

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

JUNE 30, 2009

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Net Assets	H	21
Statement of Cash Flows	I	22
Notes to Financial Statements		23-34
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		35
Notes to Required Supplementary Information - Budgetary Reporting		36
Schedule of Funding Progress for the Retiree Health Plan		37
Other Supplementary Information:	<u>Schedule</u>	
Special Revenue Funds:		
Combining Balance Sheet	1	38
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	39
Schedule of Changes in Student Activity Accounts	3	40
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	41
Schedule of Expenditures of Federal Awards	5	42
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 <u>Government Auditing Standards</u>		43-44
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance		45-46
Schedule of Findings and Questioned Costs		47-53

Carroll Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2008 Election)</b>		
Kim Tiefenthaler	President	2008
Penny Harmening	Vice President	2009
Amy Fordyce	President	2010
Jerry Fleshner	Board Member	2009
LaVern Dirkx	Board Member	2008
<b>Board of Education (After September 2008 Election)</b>		
Kim Tiefenthaler	President	2011
Penny Harmening	Vice President	2009
Amy Fordyce	Board Member	2011 *
LaVern Dirkx	Board Member	2011
Jerry Fleshner	Board Member	2009
<b>School Officials</b>		
Robert Cordes	Superintendent	2009
Gary Bengtson	Director of Business Affairs	2009
Gruhn Law Firm	Attorney	2009
Neu, Minnich, Comito and Neu, P.C.	Attorney	2009

\* Board term altered 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, Carroll, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Carroll Community School District, Carroll, Iowa, as of and for the year ended June 30, 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.

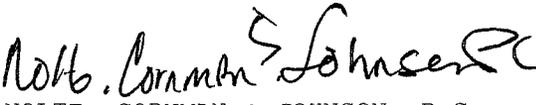
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Carroll Community School District at June 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 March 17, 2010 on our consideration of Carroll Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 35 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Carroll Community School District's basic financial statements. We previously audited the two years ended June 30, 2008 (not presented herein) in accordance with the standards referred to in the second paragraph of this report and unqualified opinions were expressed on those financial statements. Another auditor previously audited the three years ended June 30, 2006, (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report, and unqualified opinions were expressed on those financial statements. The supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2010

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

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The Carroll Community School District provides the 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 \$15,481,626 in fiscal 2008 to \$15,913,276 in fiscal 2009, while General Fund expenditures increased from \$14,772,514 in fiscal 2008 to \$15,272,791 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$2,588,991 in fiscal 2008 to a balance of \$3,229,476 in fiscal 2009, a 24.74% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in state and federal sources in fiscal 2009. The increase in expenditures was due primarily to increases in negotiated salaries and benefits as well as increases in expenditures funded by grants received by the District.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) increased from 15.8% for fiscal year 2008 compared 17.8% for fiscal year 2009. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.

### **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 Carroll 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 Carroll 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 Carroll Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

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

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

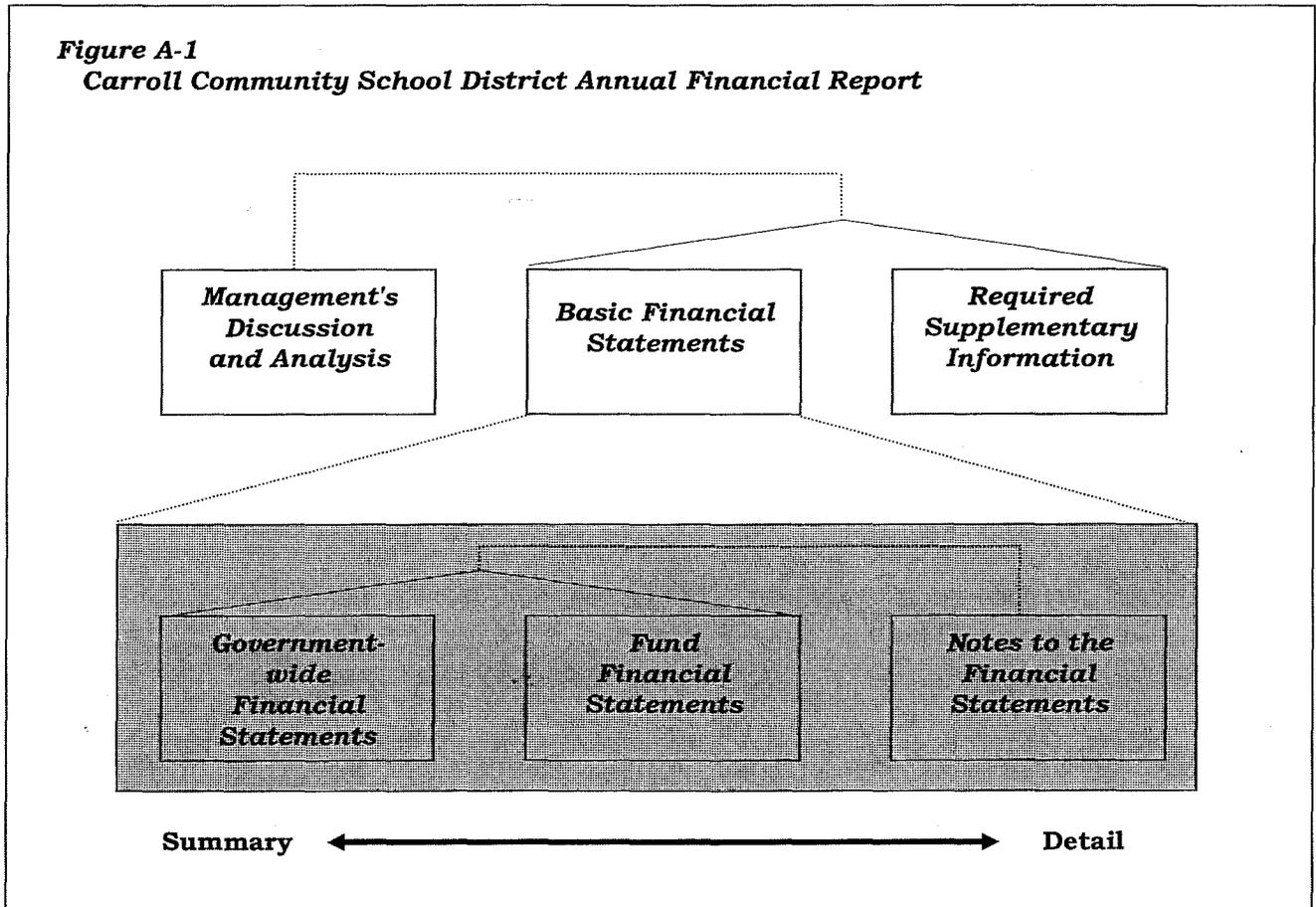


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b>			
<b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
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
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

