CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

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CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Officials

Name	Title	Term Expires
Board of Education		
(Before September 2008 Election)		
Sue Brugman	President	2010
Gary Klett	Vice President	2010
Brad Phelps	Board Member	2008
Dave Saboe	Board Member	2009
Brian Batsulelet	Board Member	2009
(After September 2008 Election)*		
Sue Brugman	President	2011
Brad Phelps	Vice President	2009
Gary Klett	Board Member	2011
Dave Saboe	Board Member	2009
Brian Batsulelet	Board Member	2009
School Officials		
Monte Montgomery	Superintendent	
Donna L. Ott	District Secretary/Treasurer	

*Board terms may have been extended or shortened 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.

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

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Independent Auditor's Report

To the Board of Education of
Clay Central/Everly 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 Clay Central/Everly Community School District, Royal, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as 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 Clay Central/Everly 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 April 28, 2010, on our consideration of Clay Central/Everly Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 10 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay Central/Everly Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

April 28, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clay Central - Everly Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 Financial Highlights

- General Fund revenues decreased from $4,590,840 in fiscal 2008 to $4,284,781 in fiscal 2009, while General Fund expenditures increased from $4,473,216 in fiscal 2008 to $4,549,332 in fiscal 2009. The District's General Fund balance decreased from $(663,400) in fiscal 2008 to $(927,951) in fiscal 2009.

- The decrease in fund balance is due to reduced revenues and increased spending. The increased spending was due to increased costs for special education programs.

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 Clay Central - Everly 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 Clay Central/Everly 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 Clay Central - Everly Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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

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

Other Supplementary Information provides detailed information about the non-major funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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 proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-1

	Condensed Statement of Net Assets						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2008	2009	2008	2009	2008	2009	2008-2009
	$	$	$	$	$	$	
Current and other assets	3,689,679	3,939,678	427	(42,600)	3,690,106	3,897,078	6%
Capital assets	1,235,405	1,141,074	18,966	22,666	1,254,371	1,163,740	-7%
Total assets	4,925,084	5,080,752	19,393	(19,934)	4,944,477	5,060,818	2%
Long-term liabilities	57,324	30,330	-	-	57,324	30,330	-47%
Other liabilities	4,174,228	4,636,379	14,987	12,593	4,189,215	4,648,972	11%
Total liabilities	4,231,552	4,666,709	14,987	12,593	4,246,539	4,679,302	10%
Net Assets:							
Invested in capital assets, net of related debt	1,235,405	1,141,074	18,966	22,666	1,254,371	1,163,740	-7%
Restricted	66,745	132,586	-	-	66,745	132,586	99%
Unrestricted	(608,618)	(859,617)	(14,560)	(55,193)	(623,178)	(914,810)	-47%
TOTAL NET ASSETS	693,532	414,043	4,406	(32,527)	697,938	381,516	-45%

The District's combined net assets decreased by nearly 45%, or approximately $316,422, over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately $65,841 or 99% over the prior year.

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 – decreased approximately $291,632, or 47%.

Figure A-2 shows the change in net assets for the years ended June 30, 2009 and 2008.

Figure A-2

	Change in Net Assets						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2008	2009	2008	2009	2008	2009	2008-2009
	$	$		$		$	
Revenues							
Program Revenues:							
Charges for services	516,609	426,436	91,849	99,907	608,458	526,343	-13%
Operating grants & contributions	599,162	587,918	73,217	83,291	672,379	671,209	<-1%
Capital grants & contributions	-	-	-	-	-	-	-
General Revenues:							
Property taxes	2,243,266	2,127,722	-	-	2,243,266	2,127,722	-5%
Income Surtax	80,218	87,190	-	-	80,218	87,190	9%
Statewide sales & services tax	220,437	330,854	-	-	220,437	330,854	50%
Unrestricted state grants	1,344,455	1,266,492	-	-	1,344,455	1,266,492	-6%
Unrestricted investment earnings	9,248	29,064	81	79	9,329	29,143	212%
Other revenue	(4,398)	-	-	-	(4,398)	-	100%
Total Revenues	5,008,997	4,855,676	165,147	183,277	5,174,144	5,038,953	-3%
Expenses:							
Instruction	2,847,316	2,994,545	-	-	2,847,316	2,994,545	5%
Support services	1,712,353	1,696,380	-	-	1,712,353	1,696,380	-1%
Non-instructional programs	1,036	386	189,823	226,449	190,859	226,835	19%
Other expenditures	238,337	375,262	-	-	238,337	375,262	57%
Total expenses	4,799,042	5,066,573	189,823	226,449	4,988,865	5,293,022	6%
Change in net assets before transfers	209,955	(210,897)	(24,676)	(43,172)	185,279	(254,069)	-237%
Contributed capital	(42,841)	(6,239)	42,841	6,239	-	6,239	100%
CHANGE IN NET ASSETS	167,114	(217,136)	18,165	(36,933)	185,279	(254,069)	-237%
Net assets beginning of year, as restated	526,418	631,179	(13,759)	4,406	512,659	635,585	24%
Net assets end of year	693,532	414,043	4,406	(32,527)	697,938	381,516	-45%

