

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Eddyville-Blakesburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Debra Bahr	President	2011
Kevin Lane	Vice President	2011
Ed Glenn	Board Member	2011
David Friedman	Board Member	2013
Gay Murphy	Board Member	2011
Dan Hulbert	Board Member	2013
Jeff Claypool	Board Member	2013
School Officials		
Dr. Dean Cook	Superintendent	2011
Susan Bayer	District Secretary/ Treasurer	2011
Gruhn Law Firm	Attorney	2011

Eddyville-Blakesburg 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
Eddyville-Blakesburg 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 Eddyville-Blakesburg Community School District, Eddyville, Iowa, 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. 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 Eddyville-Blakesburg Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2012 on our consideration of Eddyville-Blakesburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 are not required parts of the

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basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 Eddyville-Blakesburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, somewhat stylized font.

NOLTE, CORNMAN & JOHNSON, P.C.

March 22, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Eddyville-Blakesburg 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 \$7,715,476 at June 30, 2010 to \$8,356,975 at June 30, 2011, while General Fund expenditures increased from \$7,658,436 at June 30, 2010 to \$7,792,017 at June 30, 2011. This resulted in an increase in the District's General Fund balance from \$1,291,741 at June 30, 2010 to a balance of \$1,856,699 at June 30, 2011, a 43.74% increase over the prior year.
- The increase in General Fund revenues was attributable to a increases in local and state source revenues. The increase in expenditures was due primarily to increase in salaries and benefits for District employees.

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 Eddyville-Blakesburg 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 Eddyville-Blakesburg 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 Eddyville-Blakesburg 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 as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

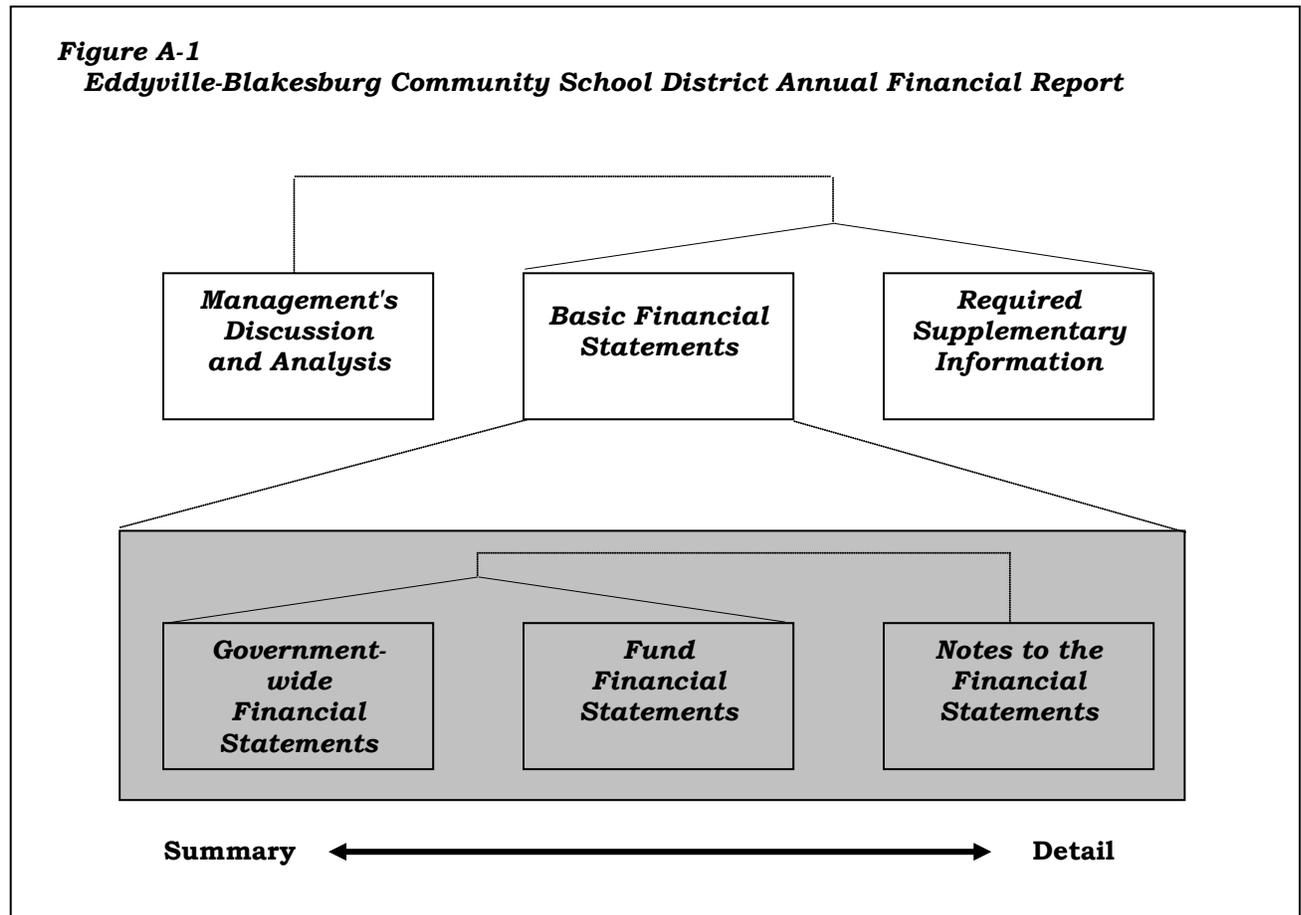


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, 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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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.

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 three enterprise funds, the School Nutrition Fund, the Child Care Fund and the Building and Trades Fund. The District also has an Internal Service 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. This fund is the Agency fund.
- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Fund - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities and the Empowerment Program, whereby the District acts as the fiscal agent.

The District is responsible for ensuring that 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 District-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 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
Current and other assets	\$ 8,226,661	8,509,049	124,499	33,479	8,351,160	8,542,528	-2.24%
Capital assets	6,020,842	5,426,206	210,687	219,740	6,231,529	5,645,946	10.37%
Total assets	14,247,503	13,935,255	335,186	253,219	14,582,689	14,188,474	2.78%
Long-term obligations	853,099	1,121,348	11,044	6,746	864,143	1,128,094	-23.40%
Other liabilities	5,037,401	4,961,559	34,286	73,972	5,071,687	5,035,531	0.72%
Total liabilities	5,890,500	6,082,907	45,330	80,718	5,935,830	6,163,625	-3.70%
Net assets:							
Invested in capital assets, net of related debt	5,576,025	4,906,271	210,687	219,740	5,786,712	5,126,011	12.89%
Restricted	758,630	1,523,555	-	-	758,630	1,523,555	-50.21%
Unrestricted	2,022,348	1,422,522	79,169	(47,239)	2,101,517	1,375,283	52.81%
Total net assets	\$ 8,357,003	7,852,348	289,856	172,501	8,646,859	8,024,849	7.75%

The District's combined net assets increased by 7.75%, or \$622,010, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g. land, infrastructure, intangibles, buildings, and equipment), less the related debt. The debt related to the invested in capital assets are 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 decreased by \$764,925, or 50.21% from the prior year. The decrease in restricted net assets is mainly attributable to the decrease in fund balance for the Capital Project Accounts.