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## **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 two kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and the 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 net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 14,050,883	14,219,286	114,077	147,068	14,164,960	14,366,354	-1.40%
Capital assets	15,955,275	15,854,259	73,693	64,286	16,028,968	15,918,545	0.69%
Total assets	30,006,158	30,073,545	187,770	211,354	30,193,928	30,284,899	-0.30%
Long-term obligations	3,767,363	4,139,023	5,532	0	3,772,895	4,139,023	-8.85%
Other liabilities	8,962,727	10,093,700	13,303	15,481	8,976,030	10,109,181	-11.21%
Total liabilities	12,730,090	14,232,723	18,835	15,481	12,748,925	14,248,204	-10.52%
Net assets:							
Invested in capital assets, net of related debt	12,425,275	11,819,259	73,693	64,286	12,498,968	11,883,545	5.18%
Restricted	2,179,144	1,625,240	0	0	2,179,144	1,625,240	34.08%
Unrestricted	2,671,649	2,396,323	95,242	131,587	2,766,891	2,527,910	9.45%
Total net assets	\$ 17,276,068	15,840,822	168,935	195,873	17,445,003	16,036,695	8.78%

The District's combined net assets increased by 8.78%, or \$1,408,308, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 34.08%, or \$553,904, over the prior year. Increases in fund balance for the Special Revenue, Management Fund and the Capital Projects Fund are the main reasons for the increase in restricted funds.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$238,981, or 9.45%. This is due mainly to the increase in General Fund carryover balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4  
Changes of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 839,202	848,141	421,208	413,319	1,260,410	1,261,460	-0.08%
Operating grants and contributions and restricted interest	3,176,550	2,399,966	303,532	295,561	3,480,082	2,695,527	29.11%
General revenues:							
Property tax	7,044,700	6,515,118	0	0	7,044,700	6,515,118	8.13%
Statewide sales and services tax	1,387,570	1,064,522	0	0	1,387,570	1,064,522	30.35%
Unrestricted state grants	5,907,564	6,604,582	0	0	5,907,564	6,604,582	-10.55%
Other	274,290	358,701	3,957	4,855	278,247	363,556	-23.47%
Transfers	(1,588)	0	1,588	0	0	0	0.00%
Total revenues	18,628,288	17,791,030	730,285	713,735	19,358,573	18,504,765	4.61%
Program expenses:							
Governmental activities:							
Instructional	10,945,506	10,194,259	0	0	10,945,506	10,194,259	7.37%
Support services	4,638,824	4,636,128	8,968	7,092	4,647,792	4,643,220	0.10%
Non-instructional programs	0	115	748,255	740,501	748,255	740,616	1.03%
Other expenses	1,608,712	1,388,476	0	0	1,608,712	1,388,476	15.86%
Total expenses	17,193,042	16,218,978	757,223	747,593	17,950,265	16,966,571	5.80%
Changes in net assets	1,435,246	1,572,052	(26,938)	(33,858)	1,408,308	1,538,194	-8.44%
Beginning net assets	15,840,822	14,268,770	195,873	229,731	16,036,695	14,498,501	10.61%
Ending net assets	\$ 17,276,068	15,840,822	168,935	195,873	17,445,003	16,036,695	8.78%

In fiscal 2009, property tax and unrestricted state grants account for 69.53% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.24% of the revenue from business type activities.

The District's total revenues were approximately \$19.36 million of which approximately \$18.63 million was for governmental activities and approximately \$0.73 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.61% increase in revenues and a 5.80% increase in expenses. Property tax increased \$529,582 to fund increases in expenses. The increase in expenses related to increases in the negotiated salary and benefits as well as increases in expenses related to the net OPEB liability.

### Governmental Activities

Revenues for governmental activities were \$18,628,288 and expenses were \$17,193,042.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 10,945,506	10,194,259	7.37%	7,969,406	7,920,314	0.62%
Support services	4,638,824	4,636,128	0.06%	4,276,337	4,327,036	-1.17%
Non-instructional programs	0	115	-100.00%	0	115	-100.00%
Other expenses	1,608,712	1,388,476	15.86%	931,547	723,406	28.77%
Totals	\$ 17,193,042	16,218,978	6.01%	13,177,290	12,970,871	1.59%

- The cost financed by users of the District's programs was \$839,202.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,176,550.
- The net cost of governmental activities was financed with \$7,044,700 in property tax, \$1,387,570 in local option (statewide) sales and service tax, \$5,907,564 in state grants, \$93,777 in interest income and \$178,925 net of transfers in other general revenues.

### Business type Activities

Revenues of the District's business type activity were \$730,285 and expenses were \$757,223. The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,116,041, above last year's ending fund balances of \$4,155,905. However, the primary reason for the increase in combined fund balances is because of gains in fund balance by the General Fund and the Capital Projects Fund.

### Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in state and federal source revenues resulted in an increase in revenues. The increase in salaries and benefits is one of the reasons for the increase in expenditures. The increase in revenues was enough to offset the increase in expenditures; the net result was an increase in fund balance from \$2,588,991 in fiscal 2008 to \$3,229,476 in fiscal 2009.
- The Capital Projects fund balance overall increased from \$692,745 in fiscal 2008 to \$873,883 in fiscal 2009. The increase in fund balance is attributable to the increase in revenues being more than enough to offset the increase in fund expenditures.

