

**CAL
COMMUNITY SCHOOL DISTRICT**

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

JUNE 30, 2011

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CAL COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Steve Muhlenbruch	President	2011
Shawn Elphic	Vice President	2013
Beth Eddy		2011
Theron Miller	(Deceased, March 2011)	
Todd Mensing		2013
Mitch Vanness	(Appointed, April 2011)	2011

School Officials

Steven Lane	Superintendent
Beverly Stratmann	District Secretary
Marlys Pralle	District Treasurer

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants

- Iowa Society of Certified Public Accountants

Services:

- Individual Partnership and Corporate Tax Preparation

- Year Round Tax Planning

- Payroll & Sales Tax Preparation

- I.R.S. Representation

- Monthly/Quarterly Write-Up

- Data Processing Services

- Payroll Preparation

- Financial Statement Preparation

- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience

- Evenings & Saturdays Available by Appointment

- Extended Hours During Tax Season

Independent Auditor's Report

To the Board of Education of
CAL Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of CAL Community School District, Latimer, Iowa, as of and for the year ended June 30, 2011, 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 and each major fund of CAL Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2012 on our consideration of CAL Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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Clarion, IA 50525

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CAL Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 2, 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.



BRUCE D. FRINK
Certified Public Accountant

March 26, 2012

CAL COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

CAL Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,758,489 in fiscal 2010 to \$2,927,580 in fiscal 2011 (6% increase), while General Fund expenditures increased from \$2,910,895 in fiscal 2010 to \$3,008,609 in fiscal 2011 (3% increase).
- The increase in General Fund revenues was primarily attributable to restoration of prior state aid cuts. The increase in expenditures was due primarily to an increase in expenses in instructional areas, the largest part of the budget. This indicates the District's emphasis on the classroom.
- Statewide sales, services and use tax are being used to maintain and upgrade the facilities.

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 CAL 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 CAL 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 CAL Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the Student Activity Fund and a multiyear comparison of revenues and expenses.

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

Figure A-1
CAL Community School District Annual Financial Report

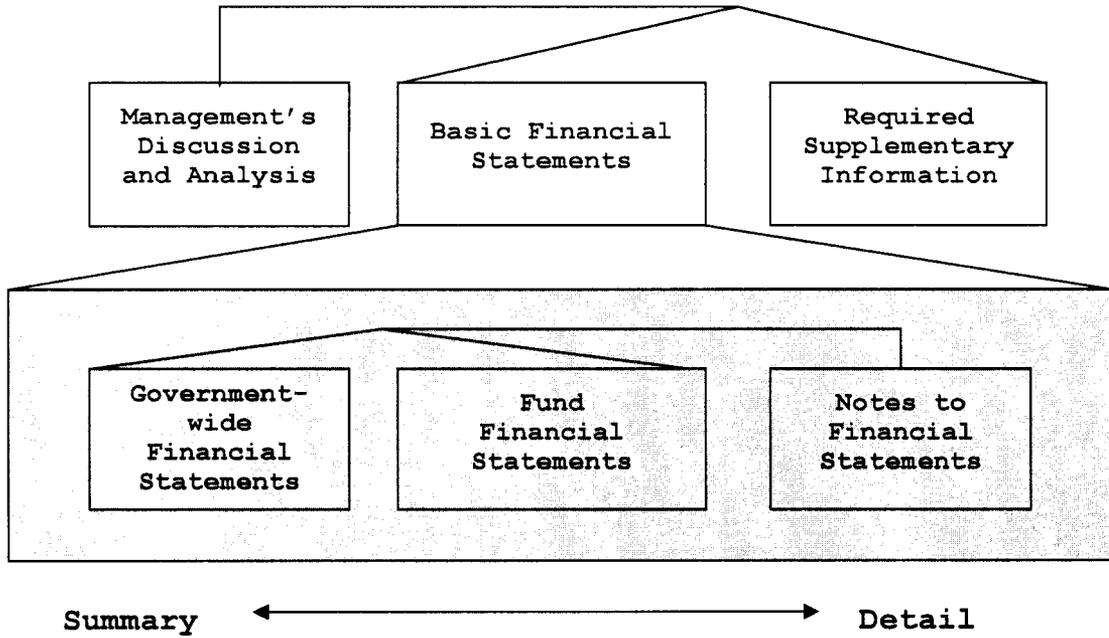


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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	Activity the District operates similar to private businesses: food services
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 fund 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, 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 financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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 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, the Special Revenue Funds, Debit Service and the Capital Projects Funds.

The required financial statements for 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 Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of 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, 2011 compared to the year ending June 30, 2010.

