

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Cardinal of Eldon Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before September 2011 Election)		
Board of Education		
Mike Kayser	President	2013
Fred Thomas	Vice President	2011
Todd Hart	Board Member	2013
Carol Streeby	Board Member	2011
Mary Campbell	Board Member	2011
(After September 2011 Election)		
Board of Education		
Mike Kayser	President	2013
Fred Thomas	Vice President	2015
Todd Hart	Board Member	2013
Carol Streeby	Board Member	2015
Roger Davis	Board Member	2015
School Officials		
Joel Pedersen	Superintendent	2012
Tina Snyder	Board Secretary/Treasurer (Resigned May 2012)	2012
Sherry VanBlaricom	Board Secretary (Appointed June 2012)	2012
Robin Leonard	Treasurer (Appointed June 2012)	2012
Ahlers & Cooney, P.C.	Attorney	2012

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Cardinal of Eldon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Cardinal of Eldon Community School District, Eldon, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Cardinal of Eldon Community School District at June 30, 2012, 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 18, 2013 on our consideration of Cardinal of Eldon Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7

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through 16 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in a appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cardinal of Eldon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for eight years ended June 30, 2011 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 18, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cardinal of Eldon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,548,558 in fiscal 2011 to \$6,655,858 in fiscal 2012, while General Fund expenditures decreased from \$6,147,250 in fiscal 2011 to \$6,067,308 in fiscal 2012. Revenues exceeded expenditures resulting in an increase in the District's General Fund balance from a balance of \$1,209,887 in fiscal 2011 to a balance of \$1,798,437 in fiscal 2012.
- The increase in General Fund revenues was attributable to an increase in local tax and state sources of revenue in fiscal 2012. The decrease in expenditures was due primarily to decreased spending in the support services functional area.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

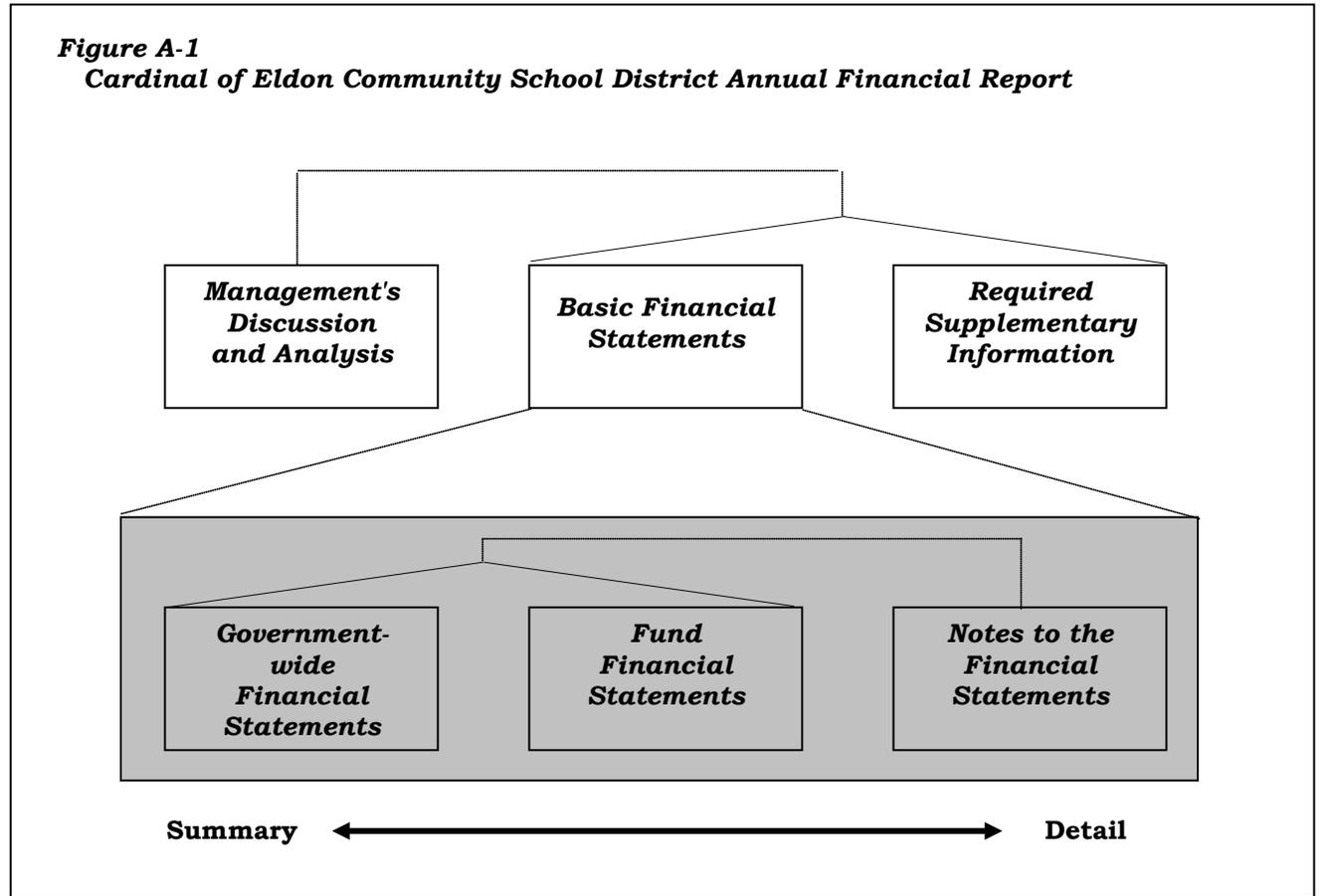


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for the proprietary funds include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

