

ELDORA-NEW PROVIDENCE 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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Gary E. Horton CPA

PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

Independent Auditor's Report

To the Board of Education of
Eldora-New Providence 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 Eldora-New Providence Community School District, Eldora, 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.

Except as discussed in the following paragraph, 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.

The financial statements of Eldora-New Providence School Foundation have not been audited, and we were not engaged to audit the Foundation's financial statements as part of our audit of the Eldora-New Providence Community School District's basic financial statements. The Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Foundation's financial statements and because we did not apply any auditing procedures to the Foundation's financial statements, we do not express an opinion on the discretely presented component unit.

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 Eldora-New Providence 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 reports dated February 6, 2012, on our consideration of Eldora-New Providence Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 14 and 41 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, 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 Eldora-New Providence 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 (which are not presented herein). We issued unqualified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information and we did not issue an opinion on the discretely presented component unit. 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

February 6, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Eldora-New Providence 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 \$7,628,790 in fiscal 2010 to \$8,284,793 in fiscal 2011, while General Fund expenditures decreased from \$8,133,508 in fiscal 2010 to \$7,922,573 in fiscal 2011. The District's General Fund balance increased from a negative \$95,892 in fiscal 2010 to a positive \$393,981 in fiscal 2011, a 511% increase.
- General Fund revenues increased in total despite the continuing impact of a 10% across the board cut in state foundation aid from the previous fiscal year and the resulting adjustments in state and federal revenues. The fiscal year 2011 increase in General Fund revenues was attributable to increases in property tax and state aid. The decrease in expenditures was due primarily to a decrease in support services, notably in instructional staff and operation and maintenance costs.

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 Eldora-New Providence 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 Eldora-New Providence Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

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

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

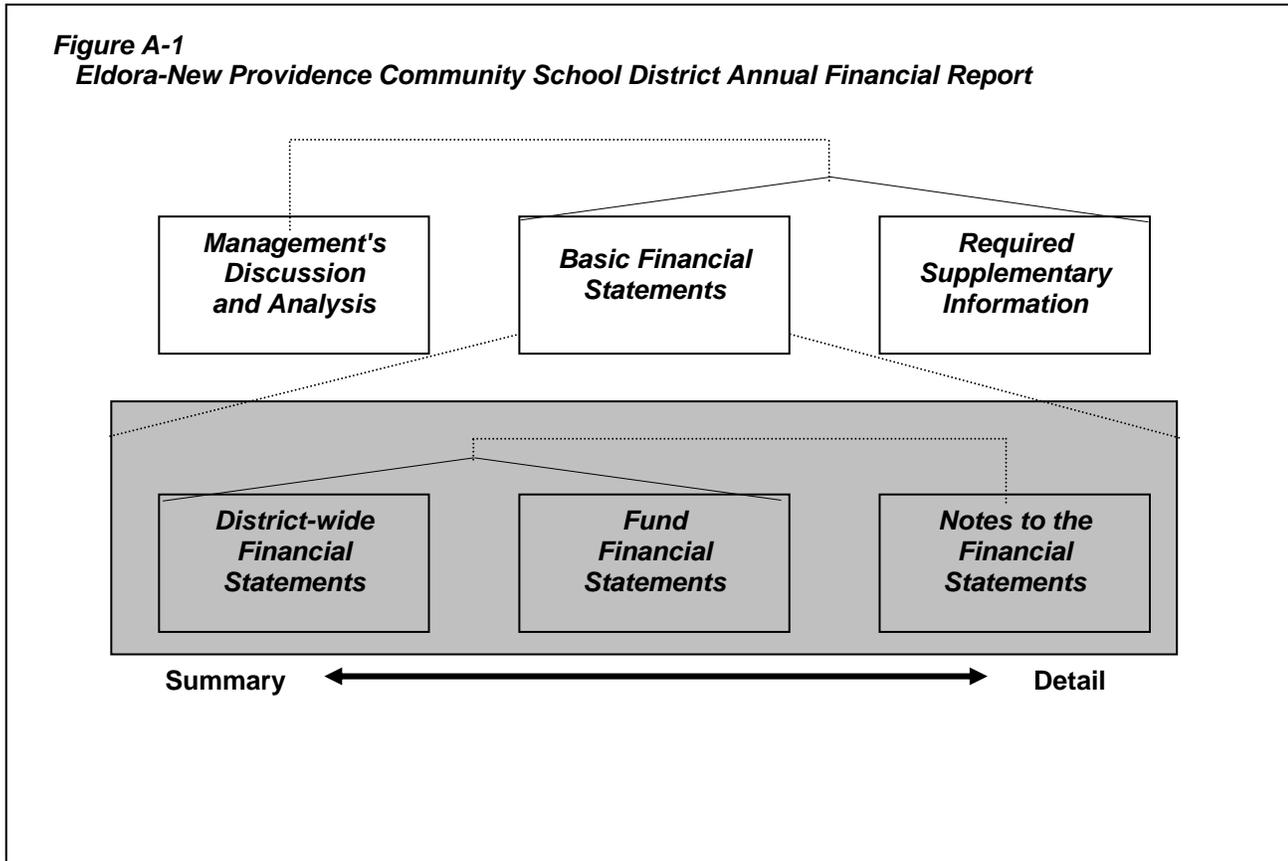


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 such as food services and child care	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
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 net assets • Statement of revenues, expenses and changes in fund 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, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net assets are an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health,

additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2010-2011 %
	Governmental Activities		Business-type Activities		Total School District		
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	6,420,190	5,817,489	(41,906)	(14,162)	6,378,284	5,803,327	9.91
Capital assets	7,261,952	7,165,349	97,614	109,191	7,359,566	7,274,540	1.17
Total assets	13,682,142	12,982,838	55,708	95,029	13,737,850	13,077,867	5.05
Long-term liabilities	3,499,473	3,668,386	5,605	2,836	3,505,078	3,671,222	-4.53
Other liabilities	4,944,090	4,973,424	30,138	37,053	4,974,228	5,010,477	-0.72
Total liabilities	8,443,563	8,641,810	35,743	39,889	8,479,306	8,681,699	-2.33
Net Assets:							
Invested in capital assets, net of related debt	4,463,019	4,181,849	97,614	109,191	4,560,633	4,291,040	6.28
Restricted	922,923	750,246	0	0	922,923	750,246	23.02
Unrestricted	(147,363)	(591,067)	(77,649)	(54,051)	(225,012)	(645,118)	65.12
TOTAL NET ASSETS	5,238,579	4,341,028	19,965	55,140	5,258,544	4,396,168	19.62

The District's combined total net assets increased by nearly 20%, or approximately \$862,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$173,000 or 23% over the prior year. The increase was primarily a result of increased carry-over balances in categorical funding in the General Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$420,000, or 65%. This increase in unrestricted net assets was a result of the District's cash reserve levy coupled with on-time and full receipt of state foundation aid.

Figure A-4 shows the change in net assets for the years ended June 30, 2011 and 2010.

