

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

JUNE 30, 2010

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Notes to Financial Statements		27-38
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		40
Notes to Required Supplementary Information - Budgetary Reporting		41
Schedule of Funding Progress for the Retiree Health Plan		42
Other Supplementary Information:	<u>Schedule</u>	
Governmental Funds:		
Combining Balance Sheet	1	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	45
Schedule of Changes in Student Activity Accounts	3	46
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	47
Schedule of Expenditures of Federal Awards	5	48
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>		49-50
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance		51-52
Schedule of Findings and Questioned Costs		53-57

Carroll Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Kim Tiefenthaler	President	2011
Penny Harmening	Vice President	2009
Amy Fordyce	Board Member	2011
LaVern Dirkx	Board Member	2011
Jerry Fleshner	Board Member	2009
Board of Education (After September 2009 Election)		
Kim Tiefenthaler	President	2011
Jerry Fleshner	Vice President	2013
Dennis Molitor	Board Member	2013
Amy Fordyce	Board Member	2011
LaVern Dirkx	Board Member	2011
School Officials		
Robert Cordes	Superintendent	2010
Gary Bengtson	Director of Business Affairs	2010
Gruhn Law Firm	Attorney	2010
Neu, Minnich, Comito and Neu, P.C.	Attorney	2010

Carroll Community School District

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, 2010, 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, 2010, 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 February 23, 2011 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 7 through 15 and 40 through 42 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 three years ended June 30, 2009 (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.

February 23, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$15,913,276 in fiscal 2009 to \$15,883,633 in fiscal 2010, while General Fund expenditures increased from \$15,272,791 in fiscal 2009 to \$15,565,002 in fiscal 2010. This resulted in an increase in the District's General Fund balance from \$3,229,476 in fiscal 2009 to a balance of \$3,548,107 in fiscal 2010, a 9.87% increase from the prior year.
- The decrease in General Fund revenues was attributable to the decrease in state funding because of the 10% across the board cut. 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 17.8% for fiscal year 2009 compared 19.5% for fiscal year 2010. 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.

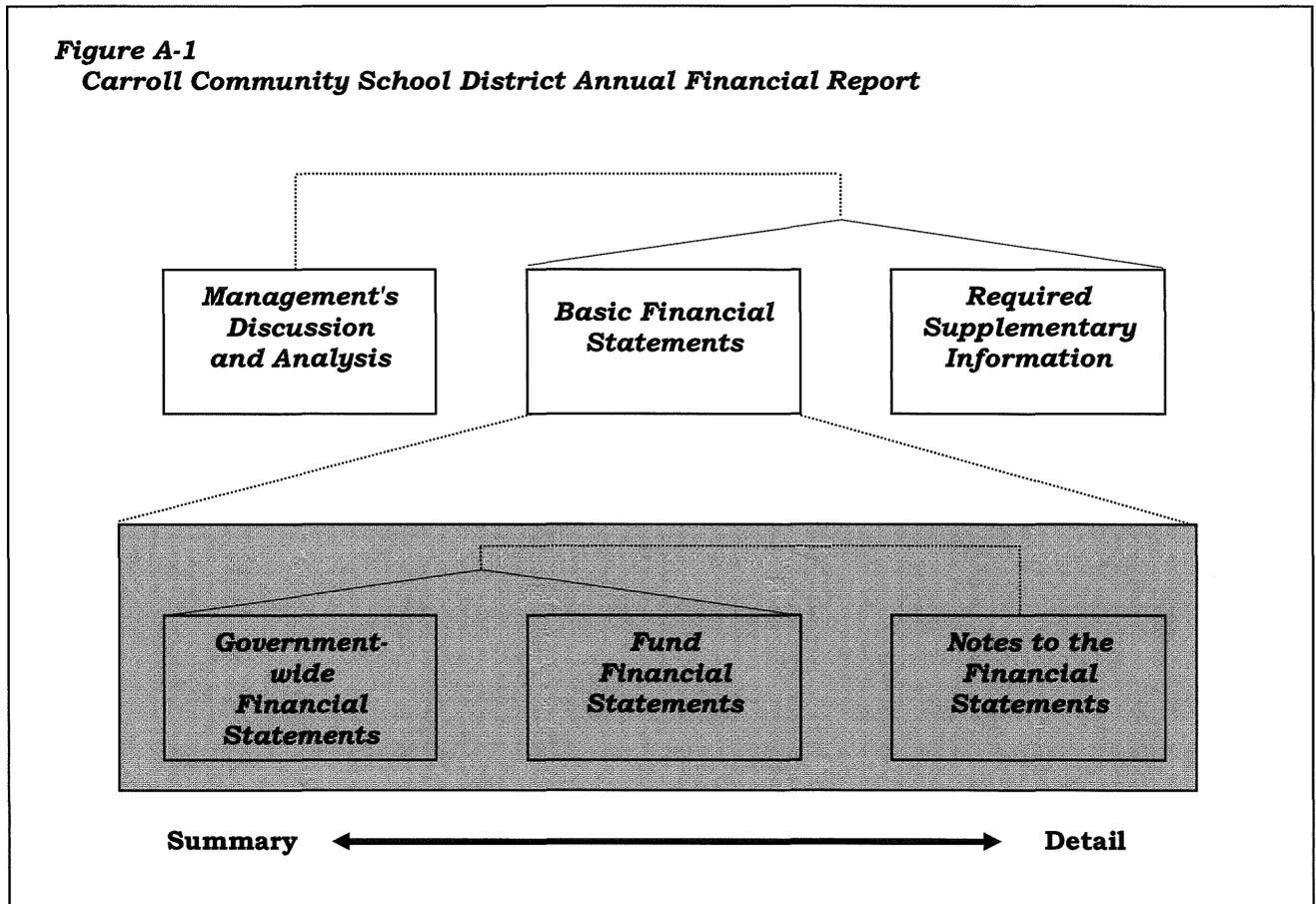


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
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

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, 2010 compared to June 30, 2009.