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

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

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

The required financial statements for fiduciary funds include the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s total net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3 Condensed State of Net Assets								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2012	2011	2012	2011	2012	2011	2011-12	
Current and other assets	\$ 10,220,496	5,056,921	23,108	23,997	10,243,604	5,080,918	101.61%	
Capital assets	3,372,415	3,060,357	15,380	16,734	3,387,795	3,077,091	10.10%	
Total assets	13,592,911	8,117,278	38,488	40,731	13,631,399	8,158,009	67.09%	
Long-term obligations	4,699,259	402,973	1,268	993	4,700,527	403,966	1063.59%	
Other liabilities	2,916,228	2,805,893	41,024	16,712	2,957,252	2,822,605	4.77%	
Total liabilities	7,615,487	3,208,866	42,292	17,705	7,657,779	3,226,571	137.33%	
Net assets:								
Invested in capital assets, net of related debt	3,141,762	2,884,968	15,380	16,734	3,157,142	2,901,702	8.80%	
Restricted	1,100,594	930,197	-	-	1,100,594	930,197	18.32%	
Unrestricted	1,735,068	1,093,247	(19,184)	6,292	1,715,884	1,099,539	56.05%	
Total net assets	\$ 5,977,424	4,908,412	(3,804)	23,026	5,973,620	4,931,438	21.13%	

The District’s combined net assets increased by 21.13%, or \$1,042,182 over the prior year. The largest portion of the District’s net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources 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 \$170,397, or 18.32% over the prior year. This increase is due in part to the increase in the Debt Service Fund balance.

Unrestricted net assets - the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased \$616,345 or 56.05% compared to the prior year. The increase in unrestricted net assets was primarily the result of the increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the years ended June 30, 2012 compared to the year ended June 30, 2011.

	Figure A-4						
	Changes in Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues:							
Program revenues:							
Charges for services	\$ 713,857	679,732	91,373	105,746	805,230	785,478	2.51%
Operating grants, contributions and restricted interest	602,035	705,113	224,997	220,829	827,032	925,942	-10.68%
Capital grants, contributions and restricted interest	18,680	25,000	-	-	18,680	25,000	-25.28%
General revenues:							
Property tax	2,104,692	2,031,248	-	-	2,104,692	2,031,248	3.62%
Income surtax	224,932	241,639	-	-	224,932	241,639	-6.91%
Statewide sales, services and use tax	516,520	496,454	-	-	516,520	496,454	4.04%
Unrestricted state grants	3,380,523	3,222,286	-	-	3,380,523	3,222,286	4.91%
Nonspecific program federal grants	40,063	149,869	-	-	40,063	149,869	-73.27%
Unrestricted investment earnings	3,744	5,889	-	-	3,744	5,889	-36.42%
Other	212,606	202,791	-	-	212,606	202,791	4.84%
Total revenues	<u>7,817,652</u>	<u>7,760,021</u>	<u>316,370</u>	<u>326,575</u>	<u>8,134,022</u>	<u>8,086,596</u>	<u>0.59%</u>
Program expenses:							
Instructional	4,470,202	4,516,201	-	-	4,470,202	4,516,201	-1.02%
Support services	1,919,164	1,961,966	3,646	-	1,922,810	1,961,966	-2.00%
Non-instructional programs	-	-	339,554	318,324	339,554	318,324	6.67%
Other expenses	359,274	378,801	-	-	359,274	378,801	-5.15%
Total expenses	<u>6,748,640</u>	<u>6,856,968</u>	<u>343,200</u>	<u>318,324</u>	<u>7,091,840</u>	<u>7,175,292</u>	<u>-1.16%</u>
Change in net assets	1,069,012	903,053	(26,830)	8,251	1,042,182	911,304	-14.36%
Net assets beginning of year	<u>4,908,412</u>	<u>4,005,359</u>	<u>23,026</u>	<u>14,775</u>	<u>4,931,438</u>	<u>4,020,134</u>	<u>22.67%</u>
Net assets end of year	<u>\$ 5,977,424</u>	<u>4,908,412</u>	<u>(3,804)</u>	<u>23,026</u>	<u>5,973,620</u>	<u>4,931,438</u>	<u>21.13%</u>

In fiscal 2012, property tax and unrestricted state grants account for 70.16% of the revenue from governmental activities while charges for services and operating grants and contributions account for all of the revenue from business type activities.

The District's total revenues were approximately \$8.13 million, of which approximately \$7.82 million was for governmental activities and approximately \$0.31 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.59% increase in revenues and a 1.16% decrease in expenses. The decrease in expenses is related to decreased expenses in the instructional function compared to fiscal 2011.

Governmental Activities

Revenues for governmental activities were \$7,817,652 and expenses were \$6,748,640 for the year ended June 30, 2012.

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, 2012 compared to the year ended June 30, 2011.

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 4,470,202	4,516,201	-1.02%	3,416,539	3,419,471	-0.09%
Support services	1,919,164	1,961,966	-2.18%	1,865,809	1,899,926	-1.80%
Other expenses	359,274	378,801	-5.15%	131,720	127,726	3.13%
Totals	<u>\$ 6,748,640</u>	<u>6,856,968</u>	<u>-1.58%</u>	<u>5,414,068</u>	<u>5,447,123</u>	<u>-0.61%</u>

- The cost financed by users of the District's programs was \$713,857.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$620,715.
- The net cost of governmental activities was financed with \$2,329,624 in local tax, \$516,520 in statewide sales, services and use tax, \$3,380,523 in unrestricted state grants, \$40,063 in nonspecific program federal grants, \$3,744 in interest income, and \$212,606 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$316,370 and expenses were \$343,200. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$7,081,131 compared to last year's ending fund balances of \$2,012,941. The primary reason for the increase in combined fund balances was the unspent proceeds from a revenue bond issuance in the Capital Projects Fund balance.

Governmental Fund Highlights

- The District's General Fund balance increased from a balance of \$1,209,887 on June 30, 2011 to \$1,798,437 on June 30, 2012. The District's improving General Fund financial position is the product of many factors. An increase in local tax and state sources of revenue during the year resulted in an increase in total revenues. Coupled with a decrease in expenditures when compared to the previous year, revenues exceeded expenditures causing the increase in fund balance.
- The Management Levy Fund balance increased from a balance of \$273,473 on June 30, 2011 to \$308,997 on June 30, 2012. While, revenues decreased in fiscal 2012, revenues remained greater than expenditures ensuring an increase in fund balance for the year.

