

**CARROLL COMMUNITY SCHOOL DISTRICT**

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

**JUNE 30, 2006**

*Feldmann & Company C.P.As. P.C.*

**523 N Main St  
Carroll, Iowa 51401-0036**

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Carroll Community School District

Officials

Name	Title	Term Expires
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Board of Education

(Before September 2005 Election)

Nicole Carroll	President	2006
Laurie Kasperbauer	Vice-President	2007
Jerry Bender	Member	2005
Kim Tiefenthaler	Member	2005
Penny Harmening	Member	2006

Board of Education

(After September 2005 Election)

Nicole Carroll	President	2006
Laurie Kasperbauer	Vice-President	2007
LaVern Dirkx	Member	2008
Kim Tiefenthaler	Member	2008
Penny Harmening	Member	2006

School Officials

Robert Cordes	Superintendent	2006
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Gary Bengston	Business Manager/ District Secretary- Treasurer	2006
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*Feldmann & Company CPAs, P.C.*

523 N Main St  
Carroll, Iowa 51401-0036  
(712) 792-2464

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Carroll Community School District, Carroll, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Carroll Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2006 on our consideration of Carroll 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 and budgetary comparison information on pages 6 through 16 and 44 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carroll 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 three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Feldmann & Company CPAs, P.C.*

Feldmann & Company CPAs,

P.C.

November 8, 2006

## Management's Discussion and Analysis

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Carroll 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, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

The District implemented new reporting standards in fiscal year 2002-2003 that resulted in significant changes in content and structure. As a result, much of the information is not easily comparable to years prior to 2002-2003. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### Financial Highlights

- General Fund revenues increased from \$13,154,794 in fiscal 2005 to \$13,678,405 in fiscal 2006, while General Fund expenditures increased from \$13,033,206 in fiscal 2005 to \$13,384,596 in fiscal 2006. The district also sold materials and equipment in the amount of \$1,288. As a result, the District's General Fund balance increased from \$1,055,451 in fiscal 2005 to \$1,350,547 in fiscal 2006, an increase of \$295,096 from the prior year.
- The increase in General Fund revenues was attributable to an increase in both local and state funds in fiscal year 2006. Local revenues increased by \$472,477 or 8.90% while state revenues increased by \$202,895 or 2.84%. Federal revenues decreased by 21.73% or \$151,696 due to the expiration of several categorical grants. The increase in expenditures was due primarily to an increase in the negotiated salaries and benefits and restricted grant expenditures.
- The ending balance in Non-major funds increased \$14,675 or 4.19% while the ending balance in the Debt Service Fund increased by \$4,882 or 47.51%. The Non-Major funds are comprised of the Management Fund, in which the ending balance increased by \$59,446 or 43.06%, the Student Activity Fund, which decreased by \$236 or .15%, and the Physical Plant and Equipment Levy in which the ending balance decreased by \$44,536 or 76.57%.



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. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2 Major Features of the District-Wide and Fund Financial Statements</b>				
	District-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: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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## District-wide Statements

The District-wide 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 District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

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

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

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

## Fund Financial Statements

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

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

The District has three kinds of funds:

- *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. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
  - The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- *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 District-wide statements.

- The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

### Financial Analysis of the District as a Whole

**Net assets** - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2006 compared to fiscal year 2005.

<b>Figure A-3</b>							
<b>Condensed Statement of Net Assets</b>							
<b>(expressed in thousands)</b>							
	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u> <u>School District</u>		<u>Total</u> <u>Change</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2005-2006</u>
Current & other assets	\$12,154	11,438	\$ 175	204	\$12,330	11,642	5.91%
Capital assets	<u>15,941</u>	<u>16,328</u>	<u>78</u>	<u>82</u>	<u>16,019</u>	<u>16,410</u>	<u>-2.38%</u>
Total assets	<u>28,095</u>	<u>27,766</u>	<u>253</u>	<u>286</u>	<u>28,349</u>	<u>28,052</u>	<u>1.06%</u>
Long-term obligations	5,286	6,220	-	-	5,286	6,220	-15.02%
Other liabilities	<u>9,998</u>	<u>9,982</u>	<u>10</u>	<u>49</u>	<u>10,008</u>	<u>10,031</u>	<u>-2.3%</u>
Total liabilities	<u>15,284</u>	<u>16,202</u>	<u>10</u>	<u>49</u>	<u>15,294</u>	<u>16,251</u>	<u>-5.89%</u>
Net assets:							
Invested in capital assets, net of related debt	10,686	10,139	78	82	10,764	10,221	5.31%
Capital Contributions	-	-	24	24	24	24	0.00%
Restricted	1,093	360	-	-	1,093	360	203.61%
Unrestricted	<u>1,031</u>	<u>1,096</u>	<u>142</u>	<u>131</u>	<u>1,173</u>	<u>1,227</u>	<u>-4.40%</u>
Total net assets	<u>\$12,810</u>	<u>11,595</u>	<u>\$244</u>	<u>237</u>	<u>\$13,055</u>	<u>11,832</u>	<u>10.34%</u>

**Changes in net assets** – Figure A-4 shows the changes in net assets for the year ended June 30, 2006.

<b>Figure A-4</b>			
<b>Condensed Statement of Net Assets</b>			
<b>(expressed in thousands)</b>			
	Governmental Activities	Business-type Activities	Total School District
<b>Revenues:</b>			
Program revenues:			
Charges for service and sales	\$ 639	391	1,030
Operating grants, contributions & restricted interest	1,923	322	2,245
Capital grants, contributions & restricted interest	-	-	-
General revenues:			
Property tax	6,827	-	6,827
Local option sales tax	411	-	411
Unrestricted state grants	5,975	-	5,975
Unrestricted investment earnings	153	5	158
Other	308	-	308
Total revenues	<u>16,236</u>	<u>718</u>	<u>16,954</u>
<b>Program expenses:</b>			
Governmental activities:			
Instruction	9,252	-	9,252
Support services	4,007	-	4,007
Non-instructional programs	-	710	710
Other expenses	1,770	-	1,770
Total expenses	<u>15,029</u>	<u>710</u>	<u>15,739</u>
Change in net assets	<u>\$ 1,207</u>	<u>8</u>	<u>1,215</u>

Property tax and unrestricted state grants account for approximately eighty percent of the total revenue. Instruction and support services account for eighty-eight percent of the district's total expenses.

### **Governmental Activities**

Revenues for governmental activities for fiscal year 2006 were \$16,237,121 while expenses were \$15,546,620. The district has continued its efforts to hold down expenses. While revenues for governmental activities increased by approximately 5.9% from fiscal year 2005 to 2006, expenses grew by only 1.7 % over the same period.

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.

