

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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Cardinal of Eldon Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Greg Greiner	President	2008
Mike Kayser	Vice President	2009
Mary Campbell	Board Member	2009
Fred Thomas	Board Member	2010
Carol Streeby	Board Member	2010

Board of Education (After September 2008 Election)		
Greg Greiner	President	2011
Mike Kayser	Vice President	2009
Mary Campbell	Board Member	2009
Fred Thomas	Board Member	2011*
Carol Streeby	Board Member	2011*

School Officials		
Arnie Snook	Superintendent	2009
Tina Snyder	Board Secretary/Treasurer	2009
Ahlers & Cooney, P.C	Attorney	2009

* Board term extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Cardinal of Eldon 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 Cardinal of Eldon Community School District, Eldon, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Cardinal of Eldon Community School District at June 30, 2009, 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 January 21, 2010 on our consideration of Cardinal of Eldon 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 4 through 12 and 36 through 37 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 Cardinal of Eldon 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 five years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

January 21, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cardinal of Eldon 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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,973,492 in fiscal 2008 to \$6,204,963 in fiscal 2009, while General Fund expenditures increased from \$5,828,268 in fiscal 2008 to \$5,906,644 in fiscal 2009. Revenues exceeded expenditures resulting in an increase in the District's General Fund balance from a deficit balance of \$216,183 in fiscal 2008 to a balance of \$82,136 in fiscal 2009.
- The increase in General Fund revenues was attributable to an increase in local, state, and federal sources of revenue in fiscal 2009. The increase in expenditures was due primarily to an increase in regular instruction functional area.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Cardinal of Eldon Community School District as a whole and present an overall view of the District's finances.