-
- The Capital Projects Fund improved from a fund balance of \$397,247 at the beginning of fiscal year 2012 to \$4,517,268 at the end of fiscal year 2012. The Statewide Sales, Services and Use Tax Fund balance increased from \$306,054 on June 30, 2011 to \$4,294,153 on June 30, 2012. \$4,239,347 of the ending fund balance is unspent revenue bond proceeds restricted for construction while \$54,806 is restricted for school infrastructure. The Building Projects Fund balance decreased from \$711 at June 30, 2011 to \$0 at June 30, 2012. The Physical Plant and Equipment Levy Fund balance increased from \$90,482 at the beginning of fiscal 2012 to \$223,115 at the end of the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$23,026 at June 30, 2011 to a deficit balance of \$3,804 at June 30, 2012. Revenues decreased \$10,205 while expenses increased \$24,876 when compared to the previous fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Cardinal of Eldon Community School District amended its budget one time to reflect increased costs in the non-instructional programs and other expenditures functional areas.

The District's revenues were \$182,431 less than budgeted revenues, a variance of 2.19%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$3,387,795, net of accumulated depreciation, in a broad range of capital assets, including buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 10.10% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$208,297.

The original cost of the District's capital assets was \$7,524,365. Governmental funds account for \$7,381,419 with the remainder of \$142,946 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$225,653 at June 30, 2012, compared to \$102,133 reported at June 30, 2011. The increase represents costs incurred for the building remodels, which were not completed before year end.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Construction in progress	\$ 225,653	102,133	-	-	225,653	102,133	120.94%
Buildings	2,379,532	2,397,105	-	-	2,379,532	2,397,105	-0.73%
Land improvements	542,049	420,237	-	-	542,049	420,237	28.99%
Machinery and equipment	225,181	140,882	15,380	16,734	240,561	157,616	52.62%
Total	\$ 3,372,415	3,060,357	15,380	16,734	3,387,795	3,077,091	10.10%

Long-Term Debt

At June 30, 2012, the District had \$4,700,527 in long-term debt outstanding. This represents an increase of 1,063.59%, or \$4,296,561 from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$5,000 at June 30, 2012. This amount has been outstanding since 1995.

The District had total outstanding revenue bonds payable of \$4,465,000 at June 30, 2012.

The District had total outstanding early retirement payable of \$47,483 at June 30, 2012.

The District has total outstanding net OPEB liability of \$183,044 at June 30, 2012. Governmental Activities accounted for \$181,776 while Business Type Activities accounted for \$1,268 of the total.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
General obligation bonds	\$ 5,000	5,000	-	-	5,000	5,000	0.00%
Revenue bonds	4,465,000	-	-	-	4,465,000	-	100.00%
Computer lease	-	170,389	-	-	-	170,389	-100.00%
Early retirement	47,483	67,010	-	-	47,483	67,010	-29.14%
Net OPEB liability	181,776	160,574	1,268	993	183,044	161,567	13.29%
Total	\$ 4,699,259	402,973	1,268	993	4,700,527	403,966	1063.59%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2004.

-
- Low allowable growth over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
 - Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,458,949	-	7,458,949
Receivables:			
Property tax:			
Delinquent	50,354	-	50,354
Succeeding year	2,195,217	-	2,195,217
Income surtax	223,137	-	223,137
Due from other funds	21,673	-	21,673
Due from other governments	271,166	20,771	291,937
Inventories	-	2,337	2,337
Capital assets, net of accumulated depreciation	3,372,415	15,380	3,387,795
Total assets	13,592,911	38,488	13,631,399
Liabilities			
Due to other funds	-	21,673	21,673
Accounts payable	89,779	-	89,779
Salaries and benefits payable	624,009	16,535	640,544
Deferred revenue:			
Succeeding year property tax	2,195,217	-	2,195,217
Other	7,223	-	7,223
Unearned revenue	-	2,816	2,816
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	5,000	-	5,000
Revenue bonds	225,000	-	225,000
Early retirement payable	14,542	-	14,542
Portion due after one year:			
Revenue bonds	4,240,000	-	4,240,000
Early retirement payable	32,941	-	32,941
Net OPEB liability	181,776	1,268	183,044
Total liabilities	7,615,487	42,292	7,657,779
Net Assets			
Invested in capital assets, net of related debt	3,141,762	15,380	3,157,142
Restricted for:			
Categorical funding	104,730	-	104,730
Management levy purposes	261,514	-	261,514
Student activities	127,301	-	127,301
Debt service	329,128	-	329,128
School infrastructure	54,806	-	54,806
Physical plant and equipment	223,115	-	223,115
Unrestricted	1,735,068	(19,184)	1,715,884
Total assets	\$ 5,977,424	(3,804)	5,973,620