### Proprietary Fund Highlights

The School Nutrition Fund's increase in revenues was not enough to offset the continued increase in food costs and salaries and benefits. Overall, net assets decreased from \$195,873 at June 30, 2008 to \$168,935 at June 30, 2009, representing a decrease of 13.75%.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the Carroll Community School District amended its budget one time to reflect additional expenditures associated with the District's general obligation bond refunding.

The District's revenues were \$785,882 less than budgeted revenues, a variance of 3.90%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$16,028,968, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.69% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$849,952.

The original cost of the District's capital assets was \$32,273,902. Governmental funds account for \$31,810,058 with the remainder of \$463,844 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 as compared to \$462,449 at June 30, 2008. This decrease in construction in progress is due to completion of the renovations projects at Fairview Elementary School.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 694,070	544,070	0	0	694,070	544,070	27.57%
Construction in progress	0	462,449	0	0	0	462,449	-100.00%
Buildings	13,245,886	13,002,185	0	0	13,245,886	13,002,185	1.87%
Land improvements	918,864	918,469	0	0	918,864	918,469	0.04%
Machinery and equipment	1,096,455	927,086	73,693	64,286	1,170,148	991,372	18.03%
Total	\$ 15,955,275	15,854,259	73,693	64,286	16,028,968	15,918,545	0.69%

### Long-Term Debt

At June 30, 2009, the District had \$3,772,895 in general obligation bonds and other long-term debt outstanding. This represents a decrease of approximately 8.85% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$3,530,000 at June 30, 2009.

The District also had total outstanding compensated absences of \$31,621 at June 30, 2009.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$79,274 at June 30, 2009.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
General Obligation Bonds	\$ 3,530,000	4,035,000	0	0	3,530,000	4,035,000	-12.52%
Compensated Absences	31,621	39,126	0	0	31,621	39,126	-19.18%
Early Retirement	79,274	64,897	0	0	79,274	64,897	22.15%
Net OPEB Liability	126,468	0	5,532	0	132,000	0	100.00%
Total	\$ 3,767,363	4,139,023	5,532	0	3,772,895	4,139,023	-8.85%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- With the September 25, 2009 ten percent across-the-board reduction, which may also be carried over into FY11, the district will continue to implement cost-saving measures and put together a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost saving measures we will implement and how much we can spend from our reserves.
- On August 16, 2005 the District held a special election on a one percent School Infrastructure Local Option Sales Tax. The referendum passed with a 62% approval rate. This one cent tax was for a ten year period. The 2008 Iowa Legislature replaced the Local Option Sales Tax with a statewide one cent sales tax. This tax will generate approximately one million dollars annually for the District until the year 2028. Funds may only be used for infrastructure, major equipment purchases and property tax relief in the Debt Service Fund. The District has committed \$400,000 annually for property tax relief.
- Open enrollment is a process allowed under Iowa Code that allows parents or guardians residing in an Iowa school district to enroll their children into another Iowa school district. In the fiscal year ending June 30, 2009, the Carroll Community School District had 53.2 students enrolled out of the district and 74 students enrolled into the district.
- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase the Carroll Community Schools' employer benefit costs over the next four years.

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## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gary Bengtson, Director of Business Affairs, Carroll Community School District, 1026 North Adams Street, Carroll, Iowa, 51401.