Figure A-4

	Change in Net Assets						Percentage Change 2010-2011 %
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	1,489,881	1,254,032	283,505	333,213	1,773,386	1,587,245	11.73
Operating grants & contributions	1,486,552	1,589,034	192,697	188,997	1,679,249	1,778,031	-5.56
Capital grants & contributions	0	25,000	0	0	0	25,000	-100.00
General Revenues:							
Property taxes	3,062,973	2,949,331	0	0	3,062,973	2,949,331	3.85
Income surtax	180,609	198,485	0	0	180,609	198,485	-9.01
Sales tax	487,718	428,974	0	0	487,718	428,974	13.69
Unrestricted state grants	2,861,850	2,384,936	0	0	2,861,850	2,384,936	20.00
Unrestricted investment earnings	3,636	30,187	0	0	3,636	30,187	-87.96
Other revenue	164,984	138,243	0	0	164,984	138,243	19.34
Total Revenues	9,738,203	8,998,222	476,202	522,210	10,214,405	9,520,432	7.29
Expenses:							
Instruction	5,794,800	5,882,161	0	0	5,794,800	5,882,161	-1.49
Support services	2,294,039	1,977,228	0	0	2,294,039	1,977,228	16.02
Non-instructional programs	124,965	132,632	546,448	563,574	671,413	696,206	-3.56
Other expenditures	591,777	599,493	0	0	591,777	599,493	-1.29
Total expenses	8,805,581	8,591,514	546,448	563,574	9,352,029	9,155,088	2.15
Change in net assets before transfers	932,622	406,708	(70,246)	(41,364)	862,376	365,344	136.04
Transfers	(35,071)	(36,908)	35,071	36,908	0	0	0
CHANGE IN NET ASSETS	897,551	369,800	(35,175)	(4,456)	862,376	365,344	136.04
Net assets beginning of year	4,341,028	3,971,228	55,140	59,596	4,396,168	4,030,824	9.06
Net assets end of year	5,238,579	4,341,028	19,965	55,140	5,258,544	4,396,168	19.62

In fiscal year 2011 property tax and unrestricted state grants account for 58% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 86.5% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 7.3% increase in revenues and a 2.2% increase in expenses. Property tax increased \$113,642 to fund increases in expenses. The increases in expenses related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$9,738,203 and expenses were \$8,805,581. In a difficult budget year, with the exception of some major maintenance expenditures, the District was able to balance the budget by trimming expenses to match available revenues, particularly in staff costs. Net assets increased due to the ability of the District to limit expenses in comparison to revenues and move the District's solvency position from a negative balance to a positive balance.

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.

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2011	2010	Percent Change 2010-2011	2011	2010	Percent Change 2010-2011
	\$	\$	%	\$	\$	%
Instruction	5,794,800	5,882,161	-1.49	3,155,724	3,397,058	-7.10
Support Services	2,294,039	1,977,228	16.02	2,283,705	1,967,478	16.07
Non-instructional Programs	124,965	132,632	-5.78	90,715	74,580	21.63
Other Expenses	591,777	599,493	-1.29	299,004	284,332	5.16
TOTAL	8,805,581	8,591,514	2.49	5,829,148	5,723,448	1.85

For the year ended June 30, 2011

- The cost financed by users of the District's programs was \$1,489,881. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,486,552.
- The net cost of governmental activities was financed with \$3,731,300 in property and local other taxes and \$2,861,850 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$522,210 and expenses were \$563,574. The District's business type activities include the School Nutrition Fund and Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2011, the District increased meal prices in the Nutrition Fund. While there was a slight improvement in the financial operation of the Nutrition Fund, the increased costs of food exceeded the District's projections, resulting in a deficit in the Nutrition Fund at the end of the fiscal year.

During the year ended June 30, 2011, the District increased fees in the Daycare Fund. While the District was able to make some reductions in operational costs, primarily in reduced staff costs, in the financial operation of the Daycare Fund, the increased costs still exceeded the District's projections, resulting in a deficit in the Daycare Fund at the end of the fiscal year. By interagency agreement, this deficit is split evenly between the District and the City of Eldora.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,276,653, well above last year's ending fund balances of \$649,622. A dramatic improvement in state revenues over fiscal 2010 in the General Fund was the primary reason for the increase in combined fund balances in fiscal 2011.

Governmental Fund Highlights

- The District's improved General Fund financial position in Fiscal 2011 is the result of three primary factors: growth in unrestricted state grants, reduction of staff costs, and retention of cash reserve levy for District financial health rather than having to use these funds to offset state revenue cuts.
- The General Fund balance increased from a negative \$95,892 to a positive \$393,981, due largely to the ability of the District to retain cash reserves rather than having to use these reserves to offset state budget cuts, as was the case in the prior fiscal year when the State instituted a 10% across the board reduction in state aid.
- The Capital Projects Fund (comprised of the Physical Plant and Equipment Levy (PPEL) account and the Sales Tax account) increased from \$473,110 in fiscal 2010 to \$565,677 in fiscal 2011. While revenues remained approximately the same, the District reduced spending in these combined funds in order to meet required reserves for repayment of revenue bonds and to prepare for potentially significant infrastructure needs in the future related to transportation, technology, and facilities.
- The Management Fund balance increased from \$135,497 in Fiscal 2010 to \$208,723 in Fiscal 2011. This increase was planned to allow the District to meet future needs related to previously implemented early retirement programs.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$91,815 at June 30, 2010 to \$81,742 at June 30, 2011, representing an increase of approximately 11%. For fiscal 2011, while the District increased meal prices, the Nutrition Funds net assets declined, primarily due to the depreciation of capital assets.

The District continued the operation of the daycare, in accordance with the agreement with the City of Eldora. The Daycare Fund operated at a deficit. The operating deficit was larger than the previous year, in that despite lower staff costs overall, a larger enrollment of younger children required the staff-to-child ratio to decline significantly. This resulted in higher staff costs compared to the fees generated by enrolled children. By agreement, the deficit is split between the District and the City of Eldora.

BUDGETARY HIGHLIGHTS

Over the course of the year, Eldora-New Providence Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with additional federal stimulus funds, continued expenses for repair of facilities from the August 2009 hailstorm, and tuition.

The District's receipts were \$38,714 more than budgeted receipts, a variance of 0.39%. This slight variance resulted from the District receiving slightly more federal stimulus funding and tuition than originally anticipated.

Total expenditures were \$182,191 more than originally budgeted, due primarily to the District's budget for Support Services and Maintenance & Operations within the General Fund. The District did amend the budget to provide for these increased expenditures. After amending the budget, total expenditures \$530,809 less than the amended budget. 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 support services functional area due to the timing of disbursements paid at year-end without sufficient time to further amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$7.36 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 1.17% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$411,258.

There was no significant change in capital asset activity during the year since there was no construction in progress during the year.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2010-2011 %
	Activities		Activities		School District		
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
Land	252,655	252,655	0	0	252,655	252,655	0.00
Buildings	5,989,472	6,100,703	0	0	5,989,472	6,100,703	-1.82
Improvements	113,462	125,430	0	0	113,462	125,430	-9.54
Equipment & furniture	906,363	686,561	97,614	109,191	1,003,977	795,752	26.17
TOTAL	7,261,952	7,165,349	97,614	109,191	7,359,566	7,274,540	1.17

Long-Term Debt

At June 30, 2011 the District had \$3,505,078 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

In July 2009 the District issued \$1,900,000 in revenue bonds funded by sales tax and \$1,000,000 in Qualified Zone Academic Bonds (QZAB) to pay for renovation and expansion of the high school and elementary buildings. Planning for the project started in fiscal 2008 and the bonds were sold during fiscal 2009. The District had total outstanding bonded indebtedness at June 30, 2011 of \$2,552,000.

The District also had total outstanding Capital Leases payable from the General Fund or the Capital Projects Fund of \$221,933 at June 30, 2011.

The District's revenue bonds are not rated.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$9 million.