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 \$726,234, or 52.81%. The increase in unrestricted net assets is mainly attributable to the increase in fund balance for 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 and Transfers:							
Program revenues:							
Charges for services	\$ 1,416,586	1,046,700	358,594	322,825	1,775,180	1,369,525	29.62%
Operating grants, contributions and restricted interest	682,001	1,626,782	191,639	192,389	873,640	1,819,171	-51.98%
Capital grants, contributions and restricted interest	-	25,000	-	-	-	25,000	-100.00%
General revenues:							
Property tax	4,007,972	3,906,315	-	-	4,007,972	3,906,315	2.60%
Income surtax	279,297	262,392	-	-	279,297	262,392	6.44%
Statewide sales, service and use tax	594,885	558,265	-	-	594,885	558,265	6.56%
Unrestricted state grants	2,348,910	1,615,114	-	-	2,348,910	1,615,114	45.43%
Nonspecific program federal grants	207,265	-	-	-	207,265	-	100.00%
Unrestricted interest	27,229	45,935	30	31	27,259	45,966	-40.70%
Other general revenue	52,034	73,268	93,191	5,068	145,225	78,336	85.39%
Transfers	(3,622)	(8,680)	3,622	8,680	-	-	0.00%
Total revenues and transfers	9,612,557	9,151,091	647,076	528,993	10,259,633	9,680,084	5.99%
Program expenses:							
Governmental activities:							
Instructional	5,611,073	5,477,125	12,053	105,225	5,623,126	5,582,350	0.73%
Support services	2,992,981	2,872,511	5,001	4,801	2,997,982	2,877,312	4.19%
Non-instructional programs	767	17,875	512,667	548,052	513,434	565,927	-9.28%
Other expenses	503,081	894,085	-	-	503,081	894,085	-43.73%
Total expenses	9,107,902	9,261,596	529,721	658,078	9,637,623	9,919,674	-2.84%
Change in net assets	504,655	(110,505)	117,355	(129,085)	622,010	(239,590)	-359.61%
Net assets beginning of year	7,852,348	7,962,853	172,501	301,586	8,024,849	8,264,439	-2.90%
Net assets end of year	\$ 8,357,003	7,852,348	289,856	172,501	8,646,859	8,024,849	7.75%

In fiscal year 2011, property tax and unrestricted state grants account for 66.13% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest account for 85.03% of the revenue from business type activities.

The District's total revenues were \$10,259,633 of which \$9,612,557 was for governmental activities and \$647,076 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 5.99% in revenues and a decrease of 2.84% in expenses.

Governmental Activities

Revenues for governmental activities were \$9,612,557 and expenses were \$9,107,902 for the year ended June 30, 2011. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

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	\$ 5,611,073	5,477,125	2.45%	3,930,294	3,092,422	27.09%
Support services	2,992,981	2,872,511	4.19%	2,859,495	2,867,961	-0.30%
Non-instructional	767	17,875	-95.71%	767	17,875	-95.71%
Other expenses	503,081	894,085	-43.73%	218,759	584,856	-62.60%
Totals	\$ 9,107,902	9,261,596	-1.66%	7,009,315	6,563,114	6.80%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$1,416,586.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$682,001.
- The net cost of governmental activities was financed with \$4,287,269 in local tax, \$594,885 in statewide sales, services and use tax, \$2,348,910 in unrestricted state grants, \$207,265 in nonspecific program federal grants, \$27,229 in interest income and \$48,412 in other general revenue net of transfers.

Business type Activities

Revenues of the District's business type activities were \$647,076 and expenses were \$529,721. The District's business type activities include the School Nutrition Fund, Child Care Fund and Building and Trades 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 Eddyville-Blakesburg 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 balances of \$2,900,115, under last year's ending fund balances of \$3,225,076. However, the primary reason for the decrease in combined fund balances in fiscal 2011 is due to the decrease in fund balances of the Capital Project Accounts.

Governmental Fund Highlights

The District's improving General Fund financial position from \$1,291,741 at June 30, 2010 to \$1,856,699 at June 30, 2011, is the product of many factors. General Fund revenues increased from \$7,715,476 in fiscal 2010 to \$8,356,975 in fiscal 2011. The increase in General Fund revenues can be attributed to the increase in local source revenues. General Fund expenditures increased from \$7,658,436 in fiscal 2010 to \$7,792,017 in fiscal 2011. The difference between fiscal 2011 revenues and expenses results in a net increase in fund balance of \$564,958. This represents a 43.74% increase from the prior year.

The Capital Projects accounts balance decreased from restated balance of \$1,347,348 at June 30, 2010 to \$506,203 at June 30, 2011. The decrease in fund balance was due to the purchasing of building improvements during the year. The beginning balance was restated as a result of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects account in accordance with GASB Statement No. 54.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from a deficit balance of \$26,102 at June 30, 2010 to a deficit balance of \$3,778 at June 30, 2011, representing an increase of 85.53%.

The Child Care Fund net assets increased from \$188,917 at June 30, 2010 to \$205,531 at June 30, 2011, representing an increase of 8.79%.

The Buildings and Trades Fund net assets increased from \$9,686 at June 30, 2010 to \$88,103 at June 30, 2011, representing an increase of 809.59%.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Eddyville-Blakesburg Community School District amended its budget one time to reflect additional expenditures in the support services function by \$300,000.

The District's revenues were \$117,678 more than budgeted revenues, a variance of 1.15%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$6,231,529, 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) Additional detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$384,721.

The original cost of the District's capital assets was \$13,505,210. Governmental funds account for \$13,042,457 with the remainder of \$462,753 in the Proprietary, School Nutrition Fund and Child Care Fund.

The largest dollar change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$5,295,221 at June 30, 2011, compared to \$4,638,630, reported at June 30, 2010. This increase is the result of the building improvements made during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total Change June 30, 2010-11
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	
Land	\$ 54,747	54,747	-	-	54,747	54,747	0.00%
Buildings	5,114,459	4,452,983	180,762	185,647	5,295,221	4,638,630	14.15%
Land improvements	286,491	326,687	-	-	286,491	326,687	-12.30%
Machinery and equipment	499,231	591,789	29,925	34,093	529,156	625,882	-15.45%
Construction in progress	65,914	-	-	-	65,914	-	100.00%
Total	\$ 6,020,842	5,426,206	210,687	219,740	6,231,529	5,645,946	10.37%

Long-Term Debt

At June 30, 2011, the District had \$864,143 in other long-term debt outstanding. This represents a decrease of 23.40% from last year. (See Figure A-7) Additional detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- At June 30, 2011 the District had \$444,817 in lease purchase agreements payable from the Capital Project accounts.
- The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$342,460 at June 30, 2011.
- Compensated absences totaled \$52,136 at June 30, 2011. The General Fund is accountable for \$42,740, the Nutrition Fund is accountable for \$7,145 while the Child Care Fund is accountable for \$2,251, at June 30, 2011.