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,389,664	404,181	52,569	-	(1,932,914)	-	(1,932,914)
Special	1,013,275	46,700	76,605	-	(889,970)	-	(889,970)
Other	1,067,263	231,891	241,717	-	(593,655)	-	(593,655)
	<u>4,470,202</u>	<u>682,772</u>	<u>370,891</u>	<u>-</u>	<u>(3,416,539)</u>	<u>-</u>	<u>(3,416,539)</u>
Support services:							
Student	127,422	31,085	3,590	-	(92,747)	-	(92,747)
Instructional staff	114,724	-	-	-	(114,724)	-	(114,724)
Administration	818,889	-	-	-	(818,889)	-	(818,889)
Operation and maintenance of plant	526,582	-	-	18,680	(507,902)	-	(507,902)
Transportation	331,547	-	-	-	(331,547)	-	(331,547)
	<u>1,919,164</u>	<u>31,085</u>	<u>3,590</u>	<u>18,680</u>	<u>(1,865,809)</u>	<u>-</u>	<u>(1,865,809)</u>
Other expenditures:							
AEA flowthrough	227,554	-	227,554	-	-	-	-
Depreciation(unallocated)*	131,720	-	-	-	(131,720)	-	(131,720)
	<u>359,274</u>	<u>-</u>	<u>227,554</u>	<u>-</u>	<u>(131,720)</u>	<u>-</u>	<u>(131,720)</u>
Total governmental activities	<u>6,748,640</u>	<u>713,857</u>	<u>602,035</u>	<u>18,680</u>	<u>(5,414,068)</u>	<u>-</u>	<u>(5,414,068)</u>
Business Type activities:							
Support services:							
Operation and maintenance of plant	3,646	-	-	-	-	(3,646)	(3,646)
Non-instructional programs:							
Food service operations	339,554	91,373	224,997	-	-	(23,184)	(23,184)
Total business type activities	<u>343,200</u>	<u>91,373</u>	<u>224,997</u>	<u>-</u>	<u>-</u>	<u>(26,830)</u>	<u>(26,830)</u>
Total	<u>\$ 7,091,840</u>	<u>805,230</u>	<u>827,032</u>	<u>18,680</u>	<u>(5,414,068)</u>	<u>(26,830)</u>	<u>(5,440,898)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,902,247	-	1,902,247
Capital outlay					202,445	-	202,445
Income surtax					224,932	-	224,932
Statewide sales, services and use tax					516,520	-	516,520
Unrestricted state grants					3,380,523	-	3,380,523
Nonspecific program federal grants					40,063	-	40,063
Unrestricted investment earnings					3,744	-	3,744
Other general revenues					212,606	-	212,606
Total general revenues					<u>6,483,080</u>	<u>-</u>	<u>6,483,080</u>
Changes in net assets					1,069,012	(26,830)	1,042,182
Net assets beginning of year					4,908,412	23,026	4,931,438
Net assets end of year					<u>\$ 5,977,424</u>	<u>(3,804)</u>	<u>5,973,620</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Management Levy	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 2,289,132	305,535	4,407,853	456,429	7,458,949
Receivables:					
Property tax:					
Delinquent	42,049	3,462	4,843	-	50,354
Succeeding year	1,653,784	325,000	216,433	-	2,195,217
Income surtax	223,137	-	-	-	223,137
Due from other funds	21,673	-	-	-	21,673
Due from other governments	166,594	-	104,572	-	271,166
Total assets	\$ 4,396,369	633,997	4,733,701	456,429	10,220,496
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 89,779	-	-	-	89,779
Salaries and benefits payable	624,009	-	-	-	624,009
Deferred revenue:					
Succeeding year property tax	1,653,784	325,000	216,433	-	2,195,217
Income surtax	223,137	-	-	-	223,137
Other	7,223	-	-	-	7,223
Total liabilities	2,597,932	325,000	216,433	-	3,139,365
Fund Balances:					
Restricted for:					
Categorical funding	104,730	-	-	-	104,730
Management levy purposes	-	308,997	-	-	308,997
Student activities	-	-	-	127,301	127,301
Debt service	-	-	-	329,128	329,128
School infratructure	-	-	54,806	-	54,806
Construction	-	-	4,239,347	-	4,239,347
Physical plant and equipment	-	-	223,115	-	223,115
Unassigned	1,693,707	-	-	-	1,693,707
Total fund balances	1,798,437	308,997	4,517,268	456,429	7,081,131
Total liabilities and fund balances	\$ 4,396,369	633,997	4,733,701	456,429	10,220,496

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances of governmental funds(page 20) \$ 7,081,131

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 3,372,415

Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period. 223,137

Long-term liabilities, including bonds payable, early retirement payable, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (4,699,259)

Net assets of governmental activities(page 18) \$ 5,977,424

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Management Levy	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,997,435	144,694	718,965	-	2,861,094
Tuition	438,937	-	-	-	438,937
Other	205,890	6,762	55,428	232,215	500,295
State sources	3,722,111	-	-	-	3,722,111
Federal sources	291,485	-	18,680	-	310,165
Total revenues	<u>6,655,858</u>	<u>151,456</u>	<u>793,073</u>	<u>232,215</u>	<u>7,832,602</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,394,114	34,903	-	-	2,429,017
Special	1,009,450	-	-	-	1,009,450
Other	827,920	-	-	237,248	1,065,168
	<u>4,231,484</u>	<u>34,903</u>	<u>-</u>	<u>237,248</u>	<u>4,503,635</u>
Support services:					
Student	126,544	-	-	-	126,544
Instructional staff	105,241	-	20,827	-	126,068
Administration	666,010	71,847	78,251	-	816,108
Operation and maintenance of plant	388,711	-	-	-	388,711
Transportation	287,686	9,182	73,359	-	370,227
	<u>1,574,192</u>	<u>81,029</u>	<u>172,437</u>	<u>-</u>	<u>1,827,658</u>
Capital outlays	-	-	500,176	-	500,176
Long-term debt:					
Principal	-	-	-	170,389	170,389
Other expenditures:					
AEA flowthrough	227,554	-	-	-	227,554
Total expenditures	<u>6,033,230</u>	<u>115,932</u>	<u>672,613</u>	<u>407,637</u>	<u>7,229,412</u>
Excess(deficiency) of revenues over(under) expenditures	622,628	35,524	120,460	(175,422)	603,190
Other financing sources(uses):					
Transfers in	-	-	-	499,517	499,517
Transfers out	(34,078)	-	(465,439)	-	(499,517)
Issuance of bonds	-	-	4,465,000	-	4,465,000
Total other financing sources(uses)	<u>(34,078)</u>	<u>-</u>	<u>3,999,561</u>	<u>499,517</u>	<u>4,465,000</u>
Net change in fund balances	588,550	35,524	4,120,021	324,095	5,068,190
Fund balances beginning of year	<u>1,209,887</u>	<u>273,473</u>	<u>397,247</u>	<u>132,334</u>	<u>2,012,941</u>
Fund balances end of year	<u>\$ 1,798,437</u>	<u>308,997</u>	<u>4,517,268</u>	<u>456,429</u>	<u>7,081,131</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds(page 22) \$ 5,068,190

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

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

Expenditures for capital assets	\$ 517,601	
Depreciation expense	(205,543)	312,058

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 exceed repayments, as follows:

Issued	\$ (4,465,000)	
Repaid	170,389	(4,294,611)

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	19,527	
Other postemployment benefits	(21,202)	(1,675)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (14,950)