Figure A-3							
Condensed Statement of Net Assets							
(Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current assets	\$ 3,578	2,862	44	69	3,622	2,931	23.58%
Capital assets	<u>2,799</u>	<u>2,176</u>	<u>15</u>	<u>-</u>	<u>2,814</u>	<u>2,176</u>	<u>29.32%</u>
Total assets	<u>6,377</u>	<u>5,038</u>	<u>59</u>	<u>69</u>	<u>6,436</u>	<u>5,107</u>	<u>26.02%</u>
Current liabilities	1,367	1,505	1	-	1,368	1,505	-9.10%
Non-current liabilities	<u>1,785</u>	<u>365</u>	<u>-</u>	<u>-</u>	<u>1,785</u>	<u>365</u>	<u>0.00%</u>
Total liabilities	<u>3,152</u>	<u>1,870</u>	<u>1</u>	<u>-</u>	<u>3,153</u>	<u>1,870</u>	<u>68.61%</u>
Net Assets							
Invested in capital assets, net of related debt	1,399	2,176	-	-	1,399	2,176	-35.71%
Restricted	1,540	528	-	-	1,540	528	191.67%
Unrestricted	<u>286</u>	<u>464</u>	<u>58</u>	<u>69</u>	<u>344</u>	<u>533</u>	<u>-35.46%</u>
Total net assets	<u>\$ 3,225</u>	<u>3,168</u>	<u>58</u>	<u>69</u>	<u>3,283</u>	<u>3,237</u>	<u>1.42%</u>

Unrestricted assets dropped by 35%. The General Fund decreased by over \$72,000 due to a combination of declining enrollment and decreasing revenue sources. The Capital Projects Fund increased as the District issued debt for infrastructure projects. Total net assets will decrease in the next year as the these funds are expended.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service and sales	\$ 100	92	58	61	158	153	3.27%
Operating grants, contributions and restricted interest	775	874	94	86	869	960	-9.48%
General revenues:							
Property tax	1,364	1,282	-	-	1,364	1,282	6.40%
Income surtax	124	158	-	-	124	158	-21.52%
Statewide sales, services and use tax	178	164	-	-	178	164	8.54%
Unrestricted state grants	979	757	-	-	979	757	29.33%
Unrestricted investment earnings	27	23	-	-	27	23	17.39%
Other	31	23	-	-	31	23	34.78%
Total revenues	<u>3,578</u>	<u>3,373</u>	<u>152</u>	<u>147</u>	<u>3,730</u>	<u>3,520</u>	<u>5.97%</u>
Program expenses:							
Governmental activities:							
Instruction	2,387	2,744	-	-	2,387	2,744	-13.01%
Support Services	815	745	-	-	815	745	9.40%
Non-instructional programs	-	-	162	147	162	147	10.20%
Other expenses	333	450	-	-	333	450	-26.00%
Total expenses	<u>3,535</u>	<u>3,939</u>	<u>162</u>	<u>147</u>	<u>3,697</u>	<u>4,086</u>	<u>-9.52%</u>
Change in net assets	<u>\$ 43</u>	<u>(566)</u>	<u>(10)</u>	<u>-</u>	<u>33</u>	<u>(566)</u>	<u>-105.83%</u>

Property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,577,752 and expenses were \$3,938,487 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 2,387	2,744	-13.01%	1,682	1,926	-12.67%
Support services	815	745	9.40%	783	720	8.75%
Other expenses	<u>333</u>	<u>450</u>	<u>-26.00%</u>	<u>195</u>	<u>327</u>	<u>-40.37%</u>
Totals	<u>\$ 3,535</u>	<u>3,939</u>	<u>-10.26%</u>	<u>2,660</u>	<u>2,973</u>	<u>-10.53%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$99,985.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$470,736.
- The net cost of governmental activities was financed with \$1,363,553 in property tax and \$979,293 in state foundation aid. State aid returned to the 2009 levels.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$151,410 and expenses totaled \$161,744. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,081,144 a large increase from last year's ending fund balances of \$1,229,529. The majority of the increase resulted from an increase in the Capital Projects Sales Tax Fund.

Governmental Fund Highlights

- The General Fund decreased in large part due to the largest state aid cut in history.
- The District collects statewide sales, services and use taxes which will be used for purchase and improvement of facilities.

Proprietary Fund Highlights

The School Nutrition Fund cash balance decreased by \$25,000. The District kept prices steady while purchasing \$16,000 of equipment. This is an attempt to avoid rate increases and criticism from the Department of Education.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 34 and 35.