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,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 15,014,821	14,050,883	150,794	114,077	15,165,615	14,164,960	7.06%
Capital assets	15,819,132	15,955,275	69,382	73,693	15,888,514	16,028,968	-0.88%
Total assets	30,833,953	30,006,158	220,176	187,770	31,054,129	30,193,928	2.85%
Long-term obligations	3,500,064	3,767,363	11,134	5,532	3,511,198	3,772,895	-6.94%
Other liabilities	9,163,822	8,962,727	21,999	13,303	9,185,821	8,976,030	2.34%
Total liabilities	12,663,886	12,730,090	33,133	18,835	12,697,019	12,748,925	-0.41%
Net assets:							
Invested in capital assets, net of related debt	12,799,132	12,425,275	69,382	73,693	12,868,514	12,498,968	2.96%
Restricted	2,569,698	2,179,144	0	0	2,569,698	2,179,144	17.92%
Unrestricted	2,801,237	2,671,649	117,661	95,242	2,918,898	2,766,891	5.49%
Total net assets	\$ 18,170,067	17,276,068	187,043	168,935	18,357,110	17,445,003	5.23%

The District's combined net assets increased by 5.23%, or \$912,107, 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 17.92%, or \$390,554, 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 \$152,007, or 5.49%. 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, 2010 compared to the year ended June 30, 2009.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 874,576	839,202	416,949	421,208	1,291,525	1,260,410	2.47%
Operating grants and contributions and restricted interest	4,405,273	3,176,550	346,928	303,532	4,752,201	3,480,082	36.55%
General revenues:							
Property tax	6,914,636	7,044,700	0	0	6,914,636	7,044,700	-1.85%
Statewide sales, services and use tax	1,230,003	1,387,570	0	0	1,230,003	1,387,570	-11.36%
Unrestricted state grants	4,832,803	5,907,564	0	0	4,832,803	5,907,564	-18.19%
Other	201,840	274,290	2,129	3,957	203,969	278,247	-26.69%
Transfers	(3,269)	(1,588)	3,269	1,588	0	0	0.00%
Total revenues	18,455,862	18,628,288	769,275	730,285	19,225,137	19,358,573	-0.69%
Program expenses:							
Governmental activities:							
Instructional	11,195,604	10,945,506	0	0	11,195,604	10,945,506	2.28%
Support services	4,854,089	4,638,824	10,122	8,968	4,864,211	4,647,792	4.66%
Non-instructional programs	0	0	741,045	748,255	741,045	748,255	-0.96%
Other expenses	1,512,170	1,608,712	0	0	1,512,170	1,608,712	-6.00%
Total expenses	17,561,863	17,193,042	751,167	757,223	18,313,030	17,950,265	2.02%
Changes in net assets	893,999	1,435,246	18,108	(26,938)	912,107	1,408,308	-35.23%
Beginning net assets	17,276,068	15,840,822	168,935	195,873	17,445,003	16,036,695	8.78%
Ending net assets	\$ 18,170,067	17,276,068	187,043	168,935	18,357,110	17,445,003	5.23%

In fiscal 2010, property tax and unrestricted state grants account for 63.65% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.30% of the revenue from business type activities.

The District's total revenues were approximately \$19.23 million of which approximately \$18.46 million was for governmental activities and approximately \$0.77 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.69% decrease in revenues and a 2.02% increase in expenses. Operating grants, contributions and restricted interest increased \$1,228,723 to fund increases in expenses. The increase in expenses related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$18,455,862 and expenses were \$17,561,863.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 11,195,604	10,945,506	2.28%	6,948,358	7,969,406	-12.81%
Support services	4,854,089	4,638,824	4.64%	4,564,546	4,276,337	6.74%
Other expenses	1,512,170	1,608,712	-6.00%	769,110	931,547	-17.44%
Totals	<u>\$ 17,561,863</u>	<u>17,193,042</u>	<u>2.15%</u>	<u>12,282,014</u>	<u>13,177,290</u>	<u>-6.79%</u>

- The cost financed by users of the District's programs was \$874,576.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$4,405,273.
- The net cost of governmental activities was financed with \$6,914,636 in property tax, \$1,230,003 in statewide sales, services and use tax, \$4,832,803 in state grants, \$14,641 in interest income and \$187,199 in other general revenues.

Business type Activities

Revenues of the District's business type activity were \$769,275 and expenses were \$751,167. 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 \$5,867,107, above last year's ending fund balances of \$5,116,041. 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

- General Fund revenues decreased from \$15,913,276 in fiscal 2009 to \$15,883,633 in fiscal 2010. The decrease in General Fund revenues can be attributed to the decrease in funding received from the state because of the 10% across the board budget cut. General Fund expenditures increased from \$15,272,791 in fiscal 2009 to \$15,565,002 in fiscal 2010 due in part to increases in negotiated salaries and benefits received by District employees as well as increases in expenditures funded by grants received by the District. The difference between fiscal 2010 revenues of \$15,883,633 and expenses of \$15,565,002 results in a net increase in fund balance of \$318,631. As a result, the District's General Fund balance increased from \$3,229,476 in fiscal 2009 to a balance of \$3,548,107 in fiscal 2010. This represents a 9.87% increase from the prior year.