**Figure A-7
Outstanding Long-Term Obligations**

	Total School District		Percentage
	2011	2010	Change
	\$	\$	2010-2011
			%
General Obligation Bonds	0	205,000	-100.00
QZAB Revenue Bonds	857,000	928,500	-7.70
Sales Tax Revenue Bonds	1,695,000	1,800,000	-5.83
Energy Management Notes	25,000	50,000	-50.00
Capital Leases	221,933	0	100.00
Termination Benefits	314,439	288,765	8.89
Compensated Absences	325,247	365,328	-10.97
Net OPEB liability	66,459	33,629	97.62
TOTAL	3,505,078	3,671,222	-4.53

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:

- According to the information provided by the Hardin, Grundy, and Marshall County Auditors, the District's total taxable valuation has declined by 1.8% for property tax collected in fiscal 2013.
- School financing is highly dependent upon student enrollment. The District's October 2011 enrollment decreased by seven students. This drop in enrollment will decrease the District's funding for fiscal year 2013.
- While 2010-11 saw a slightly increased enrollment, the District has experienced a declining enrollment trend for the past several years. The District expects this trend of declining enrollment to continue in the future.
- While the state's economic picture is improving, the pace of the improvement is slow and gradual. Therefore, the District cannot expect any significant growth in state aid for the immediate future.
- The District began a nine-year whole grade sharing agreement with the Hubbard-Radcliffe Community School District during Fiscal 2008. Fiscal 2011 was the fourth year of this agreement. Because more students from the Eldora-New Providence District are being tuitioned to the combined middle school hosted by the Hubbard-Radcliffe District than are being tuitioned by the Hubbard-Radcliffe District to the combined high school hosted by the Eldora-New Providence District, the District has needed to adjust its staffing levels to account for this difference. Since staff salaries and benefits are the largest expense in the General Fund, the District will need to continue to monitor its staffing levels to align resources in the whole grade sharing agreement with expenditures.
- Since in Fiscal 2012 the District will be completing the fifth year of the whole grade sharing agreement with the Hubbard-Radcliffe Community School District, and since state sharing incentives for whole grade sharing agreements are currently scheduled to sunset in Fiscal 2014, the District will need to evaluate the value and effectiveness of the whole grade sharing agreement.

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 Randall C. Nichols, Superintendent, or Cindy Bierle, District Secretary/Treasurer and Business Manager, Eldora-New Providence Community School District, 1010 Edgington Avenue, Eldora, Iowa, 50627.

BASIC FINANCIAL STATEMENTS

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total	Component Unit Eldora- New Providence School Foundation
	\$	\$	\$	
Assets				
Cash and cash equivalents	1,686,596	11,777	1,698,373	351,747
Receivables:				
Property tax:				
Delinquent	47,466	-	47,466	-
Succeeding year	3,106,146	-	3,106,146	-
Accounts	29,609	3,419	33,028	-
Due from other governments	1,430,832	2,456	1,433,288	-
Internal balances	61,665	(61,665)	-	-
Inventories	8,872	2,107	10,979	-
Unamortized debt issue costs	49,004	-	49,004	-
Capital assets, net of accumulated depreciation	7,261,952	97,614	7,359,566	-
Total assets	13,682,142	55,708	13,737,850	351,747
Liabilities				
Accounts payable	11,404	-	11,404	-
Salaries and benefits payable	614,864	25,833	640,697	-
Due to other governments	1,104,248	-	1,104,248	-
Accrued interest payable	34,094	-	34,094	-
Deferred revenue:				
Succeeding year property tax	3,106,146	-	3,106,146	-
Other	73,334	4,305	77,639	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds payable	110,000	-	110,000	-
QZAB revenue bonds payable	71,500	-	71,500	-
Energy management notes payable	25,000	-	25,000	-
Capital leases	110,828	-	110,828	-
Termination benefits	129,497	-	129,497	-
Compensated absences	35,000	-	35,000	-
Portion due after one year:				
Revenue bonds payable	1,585,000	-	1,585,000	-
QZAB revenue bonds payable	785,500	-	785,500	-
Capital leases	111,105	-	111,105	-
Termination benefits	184,942	-	184,942	-
Compensated absences	290,247	-	290,247	-
Net OPEB liability	60,854	5,605	66,459	-
Total liabilities	8,443,563	35,743	8,479,306	-

See notes to financial statements.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total	Component Unit Eldora- New Providence School Foundation
	\$	\$	\$	
Net assets				
Invested in capital assets, net of related debt	4,463,019	97,614	4,560,633	-
Restricted for:				
Categorical funding	283,068	-	283,068	-
Physical plant and equipment levy	142,052	-	142,052	-
Student activities	104,051	-	104,051	-
School infrastructure	205,002	-	205,002	-
Debt service	188,750	-	188,750	-
Unrestricted	<u>(147,363)</u>	<u>(77,649)</u>	<u>(225,012)</u>	<u>351,747</u>
Total net assets	<u><u>5,238,579</u></u>	<u><u>19,965</u></u>	<u><u>5,258,544</u></u>	<u><u>351,747</u></u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	3,125,228	1,022,362	784,917	-
Special	1,633,615	183,989	249,859	-
Other	1,035,957	243,517	154,432	-
	<u>5,794,800</u>	<u>1,449,868</u>	<u>1,189,208</u>	<u>-</u>
Support services:				
Student	137,581	-	-	-
Instructional staff	389,651	-	-	-
Administration	600,097	-	-	-
Operation and maintenance of plant	801,564	745	-	-
Transportation	365,146	5,018	4,571	-
	<u>2,294,039</u>	<u>5,763</u>	<u>4,571</u>	<u>-</u>
Non-instructional programs	<u>124,965</u>	<u>34,250</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	16,132	-	-	-
Long-term debt interest	82,509	-	627	-
AEA flowthrough	292,146	-	292,146	-
Depreciation (unallocated)*	200,990	-	-	-
	<u>591,777</u>	<u>-</u>	<u>292,773</u>	<u>-</u>
Total governmental activities	<u>8,805,581</u>	<u>1,489,881</u>	<u>1,486,552</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	334,219	147,613	158,569	-
Daycare	212,229	135,892	34,128	-
Total business-type activities	<u>546,448</u>	<u>283,505</u>	<u>192,697</u>	<u>-</u>
Total primary government	<u>9,352,029</u>	<u>1,773,386</u>	<u>1,679,249</u>	<u>-</u>
Component Units:				
Eldora-New Providence School Foundation	9,818	-	172,656	-
Total	<u>9,361,847</u>	<u>1,773,386</u>	<u>1,851,905</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Transfers				
Total general revenues and transfers				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets
Primary Government

Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(1,317,949)	-	(1,317,949)	-
(1,199,767)	-	(1,199,767)	-
(638,008)	-	(638,008)	-
<u>(3,155,724)</u>	<u>-</u>	<u>(3,155,724)</u>	<u>-</u>
(137,581)	-	(137,581)	-
(389,651)	-	(389,651)	-
(600,097)	-	(600,097)	-
(800,819)	-	(800,819)	-
(355,557)	-	(355,557)	-
<u>(2,283,705)</u>	<u>-</u>	<u>(2,283,705)</u>	<u>-</u>
(90,715)	-	(90,715)	-
(16,132)	-	(16,132)	-
(81,882)	-	(81,882)	-
-	-	-	-
(200,990)	-	(200,990)	-
<u>(299,004)</u>	<u>-</u>	<u>(299,004)</u>	<u>-</u>
<u>(5,829,148)</u>	<u>-</u>	<u>(5,829,148)</u>	<u>-</u>
-	(28,037)	(28,037)	-
-	(42,209)	(42,209)	-
-	<u>(70,246)</u>	<u>(70,246)</u>	<u>-</u>
(5,829,148)	(70,246)	(5,899,394)	-
-	-	-	162,838
<u>(5,829,148)</u>	<u>(70,246)</u>	<u>(5,899,394)</u>	<u>162,838</u>
2,797,516	-	2,797,516	-
210,747	-	210,747	-
54,710	-	54,710	-
180,609	-	180,609	-
487,718	-	487,718	-
2,861,850	-	2,861,850	-
3,636	-	3,636	10,925
164,984	-	164,984	-
(35,071)	35,071	-	-
<u>6,726,699</u>	<u>35,071</u>	<u>6,761,770</u>	<u>10,925</u>
897,551	(35,175)	862,376	173,763
<u>4,341,028</u>	<u>55,140</u>	<u>4,396,168</u>	<u>177,984</u>
<u>5,238,579</u>	<u>19,965</u>	<u>5,258,544</u>	<u>351,747</u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Nonmajor Governmental	Total
	\$	\$	\$
Assets			
Cash and pooled investments	930,799	755,797	1,686,596
Receivables:			
Property tax:			
Delinquent	39,171	8,295	47,466
Succeeding year	2,698,664	407,482	3,106,146
Accounts	28,774	835	29,609
Inventories	8,872	-	8,872
Interfund receivable	61,665	49,042	110,707
Due from other governments	1,336,876	93,956	1,430,832
Total assets	5,104,821	1,315,407	6,420,228
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	10,785	619	11,404
Salaries and benefits payable	614,272	592	614,864
Due to other governments	1,104,248	-	1,104,248
Interfund payable	25,000	24,042	49,042
Deferred revenue:			
Succeeding year property tax	2,698,664	407,482	3,106,146
Income surtax	184,537	-	184,537
Other	73,334	-	73,334
Total liabilities	4,710,840	432,735	5,143,575
Fund balances:			
Nonspendable:			
Inventories	8,872	-	8,872
Restricted for:			
Categorical funding	283,068	-	283,068
Debt service	-	222,844	222,844
Management levy	-	208,723	208,723
Student activities	-	104,051	104,051
School infrastructure	-	205,002	205,002
Physical plant and equipment	-	142,052	142,052
Assigned	1,710	-	1,710
Unassigned	100,331	-	100,331
Total fund balances	393,981	882,672	1,276,653
Total liabilities and fund balances	5,104,821	1,315,407	6,420,228