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

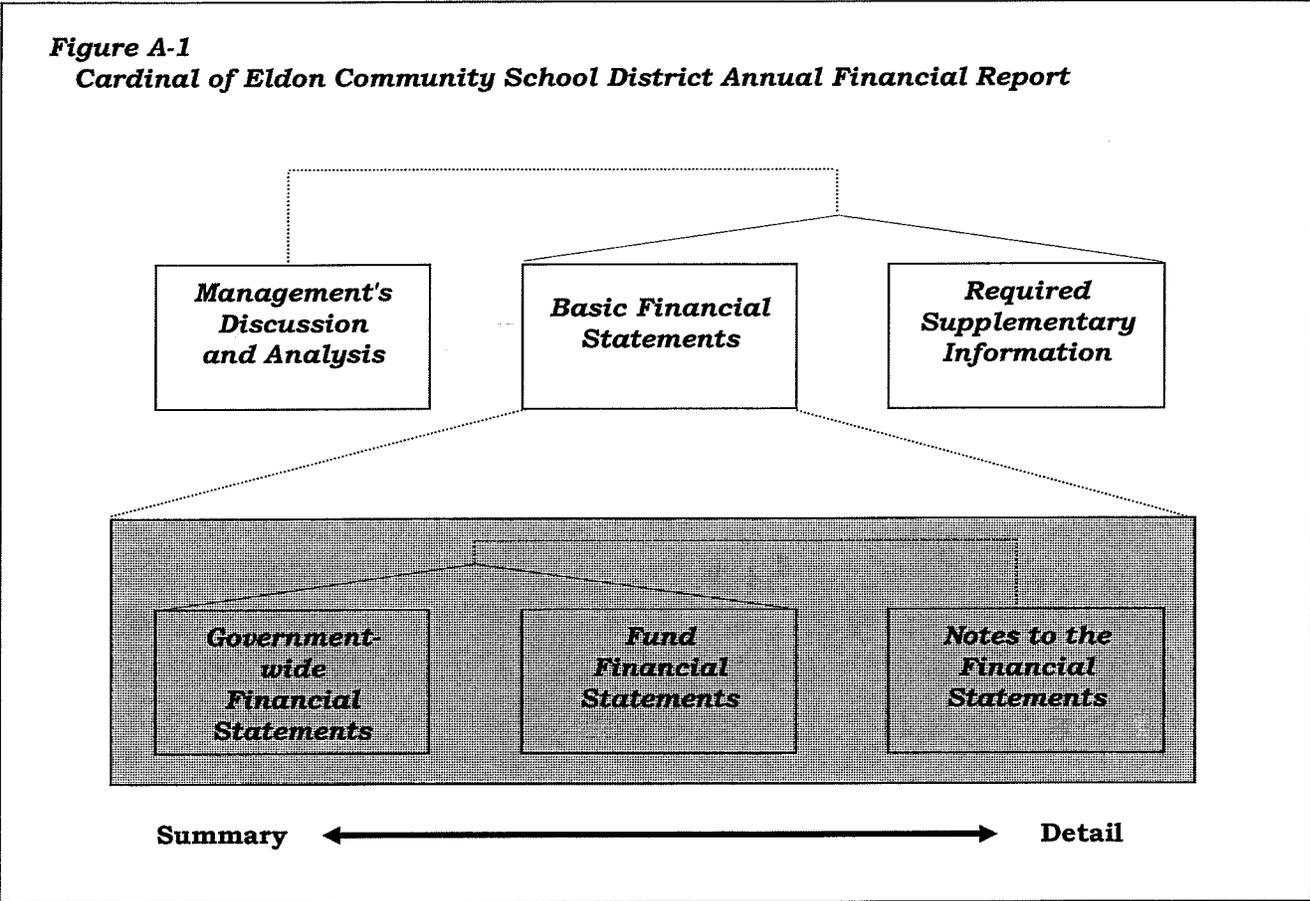


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

The District is responsible for ensuring 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 Government-wide financial statements because it cannot use these assets to finance its operations.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 5,288,233	4,848,387	\$ 31,120	3,899	\$ 5,319,353	4,852,286	9.63%
Capital assets	2,990,486	2,909,990	24,516	24,958	3,015,002	2,934,948	2.73%
Total assets	<u>8,278,719</u>	<u>7,758,377</u>	<u>55,636</u>	<u>28,857</u>	<u>8,334,355</u>	<u>7,787,234</u>	<u>7.03%</u>
Long-term obligations	790,530	387,953	0	0	790,530	387,953	103.77%
Other liabilities	4,561,968	4,513,057	16,175	20,636	4,578,143	4,533,693	0.98%
Total liabilities	<u>5,352,498</u>	<u>4,901,010</u>	<u>16,175</u>	<u>20,636</u>	<u>5,368,673</u>	<u>4,921,646</u>	<u>9.08%</u>
Net assets:							
Invested in capital assets, net of related debt	2,224,317	2,539,990	24,516	24,958	2,248,833	2,564,948	-12.32%
Restricted	530,988	495,389	0	0	530,988	495,389	7.19%
Unrestricted	170,916	(178,012)	14,945	(16,737)	185,861	(194,749)	195.44%
Total net assets	<u>\$ 2,926,221</u>	<u>2,857,367</u>	<u>\$ 39,461</u>	<u>8,221</u>	<u>\$ 2,965,682</u>	<u>2,865,588</u>	<u>3.49%</u>

The District's combined net assets increased by 3.49% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 7.19% over the prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased 195.44% compared to the prior year.

Figure A-4 shows the changes in net assets for the years ended June 30, 2009 and 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 562,848	611,257	\$ 106,763	91,793	669,611	703,050	-4.76%
Operating grants and contributions and restricted interest	954,347	871,645	173,657	172,999	1,128,004	1,044,644	7.98%
General revenues:							
Property tax	1,792,965	1,605,228	0	0	1,792,965	1,605,228	11.70%
Income surtax	175,114	158,459	0	0	175,114	158,459	10.51%
Statewide sales and service tax	495,471	373,479	0	0	495,471	373,479	32.66%
Unrestricted state grants	3,062,938	3,167,259	0	0	3,062,938	3,167,259	-3.29%
Other	201,716	148,845	0	0	201,716	148,845	35.52%
Transfers	0	(10,413)	0	10,413	0	0	0.00%
Total revenues and transfers	<u>7,245,399</u>	<u>6,925,759</u>	<u>280,420</u>	<u>275,205</u>	<u>7,525,819</u>	<u>7,200,964</u>	<u>4.51%</u>
Program expenses:							
Governmental activities:							
Instructional	4,168,413	4,170,438	0	0	4,168,413	4,170,438	-0.05%
Support services	2,511,297	1,822,553	0	0	2,511,297	1,822,553	37.79%
Non-instructional programs	0	0	249,180	282,755	249,180	282,755	-11.87%
Other expenses	496,835	368,169	0	0	496,835	368,169	34.95%
Total expenses	<u>7,176,545</u>	<u>6,361,160</u>	<u>249,180</u>	<u>282,755</u>	<u>7,425,725</u>	<u>6,643,915</u>	<u>11.77%</u>
Change in net assets	68,854	564,599	31,240	(7,550)	100,094	557,049	82.03%
Net assets beginning of year	<u>2,857,367</u>	<u>2,292,768</u>	<u>8,221</u>	<u>15,771</u>	<u>2,865,588</u>	<u>2,308,539</u>	<u>24.13%</u>
Net assets end of year	<u>\$ 2,926,221</u>	<u>2,857,367</u>	<u>\$ 39,461</u>	<u>8,221</u>	<u>2,965,682</u>	<u>2,865,588</u>	<u>3.49%</u>

In fiscal 2009, property tax and unrestricted state grants account for 67.02% of the revenue from governmental activities while charges for services and operating grants and contributions account for 100.00% of the revenue from business type activities.

The District's total revenues were approximately \$7.53 million of which \$7.25 million was for governmental activities and \$0.28 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.51% increase in revenues and an 11.77% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$7,245,399 and expenses were \$7,176,545.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change	2009	2008	Change
			2008-09			2008-09
Instruction	\$ 4,168,413	4,170,438	-0.05%	2,882,857	2,912,999	-1.03%
Support services	2,511,297	1,822,553	37.79%	2,510,566	1,821,828	37.80%
Other expenses	496,835	368,169	34.95%	265,927	143,431	85.40%
Totals	\$ 7,176,545	6,361,160	12.82%	5,659,350	4,878,258	16.01%

- The cost financed by users of the District’s programs was \$562,848.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$954,347.
- The net cost of governmental activities was financed with \$2,463,550 in local tax, \$3,062,938 in unrestricted state grants, \$63,025 in interest income, and \$138,691 in other general revenues.

Business Type Activities

Revenues of the District’s business-type activities were \$280,420 and expenses were \$249,180. The District’s business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Cardinal of Eldon 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 an increase in combined fund balance to \$580,800, compared to last year’s ending fund balances of \$206,147. However, the primary reason for the increase was the increase in revenues.

Governmental Fund Highlights

- The District’s General Fund balance increased from a deficit \$216,183 on June 30, 2008 to \$82,136 on June 30, 2009. The District’s increasing General Fund financial position is the product of many factors. An increase in local, state, and federal sources of revenue during the year resulted in an increase in total revenues. An increase in instruction, support services, and other expenditures increased the total expenditures for the year. However, revenues exceeded expenditures ensuring the increase in the District’s financial position.
- The Capital Projects fund balance decreased from \$258,213 in 2008, to \$222,366 in 2009. The fund had an increase in transportation services and facilities acquisitions expenditures during the year.
- The Activity Fund combined balance increased from \$88,178 in 2008, to \$128,778 in 2009, due to the decrease in expenditures.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$10,427 to \$18,230, due to the increase in local tax revenue during the year.