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were $4,855,676 and expenses were $5,066,573.

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-3 **Total and Net Cost of Governmental Activities**

	Total Cost of Services 2008	Total Cost of Services 2009	Net Cost Of Services 2008	Net Cost of Services 2009
	$	$	$	$
Instruction	2,847,316	2,994,545	1,895,710	2,140,380
Support Services	1,712,353	1,696,380	1,710,070	1,691,230
Non-instructional Programs	1,036	386	7,729	386
Other Expenses	238,337	375,262	85,220	220,223
TOTAL	4,799,042	5,066,573	3,683,271	4,052,219

- The cost financed by users of the District's programs was $426,436.
- Federal and state governments subsidized certain programs with grants and contributions totaling $587,918.
- The net cost of governmental activities was financed with $2,545,766 in property and other taxes and $1,266,492 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were $183,277 and expenses were $226,449. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2009, the District's increased costs were due to declining enrollment and the rising cost of food. The District will increase the cost of meal prices and decrease staff. This will result in less expenditures and more revenue.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund deficit balance of $771,671.

Governmental Fund Highlights

- The District's General Fund financial position is affected by many factors. Declining enrollment, increased utility costs, rising price of fuel, negotiated salary costs, and special education factors have to be considered each year before balancing the budget. The District continues to consider staff needs and other expenses in relation to revenues.
- The General Fund balance decreased from $(663,400) to $(927,951), due to increased expenses and decreased revenues.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from $4,406 at June 30, 2008 to $(32,527) at June 30, 2009. The District increased the meal prices for the school year. The district has also sought public donations to fund the afternoon snack program which will help offset the increased costs. The District will reduce staff and consider other options available for cost reduction for the following years to maintain a positive balance.

BUDGETARY HIGHLIGHTS

Over the course of the year, Clay Central - Everly Community School District amended its annual budget one time to reflect additional expenditures associated with support services and other expenditures.

The District's receipts were $155,653 less than budgeted receipts. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than the amended budget, 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.

In spite of the District's budgetary practice, the amended budget was exceeded in the instruction functional area due to the timing of expenditures at year-end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested $1,163,740, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was $160,486.

Figure A-4
Capital Assets (net of depreciation)

	Governmental Activities		Business Type Activities		Total School District		Percentage Change
	2008 $	**2009** $	**2008** $	**2009** $	**2008** $	**2009** $	**2008-2009**
Land	9,589	9,589	-	-	9,589	9,589	0%
Construction in progress	-	-	-	-	-	-	-
Buildings	918,345	870,479	-	-	918,345	870,479	-5%
Improvements	141,941	134,484	-	-	141,941	134,484	-5%
Equipment & Furniture	165,530	126,522	18,966	22,666	184,496	149,188	-19%
TOTAL	1,235,405	1,141,074	18,966	22,666	1,254,371	1,163,740	-7%

Long-Term Debt

At June 30, 2009, the District had $ 30,330 in other long-term debt outstanding. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-5
Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2008	2009	2008-2009
	$	$	
Termination benefits	57,324	30,330	-47%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's September 2008 enrollment decreased by 14.9 students. This drop in enrollment will decrease the District's funding for fiscal year 2010.