ELDORA-NEW PROVIDENCE 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 (Exhibit C)	1,276,653
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,261,952
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	184,537
Debt issue costs are expensed in the governmental funds, but are capitalized and amortized over the life of the debt in the Statement of Net Assets.	49,004
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.	(34,094)
Long-term liabilities, including bonds payable, notes payable, capital leases, compensated absences, termination benefits, and other postemployment benefits are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(3,499,473)</u>
Net assets of governmental activities (Exhibit A)	<u><u>5,238,579</u></u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General	Nonmajor Governmental	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	2,701,003	1,022,934	3,723,937
Tuition	947,757	-	947,757
Other	288,258	272,988	561,246
State sources	3,715,803	-	3,715,803
Federal sources	631,972	-	631,972
Total revenues	<u>8,284,793</u>	<u>1,295,922</u>	<u>9,580,715</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,949,560	172,167	3,121,727
Special	1,625,705	-	1,625,705
Other	781,413	264,497	1,045,910
	<u>5,356,678</u>	<u>436,664</u>	<u>5,793,342</u>
Support services:			
Student	136,790	-	136,790
Instructional staff	338,728	297,639	636,367
Administration	593,610	54	593,664
Operation and maintenance of plant	729,304	30,498	759,802
Transportation	350,352	9,276	359,628
	<u>2,148,784</u>	<u>337,467</u>	<u>2,486,251</u>
Non-instructional programs	<u>124,965</u>	<u>-</u>	<u>124,965</u>
Other expenditures:			
Facilities acquisition	-	102,862	102,862
Long-term debt:			
Principal	-	420,900	420,900
Interest and fiscal charges	-	84,605	84,605
AEA flowthrough	292,146	-	292,146
	<u>292,146</u>	<u>608,367</u>	<u>900,513</u>
Total expenditures	<u>7,922,573</u>	<u>1,382,498</u>	<u>9,305,071</u>
Excess (deficiency) of revenues over (under) expenditures	<u>362,220</u>	<u>(86,576)</u>	<u>275,644</u>
Other financing sources (uses):			
Compensation for loss of fixed assets	140,725	9,400	150,125
Proceeds from capital lease	-	236,333	236,333
Operating transfers in	46,999	290,830	337,829
Operating transfers out	(60,071)	(312,829)	(372,900)
Total other financing sources (uses)	<u>127,653</u>	<u>223,734</u>	<u>351,387</u>
Net change in fund balances	489,873	137,158	627,031
Fund balances beginning of year, as restated	<u>(95,892)</u>	<u>745,514</u>	<u>649,622</u>
Fund balances end of year	<u>393,981</u>	<u>882,672</u>	<u>1,276,653</u>

ELDORA-NEW PROVIDENCE 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 (Exhibit E)		627,031
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital asset expenditures exceeded depreciation expense during the current year, as follows:		
Expenditures for capital assets	496,284	
Depreciation expense	<u>(399,681)</u>	96,603
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		7,363
Issuance of long-term debt is a revenue in the governmental funds, but the issuance increases long-term debt in the Statement of Net Assets.		(236,333)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		420,900
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.		2,096
Debt issue costs are expensed in the governmental funds, but are capitalized and amortized over the life of the debt in the Statement of Net Assets.		(4,455)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(25,674)	
Compensated absences	40,081	
Other postemployment benefits	<u>(30,061)</u>	<u>(15,654)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>897,551</u></u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2011

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	11,777
Accounts receivable	3,419
Due from other governments	2,456
Inventories	2,107
Capital assets, net of accumulated depreciation	<u>97,614</u>
Total assets	<u>117,373</u>
Liabilities	
Interfund payable	61,665
Salaries and benefits payable	25,833
Deferred revenue	4,305
Net OPEB liability	<u>5,605</u>
Total liabilities	<u>97,408</u>
Net assets	
Invested in capital assets	97,614
Unrestricted	<u>(77,649)</u>
Total net assets	<u><u>19,965</u></u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2011

	Nonmajor Enterprise Funds <u> </u> \$
Operating revenues:	
Local sources:	
Charges for service	<u>283,505</u>
Operating expenses:	
Salaries	230,643
Benefits	87,004
Purchased services	49,276
Supplies	167,948
Depreciation	<u>11,577</u>
Total operating expenses	<u>546,448</u>
Operating income (loss)	<u>(262,943)</u>
Non-operating revenues:	
State sources	2,380
Federal sources	170,205
Donations	<u>20,112</u>
Total non-operating revenues	<u>192,697</u>
Net income (loss) before transfers	(70,246)
Transfers in	82,070
Transfers out	<u>(46,999)</u>
Change in net assets	(35,175)
Net assets beginning of year	<u>55,140</u>
Net assets end of year	<u><u>19,965</u></u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	148,609
Cash received from daycare services	139,042
Cash payments to employees for services	(321,432)
Cash payments to suppliers for goods or services	(194,891)
Net cash used by operating activities	<u>(228,672)</u>
Cash flows from non-capital financing activities:	
Loans from (repaid to) other funds	10,698
Transfers from other funds	82,070
Transfers to other funds	(46,999)
Donations	38,612
State grants received	2,380
Federal grants received	149,001
Net cash provided by non-capital financing activities	<u>235,762</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>-</u>
Net increase (decrease) in cash and cash equivalents	7,090
Cash and cash equivalents at beginning of year	<u>4,687</u>
Cash and cash equivalents at end of year	<u><u>11,777</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(262,943)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	20,982
Depreciation	11,577
Decrease (increase) in inventories	2,708
Decrease (increase) in accounts receivable	3,150
(Decrease) increase in accounts payable	(1,357)
(Decrease) increase in salaries and benefits payable	(6,554)
(Decrease) increase in deferred revenue	996
(Decrease) increase in other postemployment benefits	2,769
Net cash used by operating activities	<u><u>(228,672)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011 the District received \$20,982 of federal commodities.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies

Eldora-New Providence Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Eldora and New Providence, Iowa and the predominately agricultural territory in a portion of Grundy, Hardin and Marshall 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, Eldora-New Providence Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Eldora-New Providence Community School District Foundation has been included as a discretely presented component unit because of the nature and significance of its relationship with the District.

The Eldora-New Providence Community School District Foundation was established to maintain, develop, and expand the facilities and services of the Eldora-New Providence Community School District, and to foster educational opportunities for the students, staff, faculty and the residents of the geographical area served by the Eldora-New Providence Community School District. The Foundation has a December 31, year-end. Foundation financial statements are shown in the Statement of Net Assets and the Statement of Activities in separate columns. As explained in the Independent Auditor's Opinion, the Foundation financial statements have not been audited.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental fund:

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

The District's proprietary funds include the Enterprise, School Nutrition Fund and the Enterprise Daycare Fund. These funds are used to account for the food service operations and child care operations of the District.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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 became due and collectible in September and March of the fiscal year with a 1 ½% 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 and governmental funds are recorded as expenses when consumed rather than when purchased or received.