- The Management Levy fund balance increased from \$65,512, to \$129,290, due to a decrease in expenditures.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$8,221 at June 30, 2008 to \$39,461 at June 30, 2009. The District had a decrease in expenditures during the year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$235,190 more than budgeted revenues, a variance of 3.24%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the support services and other expenditures functions. The expenditures in these two functional areas exceeded the budget by such a substantial amount that the District also exceeded the total expenditures budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$3,015,002, net of accumulated depreciation, in a broad range of capital assets, including buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 2.73% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$219,701.

The original cost of the District's capital assets was \$6,598,270. Governmental funds account for \$6,456,724 with the remainder of \$141,546 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2009, compared to \$65,000 at June 30, 2008. This decrease resulted from the District finishing a boiler project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Construction in progress	\$ 0	65,000	\$ 0	0	\$ 0	65,000	-100.00%
Buildings	2,417,207	2,219,951	0	0	2,417,207	2,219,951	8.89%
Land improvements	394,384	428,766	0	0	394,384	428,766	-8.02%
Machinery and equipment	178,895	196,273	24,516	24,958	203,411	221,231	-8.05%
Total	\$ 2,990,486	2,909,990	\$ 24,516	24,958	\$ 3,015,002	2,934,948	2.73%

Long-Term Debt

At June 30, 2009, the District had long-term debt outstanding of \$790,530 in general obligation bonds, capital loan notes, computer leases, and early retirement. This represents an increase of 103.77% 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.

The District had total outstanding general obligation bonds payable of \$5,000 at June 30, 2009. This amount has been outstanding since 1995.

The District had total outstanding capital loan notes payable of \$250,000 at June 30, 2009. The capital loan notes are paid from the Debt Service fund, but the PPEL fund transfers the monies there to be paid.

The District had total outstanding computer leases payable of \$511,169 at June 30, 2009.

The District had total outstanding early retirement payable of \$24,361 at June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30, 2009	2008	June 30, 2008-09
General obligation	\$ 5,000	5,000	0.00%
Capital loan notes	250,000	365,000	-31.51%
Computer lease	511,169	0	100.00%
Early retirement	24,361	17,953	35.69%
Totals	<u>\$ 790,530</u>	<u>387,953</u>	<u>103.77%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2004.
- Low allowable growth over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tina Snyder, Board Secretary, Cardinal of Eldon Community School District, 4045 Ashland Road, Eldon, Iowa, 52554.

BASIC FINANCIAL STATEMENTS

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments:			
ISCAP	\$ 1,903,646	0	1,903,646
Other	1,160,118	20,989	1,181,107
Receivables:			
Property tax:			
Delinquent	43,703	0	43,703
Succeeding year	1,851,567	0	1,851,567
Income surtax	146,434	0	146,434
Accounts	3,929	5,778	9,707
Accrued ISCAP interest	6,548	0	6,548
Due from other governments	172,288	0	172,288
Inventories	0	4,353	4,353
Capital assets, net of accumulated depreciation	2,990,486	24,516	3,015,002
Total Assets	8,278,719	55,636	8,334,355
Liabilities			
Accounts payable	105,278	0	105,278
Interest payable	969	0	969
Salaries and benefits payable	612,355	16,063	628,418
ISCAP warrants payable	1,876,000	0	1,876,000
ISCAP accrued interest payable	9,390	0	9,390
ISCAP premiums payable	30,546	0	30,546
Deferred revenue:			
Succeeding year property tax	1,851,567	0	1,851,567
Other	75,863	0	75,863
Unearned revenue	0	112	112
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	5,000	0	5,000
Capital loan notes	125,000	0	125,000
Computer lease	170,390	0	170,390
Early retirement payable	7,308	0	7,308
Portion due after one year:			
Capital loan notes	125,000	0	125,000
Computer lease	340,779	0	340,779
Early retirement payable	17,053	0	17,053
Total Liabilities	5,352,498	16,175	5,368,673
Net Assets			
Invested in capital assets, net of related debt	2,224,317	24,516	2,248,833
Restricted for:			
Talented and gifted	51,687	0	51,687
Beginning teacher mentoring	540	0	540
Model core curriculum	4,458	0	4,458
Capital projects	222,366	0	222,366
Physical plant and equipment levy	18,230	0	18,230
Management levy	104,929	0	104,929
Other special revenue purposes	128,778	0	128,778
Unrestricted	170,916	14,945	185,861
Total Assets	\$ 2,926,221	39,461	2,965,682