BASIC FINANCIAL STATEMENTS

CARROLL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	6,310,235	84,656	6,394,891
Receivables:			
Property tax:			
Delinquent	64,786	0	64,786
Succeeding year	6,924,441	0	6,924,441
Accounts	129,121	1,555	130,676
Due from other governments	603,618	0	603,618
Inventories	0	23,489	23,489
Prepaid items	18,682	4,377	23,059
Capital assets, net of accumulated depreciation	15,955,275	73,693	16,028,968
<b>TOTAL ASSETS</b>	<b>30,006,158</b>	<b>187,770</b>	<b>30,193,928</b>
<b>LIABILITIES</b>			
Accounts payable	251,921	47	251,968
Salaries and benefits payable	1,523,366	571	1,523,937
Accrued interest payable	27,885	0	27,885
Deferred revenue:			
Succeeding year property tax	6,924,441	0	6,924,441
Other	235,114	0	235,114
Unearned revenue	0	12,685	12,685
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	3,020,000	0	3,020,000
Early retirement payable	79,274	0	79,274
Compensated absences	31,621	0	31,621
Portion due after one year:			
General obligation bonds payable	510,000	0	510,000
Net OPEB liability	126,468	5,532	132,000
<b>TOTAL LIABILITIES</b>	<b>12,730,090</b>	<b>18,835</b>	<b>12,748,925</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	12,425,275	73,693	12,498,968
Restricted for:			
Debt service	33,051	0	33,051
Categorical funding	371,853	0	371,853
Management levy	720,291	0	720,291
Physical plant and equipment levy	14,034	0	14,034
Capital projects	873,883	0	873,883
Other special revenue purposes	166,032	0	166,032
Unrestricted	2,671,649	95,242	2,766,891
<b>TOTAL NET ASSETS</b>	<b>\$ 17,276,068</b>	<b>168,935</b>	<b>17,445,003</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL 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	Govern- mental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 6,797,980	497,380	2,012,508	(4,288,092)	0	(4,288,092)
Special	2,043,706	113,018	165,384	(1,765,304)	0	(1,765,304)
Other	2,103,820	187,810	0	(1,916,010)	0	(1,916,010)
	<u>10,945,506</u>	<u>798,208</u>	<u>2,177,892</u>	<u>(7,969,406)</u>	<u>0</u>	<u>(7,969,406)</u>
Support services:						
Student	463,576	0	0	(463,576)	0	(463,576)
Instructional staff	486,986	0	0	(486,986)	0	(486,986)
Administration	1,418,900	0	0	(1,418,900)	0	(1,418,900)
Operation and maintenance of plant	1,247,193	0	0	(1,247,193)	0	(1,247,193)
Transportation	1,022,169	40,994	321,493	(659,682)	0	(659,682)
	<u>4,638,824</u>	<u>40,994</u>	<u>321,493</u>	<u>(4,276,337)</u>	<u>0</u>	<u>(4,276,337)</u>
Other expenditures:						
Facilities acquisitions	238,037	0	0	(238,037)	0	(238,037)
Long-term debt interest	133,905	0	0	(133,905)	0	(133,905)
AEA flowthrough	677,165	0	677,165	0	0	0
Depreciation (unallocated)*	559,605	0	0	(559,605)	0	(559,605)
	<u>1,608,712</u>	<u>0</u>	<u>677,165</u>	<u>(931,547)</u>	<u>0</u>	<u>(931,547)</u>
Total governmental activities	17,193,042	839,202	3,176,550	(13,177,290)	0	(13,177,290)
Business Type activities:						
Support services:						
Administration	2,642	0	0	0	(2,642)	(2,642)
Operation and maintenance of plant	6,326	0	0	0	(6,326)	(6,326)
	<u>8,968</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(8,968)</u>	<u>(8,968)</u>
Non-instructional programs:						
Nutrition services	748,255	421,208	303,532	0	(23,515)	(23,515)
Total business type activities	<u>757,223</u>	<u>421,208</u>	<u>303,532</u>	<u>0</u>	<u>(32,483)</u>	<u>(32,483)</u>
Total	\$ 17,950,265	1,260,410	3,480,082	(13,177,290)	(32,483)	(13,209,773)
<b>General Revenues &amp; Transfers:</b>						
General Revenues:						
Property tax levied for:						
General purposes				\$ 6,591,570	0	6,591,570
Debt service				257,243	0	257,243
Capital outlay				195,887	0	195,887
Statewide sales and services tax				1,387,570	0	1,387,570
Unrestricted state grants				5,907,564	0	5,907,564
Unrestricted investment earnings				93,777	1,315	95,092
Other				180,513	2,642	183,155
Transfers				(1,588)	1,588	0
Total general revenues and transfers				<u>14,612,536</u>	<u>5,545</u>	<u>14,618,081</u>
Changes in net assets				1,435,246	(26,938)	1,408,308
Net assets beginning of year				15,840,822	195,873	16,036,695
Net assets end of year				<u>\$ 17,276,068</u>	<u>168,935</u>	<u>17,445,003</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 4,581,537	720,432	30,934	977,332	6,310,235
Receivables:					
Property tax:					
Delinquent	56,290	0	2,339	6,157	64,786
Succeeding year	6,035,289	0	256,940	632,212	6,924,441
Accounts	128,737	0	0	384	129,121
Due from other governments	344,626	258,992	0	0	603,618
Prepaid items	18,682	0	0	0	18,682
<b>TOTAL ASSETS</b>	<b>\$ 11,165,161</b>	<b>979,424</b>	<b>290,213</b>	<b>1,616,085</b>	<b>14,050,883</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 142,728	105,541	0	3,652	251,921
Salaries and benefits payable	1,523,366	0	0	0	1,523,366
Deferred revenue:					
Succeeding year property tax	6,035,289	0	256,940	632,212	6,924,441
Other	234,302	0	222	590	235,114
<b>Total liabilities</b>	<b>7,935,685</b>	<b>105,541</b>	<b>257,162</b>	<b>636,454</b>	<b>8,934,842</b>
Fund balances:					
Reserved for:					
Debt service	0	0	33,051	0	33,051
Categorical funding	371,853	0	0	0	371,853
Prepaid items	18,682	0	0	0	18,682
Unreserved	2,838,941	873,883	0	979,631	4,692,455
<b>Total fund balances</b>	<b>3,229,476</b>	<b>873,883</b>	<b>33,051</b>	<b>979,631</b>	<b>5,116,041</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 11,165,161</b>	<b>979,424</b>	<b>290,213</b>	<b>1,616,085</b>	<b>14,050,883</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL 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 16)	\$ 5,116,041
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	15,955,275
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(27,885)
Long-term liabilities, including general obligation bonds, early retirement, compensated absences and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,767,363)</u>
Net assets governmental activities (page 14)	<u>\$ 17,276,068</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 6,116,539	1,387,570	257,243	670,918	8,432,270
Tuition	560,213	0	0	0	560,213
Other	248,336	5,734	8,745	385,748	648,563
State sources	8,493,452	0	177	465	8,494,094
Federal sources	494,736	0	0	0	494,736
<b>Total revenues</b>	<b>15,913,276</b>	<b>1,393,304</b>	<b>266,165</b>	<b>1,057,131</b>	<b>18,629,876</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	6,653,258	29,708	0	107,737	6,790,703
Special	2,026,319	0	0	0	2,026,319
Other	1,786,272	0	0	324,349	2,110,621
	10,465,849	29,708	0	432,086	10,927,643
Support services:					
Student	460,891	0	0	0	460,891
Instructional staff	356,506	139,530	0	1,957	497,993
Administration	1,370,540	0	14,154	6,609	1,391,303
Operation and maintenance of plant	1,115,218	0	0	116,678	1,231,896
Transportation	826,622	6,021	0	279,578	1,112,221
	4,129,777	145,551	14,154	404,822	4,694,304
Other expenditures:					
Facilities acquisitions	0	636,907	0	92,382	729,289
Long-term debt:					
Principal	0	0	480,000	0	480,000
Interest and fiscal charges	0	0	176,933	0	176,933
AEA flowthrough	677,165	0	0	0	677,165
	677,165	636,907	656,933	92,382	2,063,387
<b>Total expenditures</b>	<b>15,272,791</b>	<b>812,166</b>	<b>671,087</b>	<b>929,290</b>	<b>17,685,334</b>
Excess(Deficiency) of revenues over(under) expenditures	640,485	581,138	(404,922)	127,841	944,542
Other financing sources(uses):					
Transfer in	0	0	400,000	0	400,000
Transfer out	0	(400,000)	0	0	(400,000)
Refunding bond issuance	0	0	3,530,000	0	3,530,000
Premium on bond issuance	0	0	73,789	0	73,789
Discount on bond issuance	0	0	(33,195)	0	(33,195)
Payment to escrow agent	0	0	(3,555,000)	0	(3,555,000)
<b>Total other financing sources(uses)</b>	<b>0</b>	<b>(400,000)</b>	<b>415,594</b>	<b>0</b>	<b>15,594</b>
Net change in fund balances	640,485	181,138	10,672	127,841	960,136
Fund balance beginning of year	2,588,991	692,745	22,379	851,790	4,155,905
Fund balance end of year	\$ 3,229,476	873,883	33,051	979,631	5,116,041

