	2,083,744	0	77	2,083,821
Federal sources	264,229	0	0	264,229
Total revenues	<u>3,839,017</u>	<u>275,078</u>	<u>174,892</u>	<u>4,288,987</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	1,782,853	0	88,858	1,871,711
Special	527,712	0	0	527,712
Other	186,282	0	74,578	260,860
	<u>2,496,847</u>	<u>0</u>	<u>163,436</u>	<u>2,660,283</u>
Support services:				
Student	76,788	0	0	76,788
Instructional staff	190,508	0	2,210	192,718
Administration	403,347	0	4,650	407,997
Operation and maintenance of plant	205,034	0	33,718	238,752
Transportation	191,367	0	6,037	197,404
	<u>1,067,044</u>	<u>0</u>	<u>46,615</u>	<u>1,113,659</u>
Other expenditures:				
Facilities acquisitions	0	81,594	0	81,594
Long-term debt:				
Principal	0	0	23,592	23,592
AEA Flowthrough	158,864	0	0	158,864
	<u>158,864</u>	<u>81,594</u>	<u>23,592</u>	<u>264,050</u>
Total expenditures	<u>3,722,755</u>	<u>81,594</u>	<u>233,643</u>	<u>4,037,992</u>
Excess(Deficiency) of revenues over(under) expenditures before other financing sources(uses)	116,262	193,484	(58,751)	250,995
Other financing sources(uses):				
Transfer in	0	0	23,592	23,592
Transfer out	0	(23,592)	0	(23,592)
Sale of equipment	456	0	0	456
Total other financing sources(uses)	<u>456</u>	<u>(23,592)</u>	<u>23,592</u>	<u>456</u>
Net change in fund balances	116,718	169,892	(35,159)	251,451
Fund balance beginning of year, as restated	<u>(369,519)</u>	<u>177,218</u>	<u>140,297</u>	<u>(52,004)</u>
Fund balance end of year	<u>\$ (252,801)</u>	<u>347,110</u>	<u>105,138</u>	<u>199,447</u>

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds (page 22) \$ 251,451

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

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

Capital outlays	\$ 67,109	
Depreciation expense	<u>(130,492)</u>	(63,383)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows: 23,592

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.

Other postemployment benefits	(23,408)	
Early retirement	(97,635)	
Compensated absences	<u>(14,965)</u>	<u>(136,008)</u>

Changes in net assets of governmental activities (page 19) \$ 75,652

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Day Care	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 90,899	9,074	99,973
Accounts receivable	1,924	0	1,924
Inventories	5,218	0	5,218
Capital assets, net of accumulated depreciation	11,009	0	11,009
<b>TOTAL ASSETS</b>	<b>109,050</b>	<b>9,074</b>	<b>118,124</b>
<b>LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET ASSETS</b>			
Invested in capital assets	11,009	0	11,009
Unrestricted	98,041	9,074	107,115
<b>TOTAL NET ASSETS</b>	<b>\$ 109,050</b>	<b>9,074</b>	<b>118,124</b>

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2011

	Business Type Activites:		
	Enterprise Funds		
	School Nutrition	Day Care	Total
<b>OPERATING REVENUE:</b>			
Local sources:			
Charges for services	\$ 92,577	6,335	98,912
Miscellaneous	5,679	0	5,679
<b>TOTAL OPERATING REVENUES</b>	<b>98,256</b>	<b>6,335</b>	<b>104,591</b>
<b>OPERATING EXPENSES:</b>			
Instruction:			
Regular:			
Salaries	0	2,612	2,612
Benefits	0	382	382
Other	0	25	25
	0	3,019	3,019
Operation and maintenance of plant:			
Services	367	0	367
Non-instructional programs:			
Food service operations:			
Salaries	65,883	0	65,883
Benefits	9,332	0	9,332
Services	423	0	423
Supplies	101,618	0	101,618
Other	279	0	279
Depreciation	2,024	0	2,024
Total non-instructional programs	179,559	0	179,559
<b>TOTAL OPERATING EXPENSES</b>	<b>179,926</b>	<b>3,019</b>	<b>182,945</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(81,670)</b>	<b>3,316</b>	<b>(78,354)</b>
<b>NON-OPERATING REVENUES:</b>			
State sources	1,811	0	1,811
Federal sources	84,643	0	84,643
Interest on investments	214	4	218
<b>TOTAL NON-OPERATING REVENUES</b>	<b>86,668</b>	<b>4</b>	<b>86,672</b>
Change in net assets	4,998	3,320	8,318
Net assets beginning of year	104,052	5,754	109,806
Net assets end of year	\$ 109,050	9,074	118,124