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,351,505	293,214	686,192	(1,372,099)	0	(1,372,099)
Special instruction	866,255	52,250	0	(814,005)	0	(814,005)
Other instruction	950,653	217,384	36,516	(696,753)	0	(696,753)
	<u>4,168,413</u>	<u>562,848</u>	<u>722,708</u>	<u>(2,882,857)</u>	<u>0</u>	<u>(2,882,857)</u>
Support services:						
Student services	149,593	0	0	(149,593)	0	(149,593)
Instructional staff services	917,079	0	0	(917,079)	0	(917,079)
Administration services	722,909	0	0	(722,909)	0	(722,909)
Operation and maintenance of plant services	398,667	0	0	(398,667)	0	(398,667)
Transportation services	323,049	0	731	(322,318)	0	(322,318)
	<u>2,511,297</u>	<u>0</u>	<u>731</u>	<u>(2,510,566)</u>	<u>0</u>	<u>(2,510,566)</u>
Other expenditures:						
Facilities acquisitions	133,229	0	0	(133,229)	0	(133,229)
Long-term debt interest	16,769	0	0	(16,769)	0	(16,769)
AEA flowthrough	230,908	0	230,908	0	0	0
Depreciation(unallocated)*	115,929	0	0	(115,929)	0	(115,929)
	<u>496,835</u>	<u>0</u>	<u>230,908</u>	<u>(265,927)</u>	<u>0</u>	<u>(265,927)</u>
Total governmental activities	7,176,545	562,848	954,347	(5,659,350)	0	(5,659,350)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	249,180	106,763	173,657	0	31,240	31,240
Total business-type activities	<u>249,180</u>	<u>106,763</u>	<u>173,657</u>	<u>0</u>	<u>31,240</u>	<u>31,240</u>
Total	<u>\$ 7,425,725</u>	<u>669,611</u>	<u>1,128,004</u>	<u>(5,659,350)</u>	<u>31,240</u>	<u>(5,628,110)</u>
General Revenues:						
Local tax for:						
General purposes				\$ 1,654,008	0	1,654,008
Capital outlay				138,957	0	138,957
Income surtax				175,114	0	175,114
Statewide sales and service tax				495,471	0	495,471
Unrestricted state grants				3,062,938	0	3,062,938
Unrestricted investment earnings				63,025	0	63,025
Other general revenues				138,691	0	138,691
Total general revenues				<u>5,728,204</u>	<u>0</u>	<u>5,728,204</u>
Changes in net assets				68,854	31,240	100,094
Net assets beginning of year				<u>2,857,367</u>	<u>8,221</u>	<u>2,865,588</u>
Net assets end of year				<u>\$ 2,926,221</u>	<u>39,461</u>	<u>2,965,682</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments:				
ISCAP	\$ 1,903,646	0	0	1,903,646
Other	748,684	140,314	271,120	1,160,118
Receivables:				
Property tax:				
Delinquent	37,023	0	6,680	43,703
Succeeding year	1,572,530	0	279,037	1,851,567
Income surtax	146,434	0	0	146,434
Interfund	0	11,441	1	11,442
Accounts	3,929	0	0	3,929
Accrued ISCAP interest	6,548	0	0	6,548
Due from other governments	89,381	82,907	0	172,288
Total Assets	\$ 4,508,175	234,662	556,838	5,299,675
Liabilities and Fund Balances				
Liabilities:				
Interfund payable	\$ 11,441	0	1	11,442
Accounts payable	91,480	12,296	1,502	105,278
Salaries and benefits payable	612,355	0	0	612,355
ISCAP warrants payable	1,876,000	0	0	1,876,000
ISCAP accrued interest payable	9,390	0	0	9,390
ISCAP premiums payable	30,546	0	0	30,546
Deferred revenue:				
Succeeding year property tax	1,572,530	0	279,037	1,851,567
Income surtax	146,434	0	0	146,434
Other	75,863	0	0	75,863
Total liabilities	4,426,039	12,296	280,540	4,718,875
Fund balances:				
Reserved for:				
Talented and gifted	51,687	0	0	51,687
Beginning teacher mentoring	540	0	0	540
Model core curriculum	4,458	0	0	4,458
Unreserved:				
Undesignated	25,451	222,366	0	247,817
Special revenue purposes	0	0	276,298	276,298
Total fund balances	82,136	222,366	276,298	580,800
Total Liabilities and Fund Balances	\$ 4,508,175	234,662	556,838	5,299,675

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds (page 15) \$ 580,800

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 2,990,486

Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (969)

Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period. 146,434

Long-term liabilities, including bonds, capital loan notes, computer leases and early retirement payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (790,530)

Net assets of governmental activities (page 13) \$ 2,926,221

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,678,351	495,471	273,877	2,447,699
Tuition	260,015	0	0	260,015
Other	249,512	11,360	243,877	504,749
State sources	3,756,251	0	0	3,756,251
Federal sources	260,834	0	0	260,834
Total revenues	<u>6,204,963</u>	<u>506,831</u>	<u>517,754</u>	<u>7,229,548</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,345,451	0	17,953	2,363,404
Special instruction	866,255	0	0	866,255
Other instruction	771,035	0	175,452	946,487
	<u>3,982,741</u>	<u>0</u>	<u>193,405</u>	<u>4,176,146</u>
Support services:				
Student services	149,593	0	0	149,593
Instructional staff services	226,805	681,559	8,715	917,079
Administration services	660,900	0	62,009	722,909
Operation and maintenance of plant services	392,274	0	0	392,274
Transportation services	263,423	25,256	9,244	297,923
	<u>1,692,995</u>	<u>706,815</u>	<u>79,968</u>	<u>2,479,778</u>
Other expenditures:				
Facilities acquisitions	0	347,032	0	347,032
Long-term debt:				
Principal	0	0	285,390	285,390
Interest and fiscal charges	0	0	17,200	17,200
AEA flowthrough	230,908	0	0	230,908
	<u>230,908</u>	<u>347,032</u>	<u>302,590</u>	<u>880,530</u>
Total expenditures	<u>5,906,644</u>	<u>1,053,847</u>	<u>575,963</u>	<u>7,536,454</u>
Excess(deficiency) of revenues over(under) expenditures	298,319	(547,016)	(58,209)	(306,906)
Other financing sources(uses):				
Proceeds from capital lease	0	681,559	0	681,559
Transfers in	0	0	302,590	302,590
Transfers out	0	(170,390)	(132,200)	(302,590)
Total other financing sources(uses)	<u>0</u>	<u>511,169</u>	<u>170,390</u>	<u>681,559</u>
Net change in fund balances	298,319	(35,847)	112,181	374,653
Fund balances beginning of year	(216,183)	258,213	164,117	206,147
Fund balances end of year	<u>\$ 82,136</u>	<u>222,366</u>	<u>276,298</u>	<u>580,800</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON 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, 2009

Net change in fund balances - total governmental funds (page 17) \$ 374,653

***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	\$ 295,966	
Depreciation expense	(215,470)	80,496

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. 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. Current year repayments and issuances are as follows:

Issued	\$ (681,559)	
Repaid	285,390	(396,169)

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.

