

NORTH-LINN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
Table of Contents  
June 30, 2005

	<u>Page</u>	
<b>Officials</b>	1	
<b>Independent Auditor's Report</b>	2-3	
<b>Management's Discussion and Analysis</b>	4-13	
<b>Basic Financial Statements</b>		<u>Exhibit</u>
Government-wide Financial Statements		
Statement of Net Assets	A	15-16
Statement of Activities	B	17-18
Governmental Fund Financial Statements		
Balance Sheet	C	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements		
Statement of Net Assets	G	23
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	24
Statement of Cash Flows	I	25
Fiduciary Fund Financial Statements		
Statement of Fiduciary Net Assets	J	26
Statement of Changes in Fiduciary Net Assets	K	27
<b>Notes to Financial Statements</b>		28-37
<b>Required Supplementary Information</b>		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		39
Budget to GAAP Reconciliation		40
Notes to Required Supplementary Information - Budgetary Reporting		41

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
Table of Contents  
June 30, 2005

	<u>Schedule</u>	<u>Page</u>
<b>Other Supplementary Information</b>		
Nonmajor Governmental Funds		
Combining Balance Sheet	1	43
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	44-45
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	46-47
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	48
 <b>Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Others Matters</b>		 49-50
 <b>Schedule of Findings</b>		 51-52
 <b>Audit Staff</b>		 53

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
 Officials  
 June 30, 2005

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
(Before September 2004 Election)		
Richard Bell	Board President	2005
James Meisheid	Board Member	2004
Richard Balster	Board Member	2004
Douglas Winn	Board Member	2005
Dennis Price	Board Member	2006
Elizabeth Benesch	Board Member	2006
Michael L. Schatzle	Board Member	2006
(After September 2004 Election)		
Richard Balster	Board Member	2007
Richard Bell	Board Member	2005
Douglas Winn	Board Member	2005
Dennis Price	Board Member	2006
Elizabeth Benesch	Board Member	2006
Michael L. Schatzle	Board Member	2006
James Meisheid	Board Member	2007
<b>School Officials</b>		
Larry Boer	Superintendent	2005
Joyce Miller	District Secretary/Treasurer	2005
Brian Gruhn	Attorney	2005

# KAY L. CHAPMAN, CPA PC

210 Cedar Street  
Muscatine, Iowa 52761  
563-264-1385

## Independent Auditor's Report

To the Board of Education  
North-Linn Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of North-Linn Community School District, Troy Mills, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe my audit provides a reasonable basis for my opinions.

In my 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 North-Linn Community School District as of June 30, 2005, 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, I have also issued my report dated September 13, 2005 on my consideration of North-Linn Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 39 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North-Linn Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Kay L. Chapman, CPA PC  
September 13, 2005

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

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North-Linn 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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$5,218,482 in fiscal 2004 to \$5,418,501 in fiscal 2005, while General Fund expenditures increased from \$5,325,458 in fiscal 2004 to \$5,338,923 in fiscal 2005. The District's General Fund balance increased from \$669,596 in fiscal 2004 to \$749,174 in fiscal 2005, a 12% increase.
- The increase in General fund revenue was attributable to an increase in state and tuition revenue in fiscal year 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The primary reason the General Fund balance increased was because of a reduction in the number of instructional staff.

### **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 North-Linn 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 North-Linn 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 North-Linn Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds.