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2009

Net change in fund balances - total governmental funds (page 18) \$ 960,136

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

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

Expenditures for capital assets	\$ 936,913	
Depreciation expense	<u>(835,897)</u>	101,016

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 liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issuances and repayments are the following:

Issued		
Repaid	\$ (3,530,000)	
	<u>4,035,000</u>	505,000

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

2,434

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	\$ (14,377)	
Compensated Absences	7,505	
Other Postemployment Benefits	<u>(126,468)</u>	<u>(133,340)</u>

Changes in net assets of governmental activities (page 15) \$ 1,435,246

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2009

	School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 84,656
Accounts receivable	1,555
Inventories	23,489
Prepaid items	4,377
Total current assets	114,077
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	73,693
Total non-current assets	73,693
TOTAL ASSETS	187,770
LIABILITIES	
Current liabilities:	
Accounts payable	47
Salaries and benefits payable	571
Unearned revenue	12,685
Total current liabilities	13,303
Long-term liabilities:	
Net OPEB liability	5,532
Total long-term liabilities	5,532
TOTAL LIABILITIES	18,835
NET ASSETS	
Invested in capital assets	73,693
Unrestricted	95,242
TOTAL NET ASSETS	\$ 168,935

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 421,208
Donations	100
Miscellaneous	2,642
TOTAL OPERATING REVENUES	423,950
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	2
Other	2,640
Operation and maintenance of plant:	
Supplies	6,326
Total support services	8,968
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	251,757
Benefits	113,385
Services	12,252
Supplies	355,966
Other	840
Depreciation	14,055
Total non-instructional programs	748,255
TOTAL OPERATING EXPENSES	757,223
OPERATING LOSS	(333,273)
NON-OPERATING REVENUES:	
State sources	8,861
Federal sources	294,571
Interest income	1,315
TOTAL NON-OPERATING REVENUES	304,747
Change in net assets before other financing sources	(28,526)
Other financing sources:	
Capital contribution	1,588
Change in net assets	(26,938)
Net assets beginning of year	195,873
Net assets end of year	\$ 168,935

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 420,523
Cash received from miscellaneous operating activities	2,742
Cash payments to employees for services	(361,847)
Cash payments to suppliers for goods or services	(349,467)
Net cash used in operating activities	(288,049)
Cash flows from non-capital financing activities:	
State grants received	8,861
Federal grants received	262,248
Net cash provided by non-capital financing activities	271,109
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(21,874)
Cash flows from investing activities:	
Interest on investments	1,315
Net decrease in cash and cash equivalents	(37,499)
Cash and cash equivalents at beginning of year	122,155
Cash and cash equivalents at end of year	\$ 84,656
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (333,273)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	32,480
Depreciation	14,055
Decrease in prepaid items	650
Increase in inventories	(3,956)
Increase in accounts receivable	(1,359)
Increase in accounts payable	35
Decrease in salaries and benefits payable	(2,887)
Increase in unearned revenue	674
Increase in other postemployment benefits	5,532
Net cash used in operating activities	\$ (288,049)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$32,480.

During the year ended June 30, 2009, the Nutrition Fund received contributed capital from the General Fund valued at \$1,588.

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

The Carroll Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served primarily includes the Cities of Carroll, Breda, Dedham, Halbur, Roselle, Mt. Carmel, Willey, Lidderdale, Templeton, and Maple River Iowa, and the predominate agricultural territory of Carroll County. 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, Carroll 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 Carroll 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Carroll 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 service.

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

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt 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 funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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 financial statements:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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	10,000
Land improvements	10,000
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	20-50 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which 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.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, the District adopted one budget amendment increasing budgeted expenditures by \$5,064,592.

(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.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment trust as follows:

Diversified Portfolio

Amortized Cost  
\$ 4,854,198

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 rated Aaa by Moody's Investor's Service.

Governmental Accounting Standards Board Statement Number 3 requires the District's investments to categorize to give an indication of the level of risk assumed by the District at year end. The HH Series Bonds held by the District are stated at fair value and are not subject to the risk categorization previously mentioned.

At June 30, 2009, the District had an investment in HH series bond in the amount as follows:

	Fair Value
HH Series Bond	\$ 35,000

**(3) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 400,000

The transfer from the Capital Projects Fund to the Debt Service fund was needed for debt relief.

**(4) 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
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 544,070	150,000	0	694,070
Construction in progress	462,449	303,133	765,582	0
Total capital assets not being depreciated	1,006,519	453,133	765,582	694,070
Capital assets being depreciated:				
Buildings	20,241,576	765,582	0	21,007,158
Land improvements	1,525,251	38,119	0	1,563,370
Machinery and equipment	8,200,450	445,661	100,651	8,545,460
Total capital assets being depreciated	29,967,277	1,249,362	100,651	31,115,988
Less accumulated depreciation for:				
Buildings	7,239,391	521,881	0	7,761,272
Land improvements	606,782	37,724	0	644,506
Machinery and equipment	7,273,364	276,292	100,651	7,449,005
Total accumulated depreciation	15,119,537	835,897	100,651	15,854,783
Total capital assets being depreciated, net	14,847,740	413,465	0	15,261,205
Governmental activities capital assets, net	\$ 15,854,259	866,598	765,582	15,955,275