Figure A-7
Long-term Liabilities

	Governmental		Business Type		Total		Total Change June 30, 2010-11
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	
Kinetic computer lease	\$ 122,712	180,166	-	-	122,712	180,166	-31.89%
Baseball light lease	123,364	130,130	-	-	123,364	130,130	-5.20%
Softball light lease	44,549	46,992	-	-	44,549	46,992	-5.20%
Football light lease	154,192	162,647	-	-	154,192	162,647	-5.20%
Early retirement	342,460	547,613	-	-	342,460	547,613	-37.46%
Compensated absences	42,740	39,828	9,396	5,748	52,136	45,576	14.39%
Net OPEB liability	23,082	13,972	1,648	998	24,730	14,970	65.20%
Total	\$ 853,099	1,121,348	11,044	6,746	864,143	1,128,094	-23.40%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The poor area economic situation is creating difficulties for the District with the area employers laying off and terminating employees because of low business trends.
- The District has continuing budget concerns at state level with how; the Governor's mandatory budget cuts will affect future revenue projections. The District has been forced to shift more of its funding to the property taxpayers of the District.

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 Susan Bayer, Board Secretary, Eddyville-Blakesburg Community School District, 1301 Berdan Street, Eddyville, Iowa, 52553.

BASIC FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 3,527,168	24,628	3,551,796
Receivables:			
Property tax:			
Delinquent	40,153	-	40,153
Succeeding year	4,142,038	-	4,142,038
Income surtax	223,208	-	223,208
Accounts	2,421	90,470	92,891
Due from other governments	291,673	1,627	293,300
Inventories	-	7,774	7,774
Capital assets not being depreciated:			
Land	54,747	-	54,747
Capital assets, net of accumulated depreciation:			
Buildings	5,180,373	180,762	5,361,135
Land improvements	286,491	-	286,491
Machinery and equipment	499,231	29,925	529,156
Total Assets	14,247,503	335,186	14,582,689
Liabilities			
Accounts payable	\$ 244,976	178	245,154
Salaries and benefits payable	630,137	30,283	660,420
Accrued interest payable	19,750	-	19,750
Unearned revenue	-	3,825	3,825
Deferred revenue:			
Succeeding year property tax	4,142,038	-	4,142,038
Other	500	-	500
Long-term liabilities:			
Portion due within one year:			
Computer lease	60,017	-	60,017
Sports field lighting leases	18,499	-	18,499
Early retirement payable	106,161	-	106,161
Compensated absences	42,740	9,396	52,136
Portion due after one year:			
Computer lease	62,695	-	62,695
Sports field lighting leases	303,606	-	303,606
Early retirement payable	236,299	-	236,299
Net OPEB liability	23,082	1,648	24,730
Total Liabilities	5,890,500	45,330	5,935,830
Net Assets			
Invested in capital assets, net of related debt	5,576,025	210,687	5,786,712
Restricted for:			
Categorical funding	53,547	-	53,547
Student activities	127,746	-	127,746
Management levy purposes	45,562	-	45,562
Support trust	25,572	-	25,572
School infrastructure	368,864	-	368,864
Physical plant and equipment	137,339	-	137,339
Unrestricted	2,022,348	79,169	2,101,517
Total Net Assets	\$ 8,357,003	289,856	8,646,859

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG 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	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,412,966	815,611	230,276	(2,367,079)	-	(2,367,079)
Special	1,136,651	168,775	59,512	(908,364)	-	(908,364)
Other	1,061,456	305,419	101,186	(654,851)	-	(654,851)
	<u>5,611,073</u>	<u>1,289,805</u>	<u>390,974</u>	<u>(3,930,294)</u>	<u>-</u>	<u>(3,930,294)</u>
Support services:						
Student	137,831	15,670	1,513	(120,648)	-	(120,648)
Instructional	394,343	27,071	-	(367,272)	-	(367,272)
Administration	988,286	62,820	1,500	(923,966)	-	(923,966)
Operation and maintenance of plant	861,092	8,524	-	(852,568)	-	(852,568)
Transportation	611,429	12,696	3,692	(595,041)	-	(595,041)
	<u>2,992,981</u>	<u>126,781</u>	<u>6,705</u>	<u>(2,859,495)</u>	<u>-</u>	<u>(2,859,495)</u>
Non-instructional programs:						
Food service operations	767	-	-	(767)	-	(767)
Other expenses:						
Long-term debt interest	20,762	-	-	(20,762)	-	(20,762)
AEA flowthrough	284,322	-	284,322	-	-	-
Depreciation(unallocated)*	197,997	-	-	(197,997)	-	(197,997)
	<u>503,081</u>	<u>-</u>	<u>284,322</u>	<u>(218,759)</u>	<u>-</u>	<u>(218,759)</u>
Total governmental activities	9,107,902	1,416,586	682,001	(7,009,315)	-	(7,009,315)
Business type activities:						
Instruction:						
Other	12,053	-	-	-	(12,053)	(12,053)
Support services:						
Administration	288	-	-	-	(288)	(288)
Operation and maintenance of plant	4,713	-	-	-	(4,713)	(4,713)
	<u>5,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,001)</u>	<u>(5,001)</u>
Non-instructional programs:						
Nutrition services	365,111	190,639	191,639	-	17,167	17,167
Child care services	147,556	167,955	-	-	20,399	20,399
	<u>512,667</u>	<u>358,594</u>	<u>191,639</u>	<u>-</u>	<u>37,566</u>	<u>37,566</u>
Total business type activities	529,721	358,594	191,639	-	20,512	20,512
Total	\$ 9,637,623	1,775,180	873,640	(7,009,315)	20,512	(6,988,803)
General Revenues and Transfers:						
General Revenues:						
Local tax levied for:						
General purposes				\$ 3,899,465	-	3,899,465
Capital outlays				108,507	-	108,507
Income surtax				279,297	-	279,297
Statewide sales, services and use tax				594,885	-	594,885
Unrestricted state grants				2,348,910	-	2,348,910
Nonspecific program federal grants				207,265	-	207,265
Unrestricted investment earnings				27,229	30	27,259
Other				52,034	93,191	145,225
Transfers				(3,622)	3,622	-
Total general revenues and transfers				<u>7,513,970</u>	<u>96,843</u>	<u>7,610,813</u>
Changes in net assets				504,655	117,355	622,010
Net assets beginning of year				<u>7,852,348</u>	<u>172,501</u>	<u>8,024,849</u>
Net assets end of year				<u>\$ 8,357,003</u>	<u>289,856</u>	<u>8,646,859</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 2,433,156	470,151	538,197	3,441,504
Receivables:				
Property tax:				
Delinquent	36,400	1,061	2,692	40,153
Succeeding year	3,779,863	112,175	250,000	4,142,038
Income surtax	223,208	-	-	223,208
Accounts	2,398	-	-	2,398
Due from other governments	192,512	99,161	-	291,673
Total Assets	\$ 6,667,537	682,548	790,889	8,140,974
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 177,130	64,170	3,676	244,976
Salaries and benefits payable	630,137	-	-	630,137
Deferred revenue:				
Succeeding year property tax	3,779,863	112,175	250,000	4,142,038
Income surtax	223,208	-	-	223,208
Other	500	-	-	500
Total liabilities	4,810,838	176,345	253,676	5,240,859
Fund balances:				
Restricted for:				
Categorical funding	53,547	-	-	53,547
Student activities	-	-	127,746	127,746
Management levy purposes	-	-	388,022	388,022
Support trust	-	-	25,572	25,572
School infrastructure	-	368,864	-	368,864
Physical plant and equipment	-	137,339	-	137,339
Unassigned	1,803,152	-	(4,127)	1,799,025
Total fund balances	1,856,699	506,203	537,213	2,900,115
Total Liabilities and Fund Balances	\$ 6,667,537	682,548	790,889	8,140,974