<b>Figure A-5</b>		
<b>Total and Net Cost of Governmental Activities</b>		
<b>(expressed in thousands)</b>		
	Total Cost of Services	Net Cost of Services
Instruction	\$ 9,252	7,637
Support services	4,007	3,645
Non-instructional programs	-	-
Other expenses	1,770	1,184
<b>Total</b>	<b>\$ 15,029</b>	<b>12,466</b>

- The cost financed by users of the District's programs was \$639,324.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,923,460.
- The net cost of governmental activities was financed with \$6,826,587 in property tax, \$411,439 in sales tax receipts, \$5,975,326 in state foundation aid \$152,892, in interest income, and \$307,543 in other general revenues.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$717,265 and expenses were \$709,875. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## **Financial Analysis of the District's Funds**

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,106,191, which was an increase of \$690,501 over last year's, ending fund balances of \$1,415,690.

### **Governmental Fund Highlights**

- The General Fund balance increased by \$295,096, from \$1,055,451 in fiscal year 2005 to \$1,350,547 in 2006. This increase is due in part to efforts by the district to limit expenses and the shifting of some capital expenses to the Local Option Sales Tax and Physical Plant and Equipment Levy (PPEL) funds.
- The Debt Service Fund balance increased from \$10,276 in fiscal year 2005 to \$15,158 in fiscal year 2006.
- The Local Option Sales Tax Fund, which was approved by referendum in August of 2005, ended the year with a balance of \$375,848.

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- In the Non-major Special Revenue Funds, the balance of the Management Fund increased by \$59,446 to \$197,510, the Student Activity Fund decreased by \$236 to \$153,502 and the Physical Plant and Equipment Levy (PEEL) decreased by \$44,536 to \$13,625 in fiscal year 2006.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$236,763 at June 30, 2005 to \$244,153 at June 30, 2006, representing an increase of approximately three percent. The size of the fund balance is still relatively large at approximately thirty-four percent of revenues.

## **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Over the course of the year, the District amended its annual operating budget one time to reflect a reclassification of some expenses from support services to noninstructional and the partial expenditure of the fund balance in the Physical Plant and Equipment Levy which had not been previously budgeted. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 44 and 45.

### **Legal Budgetary Highlights**

The District's total actual receipts were \$56,284 more than the total budgeted receipts, a variance of approximately .34 percent. It is the District's practice to budget revenues at a level slightly greater than expected and monitor revenues based on the line-item budget. As a result, the District's certified budget receipts should exceed actual receipts.

Total actual expenditures were \$1,053,320 less than budgeted. This is primarily due to the District's practice of budgeting General Fund expenditures at a level close to the maximum authorized spending authority. 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 the actual expenditures during the year.

## **Capital Asset and Debt Administration**

### **Capital Assets**

At June 30, 2006, the District had invested \$15.9 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 amount represents a net decrease of 4.2 percent from last year. More detailed information about capital assets is available in Note 4 to the financial statements.

The original cost of the District's capital assets was approximately 30 million. Governmental funds account for \$29.6 million with the remainder of \$0.4 million in the Proprietary, School Nutrition Fund.

Significant capital asset activities in fiscal year 2006 included a new roof on the 1913 building at Adams Elementary School, drainage improvements at the Carroll Middle School, and new steps and sidewalk east of Adams Elementary School. The cost of these projects totaled \$46,400 all of which were paid from the Physical Plant and Equipment Levy.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(expressed in thousands)**

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2006	2005	2006	2005	2006	2005	2005-2006
Land	\$ 544	544	\$ -	-	\$ 544	544	0.0%
Construction in Progress	-	-	-	-	-	-	0.0%
Buildings	13,769	14,189	-	-	13,769	14,189	-2.96%
Improvements not buildings	971	950	-	-	971	950	2.16%
Furniture and equipment	657	645	78	82	735	727	1.01%
<b>Totals</b>	<b>\$ 15,941</b>	<b>16,328</b>	<b>\$ 78</b>	<b>82</b>	<b>\$16,019</b>	<b>16,410</b>	<b>-2.38%</b>

### Long-Term Debt

At June 30, 2006, the District had \$5,222,000 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 15.5 percent from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(expressed in thousands)**

	Total		Total
	School District		Change
	2006	2005	2005-2006
General obligation bonds	\$ 5,200	5,875	-11.49%
Notes payable	0	275	-100.00%
Early retirement	22	31	-29.03
Compensated absences	-	-	-
<b>Totals</b>	<b>\$ 5,222</b>	<b>6,181</b>	<b>-15.52%</b>

### 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:

- Enrollment in the Carroll Community School District has declined approximately 3.53% or 67 students over the past five years. The statewide enrollment trend over the same five years was down 1.74%. It is anticipated that enrollment will exhibit a stable to slight downward trend over the next several years. Factors effecting enrollment include a declining number of resident non-public students taking shared-time classes offered by the Carroll Community School District. On the other hand, a growing number of Ar-We-Va Community School District students are taking classes on a shared basis at Carroll High School.
- Open Enrollment is a process allowed under Iowa Code that parents or guardians residing in an Iowa school district may enroll their children into another Iowa school district. In the fiscal year ending June 30, 2006, the Carroll Community School District had forty-two students enrolled out of the district and sixty-seven students enrolled into the district.

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- State allowable growth over the past five years has averaged three percent. The 2002-2003 school year marked the lowest year percentage increase of just one percent, 2003-2004 was two percent, and the remaining years were four percent. The allowable growth for 2006-2007 has been established at four percent as well. Financial stability at the state level will assist Iowa school districts in adequately planning for future needs.
  - In the fall of 2004, the Carroll Community School District established a Finance Committee to evaluate the current and future financial needs of the district. This committee, comprised of a cross-section of community members, recommended a two-part plan to the Board of Education in April of 2005. The plan involved the implementation of a one-cent sales tax and approval of an instructional support levy.
  - On August 16, 2005, the District held a special election on a one percent School Infrastructure Local Option sales tax. The referendum passed with a sixty-two percent approval rating even though only fifty percent was needed. This additional tax will generate approximately one million dollars annually for the District, although funds may only be used for infrastructure, major equipment purchases, and property tax relief in the debt service fund. The District has committed \$400,000 annually for property tax relief and did not renew the \$.67 cent Physical Plant and Equipment Levy that expired in the spring of 2006.
  - The district held an election on February 14, 2006 to decide the question whether the district should implement an instructional support levy. The levy failed having received only twenty-three percent of the total vote. The levy would have been set at ten percent of the regular program cost and would have been a combination of state aid, property tax, and income surtax. The levy would have generated approximately \$800,000 annually and would have been used for staff development, class size reduction, textbooks, and other general fund budget expenditures. There are no immediate plans to run the issue again.
  - The Carroll Community School District has been very active in school improvement efforts particularly at the middle and high school levels. Credits required to graduate from Carroll High School have increased from forty-four to fifty-two with specific emphasis in core curriculum areas such as math, science, and language arts. The high school implemented the acclaimed High Schools That Work Program while the middle school implementing the Classroom Instruction That Works program. The district was assisted in these efforts with Comprehensive School Reform grants totaling \$410,000 from the Iowa Department of Education. With these grants ended, the district will experience additional demands on local resources to continue these staff development and school reform efforts.