- The District is projecting that our student enrollment numbers will continue to decline for the next five years. This will continue to have a negative effect on our funding.

- The District has evaluated the condition of its transportation vehicles and determined that our current fleet will meet the needs of our district next year.

- The District made significant reductions in staff for fiscal year 2010. This staff reduction will decrease our expenditures and improve our financial position.

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 Donna Ott, District Secretary/Treasurer and Business Manager, Clay Central/Everly School District, 401 Church St, PO Box 110, Royal, Iowa, 51357.

BASIC FINANCIAL STATEMENTS

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	$	$	$
Assets			
Cash and cash equivalents:			
ISCAP	1,095,887	-	1,095,887
Other	257,001	22,666	279,667
Receivables:			
Property tax:			
Delinquent	39,355	-	39,355
Succeeding year	2,233,688	-	2,233,688
Accounts	19,230	855	20,085
Accrued interest:			
ISCAP	1,287	-	1,287
Other	352	-	352
Due from other governments	220,732	-	220,732
Inventories	-	6,025	6,025
Interfund balances	72,146	(72,146)	-
Capital assets, net of accumulated depreciation	1,141,074	22,666	1,163,740
Total assets	5,080,752	(19,934)	5,060,818
Liabilities			
Accounts payable	245,939	-	245,939
Salaries and benefits payable	390,620	11,432	402,052
Deferred revenue:			
Succeeding year property tax	2,233,688	-	2,233,688
Other	50,007	1,161	51,168
ISCAP warrants payable	1,612,000	-	1,612,000
ISCAP accrued interest payable	7,507	-	7,507
ISCAP premium	26,618	-	26,618
Notes payable-banks	70,000	-	70,000
Long-term liabilities:			
Portion due within one year:			
Termination benefits	24,457	-	24,457
Portion due after one year:			
Termination benefits	5,873	-	5,873
Total liabilities	4,666,709	12,593	4,679,302

See notes to financial statements.

Exhibit A

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	$	$	$
Net assets			
Invested in capital assets, net of related debt	1,141,074	22,666	1,163,740
Restricted for:			
Capital outlay	110,294	-	110,294
Other special revenue purposes	22,292	-	22,292
Unrestricted	(859,617)	(55,193)	(914,810)
Total net assets	414,043	(32,527)	381,516

See notes to financial statements.

CLAY CENTRAL/EVERLY

Statement of Activities

Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest
	$	$	$	$
Governmental activities:				
Instruction:				
Regular	1,731,204	260,136	347,305	-
Special	656,477	80,207	21,234	-
Other	606,864	86,093	59,190	-
	2,994,545	426,436	427,729	-
Support services:				
Student	234,640	-	-	-
Instructional staff	163,696	-	2,464	-
Administration	654,199	-	-	-
Operation and maintenance of plant	414,833	-	-	-
Transportation	229,012	-	2,686	-
	1,696,380	-	5,150	-
Non-instructional programs	386	-	-	-
Other expenditures:				
Facilities acquisition	152,389	-	-	-
AEA flowthrough	155,039	-	155,039	-
Depreciation (unallocated)*	67,834	-	-	-
	375,262	-	155,039	-
Total governmental activities	5,066,573	426,436	587,918	-
Business type activities:				
Non-instructional programs:				
Food service operations	226,449	99,907	83,291	-
Total	5,293,022	526,343	671,209	-
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Total general revenues				
Contributed capital				
Total general revenues and transfers				
Change in net assets				
Net assets beginning of year-restated				
Net assets end of year				

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

Net (Expense) Revenue and Changes in Net		
Governmental Activities	Business Type Activities	Total
$	$	$
(1,123,763)	-	(1,123,763)
(555,036)	-	(555,036)
(461,581)	-	(461,581)
(2,140,380)	-	(2,140,380)
(234,640)	-	(234,640)
(161,232)	-	(161,232)
(654,199)	-	(654,199)
(414,833)	-	(414,833)
(226,326)	-	(226,326)
(1,691,230)	-	(1,691,230)
(386)	-	(386)
(152,389)	-	(152,389)
-	-	-
(67,834)	-	(67,834)
(220,223)	-	(220,223)
(4,052,219)	-	(4,052,219)
-	(43,251)	(43,251)
(4,052,219)	(43,251)	(4,095,470)
2,082,794	-	2,082,794
44,928	-	44,928
87,190	-	87,190
330,854	-	330,854
1,266,492	-	1,266,492
29,064	79	29,143
3,841,322	79	3,841,401
(6,239)	6,239	-
3,835,083	6,318	3,841,401
(217,136)	(36,933)	(254,069)
631,179	4,406	635,585
414,043	(32,527)	381,516