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	3-20 years
Furniture and equipment	7-30 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused sick leave hours 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 the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 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:

Non-spendable – Amounts which cannot be spent because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.

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.

Assigned – Amounts Administration intends to use for specific purposes.

Unassigned – All amounts not included in other 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 are imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures exceeded the amounts budgeted in the support services functional area.

2. Cash and Pooled Investments

The District's deposits in banks 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; 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, which are valued at an amortized cost of \$140 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2011, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Nonmajor – Daycare Fund	61,665
Nonmajor – Debt Service	General Fund	25,000
Nonmajor – Capital Projects	Nonmajor – Debt Service	24,042

The loans are for cash flow purposes.

4. Interfund Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor - Debt Service Fund	General Fund	25,000
Nonmajor - Debt Service Fund	Nonmajor - Capital Projects Fund	251,430
Nonmajor Enterprise – Daycare Fund	General Fund	17,107
Nonmajor Enterprise – Nutrition Fund	General Fund	17,964
Nonmajor Enterprise – Daycare Fund	Nonmajor - Capital Projects Fund	46,999
General Fund	Nonmajor Enterprise – Daycare Fund	46,999

Transfers to the Debt Service Fund move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfers from the General Fund to the Daycare and Nutrition Funds covered fund deficits.

The \$46,999 transfer from the Capital Projects Fund to the Daycare Fund and the \$46,999 transfer from the Daycare Fund to the General Fund were the result of a May 2011 appearance before the State Appeal Board. The transfer from the Capital Projects Fund to the Daycare is to reimburse the Daycare Fund for rents paid in prior years that could have been paid by the Capital Projects Fund. The transfer from the Daycare Fund to the General Fund is to reimburse amounts the General Fund had incorrectly transferred to the Daycare Fund during fiscal year 2011 and previous years.

5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants is 1.2% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2011, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
			\$	\$	\$	\$
2010-11A	6/23/10	6/28/11	-	560,000	560,000	-
2010-11B	1/26/11	1/25/12	-	-	-	-
			-	560,000	560,000	-

During the year ended June 30, 2011, the District paid \$1,694 of interest on the ISCAP warrants.

6. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	252,655	-	-	252,655
Capital assets being depreciated:				
Buildings	9,180,587	77,791	-	9,258,378
Improvements other than buildings	239,337	-	-	239,337
Furniture and equipment	2,254,060	418,493	11,550	2,661,003
Total capital assets being deprec.	11,673,984	496,284	11,550	12,158,718

Less accumulated depreciation for:				
Buildings	3,079,884	189,022	-	3,268,906
Improvements other than buildings	113,907	11,968	-	125,875
Furniture and equipment	1,567,499	198,691	11,550	1,754,640
Total accumulated depreciation	<u>4,761,290</u>	<u>399,681</u>	<u>11,550</u>	<u>5,149,421</u>
Total capital assets being depreciated, net	<u>6,912,694</u>	<u>96,603</u>	-	<u>7,009,297</u>
Governmental activities capital assets, net	<u>7,165,349</u>	<u>96,603</u>	-	<u>7,261,952</u>

	Balance			Balance End
	Beginning of			of Year
	Year	Increases	Decreases	
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	299,842	-	-	299,842
Less accumulated depreciation	<u>190,651</u>	<u>11,577</u>	-	<u>202,228</u>
Business type activities capital assets, net	<u>109,191</u>	<u>(11,577)</u>	-	<u>97,614</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	4,856
Other	7,278
Support services:	
Instructional staff support	108,571
Operation and maintenance of plant services	39,784
Transportation	<u>38,202</u>
	198,691
Unallocated depreciation	<u>200,990</u>
Total depreciation expense – governmental activities	<u><u>399,681</u></u>
Business type activities:	
Food services	<u>11,577</u>

7 Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011, are summarized as follows:

	Balance			Balance End	Due Within
	Beginning of	Additions	Reductions	of Year	One Year
	Year				
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	205,000	-	205,000	-	-
QZAB revenue bonds	928,500	-	71,500	857,000	71,500
Sales tax revenue bonds	1,800,000	-	105,000	1,695,000	110,000
Energy management notes	50,000	-	25,000	25,000	25,000
Capital lease	-	236,333	14,400	221,933	110,828
Termination benefits	288,765	129,633	103,959	314,439	129,497
Compensated absences	365,328	-	40,081	325,247	35,000
Net OPEB liability	30,793	30,061	-	60,854	-
Total	<u>3,668,386</u>	<u>396,027</u>	<u>564,940</u>	<u>3,499,473</u>	<u>481,825</u>

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Business type activities:					
Net OPEB liability	2,836	2,769	-	5,605	-

Termination Benefits

The District offered a voluntary early retirement plan to its certified employees during fiscal years 2008, 2010 and 2011. Eligible employees must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences and must have completed 15 years of service in the most recent 15 years. The application for early retirement is subject to approval by the Board of Education.

Under the 2011 plan the District will cover medical insurance for up to five years or until age 65.

At June 30, 2011, the District has obligations to fifteen participants with a total liability of \$314,439. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$103,959.

Qualified Zone Academy Revenue Bonds – The District issued \$1,000,000 of qualified zone academy revenue bonds in July 2008. The bonds were issued to finance remodeling of existing school facilities that have been designated qualified zone academy projects. The bonds are interest free. The annual payments will be made from the statewide sales tax.

Year Ending June 30,	Interest Rates	Principal
	%	\$
2012	-	71,500
2013	-	71,500
2014	-	71,500
2015	-	71,500
2016	-	71,500
2017-2021	-	357,500
2022-2023	-	142,000
		857,000

Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue of July 2008			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2012	4.29	110,000	70,356	180,356
2013	4.29	115,000	65,530	180,530
2014	4.29	120,000	60,490	180,490
2015	4.29	125,000	55,234	180,234
2016	4.29	130,000	49,764	179,764
2017-2021	4.29	750,000	157,444	907,444
2022-2023	4.29	345,000	14,908	359,908
		1,695,000	473,726	2,168,726

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,900,000 bonds issued in July 2008. The bonds were issued for the purpose of financing a school addition and remodeling. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 40% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,168,726. For the current year, \$105,000 of principal and \$74,968 of interest were paid on the bonds and total statewide sales, services and use tax revenues were \$487,718.

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

- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose for which the statewide sales, services and use tax may be used. The District has set aside monies in the required sinking fund, which is part of the Capital Projects Fund.

Energy Management Capital Loan Notes

The District issued \$250,000 of notes at no interest on June 30, 2002. The proceeds of the notes were used to purchase and install a wind generator. Details of the District's energy management capital loan notes are as follows:

June 30, 2002 Issue			
Year Ending June 30,	Principal	Interest	Total
	\$	\$	\$
2012	25,000	-	25,000

During the year ended June 30, 2011, the District's General Fund made principal payments totaling \$25,000 under the note agreements.

Capital Leases

The District has leased computers under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2011.

	Year Ending June 30,	Amount
		\$
	2012	111,390
	2013	111,390
Minimum lease payments		222,780
Less amount representing interest		847
Present value of minimum lease payments		221,933

8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS

provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$273,311, \$268,467, and \$263,199 respectively, equal to the required contributions for each year.

9. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 84 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding 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 the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	51,433
Interest on net OPEB obligation	841
Adjustment to annual required contribution	<u>(4,627)</u>
Annual OPEB cost	47,647
Contributions made	<u>(14,817)</u>
Increase in net OPEB obligation	32,830
Net OPEB obligation beginning of year	<u>33,629</u>
 Net OPEB obligation end of year	 <u><u>66,459</u></u>

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

For the year ended June 30, 2010, the District contributed \$14,817 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
2010	47,695	29%	33,629
2011	47,647	31%	66,459

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 \$343,251, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$343,251. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,390,000, and the ratio of the UAAL to covered payroll was 10.1%. 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 health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000.