### **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 Gary Bengtson, Director of Business Affairs, Carroll Community School District, 1026 North Adams Street, Carroll, Iowa, 51401.

Carroll Community School District

## Financial Statements

## Exhibit A

**Carroll Community School District**  
**Statement of Net Assets**  
**June 30, 2006**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP (note 5)	\$ 2,419,304	\$ -	\$ 2,419,304
Other investments	3,177,575	159,599	3,337,174
Receivables			
Property taxes	7,799	-	7,799
Succeeding year	6,629,255	-	6,629,255
Due from other governments	280,729	-	280,729
Other receivables	654	-	654
Inventories	-	15,310	15,310
Other current assets	27,628	392	28,020
Capital assets, net of accumulated depreciation (note 6)	15,940,871	78,384	16,019,255
<b>Total assets</b>	<b>\$ 28,483,816</b>	<b>\$ 253,686</b>	<b>\$ 28,737,501</b>
<b>Liabilities</b>			
Accounts payable	\$ 125,142	\$ -	\$ 125,142
Salaries and benefits payable	1,196,808	-	1,196,808
ISCAP Warrants	2,418,000	-	2,418,000
Excess warrants over bank balance	-	-	-
Due other overnments	-	-	-
Other current liabilities	17,890	9,533	27,423
Deferred revenue			
Succeeding year property taxes	6,629,255	-	6,629,255
Long-term liabilities:			
Portion due within one year:			
Retirement benefits	31,386	-	31,386
Accrued interest payable	54,958	-	54,958
Portion due after one year:			
Bonds payable	5,200,000	-	5,200,000
<b>Total Liabilities</b>	<b>15,673,440</b>	<b>9,533</b>	<b>15,682,973</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	10,685,913	78,384	10,764,297
Capital Contributions	-	23,500	23,500
Reserved for:			
Management levy	175,377	-	175,377
Physical plant and equipment levy	13,625	-	13,625
Other special revenue	153,501	-	153,501
Debt Service	15,158	-	15,158
Capital projects	375,847	-	375,847
Grant/aid carryover	359,935	-	359,935
Unrestricted	1,031,020	142,269	1,173,288
<b>Total net assets</b>	<b>\$ 12,810,376</b>	<b>\$ 244,153</b>	<b>\$ 13,054,529</b>

**Carroll Community School District  
Statement of Activities  
Year Ended June 30, 2006**

	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/ Programs</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 6,519,588	\$ 319,663	\$ 659,583	\$ -
Special instruction	1,724,461	48,826	362,863	-
Other instruction	1,008,200	195,360	29,345	-
	<u>9,252,250</u>	<u>563,848</u>	<u>1,051,791</u>	<u>-</u>
Support services:				
Student services	377,605	53,887	19,283	-
Instructional staff services	371,027	-	-	-
Operation and maintenance of plant services	1,073,745	-	-	-
Administration services	1,409,424	-	-	-
Transportation Services	775,040	20,300	268,235	-
Other support services	-	-	-	-
	<u>4,006,841</u>	<u>74,187</u>	<u>287,517</u>	<u>-</u>
Non-instructional programs				
Other Expenditures:				
Facilities acquisition or sales	38,090	1,288	-	-
Long-term debt interest	291,216	-	-	-
AEA flow-through	584,151	-	584,151	-
Depreciation (unallocated)*	856,484	-	-	-
	<u>1,769,941</u>	<u>1,288</u>	<u>584,151</u>	<u>-</u>
Total governmental activities	<u>15,029,033</u>	<u>639,324</u>	<u>1,923,459</u>	<u>-</u>
Business-Type activities:				
Non-instructional programs:				
Nutrition services	709,875	390,541	321,772	-
	<u>709,875</u>	<u>390,541</u>	<u>321,772</u>	<u>-</u>
Total	<u>\$ 15,738,908</u>	<u>\$ 1,029,864</u>	<u>\$ 2,245,232</u>	<u>\$ -</u>
<b>General Revenues:</b>				
Property tax levied for:				
General purposes				
Debt Service				
Local option sales and service tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other general revenues				
Transfers IN ( Out)				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

**Exhibit B**

<b>Net (Expense) Revenue and changes in Net Assets</b>			
	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$	(5,540,343)	\$ -	\$ (5,540,343)
	(1,312,772)	-	(1,312,772)
	(783,496)	-	(783,496)
	<u>(7,636,611)</u>	<u>-</u>	<u>(7,636,611)</u>
	(304,435)	-	(304,435)
	(371,027)	-	(371,027)
	(1,073,745)	-	(1,073,745)
	(1,409,424)	-	(1,409,424)
	(486,505)	-	(486,505)
	-	-	-
	<u>(3,645,137)</u>	<u>-</u>	<u>(3,645,137)</u>
	-	-	-
	(36,802)	-	(36,802)
	(291,216)	-	(291,216)
	-	-	-
	<u>(856,484)</u>	<u>-</u>	<u>(856,484)</u>
	<u>(1,184,502)</u>	<u>-</u>	<u>(1,184,502)</u>
	<u>(12,466,250)</u>	<u>-</u>	<u>(12,466,250)</u>
	-	2,438	2,438
	-	<u>2,438</u>	<u>2,438</u>
	<u>(12,466,250)</u>	<u>2,438</u>	<u>(12,463,812)</u>
	5,904,862	-	5,904,862
	921,725	-	921,725
	411,439	-	411,439
	5,975,326	-	5,975,326
	152,892	4,952	157,844
	307,543	-	307,543
	-	-	-
	<u>13,673,787</u>	<u>4,952</u>	<u>13,678,739</u>
	1,207,537	7,390	1,214,927
	11,595,154	236,763	11,831,917
\$	<u>12,802,691</u>	<u>\$ 244,153</u>	<u>\$ 13,046,844</u>