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General Fund	Nonmajor Governmental Funds	Total
	$	$	$
Assets			
Cash and pooled investments:			
ISCAP	1,095,887	-	1,095,887
Other	153,972	103,029	257,001
Receivables:			
Property tax:			
Delinquent	36,678	2,677	39,355
Succeeding year	2,083,688	150,000	2,233,688
Accounts	19,230	-	19,230
Accrued interest - ISCAP	1,287	-	1,287
Accrued interest - other	352	-	352
Interfund receivable/payable	77,531	-	77,531
Due from other governments	159,478	61,254	220,732
Total assets	3,628,103	316,960	3,945,063
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	240,644	5,295	245,939
Salaries and benefits payable	390,620	-	390,620
Notes payable	70,000	-	70,000
Interfund payable	-	5,385	5,385
ISCAP warrants payable	1,612,000	-	1,612,000
ISCAP accrued interest payable	7,507	-	7,507
ISCAP premium	26,618	-	26,618
Deferred revenue:			
Succeeding year property tax	2,083,688	150,000	2,233,688
Income surtax	74,970	-	74,970
Other	50,007	-	50,007
Total liabilities	4,556,054	160,680	4,716,734
Fund balances:			
Unreserved, reported in:			
General fund	(927,951)	-	(927,951)
Special Revenue funds	-	90,938	90,938
Capital Project funds	-	65,342	65,342
Total fund balances	(927,951)	156,280	(771,671)
Total liabilities and fund balances	3,628,103	316,960	3,945,063

See notes to financial statements.

CLAY CENTRAL/EVERLY 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 (Exhibit C)	(771,671)
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,141,074
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	74,970
Long-term liabilities, including termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	(30,330)
Net assets of governmental activities (Exhibit A)	414,043

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Nonmajor Governmental Funds	Total
	$	$	$
Revenues:			
Local sources:			
Local tax	2,063,753	475,618	2,539,371
Tuition	242,719	-	242,719
Other	123,979	88,803	212,782
State sources	1,729,816	80	1,729,896
Federal sources	124,514	-	124,514
Total revenues	4,284,781	564,501	4,849,282
Expenditures:			
Current:			
Instruction:			
Regular	1,711,447	53,505	1,764,952
Special	652,872	-	652,872
Other	512,154	94,710	606,864
	2,876,473	148,215	3,024,688
Support services:			
Student	232,980	1,660	234,640
Instructional staff	129,371	386	129,757
Administration	606,664	57,292	663,956
Operation and maintenance of plant	363,113	47,388	410,501
Transportation	185,692	96,144	281,836
	1,517,820	202,870	1,720,690
Non-instructional programs	-	386	386
Other expenditures:			
Facilities acquisition	-	167,025	167,025
AEA flowthrough	155,039	-	155,039
	155,039	167,025	322,064
Total expenditures	4,549,332	518,496	5,067,828
Net change in fund balances	(264,551)	46,005	(218,546)
Fund balances beginning of year	(663,400)	110,275	(553,125)
Fund balances end of year	(927,951)	156,280	(771,671)

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year ended June 30, 2009

	$	$
Net change in fund balances - total governmental funds (Exhibit E)		(218,546)
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 not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year as follows:		
Expenditures for capital assets	125,969	
Depreciation expense	(157,947)	(31,978)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		6,394
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits		26,994
Changes in net assets of governmental activities (Exhibit B)		(217,136)

See notes to financial statements.