Proprietary Fund Highlights

The School Nutrition Fund's increase in revenues coupled with a decrease in fund expenditures as compared to the previous year led to an increase in fund balance. Overall, net assets increased from \$168,935 at June 30, 2009 to \$187,043 at June 30, 2010, representing an increase of 10.72%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$1,040,251 less than budgeted revenues, a variance of 5.13%. The most significant dollar variance resulted from the District receiving less in state 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 up to 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, 2010, the District had invested \$15,888,514, 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 decrease of 0.88% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$861,862.

The original cost of the District's capital assets was \$32,879,976. Governmental funds account for \$32,406,269 with the remainder of \$473,707 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$1,170,148 at June 30, 2009 as compared to \$1,387,327 at June 30, 2010. This increase in machinery and equipment is mainly due to the District purchasing new buses during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total Change
	Activities		Activities		District		
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 694,070	694,070	0	0	694,070	694,070	0.00%
Buildings	12,844,173	13,245,886	0	0	12,844,173	13,245,886	-3.03%
Land improvements	962,944	918,864	0	0	962,944	918,864	4.80%
Machinery and equipment	1,317,945	1,096,455	69,382	73,693	1,387,327	1,170,148	18.56%
Total	\$ 15,819,132	15,955,275	69,382	73,693	15,888,514	16,028,968	-0.88%

Long-Term Debt

At June 30, 2010, the District had \$3,511,198 in general obligation bonds and other long-term debt outstanding. This represents a decrease of approximately 6.94% 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 \$3,020,000 at June 30, 2010.

The District also had total outstanding compensated absences of \$45,038 at June 30, 2010.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$180,483 at June 30, 2010.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
General Obligation Bonds	\$ 3,020,000	3,530,000	0	0	3,020,000	3,530,000	-14.45%
Compensated Absences	45,038	31,621	0	0	45,038	31,621	42.43%
Early Retirement	180,483	79,274	0	0	180,483	79,274	127.67%
Net OPEB Liability	254,543	126,468	11,134	5,532	265,677	132,000	101.27%
Total	\$ 3,500,064	3,767,363	11,134	5,532	3,511,198	3,772,895	-6.94%

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:

- 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, 2010, the Carroll Community School District had 54.0 students enrolled out of the district and 84.8 students enrolled into the district.
- On July 1, 2010 IPERS implemented an employers' contribution increase to 6.95%. This will increase the Carroll Community Schools' employer benefit costs over the next year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Carroll Community School District

BASIC FINANCIAL STATEMENTS

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	7,033,455	108,742	7,142,197
Receivables:			
Property tax:			
Delinquent	43,349	0	43,349
Succeeding year	7,192,203	0	7,192,203
Accounts	138,626	390	139,016
Due from other governments	590,004	0	590,004
Inventories	0	36,107	36,107
Prepaid items	17,184	5,555	22,739
Capital assets, net of accumulated depreciation	15,819,132	69,382	15,888,514
TOTAL ASSETS	30,833,953	220,176	31,054,129
LIABILITIES			
Accounts payable	187,637	57	187,694
Salaries and benefits payable	1,552,563	9,107	1,561,670
Accrued interest payable	16,108	0	16,108
Deferred revenue:			
Succeeding year property tax	7,192,203	0	7,192,203
Other	215,311	0	215,311
Unearned revenue	0	12,835	12,835
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	540,000	0	540,000
Early retirement payable	180,483	0	180,483
Compensated absences	45,038	0	45,038
Portion due after one year:			
General obligation bonds payable	2,480,000	0	2,480,000
Net OPEB liability	254,543	11,134	265,677
TOTAL LIABILITIES	12,663,886	33,133	12,697,019
NET ASSETS			
Invested in capital assets, net of related debt	12,799,132	69,382	12,868,514
Restricted for:			
Debt service	62,569	0	62,569
Categorical funding	431,181	0	431,181
Management levy	743,658	0	743,658
Physical plant and equipment levy	146,408	0	146,408
Capital projects	1,026,855	0	1,026,855
Other special revenue purposes	159,027	0	159,027
Unrestricted	2,801,237	117,661	2,918,898
TOTAL NET ASSETS	\$ 18,170,067	187,043	18,357,110