Legal Budgetary Highlights

The District's receipts were \$47,605 less than budgeted receipts, a variance of 1%. State revenues continue to be short of budgeted amounts.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. The District manages or controls General Fund spending through its line-item budget. Increased infrastructure spending caused the District to exceed the published budget in the non-instructional programs and other expenditures functions. The District did not exceed its General Fund unspent authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$2.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 29% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$193,104.

The original cost of the District's capital assets was \$5,464,606. Governmental funds account for \$5,421,832, with the remainder of \$42,774 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6							
Capital Assets, net of Depreciation							
(Expressed in Thousands)							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 10	10	-	-	10	10	0.00%
Site improvements	24	26	-	-	24	26	-7.69%
Buildings	2,321	1,945	-	-	2,321	1,945	19.33%
Furniture and equipment	445	195	-	-	445	195	128.21%
Totals	\$ 2,800	2,176	-	-	2,800	2,176	28.68%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Adequate allowable growth is necessary to maintain current educational programs.
- The District sold \$1,240,000 of revenue bonds for various infrastructure projects. They also entered into leases for the purchase of a school bus and laptop computers. More details are included in the notes to financial statements.
- Although the District has experienced declining enrollment in recent years, the District expects to maintain a stable enrollment for a few years. If the Legislature provides adequate allowable growth the District can maintain its financial position.
- State aid was cut 2 of the past 3 years. These cuts make it difficult for the District to expand educational opportunities.

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 Steve Lane, Superintendent, CAL Community School District, 1441 Gull, Latimer, IA 50452.

Basic Financial Statements

CAL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
		School Nutrition	
Assets			
Cash and pooled investments	\$ 2,094,037	42,234	2,136,271
Receivables:			
Property tax:			
Current year	12,942	-	12,942
Succeeding year	1,440,988	-	1,440,988
Income surtax - succeeding year	133,302	-	133,302
Due from other governments	34,588	-	34,588
Inventories	-	1,713	1,713
Capital assets, net of accumulated depreciation	2,799,263	14,731	2,813,994
Total assets	<u>6,515,120</u>	<u>58,678</u>	<u>6,573,798</u>
Liabilities			
Accounts payable	60,423	431	60,854
Accrued interest payable	18,183	-	18,183
Deferred revenue:			
Succeeding year property tax	1,440,988	-	1,440,988
Long-term liabilities:			
Portion due within one year:			
Early retirement	24,586	-	24,586
Bus lease payable	7,537	-	7,537
Computer lease payable	72,492	-	72,492
Portion due after one year:			
Early retirement	119,084	-	119,084
Bus lease payable	7,830	-	7,830
Computer lease payable	72,492	-	72,492
Revenue bonds payable	1,240,000	-	1,240,000
Net OPEB liability	239,978	-	239,978
Total liabilities	<u>3,303,593</u>	<u>431</u>	<u>3,304,024</u>
Net assets			
Invested in capital assets, net of related debt	1,398,912	14,731	1,413,643
Restricted for:			
Categorical funding	5,292	-	5,292
Student activities	86,081	-	86,081
Management levy	203,985	-	203,985
School infrastructure	944,504	-	944,504
Physical plant and equipment levy	300,469	-	300,469
Unrestricted	272,284	43,516	315,800
Total net assets	<u>\$ 3,211,527</u>	<u>58,247</u>	<u>3,269,774</u>

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Expenses				Total
\$ 2,387,301	98,996	606,138	(1,682,167)	(1,682,167)
Support services:				
Student services	1,408	-	(1,408)	(1,408)
Instructional staff services	49,604	-	(49,604)	(49,604)
Administration services	299,008	-	(299,008)	(299,008)
Operation and maintenance of plant services	271,267	31,033	(240,234)	(240,234)
Transportation services	193,420	-	(192,431)	(192,431)
	814,707	31,033	(782,685)	(782,685)
Other expenditures:				
AEA flowthrough	123,963	123,963	-	-
Interest on debt	18,183	-	(18,183)	(18,183)
Facilities acquisition and construction	18,092	13,731	(4,361)	(4,361)
Depreciation (unallocated)*	172,484	-	(172,484)	(172,484)
	332,722	137,694	(195,028)	(195,028)
Total governmental activities	3,534,730	774,865	(2,659,880)	(2,659,880)

Functions/Programs:

Governmental activities:

 Instruction:

Support services:

- Student services
- Instructional staff services
- Administration services
- Operation and maintenance of plant services
- Transportation services

Other expenditures:

- AEA flowthrough
- Interest on debt
- Facilities acquisition and construction
- Depreciation (unallocated)*