Exhibit G

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2009

	Nonmajor School Nutrition
	$
Assets	
Cash and cash equivalents	22,666
Accounts receivable	855
Inventories	6,025
Capital assets, net of accumulated depreciation	22,666
Total assets	52,212
Liabilities	
Interfund loan payable	72,146
Salaries and benefits payable	11,432
Deferred revenue	1,161
Total liabilities	84,739
Net assets	
Invested in capital assets, net of related debt	22,666
Unrestricted	(55,193)
Total net assets	(32,527)

See notes to financial statements.

Exhibit H

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2009

	Nonmajor School Nutrition
	$
Operating revenues:	
Local sources:	
Charges for service	99,907
Operating expenses:	
Non-instructional programs:	
Salaries	49,925
Benefits	21,593
Purchased services	1,445
Supplies	150,947
Depreciation	2,539
Total operating expenses	226,449
Operating gain (loss)	(126,542)
Non-operating revenues:	
State sources	2,099
Federal sources	81,192
Interest income	79
Total non-operating revenues	83,370
Gain (loss) before contributed capital	(43,172)
Contributed capital	6,239
Change in net assets	(36,933)
Net assets beginning of year	4,406
Net assets end of year	(32,527)

See notes to financial statements.

Exhibit I

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	Nonmajor School Nutrition
	$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	98,858
Cash payments to employees for services	(61,569)
Cash payments to suppliers for goods or services	(145,662)
Net cash used by operating activities	(108,373)
Cash flows from non-capital financing activities:	
Loan from General Fund	32,799
State grants received	2,099
Federal grants received	75,786
Net cash provided by non-capital financing activities	110,684
Cash flows from capital and related financing activities	-
Cash flows from investing activities:	
Interest on investments	79
Net increase (decrease) in cash and cash equivalents	2,390
Cash and cash equivalents at beginning of year	20,276
Cash and cash equivalents at end of year	22,666
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(126,542)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	5,406
Depreciation	2,539
Decrease (increase) in inventories	2,471
Decrease (increase) in accounts receivable	(482)
(Decrease) increase in accounts payable	(1,971)
(Decrease) increase in payable to general fund	10,629
(Decrease) increase in salaries and benefits payable	144
(Decrease) increase in deferred revenue	(567)
Net cash used by operating activities	(108,373)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received $5,406 of federal commodities.

During the year ended June 30, 2009, the School Nutrition Fund received $6,239 of equipment that was purchased by other funds.

See notes to financial statements.

Exhibit J

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

	Private Purpose Trust Scholarship	Agency
	$	$
Assets		
Cash and pooled investments	9,081	292
Liabilities		
Other payables	-	292
Net assets		
Reserved for scholarships	9,081	-

See notes to financial statements.

Exhibit K

CLAY CENTRAL-EVERLY COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trust Scholarship
	$
Additions:	
Local sources:	
Gifts and contributions	1,200
Interest	188
Total additions	1,388
Deductions:	
Support services:	
Scholarships awarded	3,550
Change in net assets	(2,162)
Net assets beginning of year	11,243
Net assets end of year	9,081

See notes to financial statements.

1. Summary of Significant Accounting Policies

Clay Central/Everly Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Royal and Everly, Iowa and the predominately agricultural territory in a portion of Clay, Dickinson and O'Brien Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Clay Central/Everly 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 Clay Central/Everly Community School District has no component units that 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 County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental fund:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the

District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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, furniture 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
	$
Land	500
Buildings	500
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	5-25 years
Furniture and equipment	3-15 years

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or 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 are imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, the District exceeded the amount of the amended budget in the instruction function area. The District also exceeded its General Fund spending authority.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

	Amortized Cost
	$
Diversified Portfolio	234,227

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

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

3. Interfund Receivables and Payables

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

Receivable Fund	Payable Fund	Amount
		$
General Fund	Activity Fund	5,385
General Fund	Nutrition Fund	72,146
		77,531

These interfund balances represent interfund loans which are to be repaid during the next fiscal year.