The UAAL is being amortized over 30 years.

10. Risk Management

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

11. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$292,146 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.

12. Fund Balance Deficits

The Nonmajor Enterprise Daycare Fund has a \$61,177 deficit unrestricted net assets, and the Nonmajor Enterprise School Nutrition Fund has a \$15,872 deficit unrestricted net assets at June 30, 2011.

13. Operating Lease

The District entered into a contract to lease copy machines. The payments the District will make over the next three years are as follows:

Year Ended June 30	Lease Payment
	\$
2012	32,280
2013	32,280
2014	32,280

14. Categorical Funding

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

Program	Amount
	\$
Gifted and talented	46,497
Returning dropout and dropout prevention program	16,673
Preschool	50,552
Home school assistance program	126,212
Teacher quality	20,445
Core curriculum	15,372
Professional development	5,065
Market factor	2,252
	<u>283,068</u>

15. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund type Definitions, was implemented during the year ended 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	\$ 293,455	\$ 179,655
Change in fund type classification per implementation of GASB Statement No. 54	<u>179,655</u>	<u>(179,655)</u>
Balances July 1, 2010, as restated	<u>473,110</u>	<u>-</u>

REQUIRED SUPPLEMENTARY INFORMATION

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	5,232,940	303,617	5,536,557	5,439,442	5,439,442	97,115
State sources	3,715,803	2,380	3,718,183	4,003,761	4,003,761	(285,578)
Federal sources	631,972	170,205	802,177	575,000	575,000	227,177
Total revenues	<u>9,580,715</u>	<u>476,202</u>	<u>10,056,917</u>	<u>10,018,203</u>	<u>10,018,203</u>	<u>38,714</u>
Expenditures/Expenses:						
Instruction	5,793,342	-	5,793,342	5,687,000	6,300,000	506,658
Support services	2,486,251	43,767	2,530,018	2,376,500	2,476,500	(53,518)
Non-instructional programs	124,965	502,681	627,646	638,900	638,900	11,254
Other expenditures	900,513	-	900,513	966,928	966,928	66,415
Total expenditures/expenses	<u>9,305,071</u>	<u>546,448</u>	<u>9,851,519</u>	<u>9,669,328</u>	<u>10,382,328</u>	<u>530,809</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	275,644	(70,246)	205,398	348,875	(364,125)	569,523
Other financing sources (uses) net	<u>351,387</u>	<u>35,071</u>	<u>386,458</u>	<u>-</u>	<u>-</u>	<u>386,458</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	627,031	(35,175)	591,856	348,875	(364,125)	955,981
Balance beginning of year	<u>649,622</u>	<u>55,140</u>	<u>704,762</u>	<u>630,152</u>	<u>630,152</u>	<u>74,610</u>
Balance end of year	<u><u>1,276,653</u></u>	<u><u>19,965</u></u>	<u><u>1,296,618</u></u>	<u><u>979,027</u></u>	<u><u>266,027</u></u>	<u><u>1,030,591</u></u>

ELDORA-NEW PROVIDENCE 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 Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment, increasing budgeted expenditures by \$713,000.

During the year ended June 30, 2011, expenditures in the support services function exceeded the amount budgeted.

ELDORA-NEW PROVIDENCE 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 Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	343,251	343,251	0.0%	3,090,000	11.1%
2011	July 1, 2009	-	343,251	343,251	0.0%	3,390,000	10.1%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

Assets	Special Revenue Funds				Total
	Management Levy	Student Activity	Capital Projects	Debt Service	
	\$	\$	\$	\$	
Cash and pooled investments	205,131	103,835	446,831	-	755,797
Receivables:					
Property tax:					
Delinquent	4,184	-	848	3,263	8,295
Succeeding year	350,000	-	57,482	-	407,482
Accounts	-	835	-	-	835
Interfund receivable	-	-	24,042	25,000	49,042
Due from other governments	-	-	93,956	-	93,956
Total assets	559,315	104,670	623,159	28,263	1,315,407
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	619	-	-	619
Salaries and benefits payable	592	-	-	-	592
Interfund payables	-	-	-	24,042	24,042
Deferred revenue:					
Succeeding year property tax	350,000	-	57,482	-	407,482
Total liabilities	350,592	619	57,482	24,042	432,735
Fund balances:					
Restricted for:					
Debt service	-	-	218,623	4,221	222,844
Management levy	208,723	-	-	-	208,723
Student activities	-	104,051	-	-	104,051
School infrastructure	-	-	205,002	-	205,002
Physical plant and equipment	-	-	142,052	-	142,052
Total fund balances	208,723	104,051	565,677	4,221	882,672
Total liabilities and fund balances	559,315	104,670	623,159	28,263	1,315,407

ELDORA-NEW PROVIDENCE 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
	Management	Student	Capital	Debt Service	
	Levy	Activity	Projects		
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	269,759	-	542,428	210,747	1,022,934
Other	10,492	244,109	17,760	627	272,988
Total revenues	<u>280,251</u>	<u>244,109</u>	<u>560,188</u>	<u>211,374</u>	<u>1,295,922</u>
Expenditures:					
Current:					
Instruction:					
Regular	172,167	-	-	-	172,167
Other	-	264,497	-	-	264,497
Support services:					
Instructional staff	-	-	297,639	-	297,639
Administration	-	-	24	30	54
Operation and maintenance of plant	25,582	4,916	-	-	30,498
Transportation	9,276	-	-	-	9,276
Other expenditures:					
Facilities acquisition	-	-	102,862	-	102,862
Long-term debt:					
Principal	-	-	-	420,900	420,900
Interest and fiscal charges	-	-	-	84,605	84,605
Total expenditures	<u>207,025</u>	<u>269,413</u>	<u>400,525</u>	<u>505,535</u>	<u>1,382,498</u>
Excess (deficiency) of revenues over (under) expenditures	<u>73,226</u>	<u>(25,304)</u>	<u>159,663</u>	<u>(294,161)</u>	<u>(86,576)</u>
Other financing sources (uses):					
Compensation for loss of fixed assets	-	-	9,400	-	9,400
Proceeds from capital lease	-	-	236,333	-	236,333
Operating transfers in	-	-	-	290,830	290,830
Operating transfers out	-	-	(312,829)	-	(312,829)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(67,096)</u>	<u>290,830</u>	<u>223,734</u>
Net change in fund balance	73,226	(25,304)	92,567	(3,331)	137,158
Fund balances beginning of year, as restated	<u>135,497</u>	<u>129,355</u>	<u>473,110</u>	<u>7,552</u>	<u>745,514</u>
Fund balances end of year	<u><u>208,723</u></u>	<u><u>104,051</u></u>	<u><u>565,677</u></u>	<u><u>4,221</u></u>	<u><u>882,672</u></u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2011

	Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	11,777	-	11,777
Accounts receivable	-	3,419	3,419
Due from other governments	-	2,456	2,456
Inventories	2,107	-	2,107
Capital assets, net of accumulated depreciation	97,614	-	97,614
Total assets	111,498	5,875	117,373
Liabilities			
Interfund payable	-	61,665	61,665
Salaries and benefits payable	21,447	4,386	25,833
Deferred revenue	4,305	-	4,305
Net OPEB liability	4,004	1,601	5,605
Total liabilities	29,756	67,652	97,408
Net assets			
Invested in capital assets	97,614	-	97,614
Unrestricted	(15,872)	(61,777)	(77,649)
Total net assets	81,742	(61,777)	19,965