Total governmental activities

CAL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Expenses					
Business type activities:					
Non-instructional programs:					
Nutrition services	161,744	58,102	93,308	-	(10,334)
Total	\$ 3,696,474	158,087	868,173	(2,659,880)	(2,670,214)
General Revenues:					
Property tax levied for:					
General purposes			\$ 1,116,229	-	1,116,229
Management			135,020	-	135,020
Capital outlay			112,304	-	112,304
Income surtax:					
General purposes			83,819	-	83,819
Capital outlay			40,316	-	40,316
Statewide sales, services and use tax			177,612	-	177,612
Unrestricted state grants			979,293	-	979,293
Unrestricted investment earnings			26,863	-	26,863
Other			31,446	-	31,446
Total general revenues			2,702,902	-	2,702,902
Change in net assets			43,022	(10,334)	32,688
Net assets beginning of year			3,168,505	68,581	3,237,086
Net assets end of year			\$ 3,211,527	58,247	3,269,774

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Student Activity	Management	Capital Projects			Total
				Statewide Sales Use Tax	Physical Plant and Equipment Levy		
Cash	\$ 621,740	86,081	202,703	930,697	252,816		2,094,037
Receivables:							
Property tax:							
Current year	10,596	-	1,282	-	1,064		12,942
Succeeding year	1,183,718	-	135,000	-	122,270		1,440,988
Income surtax - succeeding year	88,868	-	-	-	44,434		133,302
Due from other governments	18,626	-	-	13,807	2,155		34,588
Total assets	\$ 1,923,548	86,081	338,985	944,504	422,739		3,715,857

CAL COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Student Activity	Management	Capital Projects			Total
				Statewide Sales Use Tax	Physical Plant and Equipment Levy		
Liabilities and Fund Balance							
Liabilities:							
Accounts payable	\$ 60,423	-	-	-	-	-	60,423
Salaries and benefits payable	-	-	-	-	-	-	-
Deferred revenue:							
Succeeding year property tax	1,183,718	-	135,000	-	122,270	-	1,440,988
Succeeding year income surtax	88,868	-	-	-	44,434	-	133,302
Total liabilities	1,333,009	-	135,000	-	166,704	-	1,634,713
Fund balances:							
Restricted for:							
Categorical funding	5,292	-	-	-	-	-	5,292
Student Activities	-	86,081	-	-	-	-	86,081
Management levy	-	-	203,985	-	-	-	203,985
School infrastructure	-	-	-	944,504	-	-	944,504
Physical plant and equipment levy	-	-	-	-	256,035	-	256,035
Unassigned	585,247	-	-	-	-	-	585,247
Total fund balance	590,539	86,081	203,985	944,504	256,035	-	2,081,144
Total liabilities and fund balances	\$ 1,923,548	86,081	338,985	944,504	422,739	-	3,715,857

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (Exhibit C)	\$ 2,081,144
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Income surtax receivable at June 30, 2011 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	133,302
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,799,263
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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.	(18,183)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:

Other postemployment benefits	\$ (239,978)	
Revenue bonds payable	(1,240,000)	
Bus lease payable	(15,367)	
Computer lease payable	(144,984)	
Early retirement	<u>(143,670)</u>	<u>(1,783,999)</u>

Net assets of governmental activities (Exhibit A)	<u>\$ 3,211,527</u>
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CAL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General	Student Activity	Management	Capital Projects			Total
				Statewide Sales Service and Use Tax	Physical Plant and Equipment Levy		
Revenues:							
Local sources:							
Local tax	\$ 1,195,736	-	135,020	177,612	151,464		1,659,832
Tuition	98,996	-	-	-	-		98,996
Other	58,856	127,577	31,033	11,549	-		229,015
State sources	1,378,813	-	-	-	-		1,378,813
Federal sources	195,179	-	-	-	-		195,179
Total revenues	<u>2,927,580</u>	<u>127,577</u>	<u>166,053</u>	<u>189,161</u>	<u>151,464</u>		<u>3,561,835</u>
Expenditures:							
Current:							
Instruction	<u>2,187,871</u>	<u>124,774</u>	<u>55,771</u>	<u>-</u>	<u>20,608</u>		<u>2,389,024</u>
Support services:							
Student services	1,408	-	-	-	-		1,408
Instructional staff services	76,134	-	-	-	-		76,134
Administration services	272,478	-	-	26,530	-		299,008
Operation and maintenance of plant services	179,713	-	91,554	-	-		271,267
Transportation services	167,042	-	7,098	-	60,564		234,704
	<u>696,775</u>	<u>-</u>	<u>98,652</u>	<u>26,530</u>	<u>60,564</u>		<u>882,521</u>