Exhibit C

**Carroll Community School District  
Balance Sheet  
Governmental Funds  
June 30, 2006**

	General	Debt Service	Capital Projects- LOST	Nonmajor Special Revenue	Total
<b>Assets</b>					
Cash and pooled investments	\$ 2,404,598	\$ 15,158	\$ 379,997	\$ 377,821	\$ 3,177,575
Receivables:					
Property tax:					
Current year delinquent	6,479	-	-	1,320	7,799
Succeeding year	6,240,546	-	-	-	6,240,546
Accounts	654	-	-	-	654
Due from other governments	280,729	-	-	-	280,729
Other current assets	7,116	617	-	-	7,733
Restricted ISCAP assets:					-
Investments	2,419,304	-	-	-	2,419,304
Accrued interest receivable	19,895	-	-	-	19,895
<b>Total assets</b>	<b>\$ 11,379,322</b>	<b>\$ 15,776</b>	<b>\$ 379,997</b>	<b>\$ 379,141</b>	<b>\$ 12,154,236</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 117,624	\$ -	\$ 4,150	\$ 3,368	\$ 125,142
Salaries and benefits payable	1,195,719	-	-	1,089	1,196,808
Due other governments	-	-	-	-	-
ISCAP warrants payable	2,418,000	-	-	-	2,418,000
ISCAP accrued interest payable	18,629	-	-	-	18,629
Other payables	-	-	-	794	794
Early Retirement	-	-	-	31,386	31,386
Deferred revenue					
Succeeding year property tax	6,240,546	-	-	-	6,240,546
Other	21,161	617	-	-	21,778
ISCAP unamortized premium	17,096	-	-	-	17,096
<b>Total liabilities</b>	<b>10,028,775</b>	<b>617</b>	<b>4,150</b>	<b>36,638</b>	<b>10,070,180</b>
Fund Balance:					
Reserved for:					
Other grants/aid carryover	359,935	-	-	-	359,935
Inventories/prepaid expense	-	-	-	-	-
Debt service	-	15,158	-	-	15,158
Student activities	-	-	-	153,501	153,501
Unreserved:					
Undesignated	990,612	-	375,847	189,002	1,555,461
<b>Total fund balances</b>	<b>1,350,547</b>	<b>15,158</b>	<b>375,847</b>	<b>342,503</b>	<b>2,084,056</b>
<b>balances</b>	<b>\$ 11,379,322</b>	<b>\$ 15,776</b>	<b>\$ 379,997</b>	<b>\$ 379,141</b>	<b>\$ 12,154,236</b>

**Carroll Community School District**  
**Reconciliation of the Balance Sheet - Governmental Funds**  
**to the Statement of Net Assets**  
**June 30, 2006**

<b>Total fund balances of governmental funds</b>	\$ 2,084,056
 <b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	15,940,871
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	21,778
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.	(36,329)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,200,000)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 12,810,376</u></u>

Exhibit E

**Carroll Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year ended June 30, 2006**

	General	Debt Service	Capital Project LOST	Nonmajor Funds	Total
<b>Revenues:</b>					
Local sources	\$ 5,779,619	\$ 928,721	\$ 412,849	\$ 1,214,701	\$ 8,335,891
Intermediate sources	-	-	-	-	-
State sources	7,352,383	721	-	435	7,353,539
Federal sources	546,403	-	-	-	546,403
<b>Total revenues</b>	<b>13,678,405</b>	<b>929,442</b>	<b>412,849</b>	<b>1,215,137</b>	<b>16,235,833</b>
<b>Expenditures:</b>					
Instruction	8,803,811	-	-	767,897	9,571,708
Support services	3,996,634	1,535	25	153	3,998,347
Other expenditures	584,151	1,204,888	36,977	150,549	1,976,565
<b>Total expenditures</b>	<b>13,384,596</b>	<b>1,206,423</b>	<b>37,002</b>	<b>918,599</b>	<b>15,546,620</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>293,808</b>	<b>(276,981)</b>	<b>375,848</b>	<b>296,537</b>	<b>689,213</b>
<b>Other financing sources (uses):</b>					
Sales of equipment or materials	1,288	-	-	-	1,288
Other transfers and (uses)	-	281,863	-	(281,863)	-
	<b>1,288</b>	<b>281,863</b>	<b>-</b>	<b>(281,863)</b>	<b>1,288</b>
<b>Excess (deficiency) of revenues over (under) expenditures and other financing:</b>	<b>295,096</b>	<b>4,882</b>	<b>375,848</b>	<b>14,675</b>	<b>690,501</b>
<b>Fund balances beginning of year</b>	<b>1,055,451</b>	<b>10,276</b>	<b>-</b>	<b>349,963</b>	<b>1,415,690</b>
<b>Fund balances end of year</b>	<b>\$ 1,350,547</b>	<b>\$ 15,158</b>	<b>\$ 375,848</b>	<b>\$ 364,638</b>	<b>2,106,191</b>

**Carroll 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, 2006**

**Net Change in fund balances - total governmental funds** \$ 690,501

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

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

Capital Outlays	\$	469,655	
Depreciation Expense		(856,484)	(386,829)

Certain delinquent property tax not collected for several months after year end is not considered available revenue in the governmental funds and is deferred. It is recorded as revenue in the Statement of Activities.

(552)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

950,000

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

(36,329)

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

Early retirement	\$	-	(9,254)
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**Change in net assets of governmental activities**

**\$ 1,207,537**

**Exhibit G**

**Carroll Community School District  
Statement of Revenues, Expenses and  
Changes in Net Assets  
Proprietary Funds  
Year Ended June 30, 2006**

	School Nutrition	Total
<b>Operating revenue:</b>		
Local sources		
Charges for service	\$ 388,365	\$ 388,365
Total operating revenues	388,365	388,365
<b>Operating expenses:</b>		
Non-instructional programs:		
Food service operations:		
Salaries and benefits	232,247	232,247
Benefits	93,629	93,629
Purchased services	14,895	14,895
Supplies	353,636	353,636
Depreciation	14,873	14,873
Cafeteria plan claims	596	596
Total operating expenses	709,875	709,875
<b>Operating loss</b>	(321,510)	(321,510)
<b>Non-operating revenue:</b>		
Local sources	7,128	7,128
State sources	9,529	9,529
Federal sources	312,243	312,243
Total non-operating revenues	328,900	328,900
<b>Change in net assets</b>	7,390	7,390
<b>Net assets beginning of year</b>	236,763	236,763
<b>Net assets end of year</b>	\$ 244,153	\$ 244,153

**Exhibit H**  
**Carroll Community School District**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	<b>School Nutrition</b>	<b>Total</b>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 387,108	\$ 387,108
Cash from rebates, refunds and miscellaneous revenue	1,970	1,970
Cash payments to employees for services	(361,410)	(361,410)
Cash payment to suppliers for goods and services	(338,440)	(338,440)
Net Cash used in operating activities	<u>(310,773)</u>	<u>(310,773)</u>
Cash flows from non-capital financing activities:		
State grants received	9,529	9,529
Federal grants received	285,976	285,976
Net Cash provided by non-capital financing activities	<u>295,505</u>	<u>295,505</u>
Cash flows from capital and related financing activities:		
Sale of capital assets	-	-
Acquisition of capital assets	(11,056)	(11,056)
Net cash used in capital and related financing activities	<u>(11,056)</u>	<u>(11,056)</u>
Cash flows from investing activities:		
Interest on investments	4,952	4,952
	<u>4,952</u>	<u>4,952</u>
Net increase in cash and cash equivalents	(21,371)	(21,371)
Cash and cash equivalents at beginning of year	180,970	180,970
Cash and cash equivalents at end of year	<u>\$ 159,599</u>	<u>\$ 159,599</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating income (loss)	\$ (321,510)	\$ (321,510)
Adjustments to reconcile operating loss to net cash provided by (used in ) operating activities:		
Commodities used	33,706	33,706
Depreciation expense	14,873	14,873
Decrease in food inventories purchased	1,229	1,229
Decrease in accounts receivable	5,963	5,963
Decrease in accounts payable	(35,604)	(35,604)
Decrease in deferred revenue	(4,166)	(4,166)
Increase in supplies	(5,264)	(5,264)
Net cash provided by (used in) operating activities	<u>\$ (310,773)</u>	<u>\$ (310,773)</u>
Non-cash investing, capital and financing activities:	-	

During the year ended June 30, 2006 the District received \$29,885 of Federal commodities and consumed Federal commodities of \$33,706 during the year.