Changes in net assets of governmental activities(page 19) \$ 1,069,012

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	<u>School Nutrition</u>
Assets	
Due from other governments	\$ 20,771
Inventories	2,337
Capital assets, net of accumulated depreciation	<u>15,380</u>
Total assets	<u>38,488</u>
Liabilities	
Due to other funds	21,673
Salaries and benefits payable	16,535
Unearned revenue	2,816
Net OPEB liability	<u>1,268</u>
Total liabilities	<u>42,292</u>
Net Assets	
Invested in capital assets	15,380
Unrestricted	<u>(19,184)</u>
Total net assets	<u>\$ (3,804)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 91,373
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	3,646
Non-instructional programs:	
Food service operations:	
Salaries	81,403
Benefits	21,306
Services	17
Supplies	233,736
Other	338
Depreciation	2,754
Total non-instructional programs	339,554
Total operating expenses	343,200
Operating loss	(251,827)
Non-operating revenues:	
State sources	3,217
Federal sources	221,780
Total non-operating revenues	224,997
Change in net assets	(26,830)
Net assets at beginning of year	23,026
Net assets end of year	\$ (3,804)

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 97,466
Cash payments to employees for services	(102,611)
Cash payments to suppliers for goods or services	(224,208)
Net cash used in operating activities	(229,353)
Cash flows from non-capital financing activities:	
Borrowings from General Fund	21,673
State grants received	3,217
Federal grants received	187,288
Net cash provided by non-capital financing activities	212,178
Cash flows from capital financing activities:	
Purchase of assets	(1,400)
Net decrease in cash and cash equivalents	(18,575)
Cash and cash equivalents at beginning of year	18,575
Cash and cash equivalents at end of year	\$ -
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (251,827)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	13,721
Depreciation	2,754
Increase in inventories	(192)
Decrease in accounts receivable	3,277
Decrease in salaries and benefits payable	(177)
Increase in unearned revenue	2,816
Increase in other postemployment benefits liability	275
Net cash used in operating activities	\$ (229,353)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received Federal commodities valued at \$13,721.

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

	Private Purpose Trust
	Scholarship
Assets	
Cash and cash equivalents	\$ 55,157
Liabilities	-
Net Assets	
Restricted for scholarships	\$ 55,157

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest income	\$ 1,783
Deductions:	
Non-instructional programs:	
Scholarships awarded	175
Change in net assets	1,608
Net assets beginning of year	53,549
Net assets end of year	\$ 55,157

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary 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 Non-fiduciary 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. Combining schedules are also included for the Capital Project Fund accounts.

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 Management Levy Fund is utilized to account for the revenues and expenses of unemployment benefits, early retirement benefits, and insurance agreements relating to such liabilities.

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

The District reports the following non-major proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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 is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

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	2,000
Land improvements	2,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

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

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

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

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

Fund 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 imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2012 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government obligations Portfolio which are valued at an amortized cost of \$6,483,847 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were both rated AAA by Standard & Poor's Financial Services.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2012 is as follows.

Receivable Fund	Payable Fund	Amount
General	Enterprise: School Nutrition	\$ 21,673

The Enterprise: School Nutrition Fund is repaying the General Fund for cash flow purposes.

(4) Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 136,312
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	329,127
Debt Service	General	34,078
Total		\$ 499,517

The transfers from the Capital Project: Statewide Sales, Services and Use Tax Fund to the Debt Service fund were to establish a reserve for revenue bonds issued during fiscal 2012 and to make a payment on the District's computer lease indebtedness.

The transfer from the General Fund to the Debt Service Fund was to transfer money for the final payment on the District's computer lease indebtedness.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 102,133	345,789	222,269	225,653
Total capital assets not being depreciated	<u>102,133</u>	<u>345,789</u>	<u>222,269</u>	<u>225,653</u>
Capital assets being depreciated:				
Buildings	4,339,838	70,907	-	4,410,745
Land improvements	1,114,031	165,052	-	1,279,083
Machinery and equipment	1,348,816	158,122	41,000	1,465,938
Total capital assets being depreciated	<u>6,802,685</u>	<u>394,081</u>	<u>41,000</u>	<u>7,155,766</u>
Less accumulated depreciation for:				
Buildings	1,942,733	88,480	-	2,031,213
Land improvements	693,794	43,240	-	737,034
Machinery and equipment	1,207,934	73,823	41,000	1,240,757
Total accumulated depreciation	<u>3,844,461</u>	<u>205,543</u>	<u>41,000</u>	<u>4,009,004</u>
Total capital assets being depreciated, net	<u>2,958,224</u>	<u>188,538</u>	<u>-</u>	<u>3,146,762</u>
Governmental activities capital assets, net	<u>\$ 3,060,357</u>	<u>534,327</u>	<u>222,269</u>	<u>3,372,415</u>
Business type activities:				
Machinery and equipment	\$ 141,546	1,400	-	142,946
Less accumulated depreciation	124,812	2,754	-	127,566
Business type activities capital assets, net	<u>\$ 16,734</u>	<u>(1,354)</u>	<u>-</u>	<u>15,380</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 8,996
Other	776
Support services:	
Instructional staff	7,700
Operation and maintenance of plant	22,084
Transportation	34,267
	<u>73,823</u>
Unallocated depreciation	<u>131,720</u>
Total governmental activities depreciation expense	<u>\$ 205,543</u>
Business type activities:	
Food service operations	<u>\$ 2,754</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,000	-	-	5,000	5,000
Revenue bonds	-	4,465,000	-	4,465,000	225,000
Computer lease	170,389	-	170,389	-	-
Early retirement	67,010	-	19,527	47,483	14,542
Net OPEB liability	160,574	21,202	-	181,776	-
Total	\$ 402,973	4,486,202	189,916	4,699,259	244,542
Business type activities:					
Net OPEB liability	\$ 993	275	-	1,268	-

General Obligation

Details of the District's June 30, 2012 General Obligation bonds indebtedness is as follows:

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

Revenue Bonds

Details of the District's June 30, 2012 statewide, sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Issue June 1, 2012		
		Principal	Interest	Total
2013	1.00%	\$ 225,000	104,084	329,084
2014	1.00	235,000	93,827	328,827
2015	1.00	235,000	91,478	326,478
2016	1.00	240,000	89,127	329,127
2017	1.25	240,000	86,728	326,728
2018-2022	1.50-2.40	1,255,000	375,465	1,630,465
2023-2027	2.60-3.00	1,415,000	220,130	1,635,130
2028-2029	3.10	620,000	28,985	648,985
Total		\$ 4,465,000	1,089,824	5,554,824

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,000,000 of bonds issued in June 2012. The bonds were issued for the purpose of financing additions to current District buildings. 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 2029. The bonds are not 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 64% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$5,554,824. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$516,520.