CAL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General	Student Activity	Management	Capital Projects			Total
				Statewide Sales Service and Use Tax	Physical Plant and Equipment	Levy	
Other expenditures:							
AEA flowthrough	123,963	-	-	-	-	-	123,963
Facilities acquisition and construction	-	-	-	709,315	16,197	-	725,512
	<u>123,963</u>	<u>-</u>	<u>-</u>	<u>709,315</u>	<u>16,197</u>	<u>-</u>	<u>849,475</u>
Total expenditures	<u>3,008,609</u>	<u>124,774</u>	<u>154,423</u>	<u>735,845</u>	<u>97,369</u>	<u>-</u>	<u>4,121,020</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(81,029)</u>	<u>2,803</u>	<u>11,630</u>	<u>(546,684)</u>	<u>54,095</u>	<u>-</u>	<u>(559,185)</u>
Other financing sources (uses):							
Sale of revenue bonds	-	-	-	1,240,000	-	-	1,240,000
Premium on sale of capital loan notes	-	-	-	2,182	-	-	2,182
Capital lease proceeds - bus	-	-	-	-	15,367	-	15,367
Capital lease proceeds - computers	-	-	-	144,984	-	-	144,984
Proceeds from sales of equipment	8,267	-	-	-	-	-	8,267
Total other financial sources (uses)	<u>8,267</u>	<u>-</u>	<u>-</u>	<u>1,387,166</u>	<u>15,367</u>	<u>-</u>	<u>1,410,800</u>
Net change in fund balances	<u>(72,762)</u>	<u>2,803</u>	<u>11,630</u>	<u>840,482</u>	<u>69,462</u>	<u>-</u>	<u>851,615</u>
Fund balances beginning of year	<u>663,301</u>	<u>83,278</u>	<u>192,355</u>	<u>104,022</u>	<u>186,573</u>	<u>-</u>	<u>1,229,529</u>
Fund balances end of year	<u>\$ 590,539</u>	<u>86,081</u>	<u>203,985</u>	<u>944,504</u>	<u>256,035</u>	<u>-</u>	<u>2,081,144</u>

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit E) \$ 851,615

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

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities. This represent the change from the prior year. 5,468

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 815,122	
Depreciation expense	<u>(191,764)</u>	623,358

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. (18,183)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued		(1,400,351)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

Other postemployment benefits	(110,166)	
Early retirement	<u>91,281</u>	<u>(18,885)</u>

Change in net assets of governmental activities (Exhibit B) \$ 43,022

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ <u>58,102</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	45,731
Benefits	21,471
Supplies	93,202
Depreciation	<u>1,340</u>
Total operating expenses	<u>161,744</u>
Operating (loss)	<u>(103,642)</u>
Non-operating revenues:	
State sources	1,616
Federal sources	<u>91,692</u>
	<u>93,308</u>
Changes in net assets	(10,334)
Net assets beginning of year	<u>68,581</u>
Net assets end of year	<u>\$ <u>58,247</u></u>

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 58,102
Cash payments to employees for services	(67,202)
Cash payments to suppliers for goods or services	<u>(85,850)</u>
Net cash (used by) operating activities	<u>(94,950)</u>
Cash flows from non-capital financing activities:	
State grants received	1,616
Federal grants received	<u>84,340</u>
Net cash provided by non-capital financing activities	<u>85,956</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	<u>(16,071)</u>
Net increase in cash and cash equivalents	(25,065)
Cash and cash equivalents beginning of year	<u>67,299</u>
Cash and cash equivalents end of year	<u>\$ 42,234</u>
Reconciliation of operating (loss) to net cash (used by) operating activities:	
Operating (loss)	\$ (103,642)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Commodities used	<u>7,352</u>
	<u>\$ (96,290)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received federal commodities valued at \$7,352.

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

CAL Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-school through twelve. The geographic area served includes the Cities of Coulter, Alexander and Latimer, Iowa, and agricultural area in Franklin and Wright Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, CAL 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. CAL 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 Franklin County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary 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. The District has elected to present all funds as major funds for clarity of presentation.

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 revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Capital Projects Fund, Physical Plant and Equipment Levy is used to purchase equipment (over \$500 per item) and for major repairs and improvements to buildings and grounds. It is funded primarily through a combination of property tax and income surtax.

The Capital Projects Fund, Statewide Sales, Services and Use Tax is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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

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

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

D. Assets, Liabilities and Fund 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 non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa and grants from other governments.