## **Notes to Financial Statements**

**Carroll Community School District**  
**Notes to Financial Statements**  
**June 30, 2006**

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

Carroll Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Carroll, Iowa, nine small towns and a large portion of the predominately agricultural territory in Carroll County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, Carroll Community School District has included all funds, organizations, account groups, 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 Carroll Community School District has no component units meeting the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

District-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary 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 non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District's proprietary funds are the Enterprise, School Nutrition. The Enterprise fund is used to account for the food service 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 judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The proprietary 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

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 School Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from 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 Board of Education is required to certify its budget to the County Auditor by 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 and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

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 contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received. At June 30, 2006, government commodities valued at \$7,015.51 were on hand.

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

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

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

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

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

Long-term obligations – 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 Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgets, Budgetary Accounting

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

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006, were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investment in the Iowa Schools Joint Investment Trust which is valued at an amortized cost of \$2,334,002 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement Number 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year-end. The District's investment in the Iowa School Joint Investment Trust is not subject to risk categorization.

The District also had investments of \$130,559 with Iowa Savings Bank and \$35,000 in HH Bonds that have a fair market value of \$29,535. Governmental Accounting Standards Board Statement Number 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year-end. These investments are not subject to this risk categorization.

**(3) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards, administered by Wells Fargo Bank, and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each participating entity is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and provided monthly statements regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. A summary of the District's participation in ISCAP as of June 30, 2006 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
---------------	---------------------	-------------------------------	--------------------	------------------------------------	-------------------------	---------------------------------

2005-06A	6/28/05	6/28/06	\$ 00	\$ 00	\$ 00	\$ 00
2005-06B	1/26/06	1/27/07	959,336	19,441	956,000	18,269
2006-07A	6/28/2006	6/28/2007	<u>1,459,968</u>	<u>454</u>	<u>1,462,000</u>	<u>360</u>
			<u>\$2,419,304</u>	<u>\$ 19,895</u>	<u>\$2,418,000</u>	<u>\$ 18,629</u>

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. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The school had no advance activity in the General Fund for the year ended June 30, 2006.

The School had no ISCAP advance activity in the General Fund for the year ended June 30, 2006.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2005-06A	4.00%	3.9030%
2005-06B	4.50%	4.7720%
2006-07A	4.50%	5.6760%

#### (4) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 544,070	\$ -	\$ -	\$ 544,070
Total capital assets not being depreciated	544,070	-	-	544,070
Capital assets being depreciated:				
Land Improvements	1,447,168	58,905	-	1,506,073
Buildings and improvements	19,966,671	90,530	-	20,057,201
Machinery and equipment	7,556,173	320,219	86,245	7,790,147
Total capital assets being depreciated	28,970,012	469,655	86,245	29,353,422
Less accumulated depreciation for:				
Land Improvements	497,104	38,343	-	535,447
Buildings and improvements	5,777,716	510,209	-	6,287,926
Machinery and equipment	6,911,562	307,932	86,245	7,133,249
Total accumulated depreciation	13,186,382	856,484	86,245	13,956,621
Total capital assets being depreciated, net	15,783,630	(386,829)	-	15,396,801
Governmental activities capital assets, net	\$ 16,327,700	\$ (386,829)	\$ -	\$ 15,940,871
<b>Business-type activities:</b>				
Furniture and equipment	\$ 422,819	\$ 11,055	\$ -	\$ 433,874
Less Accumulated depreciation	340,617	14,873	-	355,490
Business-type activities capital assets, net	\$ 82,202	\$ (3,818)	\$ -	\$ 78,384

## (5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006, are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year
General Obligation Bonds	\$5,875,000	\$ 0	\$(675,000)	\$5,200,000
Capital Loan Notes	275,000	0	(275,000)	0

Early Retirement	<u>31,386</u>	<u>0</u>	<u>(9,254)</u>	<u>22,132</u>
<b>Total</b>	<b><u>\$6,181,386</u></b>	<b><u>\$ 0</u></b>	<b><u>\$( 959,254)</u></b>	<b><u>\$5,222,132</u></b>

### General Obligation Bonds

On May 1, 2001, the District issued \$8.325 million in general obligation refunding bonds with interest rates ranging from 3.50% to 4.90%. The District issued the bonds to currently refund \$1.39 million of the outstanding series 1994 refunding bonds with interest rates ranging from 4.60% to 5.40%, to advance refund \$1.79 million of the outstanding series 1996 general obligation bonds with interest rates ranging from 4.90% to 5.50%, and to advance refund \$4.84 million of the outstanding series 1997 general obligation bonds with interest rates ranging from 4.60% to 6.00%. The District placed \$1.39 million of the net proceeds in an irrevocable trust to refund the series 1994 refunding bonds. The remainder of the net proceeds was used to purchase U.S. government securities. These securities were also deposited in an irrevocable trust to provide for all future debt service on the refunded series 1996 and 1997 bonds. As a result, the 1994, 1996, and 1997 series bonds are considered defeased, and the District has removed the liabilities from its accounts. The refunding reduced total debt service payments over the following 15 years by \$475,516. This resulted in an economic gain (difference between the present values of the debt service payment on the old and new debt) of \$257,381.

Details of the District's June 30, 2006, general obligation bonded indebtedness are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	705,000	221,975	926,975
2008	460,000	196,115	656,115
2009	480,000	176,932	656,932
2010	500,000	156,440	656,440
2011	525,000	134,597	659,597
2012	545,000	111,143	656,143
2013	570,000	86,460	656,460
2014	595,000	60,035	655,035
2015	620,000	31,865	651,865
2016	<u>200,000</u>	<u>7,300</u>	<u>207,300</u>
<b><u>Totals</u></b>	<b><u>\$ 5,200,000</u></b>	<b><u>\$ 1,182,862</u></b>	<b><u>\$ 6,382,862</u></b>

### Capital Loan Notes

On February 20, 1996, a special proposition authorizing the levy of a tax not exceeding 67 cents per thousand dollars of assessed value was adopted and approved by the electors for a 10 year period commencing with the tax levy to be collected in the fiscal year ending June 30, 1997. In order to make immediately available to the School District the proceeds of the voted tax, the Board of Directors entered into loans in anticipation of and to be repaid from the proceeds of the special tax levy as allowed by Iowa Code Section 297.26. The total principal amount of the capital loan notes amounted to \$2,265,000 which is being retired from the voted tax levy proceeds with principal repayments annually each May 1 and a final payment scheduled May 1, 2006. Interest is payable semi-annually on the first day of May and November.