431

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

Early Retirement		(6,408)
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Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

15,851

Changes in net assets of governmental activities (page 14) \$ 68,854

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	School Nutrition
Assets	
Cash and cash equivalents	\$ 20,989
Accounts receivable	5,778
Inventories	4,353
Capital assets, net of accumulated depreciation	24,516
Total Assets	55,636
 Liabilities	
Salaries and benefits payable	16,063
Unearned revenues	112
Total Liabilities	16,175
 Net Assets	
Invested in capital assets	24,516
Unrestricted	14,945
Total Net Assets	\$ 39,461

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 106,763
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	81,574
Benefits	17,810
Services	2,276
Supplies	143,181
Other	108
Depreciation	4,231
TOTAL OPERATING EXPENSES	249,180
OPERATING LOSS	(142,417)
NON-OPERATING REVENUES:	
State sources	3,446
Federal sources	170,211
TOTAL NON-OPERATING REVENUES	173,657
Change in net assets	31,240
Net assets at beginning of year	8,221
Net assets end of year	\$ 39,461

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 100,050
Cash received from miscellaneous	1,071
Cash payments to employees for services	(98,241)
Cash payments to suppliers for goods or services	(133,529)
Net cash used in operating activities	(130,649)
Cash flows from non-capital financing activities:	
State grants received	3,446
Federal grants received	155,505
Net cash provided by non-capital financing activities	158,951
Cash flows from capital financing activities:	
Purchase of assets	(3,789)
Net increase in cash and cash equivalents	24,513
Cash and cash equivalents at beginning of year	(3,524)
Cash and cash equivalents at end of year	\$ 20,989
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (142,417)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	14,706
Depreciation	4,231
Increase in inventories	(2,670)
Increase in accounts receivable	(3,562)
Increase in salaries and benefits payable	1,143
Decrease in unearned revenue	(2,080)
Net cash used in operating activities	\$ (130,649)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 20,989
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
During the year ended June 30, 2009, the District received Federal commodities valued at \$14,706.	

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	<u>\$ 46,004</u>
LIABILITIES	<u>0</u>
NET ASSETS	
Reserved for scholarships	<u><u>\$ 46,004</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2009

		<u>Private Purpose</u>	
		Trust	
		<u>Scholarship</u>	
Additions:			
Local sources:			
Gifts and contributions	\$	5,132	
Interest income		256	
Total additions		<u>5,388</u>	
Deductions:			
Instruction:			
Regular instruction		160	
Non-instructional programs:			
Scholarships awarded		<u>2,071</u>	
Total deductions		<u>2,231</u>	
Change in net assets		3,157	
Net assets beginning of year		<u>42,847</u>	
Net assets end of year	\$	<u><u>46,004</u></u>	

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(1) Summary of Significant Accounting Policies

The Cardinal of Eldon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Eldon, Iowa, and the predominate agricultural territory in Jefferson, Wapello, Davis, and Van Buren Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Cardinal of Eldon Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Cardinal of Eldon Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Jefferson, Wapello, Davis, and Van Buren County Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental fund:

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

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

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

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

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

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

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

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

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

Asset Class	Amount
Land	\$ 2,000
Buildings	2,000
Land improvements	2,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

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

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

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

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

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

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

Fund Balance - 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. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the support services and other expenditures functions exceeded the amounts budgeted. Also during the year ended June 30, 2009, total expenditures exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or 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 investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified portfolio	<u>\$ 921,821</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects	General	\$ 11,441
Physical Plant and Equipment Levy	Management Levy	1
Total		<u>\$ 11,442</u>

(4) Transfers

The detail of transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Physical Plant and Equipment Levy	\$ 132,200
Debt Service	Capital Projects	<u>170,390</u>
Total		<u>\$ 302,590</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	1/21/2009	1/21/2010	\$ 691,756	6,398	683,000	8,982
2009-10A	6/25/2009	6/23/2010	1,211,890	150	1,193,000	408
Total			<u>\$ 1,903,646</u>	<u>6,548</u>	<u>1,876,000</u>	<u>9,390</u>

The District pledges its state foundation aid payments and General Fund receipts as security for 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 25th 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. ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09A	\$ 0	740,000	740,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09A	3.500%	3.469%
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 137,757	3,789	0	141,546
Less accumulated depreciation	112,799	4,231	0	117,030
Business-type activities capital assets, net	<u>\$ 24,958</u>	<u>(442)</u>	<u>0</u>	<u>24,516</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 65,000	201,920	266,920	0
Total capital assets not being depreciated	<u>65,000</u>	<u>201,920</u>	<u>266,920</u>	<u>0</u>
Capital assets being depreciated:				
Buildings	3,912,529	278,803	0	4,191,332
Land improvements	1,022,844	0	0	1,022,844
Machinery and equipment	1,255,159	82,163	94,774	1,242,548
Total capital assets being depreciated	<u>6,190,532</u>	<u>360,966</u>	<u>94,774</u>	<u>6,456,724</u>
Less accumulated depreciation for:				
Buildings	1,692,578	81,547	0	1,774,125
Land improvements	594,078	34,382	0	628,460
Machinery and equipment	1,058,886	99,541	94,774	1,063,653
Total accumulated depreciation	<u>3,345,542</u>	<u>215,470</u>	<u>94,774</u>	<u>3,466,238</u>
Total capital assets being depreciated, net	<u>2,844,990</u>	<u>145,496</u>	<u>0</u>	<u>2,990,486</u>
Governmental activities capital assets, net	<u>\$ 2,909,990</u>	<u>347,416</u>	<u>266,920</u>	<u>2,990,486</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 31,120
Other	4,166
Support services:	
Operation and maintenance of plant services	15,773
Transportation	48,482
	<u>99,541</u>
Unallocated depreciation	115,929
Total governmental activities depreciation expense	<u>\$ 215,470</u>
Business-type activities:	
Food services	<u>\$ 4,231</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 5,000	0	0	5,000	5,000
Capital loan notes	365,000	0	115,000	250,000	125,000
Computer lease	0	681,559	170,390	511,169	170,390
Early retirement	17,953	24,361	17,953	24,361	7,308
Total	<u>\$ 387,953</u>	<u>705,920</u>	<u>303,343</u>	<u>790,530</u>	<u>307,698</u>