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2011

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 91,139	0	91,139
Cash received from miscellaneous	5,679	6,335	12,014
Cash payments to employees for services	(75,215)	(2,994)	(78,209)
Cash payments to suppliers for goods or services	(85,715)	0	(85,715)
Net cash provided by(used in) operating activities	(64,112)	3,341	(60,771)
Cash flows from non-capital financing activities:			
State grants received	1,811	0	1,811
Federal grants received	70,132	0	70,132
Net cash provided by non-capital financing activities	71,943	0	71,943
Cash flows from capital and related financing activities:			
Purchase of capital assets	879	0	879
Cash flows from investing activities:			
Interest on investments	214	4	218
Net increase in cash and cash equivalents	8,924	3,345	12,269
Cash and cash equivalents at beginning of year	83,733	5,754	89,487
Cash and cash equivalents at end of year	\$ 92,657	9,099	101,756
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (81,670)	3,316	(78,354)
Adjustments to reconcile operating income(loss) to net cash provided by(used) in operating activities:			
Commodities consumed	14,511	0	14,511
Depreciation	2,024	0	2,024
Decrease in inventories	2,461	0	2,461
Increase in accounts receivable	(1,438)	0	(1,438)
Net cash provided by(used in) operating activities	\$ (64,112)	3,316	(60,796)

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$14,511.

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2011

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS:	
Cash and pooled investments	<u>\$          45,861</u>
LIABILITIES	<u>                  0</u>
NET ASSETS	
Reserved for scholarships	<u>                  45,861</u>
TOTAL NET ASSETS	<u><u>\$          45,861</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2011

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 7,410
Interest income	681
Total additions	<u>8,091</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>5,200</u>
Change in net assets	2,891
Net assets beginning of year	<u>42,970</u>
Net assets end of year	<u>\$ 45,861</u>

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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

The East Central 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 cities of Miles and Sabula, Iowa, and the predominate agricultural territory in Clinton and Jackson 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, East Central 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 East Central Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but 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 Clinton and Jackson Counties Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District's proprietary funds consists of the Enterprise, School Nutrition Fund and Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for day to day operation of the Day Care.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is the Private Purpose Trust Fund.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned, and then unassigned fund balances.

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been

recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

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

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

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

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

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

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, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 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 and the Treasurer of the State of Iowa; 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, 2011 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$67,719 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

**(3) Transfers**

The detail of transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects:	
	Statewide Sales,	
Debt Service	Services & Use Tax	<u>\$ 23,592</u>

The transfer from Capital Projects: Statewide Sales, Services & Use Tax to the Debt Service fund was needed to make the payments on the District's revenue bond indebtedness.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,827	0	0	6,827
Total capital assets not being depreciated	<u>6,827</u>	<u>0</u>	<u>0</u>	<u>6,827</u>
Capital assets being depreciated:				
Buildings	1,426,185	0	0	1,426,185
Land improvements	659,794	0	0	659,794
Machinery and equipment	2,018,306	67,109	0	2,085,415
Total capital assets being depreciated	<u>4,104,285</u>	<u>67,109</u>	<u>0</u>	<u>4,171,394</u>
Less accumulated depreciation for:				
Buildings	943,454	26,231	0	969,685
Land improvements	338,786	23,765	0	362,551
Machinery and equipment	1,774,779	80,496	0	1,855,275
Total accumulated depreciation	<u>3,057,019</u>	<u>130,492</u>	<u>0</u>	<u>3,187,511</u>
Total capital assets being depreciated, net	<u>1,047,266</u>	<u>(63,383)</u>	<u>0</u>	<u>983,883</u>
Governmental activities capital assets, net	<u>\$ 1,054,093</u>	<u>(63,383)</u>	<u>0</u>	<u>990,710</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 39,057	879	0	39,936
Less accumulated depreciation	26,903	2,024	0	28,927
Business type activities capital assets, net	\$ 12,154	(1,145)	0	11,009