Notes may be called for redemption by the District and paid before maturity on May 1, 2002, or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in inverse order of maturity and within maturity by lot selected by the Registrant.

These notes were paid October 10, 2002, with the proceeds from a Refunding Capital Loan Notes issue of October 1, 2002.

On September 10, 2002, the District issued \$1,070,000 in General Obligation Notes with an average interest rate of 2.279 percent to advance refund \$1,030,000 of outstanding 1996 Series bonds with an average interest rate of 4.79 percent. The net proceeds of \$1,054,168 (after payment of \$15,832 in issuance costs) were used to make debt service payments on the 1996 Series bonds callable in the year 2002. As a result the 1996 Series bonds are paid. On May 1, 2006, the final payment was made on these notes.

### Early Retirement

The District offers a voluntary early retirement plan to all District employees. Eligible employees must be under age 65 and at least age fifty-five or will reach age sixty-five before July 1<sup>st</sup> the year of retirement request and must have completed a total of fifteen years of continuous full-time service to the District or, if not continuous, a total of twenty years full-time service to the District. The applicant must submit a written resignation to resign from the existing contract and the resignation may be contingent upon approval by the Board of Education for participation in the voluntary early retirement program and number of employees who may receive the benefits. The application for the program must be submitted to the Superintendent on or before January 15 of the last current school year of employment. The early retirement incentive for each eligible certified employee is equal to a cash payment of 50% of the employee's base salary calculated by using the current year regular salary

schedule, and subject to a maximum of \$17,500 per individual, to be paid on July 1<sup>st</sup>, in the employee's name to the 403(b) employer sponsored defined contribution plan. At the option of the Board, the payment could be made over a period of time not to exceed five years.

Early retirement incentives paid during the year ended June 30, 2006, including health insurance premiums, totaled \$9,254. All the remaining cost of early retirement payments are expected to be liquidated currently and are recorded as a liability of the Special Revenue, Management Levy Fund.

**(6) Changes in Contributed Capital**

A summary of changes in contributed capital for the year ended June 30, 2006, is as follows:

	<u>Nutrition Fund</u>
Balance Beginning of Year	\$23,500
Additions: Contributions from Other Funds	<u>-0-</u>
Balance End of Year	<u>\$23,500</u>

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$479,446, \$471,144, and \$466,879, respectively, equal to the required contributions for each year.

**(8) Risk Management**

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$584,151 for the year ended June 30, 2006, and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

**(10) Related Party Transactions**

The District had business transactions totaling \$14,383 between the District and District officials during the year ended June 30, 2006.

**(11) Contingent Liability**

The Board of Education approved a bid in the amount of \$12,587 from Phillips Floors to sand and finish the gym floor at the High School. This was not performed until after the end of the fiscal year ending June 30, 2006. This payment will be paid in the succeeding year.

**Carroll Community School District**

**Required Supplementary Information**

**Carroll Community School District**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund  
Required Supplementary Information  
Year ended June 30, 2006**

	Governmental Fund Type	Proprietary Fund Type
<b>Receipts:</b>		
Local sources	\$ 7,998,852	\$ 394,302
Intermediate sources	-	-
State sources	7,305,595	9,529
Federal sources	489,206	315,861
<b>Total receipts</b>	15,793,652	719,692
<b>Disbursements:</b>		
Instruction	9,206,829	-
Support services	4,462,737	-
Non-instructional programs	-	744,608
Other expenditures	2,199,454	-
<b>Total disbursements</b>	15,869,020	744,608
<b>Excess (deficiency) of receipts over (under) disbursements</b>	(75,368)	(24,916)
<b>Other financing sources (uses)</b>	1,288	-
<b>Excess (deficiency) of receipts and other financing sources over (under) disbursements</b>	(74,079)	(24,916)
<b>Balance beginning of year</b>	4,732,923	163,978
<b>Balance end of year</b>	\$ 4,658,844	\$ 139,062

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
\$ 8,393,154	\$ 8,050,736	\$ 8,050,736	\$ 342,418
-	500	500	(500)
7,315,124	7,380,825	7,380,825	(65,701)
805,066	1,025,000	1,025,000	(219,934)
<u>16,513,345</u>	<u>16,457,061</u>	<u>16,457,061</u>	<u>56,284</u>
9,206,829	10,526,457	10,335,432	1,128,603
4,462,737	5,298,597	4,568,597	105,860
744,608	-	730,000	(14,608)
2,199,454	1,841,894	2,032,919	(166,535)
<u>16,613,628</u>	<u>17,666,948</u>	<u>17,666,948</u>	<u>1,053,320</u>
(100,283)	(1,209,887)	(1,209,887)	1,109,604
1,288	-	-	1,288
<u>(98,995)</u>	<u>(1,209,887)</u>	<u>(1,209,887)</u>	<u>1,110,892</u>
4,896,901	2,956,628	2,956,628	(1,940,273)
<u>\$ 4,797,906</u>	<u>\$ 1,746,741</u>	<u>\$ 1,746,741</u>	<u>\$ 3,051,165</u>

## **Required Supplementary Information**

**Carroll Community School District**  
**Notes to Required Supplementary Information Budgetary Reporting**  
**Year ended June 30, 2006**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutory prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year-end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional; areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment which reallocated expenditures but did not increase them.

During the year ended June 30, 2006, expenditures in non-instructional and other expenditures exceed the amounts budgeted.

**Carroll Community School District**  
**Budgetary Comparison Schedule - Budget to GAAP Reconciliation**  
**Required Supplementary Information**  
**Year ended June 30, 2006**

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	Revenues	\$ 15,793,652	\$ 442,180
Expenditures	15,869,020	(322,400)	15,546,620
Net	(75,368)	764,580	689,213
Other financing sources (uses)	1,288	-	1,288
Beginning fund balances	1,181,125	234,565	1,415,690
Ending fund balances	\$ 1,107,046	\$ 999,145	\$ 2,106,191

	Proprietary Fund Types		
	Enterprise and Internal Service		
Revenues	\$ 719,692	\$ (2,427)	\$ 717,265
Expenditures	744,608	(34,733)	709,875
Net	(24,916)	32,306	7,390
Other financing sources (uses)	-	-	-
Beginning fund balances	263,183	(26,420)	236,763
Ending fund balances	\$ 238,267	\$ 5,886	\$ 244,153