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 7,121,216	590,487	2,296,941	(4,233,788)	0	(4,233,788)
Special	1,874,073	36,551	610,288	(1,227,234)	0	(1,227,234)
Other	2,200,315	207,955	505,024	(1,487,336)	0	(1,487,336)
	<u>11,195,604</u>	<u>834,993</u>	<u>3,412,253</u>	<u>(6,948,358)</u>	<u>0</u>	<u>(6,948,358)</u>
Support services:						
Student	531,128	0	0	(531,128)	0	(531,128)
Instructional staff	545,888	0	0	(545,888)	0	(545,888)
Administration	1,325,232	0	0	(1,325,232)	0	(1,325,232)
Operation and maintenance of plant	1,307,036	0	0	(1,307,036)	0	(1,307,036)
Transportation	1,144,805	39,583	249,960	(855,262)	0	(855,262)
	<u>4,854,089</u>	<u>39,583</u>	<u>249,960</u>	<u>(4,564,546)</u>	<u>0</u>	<u>(4,564,546)</u>
Other expenditures:						
Facilities acquisitions	96,857	0	0	(96,857)	0	(96,857)
Long-term debt interest	105,642	0	0	(105,642)	0	(105,642)
AEA flowthrough	743,060	0	743,060	0	0	0
Depreciation (unallocated)*	566,611	0	0	(566,611)	0	(566,611)
	<u>1,512,170</u>	<u>0</u>	<u>743,060</u>	<u>(769,110)</u>	<u>0</u>	<u>(769,110)</u>
Total governmental activities	17,561,863	874,576	4,405,273	(12,282,014)	0	(12,282,014)
Business Type activities:						
Support services:						
Administration	3,694	0	0	0	(3,694)	(3,694)
Operation and maintenance of plant	6,428	0	0	0	(6,428)	(6,428)
	<u>10,122</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(10,122)</u>	<u>(10,122)</u>
Non-instructional programs:						
Nutrition services	741,045	416,949	346,928	0	22,832	22,832
Total business type activities	<u>751,167</u>	<u>416,949</u>	<u>346,928</u>	<u>0</u>	<u>12,710</u>	<u>12,710</u>
Total	\$ 18,313,030	1,291,525	4,752,201	(12,282,014)	12,710	(12,269,304)
General Revenues & Transfers:						
General Revenues:						
Property tax levied for:						
General purposes				\$ 6,451,087	0	6,451,087
Debt service				256,607	0	256,607
Capital outlay				206,942	0	206,942
Statewide sales, services and use tax				1,230,003	0	1,230,003
Unrestricted state grants				4,832,803	0	4,832,803
Unrestricted investment earnings				14,641	183	14,824
Other				187,199	1,946	189,145
Transfers				(3,269)	3,269	0
Total general revenues and transfers				<u>13,176,013</u>	<u>5,398</u>	<u>13,181,411</u>
Changes in net assets				893,999	18,108	912,107
Net assets beginning of year				17,276,068	168,935	17,445,003
Net assets end of year				\$ 18,170,067	187,043	18,357,110

* 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, 2010

	General	Other Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments	\$ 4,913,382	2,120,073	7,033,455
Receivables:			
Property tax:			
Delinquent	37,906	5,443	43,349
Succeeding year	6,645,827	546,376	7,192,203
Accounts	135,436	3,190	138,626
Due from other governments	375,591	214,413	590,004
Prepaid items	17,184	0	17,184
TOTAL ASSETS	\$ 12,125,326	2,889,495	15,014,821
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 163,587	24,050	187,637
Salaries and benefits payable	1,552,494	69	1,552,563
Deferred revenue:			
Succeeding year property tax	6,645,827	546,376	7,192,203
Other	215,311	0	215,311
Total liabilities	8,577,219	570,495	9,147,714
Fund balances:			
Reserved for:			
Debt service	0	62,569	62,569
Categorical funding	431,181	0	431,181
Prepaid items	17,184	0	17,184
Unreserved	3,099,742	2,256,431	5,356,173
Total fund balances	3,548,107	2,319,000	5,867,107
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,125,326	2,889,495	15,014,821

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balances of governmental funds (page 20)	\$ 5,867,107
<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.	15,819,132
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.	(16,108)
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>(3,500,064)</u>
Net assets governmental activities (page 18)	<u><u>\$ 18,170,067</u></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, 2010

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 6,026,692	2,117,947	8,144,639
Tuition	570,046	0	570,046
Other	182,842	457,065	639,907
State sources	7,386,638	596	7,387,234
Federal sources	1,717,305	0	1,717,305
Total revenues	<u>15,883,523</u>	<u>2,575,608</u>	<u>18,459,131</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	6,916,158	155,701	7,071,859
Special	1,870,050	0	1,870,050
Other	1,800,361	435,140	2,235,501
	<u>10,586,569</u>	<u>590,841</u>	<u>11,177,410</u>
Support services:			
Student	531,269	0	531,269
Instructional staff	369,692	199,012	568,704
Administration	1,318,459	5,949	1,324,408
Operation and maintenance of plant	1,163,439	133,573	1,297,012
Transportation	852,514	277,276	1,129,790
	<u>4,235,373</u>	<u>615,810</u>	<u>4,851,183</u>
Non-instructional programs:			
Food service operations	0	3,268	3,268
Other expenditures:			
Facilities acquisitions	0	305,835	305,835
Long-term debt:			
Principal	0	510,000	510,000
Interest and fiscal charges	0	117,419	117,419
AEA flowthrough	743,060	0	743,060
	<u>743,060</u>	<u>933,254</u>	<u>1,676,314</u>
Total expenditures	<u>15,565,002</u>	<u>2,143,173</u>	<u>17,708,175</u>
Excess of revenues over expenditures	318,521	432,435	750,956
Other financing sources (uses):			
Transfer in	0	400,000	400,000
Transfer out	0	(400,000)	(400,000)
Sale of equipment	110	0	110
Total other financing sources (uses)	<u>110</u>	<u>0</u>	<u>110</u>
Net change in fund balances	318,631	432,435	751,066
Fund balance beginning of year	<u>3,229,476</u>	<u>1,886,565</u>	<u>5,116,041</u>
Fund balance end of year	<u>\$ 3,548,107</u>	<u>2,319,000</u>	<u>5,867,107</u>

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, 2010

Net change in fund balances - total governmental funds (page 22) \$ 751,066

**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, depreciation expense and loss on disposal in the current year are as follows:

Expenditures for capital assets	\$ 747,499	
Depreciation expense	(847,688)	
Loss on asset disposal	(35,954)	(136,143)

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:

Repaid		510,000
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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.