General Obligation

Details of the District's June 30, 2009 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue dated March 1, 1983		
		Principal	Interest	Total
1995	8.60 %	\$ 5,000	1,935	6,935

Capital Loan Notes

Capital loan notes are paid out of the PPEL Fund and details of the District's June 30, 2009 indebtedness is as follows:

Year Ending June 30,	Interest Rate	Issue May 27, 1997		
		Principal	Interest	Total
2010	4.60 %	\$ 125,000	11,625	136,625
2011	4.70	125,000	5,875	130,875
Total		\$ 250,000	17,500	267,500

Computer Lease

During the year ended June 30, 2009, the District entered into a computer lease with Apple Inc. Details of the District's June 30, 2009 computer lease indebtedness are as follows:

Year Ending June 30,	Principal
2010	\$ 170,390
2011	170,390
2012	170,389
Total	\$ 511,169

Early Retirement

The District offers a voluntary early retirement plan to its Licensed employees. Eligible employees must be at least fifty-five and licensed employees must have completed ten years of continuous service as a full-time licensed employee to the District. Licensed employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible licensed employee is the licensed employee will receive credit for their first ten years of continuous service and will receive the difference between their placement on the tenth step of their educational lane on the salary schedule and the base salary for the current year. In addition to this amount the individual will be reimbursed at the rate of \$50 per day for each unused accumulated sick day to the maximum of one hundred twenty days. Early retirement benefits paid during the year totaled \$17,953.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$205,306, \$191,617 and \$188,504 respectively, equal to the required contributions for each year.

(9) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical and dental.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2009 were \$47,434.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

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

(10) Other Postemployment Benefits (OPEB)

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No. 45 for the year ended June 30, 2010.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$230,908 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2009, expenditures in the support services and other expenditures functions exceeded the amount budgeted. The District also exceeded the total expenditures amount budgeted during the year ended June 30, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,212,463	106,763	3,319,226	3,022,551	3,022,551	296,675
State sources	3,756,251	3,446	3,759,697	3,892,227	3,892,227	(132,530)
Federal sources	260,834	170,211	431,045	360,000	360,000	71,045
Total revenues	<u>7,229,548</u>	<u>280,420</u>	<u>7,509,968</u>	<u>7,274,778</u>	<u>7,274,778</u>	<u>235,190</u>
Expenditures/Expenses:						
Instruction	4,176,146	0	4,176,146	4,297,000	4,297,000	120,854
Support services	2,479,778	0	2,479,778	2,224,255	2,224,255	(255,523)
Non-instructional programs	0	249,180	249,180	285,970	285,970	36,790
Other expenditures	880,530	0	880,530	716,025	716,025	(164,505)
Total expenditures/expenses	<u>7,536,454</u>	<u>249,180</u>	<u>7,785,634</u>	<u>7,523,250</u>	<u>7,523,250</u>	<u>(262,384)</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(306,906)	31,240	(275,666)	(248,472)	(248,472)	(27,194)
Other financing sources, net	<u>681,559</u>	<u>0</u>	<u>681,559</u>	<u>0</u>	<u>0</u>	<u>681,559</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	374,653	31,240	405,893	(248,472)	(248,472)	654,365
Balance beginning of year	<u>206,147</u>	<u>8,221</u>	<u>214,368</u>	<u>(50,349)</u>	<u>(50,349)</u>	<u>264,717</u>
Balance end of year	<u>\$ 580,800</u>	<u>39,461</u>	<u>620,261</u>	<u>(298,821)</u>	<u>(298,821)</u>	<u>919,082</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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

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

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

During the year ended June 30, 2009, expenditures in the support services and other expenditures functions exceeded the amounts budgeted. The District also exceeded the total expenditures amount budgeted for the year ended June 30, 2009.

OTHER SUPPLEMENTARY INFORMATION

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Manage- ment Levy	Physical Plant and Equipment Levy	Student Activity	Total Nonmajor Governmental Funds
Assets				
Cash and pooled investments	\$ 125,998	14,842	130,280	271,120
Receivables:				
Property tax:				
Current year delinquent	3,293	3,387	0	6,680
Succeeding year	135,000	144,037	0	279,037
Interfund	0	1	0	1
Total Assets	\$ 264,291	162,267	130,280	556,838
Liabilities and Fund Balances				
Liabilities:				
Interfund payable	\$ 1	0	0	1
Accounts payable	0	0	1,502	1,502
Deferred revenue:				
Succeeding year property tax	135,000	144,037	0	279,037
	<u>135,001</u>	<u>144,037</u>	<u>1,502</u>	<u>280,540</u>
Fund balances:				
Unreserved	129,290	18,230	128,778	276,298
Total fund balances	<u>129,290</u>	<u>18,230</u>	<u>128,778</u>	<u>276,298</u>
Total Liabilities and Fund Balances	\$ 264,291	162,267	130,280	556,838

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009

	Special Revenue					Total
	Management Levy	Physical Plant and Equipment Levy	Student Activity	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 134,920	138,957	0	273,877	0	273,877
Other	26,779	1,046	216,052	243,877	0	243,877
TOTAL REVENUES	161,699	140,003	216,052	517,754	0	517,754
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	17,953	0	0	17,953	0	17,953
Other instruction	0	0	175,452	175,452	0	175,452
	17,953	0	175,452	193,405	0	193,405
Support services:						
Instructional staff services	8,715	0	0	8,715	0	8,715
Administration services	62,009	0	0	62,009	0	62,009
Transportation services	9,244	0	0	9,244	0	9,244
	79,968	0	0	79,968	0	79,968
Other expenditures:						
Long-term debt:						
Principal	0	0	0	0	285,390	285,390
Interest	0	0	0	0	17,200	17,200
	0	0	0	0	302,590	302,590
TOTAL EXPENDITURES	97,921	0	175,452	273,373	302,590	575,963
Excess(deficiency) of revenues over(under) expenditures	63,778	140,003	40,600	244,381	(302,590)	(58,209)
Other financing sources(uses):						
Transfers in	0	0	0	0	302,590	302,590
Transfers out	0	(132,200)	0	(132,200)	0	(132,200)
Total other financing sources(uses)	0	(132,200)	0	(132,200)	302,590	170,390
Net change in fund balances	63,778	7,803	40,600	112,181	0	112,181
Fund balance beginning of year	65,512	10,427	88,178	164,117	0	164,117
Fund balance end of year	\$ 129,290	18,230	128,778	276,298	0	276,298