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG 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)	\$ 2,900,115
 <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 report as assets in the governmental funds.	6,020,842
Accounts receivable income surtax, are not yet available to to finance expenditures of the current period.	223,208
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	85,687
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(19,750)
Long-term liabilities, including early retirement payable, leases 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>(853,099)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 8,357,003</u></u>

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

	General	Capital Projects	Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,951,910	703,392	275,228	4,930,530
Tuition	968,384	-	-	968,384
Other	198,665	30,252	298,567	527,484
State sources	2,839,108	40	101	2,839,249
Federal sources	398,908	-	-	398,908
Total revenues	<u>8,356,975</u>	<u>733,684</u>	<u>573,896</u>	<u>9,664,555</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,186,118	30,561	138,576	3,355,255
Special	1,080,041	-	-	1,080,041
Other	734,519	-	281,174	1,015,693
	<u>5,000,678</u>	<u>30,561</u>	<u>419,750</u>	<u>5,450,989</u>
Support services:				
Student	130,314	-	-	130,314
Instructional	312,421	95,561	-	407,982
Administration	866,716	55,586	122,905	1,045,207
Operation and maintenance of plant	628,333	-	48,044	676,377
Transportation	569,233	49,000	16,988	635,221
	<u>2,507,017</u>	<u>200,147</u>	<u>187,937</u>	<u>2,895,101</u>
Non-instructional programs:				
Food service operations	-	-	14,983	14,983
Other expenditures:				
Facilities acquisitions	-	1,244,895	-	1,244,895
Long-term debt:				
Principal	-	-	75,118	75,118
Interest and fiscal charges	-	-	24,108	24,108
AEA flowthrough	284,322	-	-	284,322
	<u>284,322</u>	<u>1,244,895</u>	<u>99,226</u>	<u>1,628,443</u>
TOTAL EXPENDITURES	<u>7,792,017</u>	<u>1,475,603</u>	<u>721,896</u>	<u>9,989,516</u>
Excess(Deficiency) of revenues over(under) expenditures	564,958	(741,919)	(148,000)	(324,961)
Other financing sources(uses):				
Transfer in	-	-	99,226	99,226
Transfer out	-	(99,226)	-	(99,226)
Total other financing sources(uses)	-	(99,226)	99,226	-
Net change in fund balances	564,958	(841,145)	(48,774)	(324,961)
Fund balances beginning of year, as restated	1,291,741	1,347,348	585,987	3,225,076
Fund balances end of year	<u>\$ 1,856,699</u>	<u>506,203</u>	<u>537,213</u>	<u>2,900,115</u>

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG 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) \$ (324,961)

**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. Capital outlay expenditures, depreciation expense and loss on the disposal of capital assets in the current year are as follows:

Capital outlays	\$ 975,844	
Depreciation expense	(372,046)	
Loss on disposal on capital assets	<u>(9,162)</u>	594,636

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 11,761

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (48,376)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,346

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:

Repaid		75,118
--------	--	--------

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.

Early retirement	\$ 205,153	
Compensated absences	(2,912)	
Other postemployment benefits	<u>(9,110)</u>	<u>193,131</u>

Changes in net assets of governmental activities(page 19) \$ 504,655

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	School Nutrition	Child Care	Building and Trades	Total	
Assets					
Current assets:					
Cash and pooled investments	\$ -	29,782	-	29,782	85,664
Accounts receivable	-	-	90,470	90,470	23
Due from other governments	1,627	-	-	1,627	-
Inventories	7,774	-	-	7,774	-
Non-current assets:					
Capital assets, net of accumulated depreciation:					
Buildings	-	180,762	-	180,762	-
Machinery and equipment	27,432	2,493	-	29,925	-
Total Assets	36,833	213,037	90,470	340,340	85,687
Liabilities					
Current liabilities:					
Excess of warrants issued over bank balance	2,965	-	2,189	5,154	-
Accounts payable	-	-	178	178	-
Salaries and benefits payable	25,226	5,057	-	30,283	-
Unearned revenues	3,825	-	-	3,825	-
Total current liabilities	32,016	5,057	2,367	39,440	-
Long-term liabilities:					
Compensated absences	7,145	2,251	-	9,396	-
Net OPEB liability	1,450	198	-	1,648	-
Total long-term liabilities	8,595	2,449	-	11,044	-
Total Liabilities	40,611	7,506	2,367	50,484	-
Net Assets					
Invested in capital assets	27,432	183,255	-	210,687	-
Unrestricted	(31,210)	22,276	88,103	79,169	85,687
Total Net Assets	\$ (3,778)	205,531	88,103	289,856	85,687

SEE NOTES TO FINANCIAL STATEMENTS

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

	Business Type Activities:			Total	Governmental
	School Nutrition	Child Care	Building and Trades		Activities: Internal Service Fund
OPERATING REVENUE:					
Local sources:					
Charges for services	\$ 190,639	167,955	-	358,594	-
Miscellaneous	1,505	1,216	90,470	93,191	31,822
TOTAL OPERATING REVENUES	192,144	169,171	90,470	451,785	31,822
OPERATING EXPENSES:					
Instruction:					
Other:					
Services	-	-	655	655	-
Supplies	-	-	11,371	11,371	-
Other	-	-	27	27	-
Total instructional services	-	-	12,053	12,053	-
Support services:					
Student:					
Benefits	-	-	-	-	20,099
Administration:					
Services	-	288	-	288	-
Operation and maintenance of plant:					
Services	-	-	-	-	-
Supplies	-	4,713	-	4,713	-
Total support services	-	5,001	-	5,001	20,099
Non-instructional programs:					
Food service operations:					
Salaries	124,126	-	-	124,126	-
Benefits	50,696	-	-	50,696	-
Services	2,287	-	-	2,287	-
Supplies	181,394	-	-	181,394	-
Depreciation	6,008	-	-	6,008	-
Other	600	-	-	600	-
Other enterprise operations:					
Salaries	-	118,668	-	118,668	-
Benefits	-	18,924	-	18,924	-
Services	-	502	-	502	-
Supplies	-	2,795	-	2,795	-
Depreciation	-	6,667	-	6,667	-
Total non-instructional programs	365,111	147,556	-	512,667	-
TOTAL OPERATING EXPENSES	365,111	152,557	12,053	529,721	20,099
OPERATING INCOME (LOSS)	(172,967)	16,614	78,417	(77,936)	11,723
NON-OPERATING REVENUES:					
State sources	3,297	-	-	3,297	-
Federal sources	188,342	-	-	188,342	-
Interest income	30	-	-	30	38
TOTAL NON-OPERATING REVENUES	191,669	-	-	191,669	38
Change in net assets before other financing sources	18,702	16,614	78,417	113,733	11,761
OTHER FINANCING SOURCES:					
Capital contributions	3,622	-	-	3,622	-
Change in net assets	22,324	16,614	78,417	117,355	11,761
Net assets beginning of year	(26,102)	188,917	9,686	172,501	73,926
Net assets end of year	\$ (3,778)	205,531	88,103	289,856	85,687