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

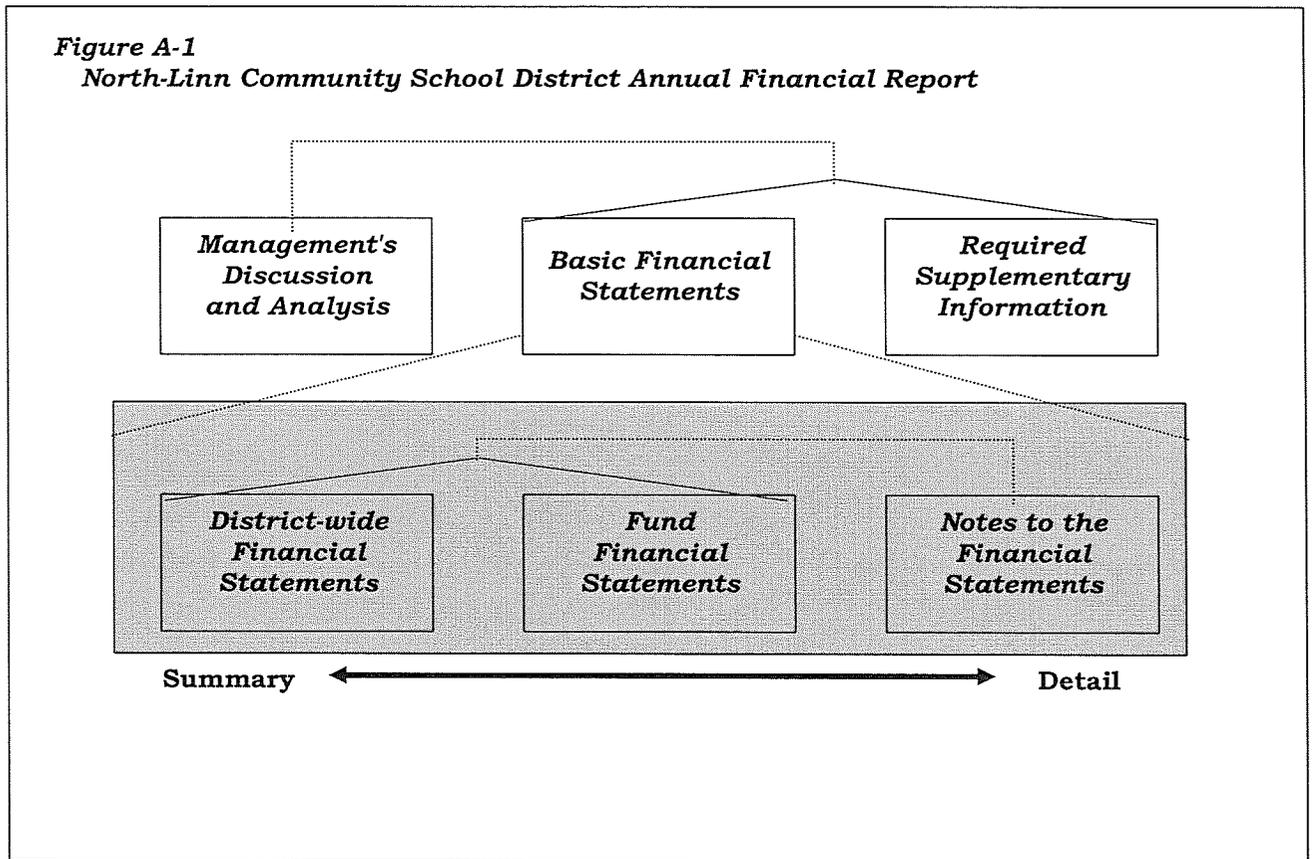


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	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: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	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 financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

- 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, Debt Service Fund and Capital Projects Fund.