**Carroll Community School District**

Schedule 1

**Carroll Community School District  
Combining Balance Sheet  
Nonmajor Funds  
June 30, 2006**

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash	\$ 207,852	\$ 156,343	\$ 13,625	\$ 377,821
Receivables:				
Property tax:				
Current year	580	526	214	1,320
Succeeding year	-	-	-	-
<b>Total assets</b>	<b>\$ 208,432</b>	<b>\$ 156,869</b>	<b>\$ 13,839</b>	<b>\$ 379,141</b>
<b>Liabilities and fund equity</b>				
Liabilities:				
Accounts payable	\$ -	\$ 3,368	\$ -	\$ 3,368
Salaries and benefits payable	1,089	-	-	1,089
Early retirement payable	9,254	-	-	9,254
Other payables	580	-	214	794
Long-term benefits payable	22,132	-	-	22,132
Total liabilities	<b>33,056</b>	<b>3,368</b>	<b>214</b>	<b>36,638</b>
Fund equity:				
Fund balances:				
Reserved	-	153,501	-	153,501
Unreserved, undesignated	175,377	-	13,625	189,002
Total fund balance	<b>175,377</b>	<b>153,501</b>	<b>13,625</b>	<b>342,503</b>
<b>Total liabilities and fund equity</b>	<b>\$ 208,432</b>	<b>\$ 156,869</b>	<b>\$ 13,839</b>	<b>\$ 379,141</b>

**Carroll Community School District**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**Year ended June 30, 2006**

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>Revenues:</b>				
Local sources:				
Property tax	\$ 373,978	\$ -	\$ 528,898	\$ 902,877
Utility tax replacement excise tax	-	-	-	-
Income surtaxes	-	-	-	-
Mobile home tax	188	-	256	444
	<u>374,166</u>	<u>-</u>	<u>529,155</u>	<u>903,321</u>
Other local sources:				
Interest on investments	2,273	2,018	4,363	8,654
Student activities	-	186,948	-	186,948
Miscellaneous	12,791	91,786	11,202	115,779
	<u>15,063</u>	<u>280,752</u>	<u>15,565</u>	<u>311,381</u>
Total local sources	389,229	280,752	544,720	1,214,701
State sources:				
Revenue in lieu of taxes - military credit	299	-	137	435
	<u>299</u>	<u>-</u>	<u>137</u>	<u>435</u>
Federal sources:				
	-	-	-	-
<b>Total revenues</b>	<u>389,528</u>	<u>280,752</u>	<u>544,856</u>	<u>1,215,137</u>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Regular instruction:				
Salaries	1,012	-	-	1,012
Benefits	103,733	-	-	103,733
Services	223,242	25,166	156,752	405,160
Supplies	-	232,116	-	232,116
Property	-	8,142	75	8,217
Other	2,095	15,565	-	17,659
Total instruction	<u>330,082</u>	<u>280,988</u>	<u>156,827</u>	<u>767,897</u>

Schedule 2 (Continued)

**Carroll Community School District  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Special Revenue Funds  
Year ended June 30, 2006**

<b>Expenditures (continued):</b>	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>Support services:</b>				
Other services:				
Services	\$ -	\$ -	\$ 153	\$ 153
Other expenditures:				
Facilities acquisition and construction services:				
Building	-	-	135,068	135,068
Equipment	-	-	480	480
Other expense	-	-	15,001	15,001
Total other expenditures	-	-	150,549	150,549
<b>Total expenditures</b>	<b>330,082</b>	<b>280,988</b>	<b>307,530</b>	<b>918,599</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>59,446</b>	<b>(236)</b>	<b>237,327</b>	<b>296,537</b>
<b>Other financing sources (uses):</b>				
Interfund transfers	-	-	(281,863)	(281,863)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(281,863)</b>	<b>(281,863)</b>
<b>Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures</b>	<b>59,446</b>	<b>(236)</b>	<b>(44,536)</b>	<b>14,675</b>
<b>Fund balance beginning of year</b>	<b>138,064</b>	<b>153,738</b>	<b>58,161</b>	<b>349,963</b>
<b>Fund balance end of year</b>	<b>\$ 197,510</b>	<b>\$ 153,502</b>	<b>\$ 13,625</b>	<b>\$ 364,638</b>

## Schedule 3

**Carroll Community School District**  
**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**  
**Year ended June 30, 2006**

<b>Activity Account</b>	Balance Beginning of Year	Receipts	Expend- itures	Balance End of Year
ISJIT Investment Account	\$ 24,639	\$ 903	\$ -	\$ 25,543
Interest	9,424	1,115	-	10,538
Drama	6,551	4,430	3,126	7,855
Speech	3,049	1,882	2,596	2,336
Vocal	9,146	19,273	19,711	8,708
Music Scholarships		-	-	-
HS Bank	1,146	7,780	8,547	379
Football	7,313	20,800	23,479	4,634
Wrestling	259	16,792	4,673	12,378
Volleyball		6,331	6,331	-
Sports Camp	787	-	-	787
Basketball		19,516	16,672	2,844
Soccer		693	69	624
Baseball-Softball	1,078	21,285	20,781	1,582
Track		5,686	5,686	-
Golf		783	783	-
Swimming	4,822	3,351	6,625	1,548
Activity Tickets	20,581	26,867	33,209	14,240
Letter Winners	106	-	-	106
Weight Room	5,350	619	2,438	3,531
Tiger Banner Newspaper	431	-	-	431

Continued next page

**Schedule 3 (Continued)**

**Carroll Community School District  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
Year ended June 30, 2005**

<b>Activity Account</b>	Balance Beginning of Year	Receipts	Expend- itures	Balance End of Year
Cheerleaders	\$ 2,360	\$ 1,149	\$ 1,245	\$ 2,264
Class of 2006		1,593	1,593	-
Class of 2007	1,532	5,145	5,200	1,477
Class of 2008	78	-	73	5
Class of 2009	78	-	47	31
Concessions	2,263	23,293	24,512	1,043
Academic Competitions	3,710	2,175	1,598	4,287
FFA	13,933	42,117	45,296	10,755
FCCLA	1,644	239	206	1,676
National Honor Society	1,314	671	904	1,081
Tiger Trends	1,779	-	-	1,779
HS Student Council	1,613	5,942	3,705	3,851
Fine Arts Festival	910	-	-	910
Yearbook	5,319	18,549	18,984	4,884
Dance/Drill Team	4,950	3,534	3,144	5,340
Character Counts	385	-	385	-
MS Band	821	2,222	2,164	880
MS G+T Store	2,026	806	745	2,088
MS Student Council	-	8,088	7,934	154
MS Youth Market Place	814	22	11	826
MS Destination Imagination	1,447	6,197	5,591	2,054
Adams Student Council	12,077	905	2,930	10,052
<b>Total</b>	<b>\$ 153,738</b>	<b>\$ 280,752</b>	<b>\$ 280,989</b>	<b>\$ 153,501</b>

**Carroll Community School District  
Schedule of Revenues by Source and  
Expenditures by Function All Government Funds**