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds

Year ended June 30, 2011

	Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	147,613	135,892	283,505
Operating expenses:			
Salaries	98,977	131,666	230,643
Benefits	47,782	39,222	87,004
Purchased services	22,205	27,071	49,276
Supplies	153,678	14,270	167,948
Depreciation	11,577	-	11,577
Total operating expenses	334,219	212,229	546,448
Operating income (loss)	(186,606)	(76,337)	(262,943)
Non-operating revenues:			
State sources	2,380	-	2,380
Federal sources	156,189	14,016	170,205
Donations	-	20,112	20,112
Total non-operating revenues	158,569	34,128	192,697
Net income (loss) before transfers	(28,037)	(42,209)	(70,246)
Transfers in from Capital Projects Fund	-	46,999	46,999
Transfers in from General Fund	17,964	17,107	35,071
Transfers out to General Fund	-	(46,999)	(46,999)
Change in net assets	(10,073)	(25,102)	(35,175)
Net assets beginning of year	91,815	(36,675)	55,140
Net assets end of year	81,742	(61,777)	19,965

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2011

	Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	148,609	-	148,609
Cash received from daycare services	-	139,042	139,042
Cash payments to employees for services	(144,877)	(176,555)	(321,432)
Cash payments to suppliers for goods or services	(152,193)	(42,698)	(194,891)
Net cash used by operating activities	<u>(148,461)</u>	<u>(80,211)</u>	<u>(228,672)</u>
Cash flows from non-capital financing activities:			
Loans from (repaid to) other funds	-	10,698	10,698
Transfers from other funds	17,964	64,106	82,070
Transfers to other funds	-	(46,999)	(46,999)
Donations	-	38,612	38,612
State grants received	2,380	-	2,380
Federal grants received	135,207	13,794	149,001
Net cash provided by non-capital financing activities	<u>155,551</u>	<u>80,211</u>	<u>235,762</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	7,090	-	7,090
Cash and cash equivalents at beginning of year	4,687	-	4,687
Cash and cash equivalents at end of year	<u>11,777</u>	<u>-</u>	<u>11,777</u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	(186,606)	(76,337)	(262,943)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	20,982	-	20,982
Depreciation	11,577	-	11,577
Decrease (increase) in inventories	2,708	-	2,708
Decrease (increase) in accounts receivable	-	3,150	3,150
(Decrease) increase in accounts payable	-	(1,357)	(1,357)
(Decrease) increase in salaries and benefits payable	(96)	(6,458)	(6,554)
(Decrease) increase in deferred revenue	996	-	996
(Decrease) increase in other postemployment benefits	1,978	791	2,769
Net cash used by operating activities	<u>(148,461)</u>	<u>(80,211)</u>	<u>(228,672)</u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Projects Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash and pooled investments	329,669	117,162	446,831
Receivables:			
Property tax:			
Delinquent	-	848	848
Succeeding year	-	57,482	57,482
Interfund receivable	-	24,042	24,042
Due from other governments	93,956	-	93,956
Total assets	423,625	199,534	623,159
Liabilities & Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	-	57,482	57,482
Fund balances:			
Restricted for:			
Debt service	218,623	-	218,623
School infrastructure	205,002	-	205,002
Physical plant and equipment	-	142,052	142,052
Total fund balances	423,625	142,052	565,677
Total liabilities and fund balances	423,625	199,534	623,159

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Projects 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	487,718	54,710	542,428
Other	16,611	1,149	17,760
Total revenues	<u>504,329</u>	<u>55,859</u>	<u>560,188</u>
Expenditures:			
Current:			
Support services:			
Instructional staff services	297,639	-	297,639
Administration services	24	-	24
Other expenditures:			
Facilities acquisition	-	102,862	102,862
Total expenditures	<u>297,663</u>	<u>102,862</u>	<u>400,525</u>
Excess (deficiency) of revenues over (under) expenditures	<u>206,666</u>	<u>(47,003)</u>	<u>159,663</u>
Other financing sources (uses):			
Compensation for loss of fixed assets	-	9,400	9,400
Proceeds from capital lease	236,333	-	236,333
Operating transfers out	(312,829)	-	(312,829)
Total other financing sources (uses)	<u>(76,496)</u>	<u>9,400</u>	<u>(67,096)</u>
Net change in fund balance	130,170	(37,603)	92,567
Fund balances beginning of year, as restated	<u>293,455</u>	<u>179,655</u>	<u>473,110</u>
Fund balance end of year	<u><u>423,625</u></u>	<u><u>142,052</u></u>	<u><u>565,677</u></u>

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Intra-fund Transfers \$	Balance End of Year \$
Elementary challenge	1,265	18,409	19,636	-	38
Drama club	1,179	314	497	-	996
HS vocal music	6,400	7,704	6,743	-	7,361
HS instrumental music	4,262	8,999	8,481	-	4,780
Music resale	279	489	710	-	58
Performance team	-	2,181	3,277	1,096	-
HS athletics general	10,188	5,850	2,087	(5,000)	8,951
South Hardin uniform fund	18,804	30	17,519	(52)	1,263
HS athletic resale	29	11	-	-	40
HS basketball	3,008	14,745	11,002	(6,000)	751
HS athletic medical	582	-	312	(250)	20
HS athletic clinics	57	-	645	588	-
HS baseball/softball	(405)	22,430	41,270	19,344	99
HS track	2,060	8,175	7,671	(1,649)	915
HS track resurfacing	27,921	1,002	-	446	29,369
HS cross country	168	903	2,472	1,662	261
HS tennis	60	1,120	1,222	200	158
HS golf	-	79	2,319	2,240	-
Cheerleaders	1,674	4,643	4,322	(1,383)	612
HS football	(9,301)	33,236	20,525	(3,000)	410
Football fund raisers	-	3,841	1,522	-	2,319
HS wrestling	7,441	2,561	15,148	6,000	854
HS volleyball	4,878	24,427	20,401	(5,000)	3,904
HS student council	266	5,450	3,667	638	2,687
Get a grip	1,848	-	1,848	-	-
National Honor Society	6,149	400	2,485	30	4,094
FFA	5,518	28,012	33,311	52	271
Spanish club	687	-	-	(687)	-
Class of 2009	493	-	-	(493)	-
Class of 2010	916	-	-	(916)	-
Class of 2011	3,391	5,765	2,742	(4,390)	2,024
Class of 2012	9,272	4,225	11,206	-	2,291
Class of 2013	936	19,412	9,255	(462)	10,631
Class of 2014	-	886	-	-	886
HS concessions, donations	9,977	8,111	3,123	(7,631)	7,334
Concessions, equipment	2,005	58	-	227	2,290
HS annual/2009	2,069	-	-	-	2,069
HS annual/2010	5,279	250	4,648	-	881
HS annual/2011	-	10,391	9,347	4,390	5,434
Total	129,355	244,109	269,413	-	104,051

See accompanying independent auditor's report.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	3,723,937	3,562,847	3,307,914	3,065,083	2,807,471	2,435,057	2,218,849	2,146,596
Tuition	947,757	922,038	1,053,973	1,089,985	476,037	432,390	450,521	539,036
Other	561,246	391,658	467,313	506,318	595,340	353,876	287,871	371,978
Intermediate sources	-	1,500	-	-	-	-	-	-
State sources	3,715,803	3,261,923	3,663,084	3,681,270	3,144,613	3,037,791	2,916,933	2,808,713
Federal sources	631,972	733,755	426,830	243,776	256,781	241,466	239,826	245,777
Total revenues	<u>9,580,715</u>	<u>8,873,721</u>	<u>8,919,114</u>	<u>8,586,432</u>	<u>7,280,242</u>	<u>6,500,580</u>	<u>6,114,000</u>	<u>6,112,100</u>
Expenditures:								
Instruction:								
Regular	3,121,727	3,387,765	3,424,959	3,446,073	2,546,190	2,379,427	2,443,073	2,424,608
Special	1,625,705	1,407,354	1,362,417	1,441,756	1,012,515	911,520	1,033,569	1,076,093
Other	1,045,910	880,199	847,229	825,586	742,927	687,808	523,538	531,043
Support services:								
Student	136,790	140,742	152,229	167,077	152,211	292,966	266,640	262,857
Instructional staff	636,367	415,881	359,938	296,240	333,836	313,084	125,522	120,932
Administration	593,664	604,816	678,591	652,480	665,812	562,549	574,249	572,346
Operation and maintenance	759,802	931,895	490,575	584,854	503,120	507,324	396,198	415,384
Transportation	359,628	334,137	296,163	298,044	269,662	158,180	143,738	162,906
Non-instructional programs	124,965	132,632	146,914	140,569	176,273	-	2,782	2,528
Other expenditures:								
Facilities acquisition	102,862	129,818	2,427,660	478,000	34,003	32,923	135,720	38,687
Long-term debt:								
Principal	420,900	576,500	390,000	440,000	420,000	395,000	435,246	616,823
Interest and other charges	84,605	105,876	83,350	61,662	79,400	96,062	114,037	141,831
AEA flowthrough	292,146	288,369	245,434	240,201	213,293	197,357	191,554	195,946
Total expenditures	<u>9,305,071</u>	<u>9,335,984</u>	<u>10,905,459</u>	<u>9,072,542</u>	<u>7,149,242</u>	<u>6,534,200</u>	<u>6,385,866</u>	<u>6,561,984</u>