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular			\$ 26,994
Other			5,355
Support services:			
Instructional staff			1,814
Administration			2,283
Operation and maintenance			1,523
Transportation			42,527
			<u>80,496</u>
Unallocated depreciation			<u>49,996</u>
Total governmental activities depreciation expense			<u>\$ 130,492</u>
Business type activities:			
Food services			<u>\$ 2,024</u>

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 51,803	0	23,592	28,211	17,268
Compensated absences	0	14,965	0	14,965	14,965
Early Retirement	0	97,635	0	97,635	41,918
Net OPEB liability	23,574	23,408	0	46,982	0
Total	\$ 75,377	136,008	23,592	187,793	74,151

Revenue Bonds Payable

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue date of June 1, 2007			Issue date of January 24, 2007			
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Total
2012	4.75 %	\$ 10,943	*	-	6,325	-	17,268
2013	4.75	10,943	*	-	0	-	10,943
Total		\$ 21,886	*		\$ 6,325	-	28,211

\* Interest is paid by the National Safe Surfacing Initiative, LLC (NSSI). On June 1, 2007, the NSSI deposited \$8,014, total interest due to maturity on the revenue bond, into an irrevocable escrow account established pursuant to an escrow agreement between the District, NSSI and Great Western Bank, escrow agent. The account is owned by NSSI and held by the escrow agent. Interest on the revenue bonds is due semi-annually on January 1 and July 1 and is paid directly from the escrow account.

The District has pledged future statewide sales, services and use tax revenues to repay the bonds issued on January 24, 2007 and June 1, 2007. The statewide sales, services and use tax revenue bonds were issued for the purchase of playground equipment and playground resurfacing and are payable through 2013. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District. 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 payments on the bonds are expected to require nearly 6% of the statewide sales, services and use tax revenues. The total principal remaining to paid on the bonds is \$28,211. Both bonds are recorded with a zero percent interest rate. For the current year, the principal paid on the bonds was \$23,592 and the statewide sales, services and use tax revenues were \$275,078.

**(6) 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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$135,071, \$157,350, and \$149,071, respectively, equal to the required contributions for each year.

**(7) Other Postemployment Benefits**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical, prescription drug and dental benefits for retirees and their spouses. There are 47 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical and prescription drug as active employees, which result 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 and unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 27,288
Interest on net OPEB obligation	589
Adjustment to annual required contribution	(1,997)
Annual OPEB cost	<u>25,880</u>
Contributions made	<u>(2,472)</u>
Increase in net OPEB obligation	23,408
Net OPEB obligation beginning of year	<u>23,574</u>
Net OPEB obligation end of year	<u><u>\$ 46,982</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

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, 2011 are summarized as follows:

Year ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 25,449	7.37%	\$ 23,574
2011	25,880	9.55%	46,982

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$232,673, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$232,673. The covered payroll (annual payroll of active employees covered by the plan) was \$1,672,553, and the ratio of the UAAL to covered payroll was 13.91%. As of June 30, 2011 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2009 actuarial valuation date, the Frozen Entry Age Actuarial Cost Method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, Projected to 2000 applied on a gender-specific basis. Annual retirement and termination probabilities were based upon the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Risk Management**

East Central 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.