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 46	684	730	0
Investments	0	82	0	82
Drama	1,585	3,030	2,844	1,771
Music	33	1,302	1,250	85
Vocal	2,563	770	718	2,615
Season tickets	4,232	12,344	0	16,576
JH track	1,129	2,228	2,183	1,174
Boys basketball	2,212	3,654	4,262	1,604
Football	0	5,018	4,027	991
Baseball	0	2,283	2,283	0
Boys track	0	2,003	1,518	485
Wrestling	339	1,175	921	593
Girls basketball	681	8,365	6,923	2,123
Volleyball	0	2,988	2,979	9
Softball	0	3,553	3,553	0
Girls track	161	2,816	2,273	704
Yearbook	(7,115)	7,506	4,170	(3,779)
Art club	804	0	0	804
Caps and gown	31	0	0	31
Cheerleaders	1,171	721	931	961
Baseball club	(18)	4,582	2,716	1,848
General activity	11,535	1,172	1,172	11,535
Concessions	12,951	1,407	0	14,358
Football club	4,583	6,468	7,787	3,264
Freshman	369	165	369	165
Sophomore	325	275	39	561
Juniors	2,096	13,847	13,693	2,250
Seniors	2,184	2,963	0	5,147
Girls baseball club	15	6,421	5,816	620
Library club	1	1,252	0	1,253
National honor society	0	86	0	86
JH trip fund	5,956	10,512	2,797	13,671
FFA	308	4,346	4,422	232
Softball club	474	1,310	1,761	23
HS student council	987	1,462	1,572	877
Volleyball club	979	1,637	1,563	1,053
Wrestling club	2,973	1,890	2,579	2,284
Foreign language club	124	809	613	320
Boys basketball club	784	1,690	977	1,497
Business class	6	0	0	6

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
JH student council	384	993	559	818
Effort honor role	197	0	0	197
Elementary music	158	3,309	2,661	806
Elementary yearbook	894	385	0	1,279
Elementary concessions	9,117	23,993	24,197	8,913
Elementary library fund	352	126	360	118
TAG	0	24	0	24
Patriotism day	1,879	0	0	1,879
JH cheerleading	565	175	247	493
Wrestling cheerleading	110	179	110	179
Weight room club	383	324	0	707
A club	6,457	19,615	14,272	11,800
Music boosters	9,019	19,378	15,515	12,882
FCCLA	64	0	0	64
Dance and drill	325	15	0	340
New England trip	0	116	0	116
Football cheerleading	4	892	642	254
Archery club	3,651	22,942	26,569	24
Flag corp	115	770	879	6
Total	\$ 88,178	216,052	175,452	128,778

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2009

	Capital Projects	Local Option/ Statewide Sales and Services Tax	Total Capital Projects Funds
ASSETS			
Cash and pooled investments	\$ 710	139,604	140,314
Receivables:			
Interfund	0	11,441	11,441
Due from other governments	0	82,907	82,907
TOTAL ASSETS	\$ 710	233,952	234,662
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 0	12,296	12,296
Fund balances:			
Unreserved:			
Capital projects	710	221,656	222,366
Total fund balances	710	221,656	222,366
TOTAL LIABILITIES AND FUND BALANCES	\$ 710	233,952	234,662

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2009

	Capital Projects	Local Option/ Statewide Sales and Services Tax	Total Capital Projects Funds
REVENUES:			
Local sources:			
Local tax	\$ 0	495,471	495,471
Other	0	11,360	11,360
TOTAL REVENUES	0	506,831	506,831
EXPENDITURES:			
Current:			
Support services:			
Instructional staff services	0	681,559	681,559
Transportation	0	25,256	25,256
	0	706,815	706,815
Other expenditures:			
Facilities acquisitions	0	347,032	347,032
TOTAL EXPENDITURES	0	1,053,847	1,053,847
Deficiency of revenues under expenditures	0	(547,016)	(547,016)
Other financing sources(uses):			
Proceeds from capital lease	0	681,559	681,559
Transfer out	0	(170,390)	(170,390)
Total other financing sources(uses)	0	511,169	511,169
Deficiency of revenues and other financing sources(uses) under expenditures	0	(35,847)	(35,847)
Fund balance beginning of year	710	257,503	258,213
Fund balance end of year	\$ 710	221,656	222,366