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

- a) \$329,127 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 reserve 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.
- 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.

Early Retirement

The District offers a voluntary early retirement plan to its Licensed employees. Eligible employees must be at least fifty-five and licensed employees must have completed ten years of continuous service as a full-time licensed employee to the District. Licensed employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible licensed employee is the licensed employee will receive credit for their first ten years of continuous service and will receive the difference between their placement on the tenth step of their educational lane on the salary schedule and the base salary for the current year. In addition to this amount the individual will be reimbursed at the rate of \$50 per day for each unused accumulated sick day to the maximum of one hundred twenty days. Early retirement benefits paid during the year totaled \$19,527.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$252,178, \$219,486 and \$209,010 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and dental benefits for retirees and their spouses. There are 64 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/dental benefits are provided through a full-insured plan with ISEBA. Retirees under age 65 pay the same premium for the medical/ dental benefit as active employees, which results in an implicit rate of 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 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 (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, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 144,000
Interest on net OPEB obligation	7,271
Adjustment to annual required contribution	(61,794)
Annual OPEB cost	<u>89,477</u>
Contributions made	(68,000)
Increase in net OPEB obligation	<u>21,477</u>
Net OPEB obligation beginning of year	161,567
Net OPEB obligation end of year	<u><u>\$ 183,044</u></u>

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, 2012.

For the year ended June 30, 2012, the District contributed \$68,000 to the medical plan. Plan members receiving benefits contributed \$84,000, or 55.26% 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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 144,000	41.7%	\$ 84,000
2011	144,567	46.3%	161,567
2012	144,567	76.0%	183,044

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1.072 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.072 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.523 million and the ratio of the UAAL to covered payroll was 42.5%.

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 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, presents 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 July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions includes 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 of 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific based. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of Jun 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$1,126 per month for retirees less than age 65 and \$1,126 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

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

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2012 were \$603,449.

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

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

(10) 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 \$227,554 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Net Assets

The Enterprise: School Nutrition Fund had deficit unrestricted net assets of \$19,184 and an overall deficit net assets of \$3,804.

(12) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
LEP weighting	\$ 5,484
Gifted and talented programs	3,421
Beginning teacher mentoring and induction programs	6,961
Four-year old preschool state aid	44,608
Professional development for model core curriculum	20,875
Professional development	<u>23,381</u>
 Total	 <u>\$ 104,730</u>

REQUIRED SUPPLEMENTARY INFORMATION

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,800,326	91,373	3,891,699	3,782,570	3,782,570	109,129
State sources	3,722,111	3,217	3,725,328	3,933,833	3,933,833	(208,505)
Federal sources	310,165	221,780	531,945	615,000	615,000	(83,055)
Total revenues	<u>7,832,602</u>	<u>316,370</u>	<u>8,148,972</u>	<u>8,331,403</u>	<u>8,331,403</u>	<u>(182,431)</u>
Expenditures/Expenses:						
Instruction	4,503,635	-	4,503,635	5,257,783	5,257,783	754,148
Support services	1,827,658	3,646	1,831,304	2,996,800	2,996,800	1,165,496
Non-instructional programs	-	339,554	339,554	331,814	400,000	60,446
Other expenditures	898,119	-	898,119	1,086,157	1,150,000	251,881
Total expenditures/expenses	<u>7,229,412</u>	<u>343,200</u>	<u>7,572,612</u>	<u>9,672,554</u>	<u>9,804,583</u>	<u>2,231,971</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	603,190	(26,830)	576,360	(1,341,151)	(1,473,180)	2,049,540
Other financing sources (uses), net	4,465,000	-	4,465,000	2,000	2,000	4,463,000
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	5,068,190	(26,830)	5,041,360	(1,339,151)	(1,471,180)	6,512,540
Balances beginning of year	2,012,941	23,026	2,035,967	714,487	714,487	1,321,480
Balances end of year	<u>\$ 7,081,131</u>	<u>(3,804)</u>	<u>7,077,327</u>	<u>(624,664)</u>	<u>(756,693)</u>	<u>7,834,020</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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 or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$132,029.

CARDINAL OF ELDON 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)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 1,072	1,072	0.0%	\$ 2,550	42.0%
2011	July 1, 2009	-	1,072	1,072	0.0%	2,554	42.0%
2012	July 2, 2009	-	1,072	1,072	0.0%	2,523	42.5%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue		
	Student Activity	Debt Service	Total Nonmajor
Assets			
Cash and pooled investments	\$ 127,301	329,128	456,429
Liabilities and Fund Balances			
Liabilities:	\$ -	-	-
Fund Balances:			
Restricted for:			
Student activities	127,301	-	127,301
Debt service	-	329,128	329,128
Total fund balances	127,301	329,128	456,429
Total liabilities and fund balances	\$ 127,301	329,128	456,429

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Special Revenue		
	Student Activity	Debt Service	Total Nonmajor
Revenues:			
Local sources:			
Other	\$ 232,215	-	232,215
Expenditures:			
Current:			
Instruction:			
Other	237,248	-	237,248
Long-term debt:			
Principal	-	170,389	170,389
Total expenditures	237,248	170,389	407,637
Deficiency of revenues under expenditures	(5,033)	(170,389)	(175,422)
Other financing sources:			
Transfers in	-	499,517	499,517
Net change in fund balances	(5,033)	329,128	324,095
Fund balances beginning of year	132,334	-	132,334
Fund balances end of year	\$ 127,301	329,128	456,429

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 4,189,581	218,272	4,407,853
Receivables:			
Property tax:			
Delinquent	-	4,843	4,843
Succeeding year	-	216,433	216,433
Due from other governments	104,572	-	104,572
Total assets	\$ 4,294,153	439,548	4,733,701
Liabilities and Fund Balances			
Liabilities:			
Succeeding year property tax	\$ -	216,433	216,433
Fund balances:			
Restricted for:			
School infrastructure	54,806	-	54,806
Construction	4,239,347	-	4,239,347
Physical plant and equipment	-	223,115	223,115
Total fund balances	4,294,153	223,115	4,517,268
Total liabilities and fund balances	\$ 4,294,153	439,548	4,733,701