**(9) 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 \$158,864 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Categorical Funding**

The District's ending balance for categorical funding by project as of the year ended June 30, 2011, are as follows:

Project	Amount
Four-year-old preschool state aid	\$ 33,690
Dropout and dropout prevention	37,269
Beginning teacher mentoring	953
Weighted at-risk programs	2,431
Market factor	2,889
Model core curriculum	17,250
Professional development	17,148
Market factor incentives	2,985
Total	<u>\$ 114,615</u>

**(11) Deficit Net Assets**

The General Fund had deficit unassigned fund balance at June 30, 2011 of \$367,416. The District also had a deficit unrestricted net assets balance in the governmental activities of \$468,855.

**(12) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 171,410	5,808
Change in fund type classification per implementation of GASB Statement No. 54	5,808	(5,808)
Balances July 1, 2010, as restated	<u>\$ 177,218</u>	<u>-</u>

REQUIRED SUPPLEMENTARY INFORMATION

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 1,940,937	104,809	2,045,746	1,881,671	1,881,671	164,075
State sources	2,083,821	1,811	2,085,632	2,344,885	2,344,885	(259,253)
Federal sources	264,229	84,643	348,872	380,640	380,640	(31,768)
Total revenues	<u>4,288,987</u>	<u>191,263</u>	<u>4,480,250</u>	<u>4,607,196</u>	<u>4,607,196</u>	<u>(126,946)</u>
Expenditures/expenses:						
Instruction	2,660,283	3,019	2,663,302	3,244,500	3,244,500	581,198
Support services	1,113,659	367	1,114,026	1,274,745	1,474,745	360,719
Non-instructional programs	0	179,559	179,559	180,000	180,000	441
Other expenditures	264,050	0	264,050	356,768	356,768	92,718
Total expenditures/expenses	<u>4,037,992</u>	<u>182,945</u>	<u>4,220,937</u>	<u>5,056,013</u>	<u>5,256,013</u>	<u>1,035,076</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses before other financing sources	250,995	8,318	259,313	(448,817)	(648,817)	908,130
Other financing sources, net	<u>456</u>	<u>0</u>	<u>456</u>	<u>13,648</u>	<u>13,648</u>	<u>(13,192)</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	251,451	8,318	259,769	(435,169)	(635,169)	894,938
Balance beginning of year	<u>(52,004)</u>	<u>109,806</u>	<u>57,802</u>	<u>217,582</u>	<u>217,582</u>	<u>(159,780)</u>
Balance end of year	<u>\$ 199,447</u>	<u>118,124</u>	<u>317,571</u>	<u>(217,587)</u>	<u>(417,587)</u>	<u>735,158</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2011

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2011, the District adopted one budget amendment, increasing budgeted expenditures by \$200,000.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2011

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	\$ 0	\$ 232,673	\$ 232,673	0.00%	\$ 1,911,772	12.17%
2011	July 1, 2009	0	232,673	232,673	0.00%	1,672,553	13.91%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	Special Revenue Funds		
	Student Activity	Manage- ment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 46,995	63,677	110,672
Receivables:			
Property tax:			
Delinquent	0	2,050	2,050
Succeeding year	0	153,519	153,519
<b>TOTAL ASSETS</b>	<b>\$ 46,995</b>	<b>219,246</b>	<b>266,241</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 0	7,584	7,584
Deferred revenue:			
Succeeding year property tax	0	153,519	153,519
Total Liabilities	0	161,103	161,103
Fund balances:			
Restricted for:			
Management levy purposes	0	58,143	58,143
Student activities	46,995	0	46,995
Total fund balances	46,995	58,143	105,138
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 46,995</b>	<b>219,246</b>	<b>266,241</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2011