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 2,447,699	2,125,457	1,946,426	2,000,954	1,958,913	1,750,121
Tuition	260,015	310,638	202,536	136,657	161,180	178,302
Other	504,749	449,606	414,059	389,077	426,484	420,220
State sources	3,756,251	3,818,424	3,520,413	3,361,618	3,154,278	2,892,651
Federal sources	260,834	220,338	215,168	240,156	243,582	168,971
Total	<u>\$ 7,229,548</u>	<u>6,924,463</u>	<u>6,298,602</u>	<u>6,128,462</u>	<u>5,944,437</u>	<u>5,410,265</u>
Expenditures:						
Instruction:						
Regular instruction	\$ 2,363,404	2,316,023	2,098,677	2,468,967	2,417,405	2,275,334
Special instruction	866,255	861,924	903,023	974,648	693,037	863,801
Other instruction	946,487	1,081,030	1,031,130	704,381	832,922	491,027
Support services:						
Student services	149,593	139,142	142,842	125,741	149,717	144,869
Instructional staff services	917,079	235,689	228,787	198,643	25,942	3,462
Administration services	722,909	744,771	695,910	726,219	687,027	658,292
Operation and maintenance of plant services	392,274	399,678	400,112	330,961	340,082	346,895
Transportation services	297,923	283,734	354,127	370,615	315,315	231,964
Non-instructional:						
Community service & other enterprise operations	0	0	0	0	14,985	0
Operation of non-instructional programs	0	0	0	3,931	150	0
Other expenditures:						
Facilities acquisitions	347,032	305,226	349,243	228,548	130,737	106,448
Long Term Debt:						
Principal	285,390	110,000	105,000	100,000	206,389	166,183
Interest and fiscal charges	17,200	21,585	25,995	30,045	34,445	44,247
AEA flow-through	230,908	224,738	207,648	196,840	188,353	184,562
Total	<u>\$ 7,536,454</u>	<u>6,723,540</u>	<u>6,542,494</u>	<u>6,459,539</u>	<u>6,036,506</u>	<u>5,517,084</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

To the Board of Education of the
Cardinal of Eldon 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 Cardinal of Eldon Community School District of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 21, 2010. 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 Cardinal of Eldon Community School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Cardinal of Eldon Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cardinal of Eldon Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Cardinal of Eldon Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Cardinal of Eldon Community School District's financial statements that is more than inconsequential will not be prevented or detected by Cardinal of Eldon Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Cardinal of Eldon Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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.

Cardinal of Eldon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Cardinal of Eldon Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Cardinal of Eldon Community School District and other parties to whom Cardinal of Eldon 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 Cardinal of Eldon Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

January 21, 2010

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We will investigate available alternatives and implement if possible.

Conclusion - Response accepted.

I-B-09 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - We will code bills properly.

Conclusion - Response accepted.

I-C-09 Supporting Documents for Meal Reimbursements - It was noted during the audit, an instance of a meal reimbursement which lacked a detailed receipt for supporting documentation.

Recommendation - The District has a policy in place for credit card usage, which states that the users need to provide detailed receipts for purchases made. The District should review procedures in place with personnel to ensure the proper detailed documentation will be available with paid meal reimbursements.

Response - We will remind employees that detailed receipts are required for reimbursement.

Conclusion - Response accepted.

I-D-09 Policies - We noted during the audit that the board policies are not being reviewed on a regular basis. Also, we noted during our audit that the District had not implemented a capital asset policy that states the capitalization thresholds to be used for the accounting of the capital assets.

Recommendation - Board policies should be reviewed by the Board at a minimum every five years. The District should review and implement a capital assets policy

Response - We are in the process of reviewing all Board policies and will implement a capital asset policy.

Conclusion - Response accepted.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - District expenditures for the year ended June 30, 2009 exceeded the amount budgeted in the support services and other expenditures functional areas. The District also exceeded the total expenditures amount budgeted for the year ended June 30, 2009.

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

Response - In the future, we will amend the budget.

Conclusion - Response accepted.

II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-09 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Margaret Metcalf, Bus Driver Owner of RPMS Graphics	Supplies	\$14,165
Tina Snyder, Board Secretary Spouse owns Snyder Construction	Concrete work	\$3,230
Greg Greiner, Board President Father owns Greiner Implement	Repairs and Supplies	\$3,530

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the District's bus driver do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the family members of the District's employee and board members do not appear to represent a conflict of interest.

II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-09 Certified Enrollment - We noted that the number of basic resident student reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2008 was overstated. The District's certified enrollment count on line 1 was overstated by one student. This resulted in overstating the total actual enrollment on line 7 by one student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

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

Conclusion - Response accepted.

II-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the used of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	0
Statewide sales and services tax revenue			495,471
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$	325,081	
Debt service for school infrastructure:			
General obligation debt		170,390	495,471
		<u>170,390</u>	<u>495,471</u>
Ending balance		\$	<u>0</u>

Levies reduced as result of statewide sales and services tax received:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.64453	\$ 170,390

II-L-09 Financial Condition - The Student Activity Fund contained one negative account balance totaling \$3,779.

Recommendation - The District should continue to monitor this account and investigate alternatives to eliminate the deficit.

Response - We are working to eliminate the deficit.

Conclusion - Response accepted.

II-M-09 Physical Plant and Equipment Levy (PEEL) and Statewide Sales and Service Tax Expenditures - According to Chapter 298.3 of the Code of Iowa, PEEL monies may be used for purchasing a single unit of equipment exceeding \$500 per unit. According to the District's revenue purpose statement, local option sales and service tax money can be spent for PEEL type expenditures, thus falling within the same \$500 per unit of equipment restriction. From the Capital Projects Fund, we noted a camera purchased for \$269.05. This expenditure, which is less than \$500 per single unit, is inappropriate from the Capital Projects Fund. Also, the District purchased software and rock totaling \$11,172.41 which are not allowable from the Capital Projects Fund.

Recommendation - The District should review their procedures to ensure that purchases made from these funds are in compliance with Chapter 298.3 of the Code of Iowa. A corrective transfer of \$11,441.46 should be made from the General Fund to Capital Projects Fund to cover these expenditures.

Response - We have made the corrective transfer.

Conclusion - Response accepted.

II-N-09 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The Board President is now signing all contracts including officiating contracts.

Conclusion - Response accepted.

II-O-09 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds.

Library book purchases were made from the Student Activity Fund. Chapter 301.4 of the Code of Iowa states that all books should be paid for out of the General Fund. Thus, library books may only be purchased from the General Fund.

Recommendation - The District should transfer the money in the Library Club to the General Fund and make subsequent purchases from that fund.

Response - Library books are now being purchased from the General Fund.

Conclusion - Response accepted.