See accompanying independent auditor's report.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures \$</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY11	19,929
National School Lunch Program (non-cash)	10.555	FY11	20,982
National School Lunch Program	10.555	FY11	114,572
Special Milk Program for Children	10.556	FY11	706
			<u>156,189</u>
Child and Adult Care Food Program	10.558	FY11	13,580
Team Nutrition Grants	10.574	FY11	437
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY11	126,078
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	12,566
			<u>138,644</u>
Improving Teacher Quality State Grants	84.367	FY11	35,924
Grants for State Assessments and Related Activities	84.369	FY11	3,562
State Fiscal Stabilization Fund Cluster:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY11	36,614
ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	FY11	32,658
			<u>69,272</u>
Education Jobs Fund	84.410	FY11	123,724
Area Education Agency 267			
Special Education - Grants to States	84.027	FY11	33,702 *
Career and Technical Education - Basic Grants to States	84.048	FY11	10,987
ARRA - Special Education Grants to States, Recovery Act	84.391	FY11	33,076 *
			<u>619,097</u>
Total			<u>619,097</u>

* Total for Special Education Cluster (IDEA) is \$66,778

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

Gary E. Horton CPA

PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

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
Eldora-New Providence 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 Eldora-New Providence 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 February 6, 2012. We did not issue an opinion on the Eldora-New Providence School Foundation, which is included in the District's financial statements as a discretely presented component unit, because we were not engaged to and did not audit the Foundation. 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 Eldora-New Providence 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 an opinion on the effectiveness of Eldora-New Providence Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Eldora-New Providence 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 material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 11-II-A and 11-II-B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eldora-New Providence 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.

Eldora-New Providence 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 Eldora-New Providence 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 Eldora-New Providence Community School District and other parties to whom Eldora-New Providence Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Eldora-New Providence 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

February 6, 2012

Gary E. Horton CPA

PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

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
Eldora-New Providence Community School District:

Compliance

We have audited Eldora-New Providence Community School District's compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Eldora-New Providence Community School District's major federal programs for the year ended June 30, 2011. Eldora-New Providence 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 grants applicable to each of its major federal programs is the responsibility of Eldora-New Providence Community School District's management. Our responsibility is to express an opinion on Eldora-New Providence 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 noncompliance 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 Eldora-New Providence 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 Eldora-New Providence Community School District's compliance with those requirements.

In our opinion, Eldora-New Providence Community School District complied, in all material respects, with the compliance 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

Management of Eldora-New Providence Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Eldora-New Providence Community School District's internal control over compliance with requirements that

could have a direct and material effect on a major federal program to determine the 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 Eldora-New Providence Community School District's internal control over compliance.

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

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 that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs as item 11-III-A and 11-III-B to be material weaknesses.

Eldora-New Providence Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Eldora-New Providence Community School District's response and, accordingly, we express no opinion on the responses.

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

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

February 6, 2012

ELDORA-NEW PROVIDENCE 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 governmental activities, business type activities, each major fund and the aggregate remaining fund information. A disclaimer was issued on the discretely presented component unit.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Child Nutrition Cluster
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.556 – Special Milk Program for Children
 - CFDA Number 84.410 – Education Jobs Fund
 - Title I Part A Cluster
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Eldora-New Providence Community School District did not qualify as a low-risk auditee.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

11-II-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, payroll processing, preparing checks and bank reconciliations, preparation and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

11-II-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Non-Compliance:

No matters were noted.

Internal Control Deficiencies:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
CFDA Number 10.556: Special Milk Program for Children
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.410: Education Jobs Fund
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
CFDA Number 84.389: ARRA – Title I Grants to Local Educational Agencies, Recovery Act
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education

11-III-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, payroll processing, preparing checks and bank reconciliations, preparation and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards (continued):

CFDA Number 84.010 and 84.010A: Title I Grants to Local Educational Agencies
CFDA Number 84.389: ARRA – Title I Grants to Local Educational Agencies, Recovery Act
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education

11-III-B Allowable costs: The District does not have a system in place to ensure that the amount of actual time that an aid spends on the Title I Program was the actual amount of time charged to the Title I program. During the year the District kept time records for a Title I aid, but the wrong percentage was set up in the payroll software at the beginning of the year. This resulted in \$5,990 more wages being charged to Title I than what the time records indicated.

Recommendation: The District needs to develop a system to monitor the wages charged to Title I.

District Response: We will develop a system to monitor the allocation of wages to Title I in the payroll software.

Conclusion: Response accepted.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

11-IV-A Certified Budget: Expenditures for the year ended June 30, 2011, exceeded the amounts budgeted in the support services functional area.

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

District Response: We did amend our budget, but a year-end accounting correction for a computer lease purchase agreement increased the expenditures in the support services area.

Conclusion: Response accepted.

11-IV-B Questionable Expenditures: 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.

11-IV-C Travel Expenses: 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.

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

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

11-IV-F Board Minutes: We noted no transactions requiring board approval that had not been approved by the Board. We did note that closed meeting procedures are not being properly documented in the board minutes.

Recommendation: The District should document the specific code section being used for the closed meeting.

District Response: We will list the code section in the minutes.

Conclusion: Response accepted.

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

11-IV-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

11-IV-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

11-IV-J Certified Annual Report (CAR): The Certified Annual Report was certified timely to the Iowa Department of Education.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

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

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

11-IV-L 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 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	\$	\$	293,455
Revenues/transfers in:			
Statewide sales, services and use tax revenue	487,718		
Other local revenues	16,611		
Proceeds from capital lease	<u>236,333</u>		740,662
Expenditures/transfers out:			
Equipment	297,663		
Transfer to daycare fund – prior year building rent reimbursement	46,999		
Transfers to debt service fund	<u>265,830</u>		<u>610,492</u>
Ending balance			<u><u>423,625</u></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.

11-IV-M Financial Condition: The Daycare Fund has a deficit unrestricted net assets balance of \$61,777 and the School Nutrition Fund has a deficit unrestricted net assets of \$15,872 at June 30, 2011.

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

District Response: The Daycare Center is a joint effort with the City of Eldora and the City is obligated to offset 50% of any daycare deficits. We are working with the City to restructure daycare operations so it can operate at a break even level. We are also working on alternatives to eliminate the School Nutrition Fund deficit.

Conclusion: Response accepted.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

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

11-IV-N Interfund Loans: The Iowa Department of Education has issued a Declaratory Order covering interfund loans. The Order states that all loans between funds must be approved by the board of directors, interest must be paid on the interfund loan and the loan must be repaid before the October 1 after each year-end.

In September 2010 the board approved a \$60,000 loan at .5% from the General Fund to the Daycare Fund. At June 30, 2011 the actual Interfund loan balance, \$61,665 exceeded the amount approved by the board. Also, the loan balance was not repaid by October 1, 2011 as required by the declaratory order.

Recommendation: The District should follow the Declaratory Order with respect to the interfund loan to the Daycare Fund.

District Response: We are investigating ways to restructure day care operations so that it will have cash for operations.

Conclusion: Response accepted.