	Special Revenue Funds			Debt Service	Total Other Nonmajor Governmental Funds
	Student Activity	Management Levy	Total Special Revenue Funds		
REVENUES:					
Local sources:					
Local tax	\$ 0	97,136	97,136	0	97,136
Other	70,030	7,649	77,679	0	77,679
State sources	0	77	77	0	77
TOTAL REVENUES	70,030	104,862	174,892	0	174,892
EXPENDITURES:					
Current:					
Instruction:					
Regular	0	88,858	88,858	0	88,858
Other	74,578	0	74,578	0	74,578
Support services:					
Instructional staff services	0	2,210	2,210	0	2,210
Administration	0	4,650	4,650	0	4,650
Operation and maintenance of plant	38	33,680	33,718	0	33,718
Student transportation	0	6,037	6,037	0	6,037
Other expenditures:					
Long-term debt:					
Principal	0	0	0	23,592	23,592
TOTAL EXPENDITURES	74,616	135,435	210,051	23,592	233,643
Deficiency of revenues under expenditures	(4,586)	(30,573)	(35,159)	(23,592)	(58,751)
Other financing sources:					
Transfer in	0	0	0	23,592	23,592
Net change in fund balances	(4,586)	(30,573)	(35,159)	0	(35,159)
Fund balances beginning of year, as restated	51,581	88,716	140,297	0	140,297
Fund balances end of year	\$ 46,995	58,143	105,138	0	105,138

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 264,874	5,808	270,682
Receivables:			
Due from other governments	80,486	0	80,486
<b>TOTAL ASSETS</b>	<b>\$ 345,360</b>	<b>5,808</b>	<b>351,168</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 1,072	0	1,072
Salaries and benefits payable	2,986	0	2,986
Deferred revenue:			
Succeeding year property tax	0	0	0
Total Liabilities	4,058	0	4,058
Fund balances:			
Restricted for:			
School infrastructure	341,302	0	341,302
Physical plant and equipment	0	5,808	5,808
Total fund balances	341,302	5,808	347,110
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 345,360</b>	<b>5,808</b>	<b>351,168</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 275,078	0	275,078
TOTAL REVENUES	275,078	0	275,078
EXPENDITURES:			
Current:			
Other expenditures:			
Facilities acquisitions	81,594	0	81,594
TOTAL EXPENDITURES	81,594	0	81,594
Excess of revenues over expenditures	193,484	0	193,484
Other financing uses:			
Transfer out	(23,592)	0	(23,592)
Net change in fund balances	169,892	0	169,892
Fund balances beginning of year, as restated	171,410	5,808	177,218
Fund balances end of year	\$ 341,302	5,808	347,110

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Speech and Drama	\$ 3,105	380	289	0	3,196
Boys BB Camp	515	0	0	0	515
Football Camp	701	0	0	0	701
Girls Basketball Camp	1,665	0	460	0	1,205
Volleyball Camp	553	1,040	1,170	0	423
Softball	638	0	0	0	638
Athletic	12,105	33,530	36,842	0	8,793
Activity Interest	5,058	0	0	0	5,058
Project Graduation	2,341	0	263	0	2,078
Concession	0	16,866	9,098	(7,768)	0
Class of 2010	1,292	0	0	0	1,292
Class of 2011	2,193	0	1,215	0	978
Class of 2012	1,091	5,996	11,243	7,722	3,566
Class of 2013	727	0	74	0	653
Class of 2014	0	0	46	46	0
General Activities	12,250	4,128	4,176	0	12,202
Student of the Month	132	0	0	0	132
Career Day	261	0	0	0	261
Student Council	1,378	6,514	6,608	0	1,284
Middle School Student Council	4,970	1,576	3,132	0	3,414
German	380	0	0	0	380
Stand Chapter	226	0	0	0	226
<b>Total</b>	<b>\$ 51,581</b>	<b>70,030</b>	<b>74,616</b>	<b>0</b>	<b>46,995</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET ASSETS  
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST  
 JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund							Total
	Wilcke-Treloar Scholarship	Johnson/Faur Scholarship	Wilcke Scholarship	Nelson Scholarship	Gray Scholarship	Wiese Scholarship	Wosoba Scholarship	
ASSETS								
Cash and pooled investments	\$ 2,821	21,088	4,715	7,090	774	1,848	7,525	45,861
LIABILITIES								
	0	0	0	0	0	0	0	0
NET ASSETS								
Reserved for scholarships	2,821	21,088	4,715	7,090	774	1,848	7,525	45,861
TOTAL NET ASSETS	\$ 2,821	21,088	4,715	7,090	774	1,848	7,525	45,861