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	School Nutrition	Child Care	Building and Trades	Total	
Cash flows from operating activities:					
Cash received from sale of lunches and breakfasts	\$ 188,668	-	-	188,668	-
Cash received from child care operating activities	-	167,955	-	167,955	-
Cash received from miscellaneous operating activities	1,505	1,216	-	2,721	31,799
Cash payments to employees for services	(166,881)	(141,302)	-	(308,183)	(20,099)
Cash payments to suppliers for goods or services	(161,625)	(8,298)	(14,642)	(184,565)	-
Net cash provided by(used in) operating activities	(138,333)	19,571	(14,642)	(133,404)	11,700
Cash flows from non-capital financing activities:					
State grants received	3,297	-	-	3,297	-
Federal grants received	167,089	-	-	167,089	-
Net cash provided by non-capital financing activities	170,386	-	-	170,386	-
Cash flows from investing activities:					
Interest income	30	-	-	30	38
Net increase(decrease) in cash and cash equivalents	32,083	19,571	(14,642)	37,012	11,738
Cash and cash equivalents at beginning of year	(35,048)	10,211	12,453	(12,384)	73,926
Cash and cash equivalents at end of year	\$ (2,965)	29,782	(2,189)	24,628	85,664
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:					
Operating income(loss)	\$ (172,967)	16,614	78,417	(77,936)	11,723
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:					
Commodities consumed	19,626	-	-	19,626	-
Depreciation	6,008	6,667	-	12,675	-
Decrease in inventories	3,030	-	-	3,030	-
Increase in accounts receivable	-	-	(90,470)	(90,470)	(23)
Decrease in accounts payable	-	-	(2,589)	(2,589)	-
Increase(Decrease) in salaries and benefits payable	224	(291)	-	(67)	-
Decrease in unearned revenue	(1,971)	-	-	(1,971)	-
Increase(Decrease) in compensated absences	7,145	(3,497)	-	3,648	-
Increase in other postemployment benefits	572	78	-	650	-
Net cash provided by(used in) operating activities	\$ (138,333)	19,571	(14,642)	(133,404)	11,700

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$19,626.

During the year ended June 30, 2011, the Nutrition Fund received contributed capital valued at \$3,622 from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 30,731	1,798
Liabilities		
Due to other groups	-	1,798
Net Assets		
Restricted for scholarships	21,553	-
Unrestricted	9,178	-
Total Net Assets	\$ 30,731	-

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest income	\$ 9,757
Deductions:	
Instruction:	
Other:	
Scholarships awarded	12,999
Change in net assets	(3,242)
Net assets beginning of year	33,973
Net assets end of year	\$ 30,731

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

The Eddyville-Blakesburg 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 Eddyville and Blakesburg, Iowa, and the predominate agricultural territory in Wapello, Monroe, Davis and Mahaska Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Eddyville-Blakesburg Community School District has included all funds, 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 Eddyville-Blakesburg 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 Wapello, Monroe, Davis and Mahaska 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 utilized to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise funds, School Nutrition Fund, Child Care Fund and Building and Trades Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Child Care Fund is used to account for the day care service operations of the

District. The Building and Trades Fund is used to account for the vocational program which builds different projects. The Internal Service Fund is used to account for partially self-funded health insurance premiums of the District.

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary, and fiduciary 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

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 and 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	\$ -
Buildings	2,000
Land improvements	2,000
Intangibles	35,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 + years
Machinery and equipment	5-12 years

Salaries and Benefits Payable- Payroll and related expenditures for teachers with 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.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity - In the governmental fund financial statements, 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. For the year ended June 30, 2011, expenditures in the other expenditures functional area exceeded the amount budgeted.

(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 \$1,956 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) **Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 99,226</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for the payment of principal and interest on the District's sports field lighting leases and the Kinetic computer lease.

(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	\$ 54,747	-	-	54,747
Construction in progress	-	65,914	-	65,914
Total capital assets not being depreciated	54,747	65,914	-	120,661
Capital assets being depreciated:				
Buildings	8,355,758	819,277	-	9,175,035
Land improvements	1,347,247	-	-	1,347,247
Machinery and equipment	2,520,898	90,653	212,037	2,399,514
Total capital assets being depreciated	12,223,903	909,930	212,037	12,921,796
Less accumulated depreciation for:				
Buildings	3,902,775	157,801	-	4,060,576
Land improvements	1,020,560	40,196	-	1,060,756
Machinery and equipment	1,929,109	174,049	202,875	1,900,283
Total accumulated depreciation	6,852,444	372,046	202,875	7,021,615
Total capital assets being depreciated, net	5,371,459	537,884	(9,162)	5,900,181
Governmental activities capital assets, net	\$ 5,426,206	603,798	(9,162)	6,020,842
Business type activities:				
Capital assets being depreciated:				
Buildings	\$ 306,500	-	-	306,500
Machinery and equipment	152,631	3,622	-	156,253
Total capital assets being depreciated	459,131	3,622	-	462,753
Less accumulated depreciation for:				
Buildings	120,853	4,885	-	125,738
Machinery and equipment	118,538	7,790	-	126,328
Total accumulated depreciation	239,391	12,675	-	252,066
Business type activities capital assets, net	\$ 219,740	(9,053)	-	210,687

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 128,658
Support services:	
Student	7,254
Administration	7,289
Operation and maintenance of plant	2,000
Transportation	28,848
	<u>174,049</u>
Unallocated depreciation	197,997
Total governmental activities depreciation expense	<u>\$ 372,046</u>
Business type activities:	
Food service	\$ 6,008
Day Care	6,667
Total business type activities depreciation expense	<u>\$ 12,675</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:					
Kinetic computer lease	\$ 180,166	-	57,454	122,712	60,017
Baseball lights lease	130,130	-	6,766	123,364	7,085
Softball lights lease	46,992	-	2,443	44,549	2,558
Football lights lease	162,647	-	8,455	154,192	8,856
Early retirement	547,613	5,283	210,436	342,460	106,161
Compensated absences	39,828	21,438	18,526	42,740	42,740
Net OPEB liability	13,972	9,110	-	23,082	-
Total	\$ 1,121,348	35,831	304,080	853,099	227,417
Business type activities:					
Compensated absences	\$ 5,748	7,145	3,497	9,396	9,396
Net OPEB liability	998	650	-	1,648	-
Total	\$ 6,746	7,795	3,497	11,044	9,396

Kinetic Computer Lease

During the year ended June 30, 2008, the District obtained financing for 70 computers and computer switches. Payments will be made from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Year Ending June 30,	Computer Lease Dated June 16, 2008			
	Interest Rates	Principal	Interest	Total
2012	4.461 %	\$ 60,017	5,474	65,491
2013	4.461	62,695	2,796	65,491
Total		\$ 122,712	8,270	130,982