11,777

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	\$ (101,209)	
Compensated Absences	(13,417)	
Other Postemployment Benefits	(128,075)	(242,701)

Changes in net assets of governmental activities (page 19) \$ 893,999

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 108,742
Accounts receivable	390
Inventories	36,107
Prepaid items	5,555
Total current assets	150,794
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	69,382
Total non-current assets	69,382
TOTAL ASSETS	220,176
LIABILITIES	
Current liabilities:	
Accounts payable	57
Salaries and benefits payable	9,107
Unearned revenue	12,835
Total current liabilities	21,999
Long-term liabilities:	
Net OPEB liability	11,134
Total long-term liabilities	11,134
TOTAL LIABILITIES	33,133
NET ASSETS	
Invested in capital assets	69,382
Unrestricted	117,661
TOTAL NET ASSETS	\$ 187,043

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 416,949
Miscellaneous	1,946
TOTAL OPERATING REVENUES	418,895
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	220
Other	3,474
Operation and maintenance of plant:	
Supplies	6,428
Total support services	10,122
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	241,400
Benefits	120,433
Services	12,150
Supplies	351,671
Other	1,217
Depreciation	14,174
Total non-instructional programs	741,045
TOTAL OPERATING EXPENSES	751,167
OPERATING LOSS	(332,272)
NON-OPERATING REVENUES:	
State sources	7,862
Federal sources	339,066
Interest income	183
TOTAL NON-OPERATING REVENUES	347,111
Change in net assets before other financing sources	14,839
Other financing sources:	
Capital contribution	3,269
Change in net assets	18,108
Net assets beginning of year	168,935
Net assets end of year	\$ 187,043

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 418,264
Cash received from miscellaneous operating activities	1,946
Cash payments to employees for services	(348,873)
Cash payments to suppliers for goods or services	(327,787)
Net cash used in operating activities	(256,450)
Cash flows from non-capital financing activities:	
State grants received	7,862
Federal grants received	279,085
Net cash provided by non-capital financing activities	286,947
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(6,594)
Cash flows from investing activities:	
Interest on investments	183
Net increase in cash and cash equivalents	24,086
Cash and cash equivalents at beginning of year	84,656
Cash and cash equivalents at end of year	\$ 108,742
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (332,272)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	59,981
Depreciation	14,174
Increase in prepaid items	(1,178)
Increase in inventories	(12,618)
Decrease in accounts receivable	1,165
Increase in accounts payable	10
Increase in salaries and benefits payable	8,536
Increase in unearned revenue	150
Increase in other postemployment benefits	5,602
Net cash used in operating activities	\$ (256,450)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$59,981.

During the year ended June 30, 2010, the Nutrition Fund received contributed capital from the Physical Plant and Equipment Levy Fund valued at \$3,269.

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(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 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 1% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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 and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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
Intangibles	100,000
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
Intangibles	2 + 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, 2010. 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.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2010 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 and the Treasurer of the State of Iowa; 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$4,910,238 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

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 Bond held by the District is stated at fair value and is not subject to the risk categorization previously mentioned.

At June 30, 2010, the District had an investment in an HH series bond in the amount of \$35,000.

(3) Interfund Transfers

The detail of transfers for the year ended June 30, 2010 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, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 694,070	0	0	694,070
Total capital assets not being depreciated	694,070	0	0	694,070
Capital assets being depreciated:				
Buildings	21,007,158	123,624	0	21,130,782
Land improvements	1,563,370	85,354	0	1,648,724
Machinery and equipment	8,545,460	538,521	151,288	8,932,693
Total capital assets being depreciated	31,115,988	747,499	151,288	31,712,199
Less accumulated depreciation for:				
Buildings	7,761,272	525,337	0	8,286,609
Land improvements	644,506	41,274	0	685,780
Machinery and equipment	7,449,005	281,077	115,334	7,614,748
Total accumulated depreciation	15,854,783	847,688	115,334	16,587,137
Total capital assets being depreciated, net	15,261,205	(100,189)	35,954	15,125,062
Governmental activities capital assets, net	\$ 15,955,275	(100,189)	35,954	15,819,132

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 463,844	9,863	0	473,707
Less accumulated depreciation	390,151	14,174	0	404,325
Business type activities capital assets, net	\$ 73,693	(4,311)	0	69,382

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 50,075
Special		8,080
Other		16,831
Support services:		
Student		1,702
Instructional staff		10,229
Administration		3,637
Operation and maintenance		6,679
Transportation		183,844
		<u>281,077</u>
Unallocated depreciation		566,611
		<u>\$ 847,688</u>
Business type activities:		
Food services		\$ 14,174

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 3,530,000	0	510,000	3,020,000	540,000
Compensated Absences	31,621	45,038	31,621	45,038	45,038
Early Retirement	79,274	180,483	79,274	180,483	180,483
Net OPEB Liability	126,468	128,075	0	254,543	0
Total	\$ 3,767,363	353,596	620,895	3,500,064	765,521
Business Type Activities					
Net OPEB Liability	\$ 5,532	5,602	0	11,134	0

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2009			
	Interest Rates	Principal	Interest	Total
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		\$ 3,020,000	285,116	3,305,116

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 1st 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 15th 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 \$15,000 per individual, to be paid on July 1st, 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, 2010, the District paid \$79,274 in early retirement benefits.