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 440,382	23,462	0	463,844
Less accumulated depreciation	376,096	14,055	0	390,151
Business type activities capital assets, net	<u>\$ 64,286</u>	<u>9,407</u>	<u>0</u>	<u>73,693</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 66,898
Special	10,795
Other	22,486
Support services:	
Student	2,273
Instructional staff	13,665
Administration	4,858
Operation and maintenance	8,924
Transportation	146,393
	<u>276,292</u>
Unallocated depreciation	<u>559,605</u>
Total governmental activities depreciation expense	<u>\$ 835,897</u>
Business type activities:	
Food services	<u>\$ 14,055</u>

#### (5) 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
Governmental Activities:					
General Obligation Bonds	\$ 4,035,000	3,530,000	4,035,000	3,530,000	510,000
Compensated Absences	39,126	31,621	39,126	31,621	31,621
Early Retirement	64,897	78,370	63,993	79,274	79,274
Net OPEB Liability	0	126,468	0	126,468	0
Total	<u>\$ 4,139,023</u>	<u>3,766,459</u>	<u>4,138,119</u>	<u>3,767,363</u>	<u>620,895</u>
Business Type Activities					
Net OPEB Liability	\$ 0	5,532	0	5,532	0

#### General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2009				
	Interest Rates	Principal	Interest	Total	
2010	3.125	% \$ 510,000	116,919	626,919	
2011	3.125	540,000	91,375	631,375	
2012	3.125	555,000	74,422	629,422	
2013	3.125	570,000	57,000	627,000	
2014	3.125-3.375	590,000	39,031	629,031	
2015	3.000-3.375	600,000	19,313	619,313	
2016	3.000-3.375	165,000	3,975	168,975	
Total		<u>\$ 3,530,000</u>	<u>402,035</u>	<u>3,932,035</u>	

## Early Retirement

The District offers a voluntary early retirement plan to all District employees. Eligible employees must be at least age fifty-five on or before July 1<sup>st</sup> the year of the retirement request. Eligible employees must have completed twenty years of continuous service or thirty years of non-continuous service to the District. The applicant must submit a written resignation to resign from the existing contract and the resignation may be contingent upon approval by the Board of Education. The application for the program must be submitted to the Superintendent on or before January 15<sup>th</sup> of the last current school year of employment. The early retirement incentive for each eligible certified employee is equal to a cash payment of 50% of the employee's base salary calculated by using the current year regular salary schedule, and subject to a maximum of \$14,000 per individual, to be paid on July 1<sup>st</sup>, in the employee's name to the 403(b) employer sponsored defined contribution plan. At the option of the Board, the payment could be made over a period of time not to exceed five years. During the year ended June 30, 2009, the District paid \$63,993 in early retirement benefits.

### **(6) Advance Refunding**

On May 1, 2009, the District issued \$3,530,000 in general obligation bonds to advance refund \$3,555,000 to call the outstanding general obligation bonds dated May 1, 2001. The new advance refunding bonds have been added to the appropriate financial statements and schedules. The present value savings of this bond refunding is \$191,239.

### **(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, 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 covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$605,667, \$552,489 and \$488,870 respectively, equal to the required contributions for each year.

### **(8) Other Postemployment Benefits (OPEB)**

The District implemented GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 218 active

and 13 retired members in the plan. Employees must be age 55 or older at retirement and have ten or more years of service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit and explicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit.

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

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

The following table shows the components of the District's annual OPEB cost for June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 195,000
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	<u>195,000</u>
Contributions made	<u>(63,000)</u>
Increase in net OPEB obligation	132,000
Net OPEB obligation - beginning of year	<u>0</u>
net OPEB obligation - end of year	<u>\$ 132,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2009.

For fiscal year 2009, the District contributed \$63,000 to the medical plan. Plan members receiving benefits contributed \$79,000, or 44% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$195,000	32.31%	\$132,000

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$1.755 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.755 million. The covered payroll (annual payroll of active employees covered by the plan) was \$8.625 million, and the ratio of the UAAL to the covered payroll was 20.3%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by a percentage each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2008 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan for members adjusted to age 60 are \$580 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District

assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) 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 \$677,165 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.

**(11) Categorical Funding**

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

Project	Amount
Limited english proficiency	\$ 2,662
Talented and gifted	117,242
Allowable growth for returning dropouts and dropout prevention	52,765
Beginning teacher mentoring	1,616
Salary improvement program	1,051
Market factor	1
Beginning administrator mentoring	3,000
Phase II	229
Early intervention	9,807
Textbook aid for non-public students	1,711
Statewide voluntary preschool	145,738
Model core curriculum	24,492
Teacher development academies	2,310
Professional development	9,117
Market factor incentives	112
Total	<u>\$ 371,853</u>

REQUIRED SUPPLEMENTARY INFORMATION

CARROLL COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES 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
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 9,641,046	425,265	10,066,311	9,765,409	9,765,409	300,902
Intermediate sources	0	0	0	730,000	730,000	(730,000)
State sources	8,494,094	8,861	8,502,955	8,819,046	8,819,046	(316,091)
Federal sources	494,736	294,571	789,307	830,000	830,000	(40,693)
Total revenues	18,629,876	728,697	19,358,573	20,144,455	20,144,455	(785,882)
<b>Expenditures/Expenses:</b>						
Instruction	10,927,643	0	10,927,643	12,662,429	12,662,429	1,734,786
Support services	4,694,304	8,968	4,703,272	5,742,500	6,750,000	2,046,728
Non-instructional programs	0	748,255	748,255	778,900	800,000	51,745
Other expenditures	2,063,387	0	2,063,387	1,964,008	6,000,000	3,936,613
Total expenditures/expenses	17,685,334	757,223	18,442,557	21,147,837	26,212,429	7,769,872
Excess(Deficiency)of revenues over(under) expenditures/expenses	944,542	(28,526)	916,016	(1,003,382)	(6,067,974)	6,983,990
Other financing sources, net	15,594	1,588	17,182	2,500	2,500	14,682
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	960,136	(26,938)	933,198	(1,000,882)	(6,065,474)	6,998,672
Balance beginning of year	4,155,905	195,873	4,351,778	3,788,555	3,788,555	563,223
Balance end of year	\$ 5,116,041	168,935	5,284,976	2,787,673	(2,276,919)	7,561,895

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL 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.