4. Iowa School Cash Anticipation Program (ISCAP)

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

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			$	$	$	$
2008-09B	01/21/09	01/21/10	9,961	1,153	543,000	7,141
2009-10A	06/25/09	06/23/10	1.085,926	134	1,069,000	366
Total			1,095,887	1,287	1,612,000	7,507

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
$	$	$	$
768,000	1,110,000	1,338,000	540,000

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

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2008-09B	3.00	2.11
2009-10A	2.50	0.902

5. Capital Assets

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

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	$	$	$	$
Governmental activities:				
Capital assets not being depreciated:				
Land	9,589	-	-	9,589
Capital assets being depreciated:				
Buildings	2,805,441	-	-	2,805,441
Improvements other than buildings	489,703	8,394	-	498,097
Furniture and equipment	1,689,764	117,575	-	1,807,339
Total capital assets being deprec.	4,984,908	125,969	-	5,110,877
Less accumulated depreciation for:				
Buildings	1,887,096	47,866	-	1,934,962
Improvements other than buildings	347,762	15,851	-	363,613
Furniture and equipment	1,586,587	94,230	-	1,680,817
Total accumulated depreciation	3,821,445	157,947	-	3,979,392
Total capital assets being depreciated, net	1,163,463	(31,978)	-	1,131,485
Governmental activities capital assets, net	1,173,052	(31,978)	-	1,141,074

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	$	$	$	$
Business type activities:				
Furniture and equipment	111,355	6,239	-	117,594
Less accumulated depreciation	92,389	2,539	-	94,928
Business type activities capital assets, net	18,966	3,700	-	22,666

Depreciation expense was charged to the following functions:

	$
Governmental activities:	
Instruction:	
Regular	12,203
Special	3,605
Support services:	
Instructional staff	33,939
Administration	3,943
Operation and maintenance of plant services	4,332
Transportation	32,091
	90,113
Unallocated depreciation	67,834
Total depreciation expense – governmental activities	157,947
Business type activities:	
Food services	2,539

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	$	$	$	$	$
Termination benefits	57,324	-	26,994	30,330	24,457

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2009, the District has obligations to four participants with a total liability of $30,330. Actual early retirement expenditures for the year ended June 30, 2009 totaled $26,994.

7. Bank Line of Credit

Clay Central/Everly Community School District has a $500,000 line of credit with a local bank. Any balance on the note is due in full on September 23, 2009. Balances due accrue interest at 6%. Note activity for the year is as follows.

Balance owed Beginning of Year	Advances	Repayments	Balance Owed End of Year
$	$	$	$
-	909,000	839,000	70,000

8. Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were $164,800, $154,588 and $144,575 respectively, equal to the required contributions for each year.

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 $155,039 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. Financial Condition

The General Fund has a deficit unreserved fund balance of $927,951 and the School Nutrition Fund had a deficit net assets of $32,527 at June 30, 2009.

12. Beginning Balance Adjustments

The beginning net assets balance in statement of activities, governmental activities were decreased $62,353 to correct beginning net capital assets balances.

REQUIRED SUPPLEMENTARY INFORMATION

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance - Positive (Negative)
	$	$	$	$	$	$
Revenues:						
Local sources	2,994,872	99,986	3,094,858	3,032,493	3,032,493	62,365
State sources	1,729,896	2,099	1,731,995	1,988,719	1,988,719	(256,724)
Federal sources	124,514	81,192	205,706	167,000	167,000	38,706
Total revenues	4,849,282	183,277	5,032,559	5,188,212	5,188,212	(155,653)
Expenditures/Expenses:						
Instruction	3,024,688	-	3,024,688	2,959,563	2,959,563	(65,125)
Support services	1,720,690	-	1,720,690	1,556,000	2,250,000	529,310
Non-instructional programs	386	226,449	226,835	221,000	275,000	48,165
Other expenditures	322,064	-	322,064	424,608	424,608	102,544
Total expenditures/expenses	5,067,828	226,449	5,294,277	5,161,171	5,909,171	614,894
Excess (deficiency) of revenues over (under) expenditures/expenses	(218,546)	(43,172)	(261,718)	27,041	(720,959)	459,241
Other financing sources (uses) net	-	6,239	6,239	22,000	22,000	(15,761)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(218,546)	(36,933)	(255,479)	49,041	(698,959)	443,480
Balance beginning of year as adjusted	(553,125)	4,406	(548,719)	(238,715)	(238,715)	(310,004)
Balance end of year	(771,671)	(32,527)	(804,198)	(189,674)	(937,674)	133,476

See accompanying independent auditor's report.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides 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 $748,000.