Sports Field Lighting Leases

During the year ended June 30, 2009, the District obtained financing for lighting of the football, softball, and baseball fields. Payments will be made from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Year Ending June 30,	Baseball Light Lease Dated August 7, 2008				Softball Light Lease Dated September 2, 2008			
	Interest Rate	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
2012	4.69 %	\$ 7,085	5,835	12,920	4.63 %	2,558	2,108	4,666
2013	4.69	7,420	5,500	12,920	4.63	2,679	1,987	4,666
2014	4.69	7,771	5,149	12,920	4.63	2,806	1,860	4,666
2015	4.69	8,139	4,781	12,920	4.63	2,939	1,727	4,666
2016	4.69	8,524	4,396	12,920	4.63	3,078	1,588	4,666
2017-2021	4.69	49,062	15,538	64,600	4.63	17,717	5,613	23,330
2022-2024	4.69	35,363	3,397	38,760	4.63	12,772	1,226	13,998
Total		\$ 123,364	44,596	167,960		\$ 44,549	16,109	60,658

Year Ending June 30,	Football Light Lease Dated June 27, 2008				Total Light Leases		
	Interest				Principal	Interest	Total
	Rate	Principal	Interest	Total			
2012	4.75 %	\$ 8,856	7,293	16,149	\$ 18,499	15,236	33,735
2013	4.75	9,274	6,875	16,149	19,373	14,362	33,735
2014	4.75	9,713	6,436	16,149	20,290	13,445	33,735
2015	4.75	10,173	5,976	16,149	21,251	12,484	33,735
2016	4.75	10,654	5,495	16,149	22,256	11,479	33,735
2017-2021	4.75	61,322	19,423	80,745	128,101	40,574	168,675
2022-2024	4.75	44,200	4,247	48,447	92,335	8,870	101,205
Total		\$ 154,192	55,745	209,937	\$ 322,105	101,214	423,319

Early Retirement

The District offers a voluntary early retirement plan to its Teachers, Teachers Aides, Custodians, Cooks, Secretaries and Bus Drivers. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive cash benefit for each eligible employee is based on a percentage of the employee's current salary. The District also pays an early retirement incentive for a single health insurance policy until the retiree is age sixty-five. Early retirement benefits paid during the year ended June 30, 2011, totaled \$210,436. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(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 for the years ended June 30, 2011, 2010 and 2009. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$318,532, \$320,592, and \$305,583, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

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 80 active and 17 retired members in the plan. Employees must be age 59 or older at retirement and have fifteen or more years of continuous service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 39,176
Interest on net OPEB obligation	374
Adjustment to annual required contribution	<u>(3,115)</u>
Annual OPEB cost	36,435
Contributions made	<u>(26,675)</u>
Increase in net OPEB obligation	9,760
Net OPEB obligation - beginning of year	<u>14,970</u>
Net OPEB obligation - end of year	<u><u>\$ 24,730</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans 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	\$ 37,080	59.63%	\$ 14,970
2011	36,435	73.21%	24,730

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$342,427, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$342,427. The covered payroll (annual payroll of active employees covered by the plan) was \$3,076,391, and the ratio of the UAAL to the covered payroll was 11.13%. 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 events far into the future. Examples include assumptions about future employment, mortality and the healthcare 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 the 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 that are 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 projected unit credit cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement assumptions were developed from 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

Eddyville-Blakesburg 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 \$284,322 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) Deficit Net Assets/Fund Balance

At June 30, 2011, the Nutrition Fund had deficit unrestricted net assets of \$31,210. The Student Activity Fund had a deficit unassigned fund balance of \$4,127.

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Beginning Teacher Mentoring	\$ 111
Beginning Administrator Mentoring	1,500
Market Factor	1,055
Professional Development for Model Core Curriculum	33,856
Professional Development	17,025
Total	<u>\$ 53,547</u>

(12) Budget Overexpenditure

During the year ended June 30, 2011, District expenditures in the other expenditures functional area exceeded the amount budgeted.

(13) 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	\$ 1,007,069	340,279
Change in fund type classifications per implementation of GASB Statement No. 54	340,279	(340,279)
Balances July 1, 2010, as restated	<u>\$ 1,347,348</u>	<u>0</u>

Eddyville-Blakesburg Community School District

REQUIRED SUPPLEMENTARY INFORMATION

EDDYVILLE-BLAKESBURG 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	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 6,426,398	451,815	6,878,213	6,589,915	6,589,915	288,298
State sources	2,839,249	3,297	2,842,546	3,118,416	3,118,416	(275,870)
Federal sources	398,908	188,342	587,250	482,000	482,000	105,250
Total revenues	<u>9,664,555</u>	<u>643,454</u>	<u>10,308,009</u>	<u>10,190,331</u>	<u>10,190,331</u>	<u>117,678</u>
Expenditures/expenses:						
Instruction	5,450,989	12,053	5,463,042	5,605,000	5,605,000	141,958
Support services	2,895,101	5,001	2,900,102	3,062,400	3,362,400	462,298
Non-instructional programs	14,983	512,667	527,650	893,000	893,000	365,350
Other expenditures	1,628,443	0	1,628,443	1,413,308	1,413,308	(215,135)
Total expenditures/expenses	<u>9,989,516</u>	<u>529,721</u>	<u>10,519,237</u>	<u>10,973,708</u>	<u>11,273,708</u>	<u>754,471</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(324,961)	113,733	(211,228)	(783,377)	(1,083,377)	872,149
Other financing sources, net	0	3,622	3,622	0	0	3,622
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(324,961)	117,355	(207,606)	(783,377)	(1,083,377)	875,771
Balance beginning of year	<u>3,225,076</u>	<u>172,501</u>	<u>3,397,577</u>	<u>2,856,480</u>	<u>2,856,480</u>	<u>541,097</u>
Balance end of year	<u>\$ 2,900,115</u>	<u>289,856</u>	<u>3,189,971</u>	<u>2,073,103</u>	<u>1,773,103</u>	<u>1,416,868</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG 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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2011, the District adopted one budget amendment which increased budget expenditures by \$300,000.

During the year ended June 30, 2011, District expenditures in the other expenditures functional area exceeded the amount budgeted.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$342,327	\$364,276	0.0%	\$2,826,179	12.11%
2011	July 1, 2009	\$ -	\$342,327	\$342,327	0.0%	\$3,076,391	11.13%

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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

OTHER SUPPLEMENTARY INFORMATION

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue Funds			
	Student Activity	Manage- ment Levy	Support Trust	Total
Assets				
Cash and pooled investments	\$ 123,619	389,006	25,572	538,197
Receivables:				
Property tax:				
Delinquent	-	2,692	-	2,692
Succeeding year	-	250,000	-	250,000
Total Assets	\$ 123,619	641,698	25,572	790,889
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	3,676	-	3,676
Deferred revenue:				
Succeeding year property tax	-	250,000	-	250,000
Total liabilities	-	253,676	-	253,676
Fund balances:				
Restricted for:				
Student activities	127,746	-	-	127,746
Management levy purposes	-	388,022	-	388,022
Support trust	-	-	25,572	25,572
Unassigned	(4,127)	-	-	(4,127)
Total fund balances	123,619	388,022	25,572	537,213
Total Liabilities and Fund Balances	\$ 123,619	641,698	25,572	790,889