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2012

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Building Projects	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 516,520	-	202,445	718,965
Other	54,451	-	977	55,428
Federal sources	18,680	-	-	18,680
Total revenues	<u>589,651</u>	<u>-</u>	<u>203,422</u>	<u>793,073</u>
Expenditures:				
Current:				
Support Services:				
Instructional staff	20,827	-	-	20,827
Administration	78,251	-	-	78,251
Transportation	73,359	-	-	73,359
Capital outlays	428,676	711	70,789	500,176
Total expenditures	<u>601,113</u>	<u>711</u>	<u>70,789</u>	<u>672,613</u>
Excess(deficiency) of revenues over(under) expenditures	(11,462)	(711)	132,633	120,460
Other financing sources(uses):				
Transfers out	(465,439)	-	-	(465,439)
Issuance of bonds	4,465,000	-	-	4,465,000
Total other financing sources(uses)	<u>3,999,561</u>	<u>-</u>	<u>-</u>	<u>3,999,561</u>
Net change in fund balances	3,988,099	(711)	132,633	4,120,021
Fund balances beginning of year	<u>306,054</u>	<u>711</u>	<u>90,482</u>	<u>397,247</u>
Fund balances end of year	<u>\$ 4,294,153</u>	<u>-</u>	<u>223,115</u>	<u>4,517,268</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- fund Transfer	Balance End of Year
Concessions	\$ 16,368	2,075	6,082	-	12,361
Football club	1,175	908	1,717	-	366
Drama	1,594	995	3,216	627	-
Band	349	1,418	1,394	(373)	-
Vocal	1,121	486	1,195	(174)	238
Season tickets	22,085	3,885	1,946	(1,031)	22,993
Girls Track Club	966	695	422	-	1,239
Boys basketball	2,376	4,920	3,359	-	3,937
Football	4,479	7,145	2,525	-	9,099
Baseball	-	3,602	3,748	146	-
Boys track	529	2,584	2,345	-	768
Wrestling	948	2,180	2,495	-	633
Girls basketball	3,575	4,378	3,415	-	4,538
Volleyball	959	5,454	5,955	-	458
Softball	-	3,551	4,436	885	-
Girls track	1,489	1,671	2,225	-	935
Yearbook	(3,636)	5,472	1,652	2,500	2,684
Baseball club	201	5,255	4,051	-	1,405
Art club	804	-	-	-	804
Caps and gowns	31	-	-	-	31
Cheerleaders	109	292	292	-	109
General activity	11,704	83	-	(1,427)	10,360
Sophomore	190	30	-	(111)	109
Freshman	79	185	-	(79)	185
Seniors	7,703	-	3,931	340	4,112
Juniors	2,840	14,014	14,498	(2,356)	-
Girls baseball club	112	1,542	968	-	686
Library club	863	-	-	-	863
National honor society	86	200	92	-	194
JH trip fund	15,276	69,729	69,956	-	15,049
FFA	65	2,429	2,108	-	386
Softball club	490	6,342	5,564	-	1,268
HS student council	1,998	7,417	7,715	(53)	1,647
Volleyball club	1,687	7,345	5,749	-	3,283
Wrestling club	4,323	9,279	9,394	-	4,208
Foreign language club	320	-	-	-	320
Boys basketball club	946	1,303	1,686	53	616

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- fund Transfer	Balance End of Year
JH student council	1,320	96	913	-	503
Effort honor role	197	-	-	-	197
JH Softball	730	-	730	-	-
Elementary music	3,373	-	2,068	-	1,305
Elementary yearbook	766	1,060	2,129	303	-
Elementary concessions	-	562	-	-	562
TAG	24	-	-	-	24
Patriotism day	1,819	-	209	-	1,610
JH cheerleading	495	106	57	-	544
Wrestling cheerleading	-	2,285	1,226	-	1,059
Weight room club	1,685	731	-	-	2,416
A club	7,623	21,438	17,359	-	11,702
Music boosters	7,882	25,130	33,559	547	-
FCCLA	64	476	743	203	-
Dance and drill	340	-	-	-	340
Interest	30	318	-	-	348
Investments	98	6	-	-	104
Football cheerleading	1,643	3,143	4,124	-	662
Archery club	35	-	-	-	35
Flag corp	6	-	-	-	6
Total	\$ 132,334	232,215	237,248	-	127,301

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

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 2,861,094	2,689,978	2,461,639	2,447,699	2,125,457	1,946,426	2,000,954	1,958,913	1,750,121
Tuition	438,937	386,679	392,400	260,015	310,638	202,536	136,657	161,180	178,302
Other	500,295	501,733	570,132	504,749	449,606	414,059	389,077	426,484	420,220
State sources	3,722,111	3,612,696	3,295,213	3,756,251	3,818,424	3,520,413	3,361,618	3,154,278	2,892,651
Federal sources	310,165	489,572	795,138	260,834	220,338	215,168	240,156	243,582	168,971
Total	\$ 7,832,602	7,680,658	7,514,522	7,229,548	6,924,463	6,298,602	6,128,462	5,944,437	5,410,265
Expenditures:									
Current:									
Instruction:									
Regular	\$ 2,429,017	2,397,749	2,505,063	2,363,404	2,316,023	2,098,677	2,468,967	2,417,405	2,275,334
Special	1,009,450	879,489	1,124,563	866,255	861,924	903,023	974,648	693,037	863,801
Other	1,065,168	1,125,463	520,244	946,487	1,081,030	1,031,130	704,381	832,922	491,027
Support services:									
Student	126,544	156,450	113,684	149,593	139,142	142,842	125,741	149,717	144,869
Instructional staff	126,068	153,504	186,561	917,079	235,689	228,787	198,643	25,942	3,462
Administration	816,108	778,532	736,879	722,909	744,771	695,910	726,219	687,027	658,292
Operation and maintenance of plant	388,711	410,427	459,020	392,274	399,678	400,112	330,961	340,082	346,895
Transportation	370,227	284,708	316,796	297,923	283,734	354,127	370,615	315,315	231,964
Other	-	-	1,854	-	-	-	-	-	-
Non-instructional:									
Community service & other enterprise operations	-	-	-	-	-	-	-	14,985	-
Operation of non-instructional programs	-	-	-	-	-	-	3,931	150	-
Capital outlays	500,176	472,281	30,450	347,032	305,226	349,243	228,548	130,737	106,448
Long Term Debt:									
Principal	170,389	295,390	295,390	285,390	110,000	105,000	100,000	206,389	166,183
Interest and fiscal charges	-	6,325	12,025	17,200	21,585	25,995	30,045	34,445	44,247
Other expenditures:									
AEA flow-through	227,554	251,075	249,117	230,908	224,738	207,648	196,840	188,353	184,562
Total	\$ 7,229,412	7,211,393	6,551,646	7,536,454	6,723,540	6,542,494	6,459,539	6,036,506	5,517,084