(6) 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 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$631,108, \$605,667 and \$552,489 respectively, equal to the required contributions for each year.

(7) **Other Postemployment Benefits (OPEB)**

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, 2010, 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	5,940
Adjustment to annual required contribution	(5,263)
Annual OPEB cost	<u>195,677</u>
Contributions made	<u>(62,000)</u>
Increase in net OPEB obligation	133,677
Net OPEB obligation - beginning of year	<u>132,000</u>
net OPEB obligation - end of year	<u>\$ 265,677</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, 2010.

For fiscal year 2010, the District contributed \$62,000 to the medical plan. Plan members receiving benefits contributed \$99,000, or 61.49% 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, 2010 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$195,677	31.68%	\$265,677

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, 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 \$8.061 million, and the ratio of the UAAL to the covered payroll was 21.8%. As of June 30, 2010, 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.

(8) 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.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$743,060 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

<u>Project</u>	<u>Amount</u>
Limited english proficiency	\$ 9,187
Talented and gifted	151,746
Beginning teacher mentoring	2,524
Salary improvement program	89,784
Beginning administrator mentoring	3,000
Textbook aid for non-public students	4,141
Statewide voluntary preschool	101,863
Model core curriculum	50,603
Professional development	18,333
Total	<u>\$ 431,181</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, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type				Actual
	Actual	Actual		Original	Final	Variance
Revenues:						
Local sources	\$ 9,354,592	419,078	9,773,670	9,990,741	9,990,741	(217,071)
Intermediate sources	0	0	0	0	0	0
State sources	7,387,234	7,862	7,395,096	9,404,647	9,404,647	(2,009,551)
Federal sources	1,717,305	339,066	2,056,371	870,000	870,000	1,186,371
Total revenues	18,459,131	766,006	19,225,137	20,265,388	20,265,388	(1,040,251)
Expenditures/Expenses:						
Instruction	11,177,410	0	11,177,410	11,900,364	11,900,364	722,954
Support services	4,851,183	10,122	4,861,305	5,497,001	5,497,001	635,696
Non-instructional programs	3,268	741,045	744,313	927,922	927,922	183,609
Other expenditures	1,676,314	0	1,676,314	2,666,069	2,666,069	989,755
Total expenditures/expenses	17,708,175	751,167	18,459,342	20,991,356	20,991,356	2,532,014
Excess(Deficiency)of revenues over(under) expenditures/expenses	750,956	14,839	765,795	(725,968)	(725,968)	1,491,763
Other financing sources, net	110	3,269	3,379	0	0	3,379
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	751,066	18,108	769,174	(725,968)	(725,968)	1,495,142
Balance beginning of year	5,116,041	168,935	5,284,976	4,795,449	4,795,449	489,527
Balance end of year	\$ 5,867,107	187,043	6,054,150	4,069,481	4,069,481	1,984,669

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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.

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
6/30/2009	July 1, 2008	\$ -	\$ 1,755	\$ 1,755	0.0%	\$ 8,625	20.3%
6/30/2010	July 1, 2008	\$ -	\$ 1,755	\$ 1,755	0.0%	\$ 8,061	21.8%

See Note 7 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
GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
ASSETS							
Cash and pooled investments	\$ 921,719	157,578	146,736	1,226,033	833,007	61,033	2,120,073
Receivables:							
Property tax:							
Delinquent	2,669	0	1,238	3,907	0	1,536	5,443
Succeeding year	200,000	0	214,501	414,501	0	131,875	546,376
Accounts	0	3,190	0	3,190	0	0	3,190
Due from other governments	0	0	0	0	214,413	0	214,413
TOTAL ASSETS	\$ 1,124,388	160,768	362,475	1,647,631	1,047,420	194,444	2,889,495
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 247	1,672	1,566	3,485	20,565	0	24,050
Salaries and benefits payable	0	69	0	69	0	0	69
Deferred revenue:							
Succeeding year property tax	200,000	0	214,501	414,501	0	131,875	546,376
Total liabilities	200,247	1,741	216,067	418,055	20,565	131,875	570,495
Fund balances:							
Reserved for debt service	0	0	0	0	0	62,569	62,569
Unreserved	924,141	159,027	146,408	1,229,576	1,026,855	0	2,256,431
Total fund balances	924,141	159,027	146,408	1,229,576	1,026,855	62,569	2,319,000
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,124,388	160,768	362,475	1,647,631	1,047,420	194,444	2,889,495