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 the District adopted one budget amendment increasing budgeted expenditures by \$5,064,592.

CARROLL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE  
 RETIREE HEALTH PLAN  
 (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
July 1, 2008	\$ -	\$ 1,755	\$ 1,755	0.0%	\$ 8,625	20.3%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

CARROLL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2009

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 795,614	169,300	12,418	977,332
Receivables:				
Property tax:				
Current year delinquent	4,372	0	1,785	6,157
Succeeding year	425,000	0	207,212	632,212
Accounts	0	384	0	384
<b>TOTAL ASSETS</b>	<b>\$ 1,224,986</b>	<b>169,684</b>	<b>221,415</b>	<b>1,616,085</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 0	3,652	0	3,652
Deferred revenue:				
Succeeding year property tax	425,000	0	207,212	632,212
Other	421	0	169	590
Total liabilities	425,421	3,652	207,381	636,454
Unreserved fund balances	799,565	166,032	14,034	979,631
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,224,986</b>	<b>169,684</b>	<b>221,415</b>	<b>1,616,085</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 475,031	0	195,887	670,918
Other	32,729	351,717	1,302	385,748
State sources	330	0	135	465
Total revenues	<u>508,090</u>	<u>351,717</u>	<u>197,324</u>	<u>1,057,131</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	90,279	0	17,458	107,737
Other	0	324,349	0	324,349
Support services:				
Instructional staff	0	0	1,957	1,957
Administration	6,566	0	43	6,609
Operation and maintenance of plant	116,678	0	0	116,678
Transportation	47,736	0	231,842	279,578
Other expenditures:				
Facilities acquisition	0	0	92,382	92,382
Total expenditures	<u>261,259</u>	<u>324,349</u>	<u>343,682</u>	<u>929,290</u>
Net change in fund balances	246,831	27,368	(146,358)	127,841
Fund balance beginning of year	<u>552,734</u>	<u>138,664</u>	<u>160,392</u>	<u>851,790</u>
Fund balance end of year	<u>\$ 799,565</u>	<u>166,032</u>	<u>14,034</u>	<u>979,631</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL 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	Intrafund Transfers	Balance End of Year
ISJIT investment	\$ 28,386	2,220	0	0	30,606
Interest	12,864	488	0	0	13,352
Drama	5,606	7,032	5,543	0	7,095
Speech	375	191	2,204	1,638	0
Vocal	8,786	6,921	10,793	(1,514)	3,400
HS band	1,249	4,885	9,620	3,486	0
Football	5,363	36,638	33,882	0	8,119
Wrestling	1,000	4,468	5,702	234	0
Volleyball	1,000	7,258	6,481	(110)	1,667
Sports camp	787	0	0	0	787
Basketball	60	34,987	34,076	0	971
Soccer	245	1,669	1,770	0	144
Baseball-softball	396	14,596	15,495	579	76
Track	390	6,317	6,670	0	37
Golf	105	184	3,999	3,710	0
Swimming	365	2,057	2,111	0	311
Activity tickets	13,038	89,049	60,674	(7,151)	34,262
Letterwinners	106	0	0	0	106
Weight room	0	94	0	0	94
Tiger banner newspaper	431	0	0	0	431
Cheerleaders	1,040	203	1,236	643	650
HS class accounts	2,978	6,906	8,253	1,621	3,252
Concessions	1,872	35,214	26,958	(6,457)	3,671
Academic competitions	6,621	1,515	2,105	1,145	7,176
FFA	12,891	40,441	39,507	0	13,825
FCCLA	2,218	486	83	57	2,678
National Honor Society	0	3,737	3,536	519	720
HS student council	6,412	12,547	10,074	322	9,207
Fine arts festival	910	0	0	0	910
Yearbook	2,663	19,423	19,385	0	2,701
Dance/Drill team	4,469	3,363	4,183	0	3,649
MS band	295	0	0	0	295
MS G+T Store	2,102	1,055	706	0	2,451
MS student council	1,002	5,080	6,668	586	0
MS youth market place	826	0	0	(10)	816
Adams student council	11,813	2,693	2,635	702	12,573
<b>Total</b>	<b>\$ 138,664</b>	<b>351,717</b>	<b>324,349</b>	<b>0</b>	<b>166,032</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL 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
<b>Revenues:</b>						
Local sources	9,641,046	8,858,576	8,877,725	8,335,891	7,488,451	7,546,200
Intermediate sources	0	0	19,285	0	65	228
State sources	8,494,094	8,457,365	7,846,948	7,353,539	7,150,935	6,476,515
Federal sources	494,736	475,069	505,885	546,403	698,099	661,011
<b>Total</b>	<b>\$ 18,629,876</b>	<b>17,791,010</b>	<b>17,249,843</b>	<b>16,235,833</b>	<b>15,337,550</b>	<b>14,683,954</b>
<b>Expenditures:</b>						
<b>Instruction:</b>						
Regular	\$ 6,790,703	6,213,698	5,969,777	6,519,588	5,643,087	5,708,589
Special	2,026,319	2,071,485	1,927,109	1,724,461	1,984,390	2,153,381
Other	2,110,621	1,921,260	1,887,533	1,008,200	1,117,162	1,066,924
<b>Support services:</b>						
Student	460,891	392,422	390,182	377,605	479,114	524,577
Instructional staff	497,993	500,475	538,959	371,027	481,170	296,238
Administration	1,391,303	1,528,113	1,497,596	1,409,424	1,280,991	1,206,753
Operation and maintenance of plant	1,231,896	1,247,605	1,200,735	1,073,745	1,071,520	1,039,436
Transportation	1,112,221	929,136	1,216,032	775,040	786,821	708,661
Other support	0	0	0	0	435,669	1,003
Non-instructional programs	0	115	145	0	0	0
<b>Other expenditures:</b>						
Facilities acquisitions	729,289	611,628	65,729	38,090	61,717	260,167
<b>Long-term debt:</b>						
Principal	480,000	460,000	705,000	950,000	915,000	895,831
Interest and other charges	176,933	197,593	222,942	291,216	325,908	306,827
AEA flow-through	677,165	665,070	630,994	584,151	570,404	565,814
<b>Total</b>	<b>\$ 17,685,334</b>	<b>16,738,600</b>	<b>16,252,733</b>	<b>15,122,547</b>	<b>15,152,953</b>	<b>14,734,201</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	\$ 30,707
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	262,233
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 09	1,631
			<u>294,571</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-G	<u>209,942</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 09	<u>19,075</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	<u>7,512</u>
COMPREHENSIVE SCHOOL REFORM DEMONSTRATION	84.332	FY 09	<u>1,353</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 09	<u>88,565</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 09	<u>11,128</u>
ARRA - STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 09	<u>8,101</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 09	<u>120,916</u>
SPECIAL EDUCATION - STATE PERSONNEL DEVELOPMENT	84.323	FY 09	<u>923</u>
TOTAL			<u>\$ 762,086</u>