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF  
 CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST  
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund								Total
	Wilcke-Treloar Scholarship	Johnson/Faur Scholarship	Wilcke Scholarship	Nelson Scholarship	Gray Scholarship	Wiese Scholarship	Wosoba Scholarship	Pearson Scholarship	
Additions:									
Local sources:									
Gifts and contributions	\$ 0	5,410	0	0	0	0	0	2,000	7,410
Interest income	42	283	71	113	22	28	122	0	681
Total additions	42	5,693	71	113	22	28	122	2,000	8,091
Deductions:									
Instruction:									
Regular:									
Scholarships awarded	200	1,500	500	0	800	0	200	2,000	5,200
Changes in net assets	(158)	4,193	(429)	113	(778)	28	(78)	0	2,891
Net assets beginning of year	2,979	16,895	5,144	6,977	1,552	1,820	7,603	0	42,970
Net assets end of year	\$ 2,821	21,068	4,715	7,090	774	1,848	7,525	0	45,661

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 1,691,405	1,596,069	1,522,985	1,416,743	1,472,155	1,517,353	1,477,448	1,522,638
Tuition	104,601	124,082	112,406	105,609	92,634	137,127	119,026	146,690
Other	144,931	117,217	164,732	174,974	160,646	190,271	153,067	190,189
Intermediate sources	0	0	0	0	0	0	0	91
State sources	2,083,821	1,889,853	2,140,190	2,158,533	1,877,872	1,826,581	1,777,127	1,791,963
Federal sources	264,229	368,091	172,879	136,378	135,501	133,826	152,006	295,677
<b>Total</b>	<b>\$ 4,288,987</b>	<b>4,095,312</b>	<b>4,113,192</b>	<b>3,992,237</b>	<b>3,738,808</b>	<b>3,805,158</b>	<b>3,678,674</b>	<b>3,947,248</b>
Expenditures:								
Current:								
Instruction:								
Regular	\$ 1,871,711	2,007,383	1,984,501	1,722,375	1,562,016	1,506,438	1,510,285	1,457,712
Special	527,712	473,979	536,025	578,575	588,486	485,542	508,382	525,033
Other	260,860	351,531	373,025	347,889	317,434	342,872	295,904	297,170
Support services:								
Student	76,788	112,455	103,987	93,086	124,014	97,315	97,504	94,974
Instructional staff	192,718	199,723	152,727	151,035	181,098	107,433	59,575	97,051
Administration	407,997	445,428	431,963	398,550	371,727	355,897	332,769	307,041
Operation and maintenance of plant	238,752	275,798	285,009	271,840	275,276	482,825	262,212	233,996
Transportation	197,404	312,341	215,427	213,864	273,480	198,077	181,373	202,919
Non-instructional programs	0	0	0	0	0	3,758	0	0
Other expenditures:								
Facilities acquisitions	81,594	146,860	240,328	114,222	333,115	36,306	253,025	107,064
Long-term debt:								
Principal	23,592	23,592	23,592	12,648	6,324	0	0	0
AEA flow-through	158,864	157,730	139,648	137,212	125,402	122,030	120,862	123,726
<b>Total</b>	<b>\$ 4,037,992</b>	<b>4,506,820</b>	<b>4,486,232</b>	<b>4,041,296</b>	<b>4,158,372</b>	<b>3,738,493</b>	<b>3,621,891</b>	<b>3,446,686</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of the  
East Central 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 East Central Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 22, 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 East Central 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 East Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of East Central Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that 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 on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-11 & I-C-11 to be significant deficiencies.