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 424,395	0	206,942	631,337	1,230,003	256,607	2,117,947
Other	27,749	428,135	97	455,981	923	161	457,065
State sources	291	0	136	427	0	169	596
Total revenues	452,435	428,135	207,175	1,087,745	1,230,926	256,937	2,575,608
EXPENDITURES:							
Current:							
Instruction:							
Regular	133,015	0	16,436	149,451	6,250	0	155,701
Other	0	435,140	0	435,140	0	0	435,140
Support services:							
Instructional staff	0	0	4,060	4,060	194,952	0	199,012
Administration	5,949	0	0	5,949	0	0	5,949
Operation and maintenance of plant	131,773	0	1,800	133,573	0	0	133,573
Transportation	57,122	0	15,216	72,338	204,938	0	277,276
Non-instructional programs:							
Food service operations	0	0	3,268	3,268	0	0	3,268
Other expenditures:							
Facilities acquisition	0	0	34,021	34,021	271,814	0	305,835
Long-term debt:							
Principal	0	0	0	0	0	510,000	510,000
Interest and fiscal charges	0	0	0	0	0	117,419	117,419
Total expenditures	327,859	435,140	74,801	837,800	677,954	627,419	2,143,173
Excess (Deficiency) of revenues over (under) expenditures	124,576	(7,005)	132,374	249,945	552,972	(370,482)	432,435
Other financing sources (uses):							
Transfer in	0	0	0	0	0	400,000	400,000
Transfer out	0	0	0	0	(400,000)	0	(400,000)
Total other financing sources (uses)	0	0	0	0	(400,000)	400,000	0
Net change in fund balances	124,576	(7,005)	132,374	249,945	152,972	29,518	432,435
Fund balance beginning of year	799,565	166,032	14,034	979,631	873,883	33,051	1,886,565
Fund balance end of year	\$ 924,141	159,027	146,408	1,229,576	1,026,855	62,569	2,319,000

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
ISJIT investment	\$ 30,606	2,135	83	(2,100)	30,558
Interest	13,352	411	0	0	13,763
Drama	7,095	3,503	5,166	0	5,432
Speech	0	200	2,105	1,905	0
Vocal	3,400	28,428	29,561	1,770	4,037
HS band	0	15,472	16,940	1,863	395
Football	8,119	68,330	69,564	0	6,885
Wrestling	0	3,085	11,361	8,276	0
Volleyball	1,667	7,026	8,182	0	511
Sports camp	787	0	0	0	787
Basketball	971	28,561	26,314	0	3,218
Soccer	144	2,783	11,833	8,906	0
Baseball-softball	76	16,247	21,529	5,206	0
Track	37	6,912	13,567	6,618	0
Golf	0	164	3,979	3,815	0
Swimming	311	2,074	3,813	1,428	0
Activity tickets	34,262	99,160	65,791	(37,323)	30,308
Letterwinners	106	0	0	0	106
Weight room	94	0	0	0	94
Tiger banner newspaper	431	0	0	0	431
Cheerleaders	650	901	665	0	886
HS class accounts	3,252	7,255	7,720	1,066	3,853
Concessions	3,671	33,209	25,657	(4,790)	6,433
Academic competitions	7,176	3,736	4,810	694	6,796
FFA	13,825	43,822	54,470	0	3,177
FCCLA	2,678	0	0	0	2,678
National Honor Society	720	4,262	3,765	329	1,546
HS student council	9,207	12,628	12,547	1,073	10,361
Fine arts festival	910	0	0	0	910
Yearbook	2,701	22,600	19,904	0	5,397
Dance/Drill team	3,649	7,197	8,393	0	2,453
MS band	295	0	0	0	295
MS G+T Store	2,451	593	477	0	2,567
MS student council	0	5,498	6,762	1,264	0
MS youth market place	816	0	0	0	816
Adams student council	12,573	1,943	182	0	14,334
Total	\$ 166,032	428,135	435,140	0	159,027

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 SEVEN YEARS

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources	9,354,592	9,641,046	8,858,576	8,877,725	8,335,891	7,488,451	7,546,200
Intermediate sources	0	0	0	19,285	0	65	228
State sources	7,387,234	8,494,094	8,457,365	7,846,948	7,353,539	7,150,935	6,476,515
Federal sources	1,717,305	494,736	475,069	505,885	546,403	698,099	661,011
Total	\$ 18,459,131	18,629,876	17,791,010	17,249,843	16,235,833	15,337,550	14,683,954
Expenditures:							
Instruction:							
Regular	\$ 7,071,859	6,790,703	6,213,698	5,969,777	6,519,588	5,643,087	5,708,589
Special	1,870,050	2,026,319	2,071,485	1,927,109	1,724,461	1,984,390	2,153,381
Other	2,235,501	2,110,621	1,921,260	1,887,533	1,008,200	1,117,162	1,066,924
Support services:							
Student	531,269	460,891	392,422	390,182	377,605	479,114	524,577
Instructional staff	568,704	497,993	500,475	538,959	371,027	481,170	296,238
Administration	1,324,408	1,391,303	1,528,113	1,497,596	1,409,424	1,280,991	1,206,753
Operation and maintenance:							
of plant	1,297,012	1,231,896	1,247,605	1,200,735	1,073,745	1,071,520	1,039,436
Transportation	1,129,790	1,112,221	929,136	1,216,032	775,040	786,821	708,661
Other support	0	0	0	0	0	435,669	1,003
Non-instructional programs	3,268	0	115	145	0	0	0
Other expenditures:							
Facilities acquisitions	305,835	729,289	611,628	65,729	38,090	61,717	260,167
Long-term debt:							
Principal	510,000	480,000	460,000	705,000	950,000	915,000	895,831
Interest and other charges	117,419	176,933	197,593	222,942	291,216	325,908	306,827
AEA flow-through	743,060	677,165	665,070	630,994	584,151	570,404	565,814
Total	\$ 17,708,175	17,685,334	16,738,600	16,252,733	15,122,547	15,152,953	14,734,201