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

Capital Assets - Capital assets, which include property, furniture and equipment 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Intangible assets	50,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangible assets	5-10 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 in 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. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2011.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$983 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,100	-	-	10,100
Capital assets being depreciated:				
Site Improvements	239,384	-	-	239,384
Buildings	3,098,534	465,011	-	3,563,545
Furniture and Equipment	1,343,711	350,111	85,019	1,608,803
Total capital assets being depreciated	4,681,629	815,122	85,019	5,411,732
Less accumulated depreciation for:				
Site Improvements	212,796	2,439	-	215,235
Buildings	1,153,537	89,660	-	1,243,197
Furniture and Equipment	1,149,491	99,665	85,019	1,164,137
Total accumulated depreciation	2,515,824	191,764	85,019	2,622,569
Total capital assets being depreciated, net	2,165,805	623,358	-	2,789,163
Governmental activities, capital assets, net	\$ 2,175,905	623,358	-	2,799,263
Business type activities:				
Furniture and equipment	\$ 26,703	16,071	-	42,774
Less accumulated depreciation	26,703	1,340	-	28,043
Business type activities capital assets, net	\$ -	14,731	-	14,731
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Transportation				\$ 19,280
Unallocated				172,484
				<u>\$ 191,764</u>
Business Type activities:				
Food service operations				<u>\$ 1,340</u>

(4) Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$116,550, \$115,016, and \$105,979 respectively, equal to the required contributions for each year.

(5) Risk Management

CAL Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; 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.

(6) 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 \$123,963 for year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(7) Commitment

The District committed \$1,240,000 for the replacement of a boiler and HVAC updates. Over \$1.1 million of projects had been completed at June 30, 2011. The remainder will be completed after the end of the fiscal year ending June 30, 2011.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 54 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits 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 (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, 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 the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$147,209
Interest on net OPEB Obligation	3,245
Adjustment to annual required contribution	(10,825)
Annual OPEB Cost	139,629
Contributions made	(29,463)
Increase in net OPEB obligation	110,166
Net OPEB obligation beginning of year	129,812
Net OPEB obligation end of year	\$239,978

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. 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 actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$29,463 to the medical plan.

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, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$135,684	4.3%	\$129,812
June 30, 2011	\$139,269	21.1%	\$239,978

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1,119,100 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,119,100. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,795,000 and the ratio of the UAAL to covered payroll was 62.3%. As of June 30, 2011, 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 health care 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 Financial Statements, 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 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 the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Early Retirement

In 2010, the District instituted an early retirement program for employees who had reached 55 years of age and over ten years of service to the District. The amount paid by the District for future health insurance premiums is dependent on the number of years of service. Benefits of \$100,504 were paid during the current fiscal year. Total benefits are projected to be \$143,670 with \$24,856 being paid in fiscal year 2012.

(10) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning Year	Additions	Reductions	Balance End of Year	Due Within One Year
Other Postemployment Benefits	\$129,812	110,166	-	239,978	-
Bus Capital Lease Payable	-	15,367	-	15,367	7,537
Computer Capital Lease Payable	-	144,984	-	144,984	72,492
Early Retirement	222,242	21,932	100,504	143,670	24,856
Revenue Bonds	-	1,240,000	-	1,240,000	-
Total	<u>\$352,054</u>	<u>1,532,449</u>	<u>100,504</u>	<u>1,783,999</u>	<u>104,885</u>

Revenue Bonds

In December 2010, the District approved the sale of \$1,240,000 of School Infrastructure Sales and Services Tax Revenue Bonds. Proceeds will be used for additions and improvements to existing facilities. Principal and interest will be paid from proceeds of the statewide sales, services and use tax for schools.

Details of the District's June 30, 2011 revenue bonds are as follow:

Year Ending June 30,	December, 2010			
	Interest Rate	Principal	Interest	Total
2012	0.00%	\$ -	33,768	33,768
2013	1.20	75,000	30,720	105,720
2014	1.40	100,000	29,570	129,570
2015	1.60	100,000	28,070	128,070
2016	1.80	110,000	26,280	136,280
2017-2021	2.10-3.20	590,000	90,192	680,192
2022-2023	3.40-3.50	265,000	9,298	274,298
Total		<u>\$1,240,000</u>	<u>247,898</u>	<u>1,487,898</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,240,000 bonds issued in December, 2010. The bonds were issued for the purpose of financing a portion of the costs of remodeling. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 75 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,487,898. For the current year no principal or interest was paid on the bonds. Total statewide sales, services and use tax revenues were \$177,612.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$124,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.

- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year. The balance of this account at June 30, 2011 was \$124,000.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District has complied with all of the revenue bond provisions during the year ended June 30, 2011.

Capital Leases

The District has a lease for the purchase of school buses that requires three annual payments of \$8,133. The first payment was made in fiscal year 2011 with two remaining payments that will be paid on July 22, 2012 and 2013. The interest rate is 3.88%.