Compliance and Other Matters

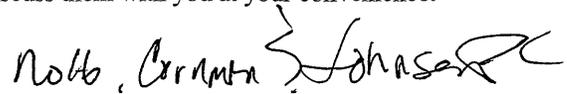
As part of obtaining reasonable assurance about whether East Central Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 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.

East Central Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit East Central 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 East Central Community School District and other parties to whom East Central Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

December 22, 2011

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - The District will review their controls procedures and obtain the maximum internal control possible with our limited number of employees.

Conclusion - Response accepted.

I-B-11 Gate Admissions - We noted during our audit that ticket takers responsible for cash collections at the gate were not always reconciling pre-numbered tickets to cash collected and not signing off on the reconciliation before giving custody of the change box to the Athletic Director.

Recommendation - The District should use pre-numbered tickets for all events that there is an admission fee charged and reconciliation procedures set up by the District should be required to be performed.

The exchange in custody of the change box from the ticket takers to the Athletic Director with no reconciliation procedures being performed by the ticket takers constitutes a breakdown in control procedures. The District should review internal control procedures established for handling cash for all activity events and communicate the procedures to the individuals involved.

At the end of the event, cash should be counted and reconciled by two or more individuals (usually the ticket takers) to pre-numbered tickets sold including the amount of the beginning cash. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash. The cash and change box should then be turned into the Athletic Director or designee responsible for the accounting function at the event.

Response - The District will no longer receive gate admissions as a PK-6 school. The District will review procedures for gate admissions and will have at least two people count money.

Conclusion - Response accepted.

I-C-11 Booster Club - We noted during our audit that the Booster Club is a separate organization but uses the District's Federal Identification Number instead of their own to receive sales tax exemption status for purchases of supplies.

Recommendation - Since the District's Booster Club is considered a separate organization, the District should contact officials of the Booster Club and request that they no longer use the District's Federal Identification Number. In addition, the Board of Directors should consider contacting local banks and request listings of accounts utilizing the District's Federal Identification Number. The District should research any unfamiliar accounts and make necessary changes.

Response - The District will no longer have an active Booster Club as a PK-6 school. The Booster clubs have their own federal identification number so will no longer use the school's.

Conclusion - Response acknowledged. The change in school structure does not necessarily require the Booster Club to cease operations. The District should take the steps necessary to ensure that the Booster Club ceases use of their Federal Identification number.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.
- II-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-11 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-11 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-11 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 revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	171,410
Sales Tax Revenues			275,078
			<u>446,488</u>
Expenditures/transfer out:			
School Infrastructure Construction	\$	69,190	
Equipment		928	
Other		11,476	
Transfers to Other Funds:			
Debt service fund		23,592	105,186
			<u>105,186</u>
Ending Balance		\$	<u>341,302</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	<u>Per \$1,000</u>	<u>Property Tax</u>
	<u>of Taxable</u>	<u>Dollars</u>
	<u>Valuation</u>	
Physical, plant and equipment levy	<u>\$ 1.67000</u>	<u>\$ 168,153</u>

II-M-11 Financial Condition - The District had a deficit unassigned fund balance of \$367,416 in the General Fund and deficit unrestricted net assets in the governmental activities of \$468,855.

Recommendation - The District should continue to monitor these deficit balances and investigate alternatives to eliminate the deficits.

Response - The District will continue to monitor these deficit balances. The District has entered in a whole grade sharing agreement with another district. Staff will be reduced.

Conclusion - Response accepted.

II-N-11 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

**Advanced Placement Exam:** We noted during our audit that fees collected and subsequent expenditures for advanced placement testing were being conducted through the Student Activity Fund.

Recommendation - The District should review the propriety of revenues and expenditures that are recorded in the Student Activity Fund to ensure recording in the proper fund. Revenues and expenditures related to advance placement exam testing are instructional in nature and would be more appropriate from the General Fund.

Response - In the future this will be handled from the General Fund.

Conclusion - Response accepted.