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Special Revenue Funds					Total Nonmajor Governmental Total
	Student Activity	Manage- ment Levy	Support Trust	Total Special Revenue Funds	Debt Service	
REVENUES:						
Local sources:						
Local tax	\$ -	275,228	-	275,228	-	275,228
Other	288,664	9,093	810	298,567	-	298,567
State sources	-	101	-	101	-	101
TOTAL REVENUES	288,664	284,422	810	573,896	-	573,896
EXPENDITURES:						
Current:						
Instruction:						
Regular	-	138,576	-	138,576	-	138,576
Other	280,674	-	500	281,174	-	281,174
Support services:						
Administration	-	122,905	-	122,905	-	122,905
Operation and maintenance of plant	-	48,044	-	48,044	-	48,044
Transportation	-	16,988	-	16,988	-	16,988
Non-instructional programs:						
Food service operations	-	14,983	-	14,983	-	14,983
Other expenditures:						
Long-term debt:						
Principal	-	-	-	-	75,118	75,118
Interest and fiscal charges	-	-	-	-	24,108	24,108
TOTAL EXPENDITURES	280,674	341,496	500	622,670	99,226	721,896
Excess(Deficiency) of revenues over(under) expenditures	7,990	(57,074)	310	(48,774)	(99,226)	(148,000)
Other financing sources:						
Transfer in	-	-	-	-	99,226	99,226
Net change in fund balances	7,990	(57,074)	310	(48,774)	-	(48,774)
Fund balances beginning of year, as restated	115,629	445,096	25,262	585,987	-	585,987
Fund balances end of year	\$ 123,619	388,022	25,572	537,213	-	537,213

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG 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
Assets			
Cash and pooled investments	\$ 328,065	142,086	470,151
Receivables:			
Property tax:			
Delinquent	-	1,061	1,061
Succeeding year	-	112,175	112,175
Due from other governments	99,161	-	99,161
Total Assets	\$ 427,226	255,322	682,548
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 58,362	5,808	64,170
Deferred revenue:			
Succeeding year property tax	-	112,175	112,175
Total liabilities	58,362	117,983	176,345
Fund balances:			
Restricted for:			
School infrastructure	368,864	-	368,864
Physical plant and equipment	-	137,339	137,339
Total fund balances	368,864	137,339	506,203
Total Liabilities and Fund Balances	\$ 427,226	255,322	682,548

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG 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	\$ 594,885	108,507	703,392
Other	11,675	18,577	30,252
State sources	-	40	40
TOTAL REVENUES	<u>606,560</u>	<u>127,124</u>	<u>733,684</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	30,561	30,561
Support services:			
Instructional staff	95,561	-	95,561
Administration	-	55,586	55,586
Transportation	49,000	-	49,000
Other expenditures:			
Facilities acquisitions	1,000,978	243,917	1,244,895
TOTAL EXPENDITURES	<u>1,145,539</u>	<u>330,064</u>	<u>1,475,603</u>
Deficiency of revenues under expenditures	(538,979)	(202,940)	(741,919)
Other financing uses:			
Transfer out	(99,226)	-	(99,226)
Net change in fund balances	(638,205)	(202,940)	(841,145)
Fund balances beginning of year, as restated	<u>1,007,069</u>	<u>340,279</u>	<u>1,347,348</u>
Fund balances end of year	<u>\$ 368,864</u>	<u>137,339</u>	<u>506,203</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG 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	Balance End of Year
Activity Management	\$ 41,609	75,867	68,115	49,361
Uniform	2,088	4,321	7,882	(1,473)
Cross Country	368	650	393	625
Boys Basketball	1,479	3,320	2,899	1,900
Football	4,108	10,218	11,162	3,164
Baseball	(2,031)	5,476	4,881	(1,436)
JH Baseball	755	3,126	1,963	1,918
Boys Track	89	2,089	1,879	299
Golf	437	1,272	1,327	382
Wrestling	4,544	12,491	10,766	6,269
Girls Basketball	1,869	10,281	12,943	(793)
Volleyball	2,061	8,723	6,648	4,136
Softball	6,181	7,317	9,888	3,610
Girls Track	128	485	624	(11)
JH Softball	130	520	385	265
Cheerleading Basketball	2,626	12,875	14,113	1,388
Interest	-	188	188	-
Class of 2010	1,275	-	1,275	-
Class of 2011	1,648	-	1,648	-
Class of 2012	-	12,475	9,978	2,497
Class of 2013	-	1,263	-	1,263
National Honor Society	89	480	194	375
HS Student Council	1,172	1,107	689	1,590
EEAC Student Council	3,590	817	3,590	817
E-B Jr High Student Council	5,331	203	420	5,114
BAC 7/8 Activity	8,382	660	718	8,324
BAC Elementary	4,411	3,615	3,151	4,875
FFA	6,454	36,231	36,465	6,220
Thespian Club	-	1,325	1,325	-
Jr Red Cross	55	-	-	55
Tri M Society	211	-	-	211
Drama/Play	56	4,642	2,721	1,977
FFA CD	4,164	-	-	4,164
Yearbook	13,631	5,204	5,002	13,833
Concessions	768	43,043	42,746	1,065
Family Career	1,598	2,968	3,043	1,523
Band	-	180	169	11
MS Band Fundraiser	(4,513)	13,203	8,690	-
MS Drama	110	-	-	110
HS Speech	-	1,639	2,053	(414)
Future Business Leaders	756	390	741	405
Total	<u>\$ 115,629</u>	<u>288,664</u>	<u>280,674</u>	<u>123,619</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund							Total
	BAC	FFA	Thelma	Carroll D	Harry	Christina		
	Schroeder Scholarship	FFA Scholarship	Memorial Scholarship	Hohl Scholarship	Mc Mullin Scholarship	Carr Memorial CD	McKenna Scholarship	
Assets								
Cash and pooled investments	\$ 1,030	6,065	6,695	1,287	4,750	999	9,905	30,731
Liabilities	-	-	-	-	-	-	-	-
Net Assets								
Restricted for scholarships	-	6,000	6,548	-	-	-	9,005	21,553
Unrestricted	1,030	65	147	1,287	4,750	999	900	9,178
Total Net Assets	\$ 1,030	6,065	6,695	1,287	4,750	999	9,905	30,731

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund								Total
	BAC	FFA	Thelma	Carroll D	Harry	Christina	Eddyville		
	Schroeder Scholarship	FFA Scholarship	Memorial Scholarship	Hohl Scholarship	Mc Mullin Scholarship	Carr Memorial CD	McKenna Scholarship	Eddyville Clinic Scholarship	
Additions:									
Local sources:									
Interest income	\$ 1,014	105	79	5,023	-	1,509	1,527	500	9,757
Deductions:									
Instruction:									
Other:									
Scholarships awarded	1,000	500	-	5,000	3,000	1,999	1,000	500	12,999
Changes in net assets	14	(395)	79	23	(3,000)	(490)	527	-	(3,242)
Net assets beginning of year	1,016	6,460	6,616	1,264	7,750	1,489	9,378	-	33,973
Net assets end of year	\$ 1,030	6,065	6,695	1,287	4,750	999	9,905	-	30,731