During the year ended June 30, 2009, expenditures exceeded the amount of the amended budget in the instruction functional area. The District also exceeded its General Fund spending authority.

OTHER SUPPLEMENTARY INFORMATION

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

	Special Revenue Funds				
Assets	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Capital Projects	Total
	$	$	$	$	$
Cash and pooled investments	21,848	32,972	44,121	4,088	103,029
Receivables:					
Property tax:					
Delinquent	1,846	-	831	-	2,677
Succeeding year	110,000	-	40,000	-	150,000
Due from other governments	-	-	-	61,254	61,254
Total assets	133,694	32,972	84,952	65,342	316,960
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	5,295	-	-	5,295
Interfund payables	-	5,385	-	-	5,385
Deferred revenue:					
Succeeding year property tax	110,000	-	40,000	-	150,000
Total liabilities	110,000	10,680	40,000	-	160,680
Fund balances:					
Unreserved fund balance reported in:					
Special revenue funds	23,694	22,292	44,952	-	90,938
Capital project funds	-	-	-	65,342	65,342
Total fund balances	23,694	22,292	44,952	65,342	156,280
Total liabilities and fund balances	133,694	32,972	84,952	65,342	316,960

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2009

	Special Revenue Funds				
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Capital Projects	Total
	$	$	$	$	$
Revenues:					
Local sources:					
Local tax	99,837	-	44,927	330,854	475,618
Other	-	88,537	-	266	88,803
State sources	55	-	25	-	80
Total revenues	99,892	88,537	44,952	331,120	564,501
Expenditures:					
Current:					
Instruction:					
Regular	53,505	-	-	-	53,505
Other	-	94,710	-	-	94,710
Support services:					
Student	1,660	-	-	-	1,660
Instructional staff	386	-	-	-	386
Administration	5,174	-	-	52,118	57,292
Operation and maintenance of plant	47,388	-	-	-	47,388
Transportation	11,229	-	-	84,915	96,144
Non-instructional programs	386	-	-	-	386
Other expenditures:					
Facilities acquisition	-	-	-	167,025	167,025
Total expenditures	119,728	94,710	-	304,058	518,496
Net change in fund balances	(19,836)	(6,173)	44,952	27,062	46,005
Fund balances beginning of year	43,530	28,465	-	38,280	110,275
Fund balances end of year	23,694	22,292	44,952	65,342	156,280

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	$	$	$	$
RIF	1,124	1,000	566	1,558
Science fair	209	1,084	796	497
Musical/play	3,166	6,155	4,764	4,557
Athletics	(3,498)	49,755	37,809	8,448
Fish fry-fund raiser	2,451	38	3,846	(1,357)
FFA	2,224	13,400	15,405	219
Class of 2008	662	26	688	-
Class of 2009	1,862	1,004	5,060	(2,194)
Class of 2010	2,095	3,386	3,128	2,353
Class of 2011	1,916	532	68	2,380
Class of 2012	1,176	-	-	1,176
Class of 2013	1,040	-	-	1,040
Class of 2014	2,496	-	-	2,496
Class of 2015	-	3,607	2,131	1,476
HS student council	250	642	892	-
MS student council	-	39	39	-
Dance team	-	465	-	465
Interest	37	24	-	61
HS student pop	1,034	158	584	608
Concessions	(1,716)	10,395	8,381	298
Cheerleaders/drill team	18	925	773	170
Yearbook	1,600	4,850	3,711	2,739
MS yearbook	976	1,072	1,195	853
Everly elem. pop	345	446	919	(128)
Royal elem. pop	344	446	918	(128)
Beginning accruals	8,654	(10,912)	(2,258)	-
Ending accruals	-	-	5,295	(5,295)
Total	28,465	88,537	94,710	22,292

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2009

	Wellness	Staff Collections	Total
	$	$	$
Balance beginning of year	862	315	1,177
Additions:			
Collections	-	20	20
Deductions:			
Miscellaneous	734	171	905
Balance end of year	128	164	292