The District entered into a capital lease for the acquisition of laptop computers. The total price was \$289,869 and will be paid off over 4 years beginning in March 2010. The interest rate is 0.0%. Annual payments of \$72,492 are made with proceeds of the Statewide Sales, Services and Use Tax.

(11) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects, Physical Plant and Equipment Levy	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ -	186,573
Change in fund type classification per implementation of GASB Statement No. 54	186,573	(186,573)
Balances July 1, 2010, as restated	\$186,573	-

Required Supplementary Information

CAL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Governmental Fund Types		Proprietary Fund Type		Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual		Actual			Original	Final	
Revenues:								
Local sources	\$ 1,987,843		58,102		2,045,945	2,003,131	2,003,131	42,814
State sources	1,378,813		1,616		1,380,429	1,597,974	1,597,974	(217,545)
Federal sources	195,179		91,692		286,871	159,900	159,900	126,971
Total revenues	<u>3,561,835</u>		<u>151,410</u>		<u>3,713,245</u>	<u>3,761,005</u>	<u>3,761,005</u>	<u>(47,760)</u>
Expenditures/expenses:								
Instruction	2,389,024		-		2,389,024	2,880,000	2,880,000	490,976
Support services	882,521		-		882,521	1,107,700	1,107,700	225,179
Non-instructional programs	-		161,744		161,744	160,000	160,000	(1,744)
Other expenditures	849,475		-		849,475	307,523	307,523	(541,952)
Total expenditures/expenses	<u>4,121,020</u>		<u>161,744</u>		<u>4,282,764</u>	<u>4,455,223</u>	<u>4,455,223</u>	<u>172,459</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(559,185)		(10,334)		(569,519)	(694,218)	(694,218)	124,699
Other financing sources (uses)	<u>1,410,800</u>		<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing sources (uses)	851,615		(10,334)		(569,519)	(694,218)	(694,218)	124,699
Balance beginning of year	<u>1,229,529</u>		<u>68,581</u>		<u>1,298,110</u>	<u>1,209,481</u>	<u>1,209,481</u>	<u>88,629</u>
Balance end of year	<u>\$ 2,081,144</u>		<u>58,247</u>		<u>728,591</u>	<u>515,263</u>	<u>515,263</u>	<u>213,328</u>

See accompanying independent auditor's report.

CAL COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

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 a GAAP basis.

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

During the year ended June 30, 2011, expenditures exceeded the amounts budgeted in the non-instructional programs and other expenditures functions. The District did not exceed the General Fund unspent authorized budget.

CAL 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 Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$0	\$1,104	\$1,104	0.0%	\$1,785	61.8%
2011	Jul 1, 2009	\$0	\$1,119	\$1,119	0.0%	\$1,795	62.3%

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

Other Supplementary Information

CAL COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ -	1,881	1,881	-
Vocal Music	-	1,012	1,012	-
Instrumental Music	-	1,247	1,247	-
Cross Country	-	1,000	1,000	-
Golf	-	1,011	1,011	-
Boys Basketball	2,000	3,023	5,023	-
Football	-	4,887	4,887	-
Baseball	151	1,738	1,889	-
Boys Track	(114)	1,761	1,647	-
Girls Basketball	179	6,552	6,731	-
Volleyball	-	2,192	2,342	(150)
Softball	32	2,455	2,487	-
Girls Track	-	5,967	5,967	-
Early Childhood/Preschool	-	-	-	-
Annual	(3,287)	9,670	6,383	-
Activity Passes	150	5,874	6,024	-
Art Club	-	-	-	-
FFA	5,764	28,311	19,822	14,253
Cheerleaders	325	7,059	7,384	-
National Honor Society	-	-	-	-
District Football	234	500	216	518
Washington DC Trip	-	8,304	5,860	2,444
Spanish Club	291	8,862	9,003	150
Student Council	1,932	2,484	1,923	2,493
Class of 2016	-	2,175	1,215	960
Class of 2010	45	-	45	-
Class of 2011	2,290	-	1,948	342
Class of 2012	2,590	1,975	2,636	1,929
Class of 2013	608	1,321	436	1,493
Class of 2015	1,130	929	517	1,542
Class of 2014	1,838	-	164	1,674
High School Activity	260	434	694	-
Elementary Activity	2,095	2,097	1,306	2,886
MS Activities	478	866	930	414
Instrument Rental	126	608	734	-
Greenhouse	-	744	744	-
Concessions	1,331	957	289	1,999
Nurses Fund	146	-	146	-
Interest	61,264	4,233	14,239	51,258
Jump Rope for Heart	111	718	829	-
Music Resale	-	451	451	-
Art Resale	10	-	10	-
Manufacturing Resale	864	526	84	1,306
Book Fund	435	3,753	3,618	570
Total	\$ 83,278	127,577	124,774	86,081

See accompanying independent auditor's report.