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

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 10	\$ 30,016
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	306,760 *
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 10	2,290
			<u>339,066</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-G	192,391
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	21,267
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	32,252
			<u>245,910</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	15,897
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	5,700
COMPREHENSIVE SCHOOL REFORM DEMONSTRATION	84.332	FY 10	2,525
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 10	87,998
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 10	11,135
STATE FISCAL STABILIZATION FUND (SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 09	134,561
STATE FISCAL STABILIZATION FUND (SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	738,412
			<u>872,973</u>
HEARTLAND AREA EDUCATION AGENCY 11:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 10	128,970
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	FY 10	5,662
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 09	70,530
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	141,060
			<u>346,222</u>
SPECIAL EDUCATION - STATE PERSONNEL DEVELOPMENT	84.323	FY 10	3,400
TOTAL			<u>\$ 1,930,826</u>

* - Includes \$59,981 of non-cash awards.

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)

117 West 3rd Street North, Newton, Iowa 50208-3040

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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 23, 2011. 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 an 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Carroll Community School District's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above.

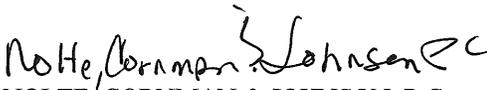
Compliance and Other Matters

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, noncompliance 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 noncompliance 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, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Carroll Community School District and other parties to whom Carroll Community School District may report, including federal awarding agencies and passthrough 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.

February 23, 2011

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

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Telephone (641) 792-1910

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

To the Board of Education of
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, 2010. 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, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Carroll Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be 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.

February 23, 2011

CARROLL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

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 the major programs.
- (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 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 - Title I Grants to Local Educational Agencies, Recovery Act
 - Clustered
 - CFDA Number 84.027 - Special Education - Grants to States (Part B)
 - CFDA Number 84.173 - Special Education - Preschool Grants
 - CFDA Number 84.391 - Special Education - Grants to States (Part B), Recovery Act
 - Individual
 - CFDA Number 84.394 - State Fiscal Stabilization Fund (SFSF)
Education State Grants, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Carroll Community School District did qualify as a low-risk auditee.

CARROLL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No matters were noted.

OTHER MATTERS:

II-A-10 Student Activity Fund Interest - We noted during our audit that the Student Activity Fund has an interest account. It appears that interest earned during the year has not been allocated to individual accounts in the Student Activity Fund for several years.

Recommendation - Interest earned each year should be allocated out on an annual basis to the individual activity accounts.

Response - The District will allocate interest earned during the year in the Student Activity Fund to the individual accounts within that fund at the conclusion of the fiscal year.

Conclusion - Response accepted.

II-B-10 Intangible Asset Policy - Although the District implemented Governmental Accounting Standards Board Statement No. 51 with regard to intangible assets, the District does not have a board policy addressing capitalization of intangible assets.

Recommendation - The District's Board of Directors should adopt an intangible asset policy addressing the capitalization threshold and useful life to be in compliance with Governmental Accounting Standards Board Statement No. 51.

Response - The District's Board of Directors will adopt an intangible asset policy in compliance with Governmental Accounting Standards Board Statement No. 51.

Conclusion- Response accepted.

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, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the budgeted amounts.

IV-B-10 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-10 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-10 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Amy Fordyce, Board Member Substitute Nurse	Payroll	\$1,357
Kim Tiefenthaler, Board Member Stockholder, Paul and Wayne's Inc.	Repairs Bus tires per quote	\$506 \$8,795

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with the Board Members do not appear to represent a conflict of interest.

IV-E-10 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-10 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-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 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-J-10 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-K-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales, Services and Use Tax - According to the District's revenue purpose statement, statewide sales, services and use tax money can be spent for PPEL type expenditures. According to Chapter 298.3 of the Code of Iowa, PPEL monies may be used for a purchase of a single unit of equipment exceeding \$500 per unit. Therefore, statewide sales, services and use tax expenditures have the same \$500 per unit of equipment restriction as PPEL expenditures.

We noted during our audit that the District purchased 150 computers for a total of \$62,668.20, which is under the \$500 per unit of equipment restriction as mentioned above.

Recommendation - The District should review the revenue purpose statement for use of statewide sales, services and use tax as well as Chapter 298.3 of the Code of Iowa with regard to allowable expenditures from the PPEL Fund to avoid non compliance. The District should make a corrective transfer to the Capital Projects Funds from the General Fund for \$62,668.20.

Response - The District has made a corrective transfer of \$62,668.20 to the Capital Projects Fund from the General Fund.

Conclusion - Response accepted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$	175,404
Statewide sales, services and use tax revenue			1,230,003
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	207,335	
Equipment		407,952	
Debt service for school infrastructure:			
General obligation debt		400,000	1,015,287
Ending Balance		\$	<u>390,120</u>

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010, the District reduced the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.63703	\$ 400,000
Physical Plant and Equipment Levy	\$ 1.32184	\$ 830,003

IV-M-10 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-N-10 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-O-10 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), 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 students. More specific examples of these instances of questioned items and recommendations are as follows:

Scholarship awards: 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.

Recommendation - 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.

Response - The District is working to eliminate scholarships paid with District funds.

Conclusion - Response accepted.