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

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

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	$	$	$	$	$	$
Revenues:						
Local sources:						
Local tax	2,539,371	2,538,939	2,531,092	2,138,555	1,985,339	2,294,713
Tuition	242,719	226,676	249,008	233,651	169,629	104,886
Other	212,782	299,665	159,848	207,449	175,153	168,973
State sources	1,729,896	1,779,013	1,878,327	1,837,744	1,627,999	1,495,353
Federal sources	124,514	164,603	103,202	162,484	154,562	159,525
Total revenues	4,849,282	5,008,896	4,921,477	4,579,883	4,112,682	4,223,450
Expenditures:						
Instruction:						
Regular	1,764,952	1,767,584	1,763,287	1,684,894	1,755,841	1,813,721
Special	652,872	602,549	626,457	605,403	559,174	451,164
Other	606,864	436,170	443,668	491,957	513,517	349,733
Support services:						
Student	234,640	168,211	194,405	135,419	103,446	182,842
Instructional staff	129,757	130,107	123,788	131,974	141,061	160,140
Administration	663,956	783,644	647,765	595,832	489,617	533,061
Operation and maintenance	410,501	395,673	337,531	360,926	321,960	280,957
Transportation	281,836	246,619	177,619	261,619	146,576	179,973
Non-instructional programs	386	1,036	473	1,700	14,329	-
Other expenditures:						
Facilities acquisition	167,025	117,736	310,480	325,588	401,264	195,588
Long-term debt:						
Principal	-	19,866	19,042	17,981	16,978	16,032
Interest and other charges	-	1,142	2,237	3,271	4,247	5,169
AEA flowthrough	155,039	153,117	151,253	145,603	138,798	141,419
Total expenditures	5,067,828	4,823,454	4,798,005	4,762,167	4,606,808	4,309,799

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

To the Board of Education of
Clay Central/Everly 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 Clay Central/Everly 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 April 28, 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 Clay Central/Everly 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 Clay Central/Everly Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clay Central/Everly 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 Clay Central/Everly 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 Clay Central/Everly Community School District's financial statements that is more than inconsequential will not be prevented or detected by Clay Central/Everly Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

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

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.

Clay Central/Everly Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Clay Central/Everly 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 Clay Central/Everly Community School District and other parties to whom Clay Central/Everly Community School District may report. 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 Clay Central/Everly Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

April 28, 2010

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009 exceeded the amended budget in the instruction function. The District also exceeded its General Fund spending authority.

Recommendation: The District should contact the Iowa Department of Education and the School Budget Review committee to resolve the unspent authorized budget issue.

District Response: We will try to restore our General Fund spending authority. We will contact the Iowa Department of Education and the School Budget Review Committee.

Conclusion: Response accepted.

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

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

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

Name, Title and Business Connection	Transaction Description	Amount
		$
Gary Klett, board member	Officiating	620
Brian Batsulelet, board member	Substitute bus driver	60

The transactions do not appear to represent a conflict of interest since the dollar amounts are less than $2,500.

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

09-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

09-II-G Certified Enrollment: The number of students reported to the Iowa Department of Education on Line 1 of the Certified Enrollment Certification Form for September 2008, was understated by 2 students. Line 8 was overstated by 2 students

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

District Response: We will contact these departments.

Conclusion: Response accepted.

Part II: Other Findings Related to Statutory Reporting (Continued):

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

09-II-I Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.

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

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School Districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, and then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts.

Conclusion: Response accepted.

09-II-K 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		-
Statewide sales and services tax revenue		330,854
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	167,025	
Equipment	137,033	304,058
Ending balance		26,796

Part II: Other Findings Related to Statutory Reporting (Continued):

09-II-L Financial Condition: The District has an unreserved deficit fund balance in the General Fund of $927,951 at June 30, 2009 and the School Nutrition Fund had a deficit net assets of $32,527 at June 30, 2009. The Student Activity Fund also has several accounts with deficit balances.

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

District Response: We are working on ways to eliminate the deficits.

Conclusion: Response accepted.

09-I-M Supporting Documentation: We noted certain credit card payments that were not supported by invoices or receipts.

Recommendation: The District should receive sufficient documentation for all travel payments and credit card charges and then reconcile the documentation to the invoices each month.

District Response: We will review our policies and make any necessary adjustments.

Conclusion: Response accepted.