CAL COMMUNITY SCHOOL DISTRICT

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

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 1,659,832	1,578,844	1,565,066	1,424,486	1,466,995	1,407,383	1,465,673	1,297,920
Tuition	98,996	90,711	119,910	219,712	224,027	228,663	112,982	70,577
Other	229,015	211,931	137,568	259,318	239,255	262,003	258,763	214,290
State sources	1,378,813	1,158,283	1,376,902	1,391,844	1,145,976	985,164	1,029,496	1,013,090
Federal sources	195,179	307,179	153,737	96,379	298,219	96,766	163,195	164,823
Total	\$ 3,561,835	\$ 3,346,948	\$ 3,353,183	\$ 3,391,739	\$ 3,374,472	\$ 2,979,979	\$ 3,030,109	\$ 2,760,700
Expenditures:								
Instruction	\$ 2,389,024	2,378,765	2,175,182	2,142,828	2,079,515	1,972,150	1,794,257	1,756,581
Support services:								
Student	1,408	3,218	692	2,214	1,637	10,827	30,383	37,406
Instructional staff	76,134	66,954	93,136	112,243	109,281	80,510	132,444	131,181
Administration	299,008	262,378	260,840	249,906	256,407	251,455	234,129	235,909
Operation and maintenance of plant	271,267	213,080	243,953	262,851	285,521	276,391	342,120	222,317
Transportation	234,704	179,920	156,471	181,306	130,680	131,514	121,570	198,388
Central support	-	-	-	-	-	-	-	1,112
Noninstructional programs:								
Food service operations	-	-	-	-	-	-	15,949	16,132
Other expenditures:								
Facilities acquisition	725,512	310,757	225,946	89,103	407,193	336,595	13,641	48,284
Debt Service:								
Principal	-	-	-	84,835	70,165	-	-	-
Interest	-	-	-	3,427	7,335	-	-	-
AEA flowthrough	123,963	123,551	103,615	101,928	82,702	82,702	83,366	85,778
Total	\$ 4,121,020	\$ 3,538,623	\$ 3,259,835	\$ 3,230,641	\$ 3,430,436	\$ 3,142,144	\$ 2,767,859	\$ 2,733,088

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

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

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

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

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of CAL Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2012. 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 CAL Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of CAL Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CAL Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-11 and I-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified one item which we consider to be a significant deficiency shown as item I-C-11 in the accompanying schedule of findings.

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

202 Central Avenue East
P.O. Box 241
Clarion, IA 50525

Phone: (515) 532-6659
Fax: (515) 532-3677
bruce@frinkcpa.com

Compliance and Other Matters

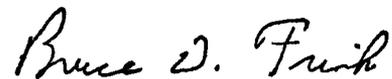
As part of obtaining reasonable assurance about whether CAL Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 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.

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

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



BRUCE D. FRINK
Certified Public Accountant

March 26, 2012

CAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

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

Response - We will review procedures and investigate available alternatives.

Conclusion - Response accepted.

I-B-11 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

CAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:
(continued)

I-C-11 Understatement of Balance - The Certified Annual Report failed to include \$142,182 of revenue bond proceeds that are maintained in a reserve fund and sinking fund at Bankers Trust. These are to be used for payment of debt on recently issued revenue bonds but should be included in the financial statements of the District.

Recommendation - We recommend that these amounts be included in the District's financial statements.

Response - We will include them in fiscal year 2012.

Conclusion -Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 Certified Budget - Expenditures for the year ended June 30, 2011 exceeded the amounts budgeted in the non-instructional programs and other expenditures functions. The District did not exceed its General Fund unspent authorized budget.

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

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

II-B-11 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-11 Business Transactions - No business transactions between the District and District officials or employees.

II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-11 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

II-G-11 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

CAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:
(continued)

II-H-11 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education in a timely manner.

Recommendation - We recommend that the District take steps to ensure timely filing in future years.

Response - We will endeavor to do so.

Conclusion - Response accepted.

II-I-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-J-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-11 Statewide sales, services and use tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 104,022
Revenues/transfers in:		
Sales tax revenues	\$ 177,612	
Other local revenues	13,731	
Sale of long-term debt	<u>1,240,000</u>	<u>1,431,343</u>
		<u>1,535,363</u>
Expenditures/transfers out:		
School infrastructure construction	512,640	
Equipment	<u>78,401</u>	<u>590,861</u>
Ending balance		<u>\$ 944,504</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.