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

## **Certified Public Accountants**

(a professional corporation)

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Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Carroll Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 17, 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 Carroll Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Carroll Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Carroll 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 Carroll 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 Carroll Community School District's financial statements that is more than inconsequential will not be prevented or detected by Carroll Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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.

Compliance and Other Matters

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

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

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

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2010

# NOLTE, CORNMAN & JOHNSON P.C.

## Certified Public Accountants

(a professional corporation)

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

To the Board of Education of  
Carroll Community School District

#### Compliance

We have audited the compliance of Carroll Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Carroll Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Carroll Community School District's management. Our responsibility is to express an opinion on Carroll Community School District's compliance based on our audit.

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

In our opinion, Carroll Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

#### Internal Control Over Compliance

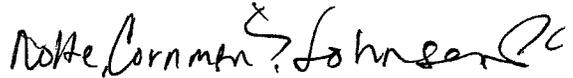
The management of Carroll Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Carroll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

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2010

CARROLL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.556 - Special Milk Program for Children
  - Individual
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Carroll Community School District did not qualify as a low-risk auditee.

CARROLL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No matters were noted.

CARROLL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No matters were noted.

CARROLL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget - District disbursements for the year ended June 30, 2009, did not exceed the budgeted amounts.

IV-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.

IV-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.

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

Name, Title and Business Connection	Transaction Description	Amount
Doug Hoffman, Bus Driver Owns Midwest Clock	Repairs	\$240
Amy Fordyce, Board Member Substitute Nurse	Payroll	\$1,756
Kim Tiefenthaler, Board Member Stockholder, Paul and Wayne's Inc.	Repairs Bus tires per quote	\$824 \$9,881

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

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with Ms. Fordyce does not appear to represent a conflict of interest.

In accordance with the Chapter 279.7A of the Code of Iowa, the above transactions with Mr. Tiefenthaler do appear to represent a conflict of interest

Recommendation - Chapter 279.7A of the Code of Iowa states that a board member cannot have a direct or indirect interest in the contract of goods of the school district where the board member would derive a benefit of over \$2,500. Although the District received competitive quotes from area businesses for the purchase of bus tires, there was no indication in the District's board minutes that the competitive quotes were received and acted upon by the District's entire board of directors.

In the future, the board of directors should require competitive bids from area businesses. The competitive bids should be presented and acted upon by the District's entire board of directors. Board members that have an affiliation with businesses should recuse himself/herself from voting on the approval of the bid. The approval of the bid with any recusals of board members should be noted in the district board minutes to avoid the appearance of a conflict of interest.

In addition, the board member who substitutes did not recuse herself from voting on pay rates for substitutes which could give the appearance of a conflict of interest.

In the future, this board member should recuse herself when ratification of pay rates for substitutes is brought before the board. The recusal of this board member should be noted in the District's board minutes to avoid the appearance of a conflict of interest.

Response - The District will require competitive bids for bus tires from area businesses and will present those bids to the Board of Directors for action. The bid results and any Board action on the bids will be reflected in the Board minutes.

The board member that substitutes will recuse herself on the ratification of pay rates when the matter is brought before the board for action.

Conclusion - Response accepted.

IV-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.

IV-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will provide the minutes within the time period required, however, we are unable to control the publishing dates.

Conclusion- Response accepted.

IV-G-09 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students reported on Line 1 as resident students was understated by 0.4.

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

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-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.

IV-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.

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

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales 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			1,387,570
Expenditures/Transfers out:			
School infrastructure:			
Land	\$	150,000	
Buildings		486,907	
Equipment		175,259	
Debt service for school infrastructure:			
General obligation debt		400,000	1,212,166
Ending Balance		\$	<u>175,404</u>
Levies reduced as a result of statewide sales and services tax received:			
		<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$	<u>0.67256</u>	<u>\$ 400,000</u>

IV-L-09 Officiating Contracts - We noted during our audit that the Board President was not signing Activity Fund officiating contracts or new equipment purchase agreements. 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 will sign all contracts entered into by the District.

Conclusion - Response accepted.

IV-M-09 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - The District will keep track of hours worked for coaches who are non-certified staff.

Conclusion - Response accepted.

IV-N-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. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

There are interest accounts in the Student Activity Fund. Moneys in these accounts should be allocated amongst the individual activity fund accounts that earned the interest during the year. Allocation of interest should be done at least annually.

Currently, donations from Target are recorded in the Adams and High School Student Council accounts in the Student Activity Fund. Target donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

Currently, there are scholarships being paid to students from the Student Activity Fund. The check written by the District for the award is being written to the student only. Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, funds intended for scholarships should be placed and expended from the Private Purpose Trust Fund. The check written for the scholarship should be written to the student and the college the student is attending once the student has provided proof of attendance.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. The District should also review procedures that are in place in regards to the Activity Fund and follow the suggested recommendations to gain compliance and better internal controls.

Response - The District will review procedures to ensure the appropriateness of receipts and expenditures in the Student Activity Fund. The District will annually allocate interest to the individual activity fund accounts that earned the interest during the year. In addition, the District will review current procedures with regard to the payment of scholarships.

Conclusion - Response accepted.