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

To the Board of Education of the
Cardinal of Eldon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Cardinal of Eldon Community School District of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 18, 2013. 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

The management of Cardinal of Eldon Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Cardinal of Eldon Community School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Cardinal of Eldon Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cardinal of Eldon Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

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 deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency is a deficiency, or a 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 consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-12 through I-F-12 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 18, 2013

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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

Response - We have improved our segregation of duties from the years past. We have split the board secretary and the business manager into two positions. The Board Secretary now recounts and deposits all activity cash boxes.

Conclusion - Response acknowledged.

I-B-12 Coaches Timesheets - We noted during our audit that the District is not keeping timesheets for coaches who are non-certified staff.

Recommendation - In compliance with 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 - We have been tracking non-certified staff but seem to have missed a few this past year. We have a coaches handbook that the athletic director issues to each person at the start of the year in his coaches meeting, so we will be adding the information and timesheets to that handbook in addition to reviewing it with the coaches.

Conclusion - Response accepted.

I-C-12 Timesheet Approval - We noted during our audit that the District is currently preapproving overtime for hourly employees. However, no one approves regular timesheets for payment that do not require overtime approval.

Recommendation - Better internal controls are achieved if an individual or supervisor, who monitors the personnel, would approve the timesheets for payment before payroll checks are written.

Response - Since the audit we have the building secretary followed by the building principal, who signs the time sheet, review and approve payroll timesheets before they are given to the business manager.

Conclusion - Response accepted.

I-D-12 Gate Admissions - It was noted that the District does utilize pre-number tickets for athletic events, however the District does not utilize pre-numbered tickets for other events that requires an admission.

Recommendation -The District should have internal control procedures established for handling cash for all activity events that charge admission and communicate the policies and procedures to the individuals involved.

Response - We have since purchased pre-numbered tickets for athletic events and will continue to use those for all events from here on out.

Conclusion - Response accepted

I-E-12 Nutrition Procedures - We noted during the audit that the District did not do a year-end inventory count.

Recommendation - The District should review it year-end nutrition inventory counting procedures to ensure that all items on hand are counted out correctly, ensuring an accurate and current number is represented on the Nutrition Fund financial statements.

Response - We have a new Kitchen manager in place this year. She currently takes inventory monthly and will do a year-end review before she departs for the summer. She has a few days added to the end of the school year to ensure that she has time to complete the inventory.

Conclusion - Response accepted.

I-F-12 Revenue Recording - We noted during our audit, that special education and open enrollment revenues were receipted against expense accounts understating both revenues and expenses.

Recommendation - The District should review the coding of revenues, to ensure that all revenues are properly recorded. Proper coding also allows the district to maintain accountability of the revenues by matching the revenues to when they are earned by the District.

Response - The previous business manager left in May with a new person starting in July. This was just a simple error due to not knowing the account code format. It is understood that revenue should be recorded as revenue as will be done so in the future.

Conclusion - Response accepted.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-12 Certified Budget – District disbursements for the year ended June 30, 2012, did not exceed the amount budgeted.
- II-B-12 Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-12 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-12 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Margaret Metcalf, Bus Driver Owner of RPMS Graphics	Supplies	\$5,495
Tina Snyder, Board Secretary Spouse owns Snyder Construction	Purchased services	\$10,429

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

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

- II-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-12 Certified Enrollment - We noted variances in the basic enrollment data certified to the Department of Education. The total number of students certified was understated by 0.12 students.

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

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

Conclusion - Response accepted.

- II-H-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-12 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance noted 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, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	306,054
Revenues:			
Sales tax revenues	\$	516,520	
Other local revenues		54,451	
Federal revenues		18,680	
Sale of long-term debt		4,465,000	5,054,651
			<u>5,360,705</u>
Expenditures/transfers out:			
School infrastructure construction	\$	283,975	
Equipment		147,635	
Other		169,503	
Transfers to other funds:			
Debt service fund		465,439	1,066,552
			<u>1,066,552</u>
Ending Balance		\$	<u>4,294,153</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-12 Financial Condition - During our audit we noted the District had a deficit unrestricted net assets in the Enterprise School Nutrition Fund of \$19,184, as well as an overall net asset deficit of \$3,804.

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

Response - We are watching this closely. Along with the new requirements comes added cost. We are continuing to make improvements and necessary changes to bring this fund back into a positive financial position.

Conclusion - Response accepted.

II-N-12 Electronic Check Retention - Chapter 291.6 of the code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. During our audit, we noted there were no electronic images or copies of the backs checks written from District's bank accounts during fiscal 2012.

Recommendation - The District Secretary should be required by the Board of Directors of the District to preserve all copies of pertinent paperwork for the District to be in compliance with 291.6 of the Code of Iowa. The District could choose to retain electronic images of the front and back of each cancelled check to be in compliance with Chapter 554D.114 of the Code of Iowa.

Response - Robin has spoken with Libertyville savings bank and beginning March 1, 2013, we will see the backs of our checks on our monthly statements.

Conclusion - Response accepted.

II-O-12 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2010, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should seek financing from the local bank for the deficit in the Enterprise, Nutrition Fund.

Response - The District will look into issuing anticipatory warrants to repay the interfund loan according to the Iowa Code.

Conclusion - Response accepted.