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2011

	Beginning Balance	Increases	Decreases	Ending Balance
BAC Faculty				
Assets:				
Cash and other investments	\$ 1,055	245	346	954
Liabilities:				
Due to other groups	\$ 1,055	245	346	954
E-B HS Faculty				
Assets:				
Cash and other investments	\$ 935	-	177	758
Liabilities:				
Due to other groups	\$ 935	-	177	758
Band Boosters				
Assets:				
Cash and other investments	\$ 3,227	2,097	5,238	86
Liabilities:				
Due to other groups	\$ 3,227	2,097	5,238	86
Total				
Assets:				
Cash and other investments	\$ 5,217	2,342	5,761	1,798
Liabilities:				
Due to other groups	\$ 5,217	2,342	5,761	1,798

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG 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	\$ 4,930,530	4,687,870	4,660,450	4,450,003	4,400,083	4,160,233	3,816,851	3,164,785
Tuition	968,384	740,186	713,615	880,055	883,897	1,091,012	585,509	638,838
Other	527,484	427,171	432,679	445,519	380,575	300,615	567,934	404,322
State sources	2,839,249	2,562,467	3,153,573	3,138,946	3,232,823	2,900,185	2,856,947	2,691,921
Federal sources	398,908	702,975	303,509	201,630	219,238	266,667	280,788	312,395
Total	\$ 9,664,555	9,120,669	9,263,826	9,116,153	9,116,616	8,718,712	8,108,029	7,212,261
Expenditures:								
Current:								
Instruction:								
Regular	\$ 3,355,255	3,245,492	3,246,975	3,251,271	3,379,829	3,325,982	3,510,809	3,074,981
Special	1,080,041	1,112,057	1,121,044	1,026,208	980,574	945,318	955,630	871,201
Other	1,015,693	849,846	793,132	692,614	563,514	661,387	489,972	555,274
Support services:								
Student	130,314	262,860	197,075	169,086	150,896	37,448	67,230	165,055
Instructional	407,982	353,921	214,407	327,919	559,431	173,734	122,397	219,814
Administration	1,045,207	913,824	945,084	916,786	946,784	886,521	778,248	780,750
Operation and maintenance of plant	676,377	689,966	672,260	705,781	666,231	668,700	647,461	671,715
Transportation	635,221	590,380	577,200	714,185	737,271	584,158	551,283	476,909
Non-instructional programs	14,983	17,875	15,248	23,003	24,498	9,449	25,860	24,508
Other expenditures:								
Facilities acquisitions	1,244,895	538,824	1,396,362	527,724	409,954	101,263	364,123	295,160
Long-term debt:								
Principal	75,118	271,688	143,950	85,299	73,347	-	-	-
Interest and fiscal charges	24,108	41,380	13,727	14,225	2,247	-	-	-
AEA flow-through	284,322	284,229	253,336	246,674	246,125	226,534	215,713	218,241
Total	\$ 9,989,516	9,172,342	9,589,800	8,700,775	8,740,701	7,620,494	7,728,726	7,353,608

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY11	\$ 38,528
National School Lunch Program	10.555	FY11	149,814 *
			<u>188,342</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY11	<u>86,878</u>
Improving Teacher Quality State Grants	84.367	FY11	<u>31,308</u>
Grants for State Assessments and Related Activities	84.369	FY11	<u>4,752</u>
ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	FY11	36,415
ARRA - State Fiscal Stabilization Fund (SFSF)- Government Services, Recovery Act	84.397	FY11	<u>32,481</u>
			<u>68,896</u>
Education Job Fund	84.410	FY11	<u>138,369</u>
Area Education Agency:			
Special Education - Grants to States (Part B)	84.027	FY11	<u>38,776</u>
Vocational Education - Basic Grants to States	84.048	FY11	<u>7,680</u>
Total			<u>\$ 565,001</u>

* -Includes \$19,626 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

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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
Eddyville-Blakesburg 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 Eddyville-Blakesburg 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 March 22, 2012. 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 Eddyville-Blakesburg 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 Eddyville-Blakesburg Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Eddyville-Blakesburg 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 and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be a material weakness 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 misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eddyville-Blakesburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing

an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

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

March 22, 2012

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

To the Board of Education of
Eddyville-Blakesburg Community School District:

Compliance

We have audited the compliance of Eddyville-Blakesburg Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Eddyville-Blakesburg Community School District's major federal programs for the year ended June 30, 2011. Eddyville-Blakesburg Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Eddyville-Blakesburg Community School District's management. Our responsibility is to express an opinion on Eddyville-Blakesburg Community School District's compliance based on our audit.

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

In our opinion, Eddyville-Blakesburg Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

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

Handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson P.C." with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

March 22, 2012

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were the following:
 - Clustered:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Individual:
 - CFDA Number 84.410 - Education Job Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Eddyville-Blakesburg Community School District did not qualify as a low-risk auditee.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-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 continue to review the internal control structure and work to segregate duties when feasible.

Conclusion - Response accepted.

OTHER MATTERS:

II-B-11 Scholarships - We noted that scholarship checks written from the scholarship fund were made out to the student only.

Recommendation - Scholarship checks should be written to the school the student is attending and the student. A scholarship is tax free if you are a degree candidate and the award is used to pay for tuition and required fees, books, supplies and equipment. Any amounts used to pay for room and board and a stipend for living expenses is taxable. By issuing the check to the college or university the District can ensure that the scholarships are properly reported on the student's 1098T. If the District wishes to not make the checks payable to the school and the student, the District should issue a W-2 for the scholarship amount. The scholarship amount is subject to federal and state tax but not Social Security or Medicare tax.

Response - The District will make scholarship checks out to the college or university and the student.

Conclusion - Response accepted.

II-C-11 Student Activity Fund - We noted during our audit that Box Tops donations are being receipted into the Student Activity Fund.

Recommendation - Donations given to a school should be expended according to donor request. According to information contained on the website for Box Tops, the donation can be used for items such as books, computers or playground equipment. Since the items listed for purchase with Box Tops donations appear more instructional in nature, the most logical place to record these donations would be the General Fund.

Response - The District will place Box Top donations in the General Fund.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - District disbursements for the year ended June 30, 2011 exceeded the amount budgeted in the other expenditures functional area.

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

Response - In the future, the District will amend the budget before disbursements are allowed to exceed the budget.

Conclusion - Response accepted.

IV-B-11 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-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.

IV-D-11 Business Transactions - No business transactions between the District and District officials were noted.

IV-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.

IV-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-11 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-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.

IV-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.

IV-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-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 following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit.

Beginning Balance		\$	1,007,069
Revenues/transfers in:			
Sales tax revenues	\$	594,885	
Other local revenues		11,675	606,560
			<u>1,613,629</u>
Expenditures/transfers out:			
School infrastructure		708,211	
Equipment		151,422	
Other		285,906	
Transfers to other funds:			
Debt service fund		99,226	1,244,765
			<u>1,244,765</u>
Ending Balance		\$	<u>368,864</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-11 Financial Condition - At June 30, 2011, the Nutrition Fund had deficit unrestricted net assets of \$31,210 and the Student Activity Fund had five deficit accounts totaling \$4,127.

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

Response - The District will monitor these funds to eliminate the deficits.

Conclusion - Response accepted.

IV-N-11 District and Regional Rents - The District receives money for use of facilities when hosting district and regional events. Currently the District's practice is to receipt rents for hosting district and regional events into the Activity Fund.

Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. In the future, the District should receipt rent collected for facility usage into the General Fund.

Response - The District will receipt rent into the General Fund.

Conclusion - Response accepted.