	Modified Accrual basis		
	Years ended June 30,		
	2006	2005	2004
<b>Revenues</b>			
Local sources:	\$ 8,335,891	\$ 7,488,451	\$ 7,546,200
Intermediate sources	-	65	228
State sources	7,353,539	7,150,935	6,476,515
Federal sources	546,403	698,099	661,011
<b>Total</b>	<b>\$ 16,235,833</b>	<b>\$ 15,337,550</b>	<b>\$ 14,683,954</b>
<b>Expenditures:</b>			
Instruction:			
Regular instruction	\$ 6,519,588	\$ 5,643,087	\$ 5,708,589
Special instruction	1,724,461	1,984,390	2,153,381
Other instruction	1,008,200	1,117,162	1,066,924
Support services:			
Student services	377,605	479,114	524,577
Instructional staff services	371,027	481,170	296,238
Operation and maintenance of plant servic	1,073,745	1,071,520	1,039,436
Administration services	1,409,424	1,280,991	1,206,753
Transportation Services	775,040	786,821	708,661
Other support services	-	435,669	1,003
Non-instructional programs			
Other Expenditures:			
Facilities acquisition or sales	38,090	61,717	260,167
Long-term debt:			
Principal	950,000	915,000	895,831
Interest and other charges	291,216	325,908	306,827
AEA flow-through	584,151	570,404	565,814
<b>Total</b>	<b>\$ 15,122,547</b>	<b>\$ 15,152,953</b>	<b>\$ 14,734,201</b>

**Schedule 5**

**Carroll Community School District  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2006**

Grantor/Program	CFDA Number	Grant Number	Cash Basis Program Disbursements
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY06	\$ 33,706
Special Milk Program for Children	10.556	FY06	870
School Breakfast Program	10.553	FY06	32,095
National School Lunch Program	10.555	FY06	213,724
Fruit and Vegetable Program	10.852	FY06	35,669
Total cash expenditures			<u>282,358</u>
Total cash and non-cash expenditures			<u>316,065</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Education Agencies	84.010	2006	225,975
Part B Funds, Special Education Grants	84.027	FY06	136,888
Vocational Education - Basic Grants to States (Carl Perkins Grant)	84.048A	FY06	25,208
Safe and Drug Free Schools and Communities - State Grants	84.186A	FY06	15,650
Enhancing Education through Technology	84.318	FY06	500
Medicaid	93.778	FY07	5,195

**Schedule 5 (Continued)**

**Carroll Community School District  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2005**

Grantor/Program	CFDA Number	Grant Number	Cash Basis Program Disbursements
Department of Education:			
Iowa Department of Education:			
Tilte V	84.299	FY06	\$ 6,853
Comprehensive School Reform Demonstration	84.332	FY06	28,667
Title II Part A Federal Teacher Quality	84.367	FY06	90,872
Title VI Part A State Assessment Quality	84.369	FY06	10,596
			546,404
			\$ 862,468
Total cash expenditures			\$ 828,762
Total non-cash expenditures			33,706
Total cash and non-cash expenditures			\$ 862,468

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

**Carroll Community School District**

*Feldmann & Company CPAs, P.C.*

523 N Main St  
Carroll, Iowa 51401-0036-0036  
(712) 792-2464

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

To the Board of Education of the  
Carroll 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 Carroll Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 8, 2006. 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 Carroll Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable

conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-D-06 is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carroll 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, 2006, 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.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Carroll 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.

 Feldmann & Company CPAs, P.C.

Feldmann & Company CPAs,

P.C.  
November 8, 2006

**Independent Auditor's Report on Compliance with  
Requirements Applicable to Each  
Major Program and Internal Control over Compliance  
In Accordance with OMB Circular A-133**

**Carroll Community School District**

*Feldmann & Company CPAs, P.C.*

523 N Main St  
Carroll, Iowa 51401-0036-0036  
(712) 792-2464

Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the Carroll Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget\_(OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Carroll Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Carroll Community School District's management. Our responsibility is to express an opinion on Carroll Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carroll 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 Carroll Community School District's compliance with those requirements.

In our opinion, Carroll Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

## Internal Control over Compliance

The management of the Carroll Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Carroll Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

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



Feldmann & Company CPA's,

P.C.

November 8, 2006

**Carroll Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006**

**Carroll Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006**

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

- (a) As unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance material to the financial statements.
- (d) The audit of the financial statements did not disclose any material weaknesses in internal control over the major program.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The District's major programs were as follows:
  - CFDA # 84.010 – Title I Grants to Local Educational Agencies
  - CFDA # 84.027– Special Education Grant
  - CFDA # 84.367 – Title II Part A Federal Teacher Quality
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Carroll Community School District did not qualify as a low-risk auditee.

**Carroll Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006**

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

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-06 Disbursement Timing– In our review of disbursement payment procedures, we noted charges for late payment on a vendor statement in the activities account.

Recommendation – All invoices should be paid in ample time to prevent late payment fees or late charges.

Response – We will review procedures and implement changes in procedures to prevent late charges in the future.

Conclusion – Response accepted.

II-B-06 Transaction classification – In the review of receivables and payables, we noted the classification and recording of intergovernmental and inter-fund receivables and payables were intermixed.

Recommendation – The recording of transactions between funds of the District should be recorded as inter-fund payable/receivables. Monies from other Districts or State agencies outside the District should be recorded as intergovernmental receivables/payables. These are not interchangeable accounts.

Response – The procedure recommended will be reviewed and changes implemented.

Conclusion - Response accepted.

II-C-06 Duplicate transactions – We noted that a receivable for a grant reimbursement request was duplicated. We also noted that an item on the Nutrition fund's depreciation schedule has been duplicated.

Recommendation – A permanent ledger should be kept of all journal entries. The journals used in recording transactions should be reviewed

**Carroll Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006**

with care and approved by a supervisor before entry. The journal entry itself should be initialed by person making entry.

Response – The procedure recommended will be reviewed and changes implemented.

Conclusion – Response accepted.

II-D-06 Transaction cutoffs. – In reviewing receipts we noted that revenue for an activity on June 30, 2004 was recorded as a July 1, 2005 transaction.

Recommendation – The timing of the recording of transactions assures that expenditures for goods or services and/or revenues available and measurable are recorded correctly in the proper period. This especially important at yearend. Review of transactions occurring within the weeks before and after yearend should be reviewed carefully so as to avoid improper recording in the wrong period.

Response – We will review procedures and implement changes in procedures to prevent late or improper recording in the wrong period.

Conclusion – Response accepted.

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**REPORTABLE CONDITIONS:**

No matters were noted.

**Carroll Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006**

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

- IV-A-06 Official Depositories – The District has approved official depositories. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2006.
- IV-B-06 Certified Budget - Disbursements for the year ended June 30, 2006, did not exceed the amount budgeted in any functional area. The budget was amended before the disbursements exceeded the original budget.
- IV-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-06 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Laurie Kasperbauer, Board Member, stockholder, Kasperbauer Cleaners, Inc	Laundry Services per bid	\$8,595
Kim Tiefenthaler, Board Member, stockholder, Paul and Wayne’s, Inc.	Tires and Tubes, per bid	\$5,917

The transactions with Board Members Kasperbauer and Tiefenthaler do not appear to represent a conflict of interest since the transactions were competitively bid in accordance with Chapter 279.7A of the Code of Iowa.

- IV-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

**Carroll Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006**

- IV-F-06 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
  
- IV-G-06 Certified Enrollment –We noted no variances in the enrollment certified to the Department of Education.
  
- IV-H-06 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
  
- IV-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.