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

- 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 proprietary funds include a 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. These funds include Private-Purpose Trust Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations and activities of various student groups in this fund.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-2005
Current and other assets	\$ 3,773,626	\$ 3,548,166	\$ 65,352	\$ 55,516	\$ 3,838,978	\$ 3,603,682	6.53%
Capital assets	<u>4,008,967</u>	<u>4,001,216</u>	<u>34,893</u>	<u>40,916</u>	<u>4,043,860</u>	<u>4,042,132</u>	0.04%
Total assets	<u>7,782,593</u>	<u>7,549,382</u>	<u>100,245</u>	<u>96,432</u>	<u>7,882,838</u>	<u>7,645,814</u>	3.10%
Long-term obligations	3,124,312	3,406,143	-	-	3,124,312	3,406,143	0.00%
Other liabilities	<u>2,702,534</u>	<u>2,664,006</u>	<u>19,319</u>	<u>22,418</u>	<u>2,721,853</u>	<u>2,686,424</u>	1.32%
Total liabilities	<u>5,826,846</u>	<u>6,070,149</u>	<u>19,319</u>	<u>22,418</u>	<u>5,846,165</u>	<u>6,092,567</u>	-4.04%
Net assets							
Invested in capital assets, net of related debt	928,967	706,216	34,893	40,916	963,860	747,132	29.01%
Restricted	308,901	189,087	-	-	308,901	189,087	63.36%
Unrestricted	<u>717,879</u>	<u>583,930</u>	<u>46,033</u>	<u>33,098</u>	<u>763,912</u>	<u>617,028</u>	23.81%
Total net assets	<u>\$ 1,955,747</u>	<u>\$ 1,479,233</u>	<u>\$ 80,926</u>	<u>\$ 74,014</u>	<u>\$ 2,036,673</u>	<u>\$ 1,553,247</u>	31.12%

The District's combined net assets increased by approximately 31%, or \$483,426, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$119,814, or approximately 63% over the prior year. The increase was primarily a result of revenue received from the Local Sales and Services Tax.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$146,884, or approximately 24%. This increase in unrestricted net assets was due in part to a dissolution of a special education consortium, which resulted in management of a special education program by the district. Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

Figure A-4  
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues						
Charges for service and sales	\$ 538,362	\$ 419,718	\$ 194,853	\$ 193,660	\$ 733,215	\$ 613,378
Operating grants, contributions and restricted interest	551,460	556,716	103,232	96,246	654,692	652,962
General revenues						
Property tax	2,362,718	2,320,867	-	-	2,362,718	2,320,867
Unrestricted state grants	2,839,022	2,638,438	-	-	2,839,022	2,638,438
Unrestricted investment earnings	10,909	9,386	294	195	11,203	9,581
Other	<u>8,638</u>	<u>23,650</u>	<u>-</u>	<u>-</u>	<u>8,638</u>	<u>23,650</u>
Total revenues	<u>6,311,109</u>	<u>5,968,775</u>	<u>298,379</u>	<u>290,101</u>	<u>6,609,488</u>	<u>6,258,876</u>
Program expenses						
Governmental activities						
Instruction	3,630,147	3,867,444	-	-	3,630,147	3,867,444
Support services	1,672,010	1,617,788	-	-	1,672,010	1,617,788
Non-instructional programs	-	-	291,467	285,042	291,467	285,042
Other expenses	<u>532,438</u>	<u>565,347</u>	<u>-</u>	<u>-</u>	<u>532,438</u>	<u>565,347</u>
Total expenses	<u>5,834,595</u>	<u>6,050,579</u>	<u>291,467</u>	<u>285,042</u>	<u>6,126,062</u>	<u>6,335,621</u>
Change in net assets	<u>\$ 476,514</u>	<u>\$ (81,804)</u>	<u>\$ 6,912</u>	<u>\$ 5,059</u>	<u>\$ 483,426</u>	<u>\$ (76,745)</u>

Property tax and unrestricted state grants account for 79% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$6,311,109 and expenses were \$5,834,595. In this budget year, expenditures were trimmed as the current census data indicated declining enrollment may negatively impact revenue in subsequent years. District management team will continue to monitor fluctuations in enrollment and adjust accordingly.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 3,630,147	\$ 2,770,038
Support services	1,672,010	1,659,776
Other expenses	<u>532,438</u>	<u>314,959</u>
Total expenses	<u>\$ 5,834,595</u>	<u>\$ 4,744,773</u>

- The cost financed by users of the District’s programs was \$538,362.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$551,460.
- The net cost of governmental activities was financed with \$2,362,718 in property taxes and \$2,839,022 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$298,379 and expenses were \$291,467. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2005, the School Nutrition Fund was able to maintain a balanced budget, due to careful planning by the Food Service Director.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, North-Linn 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 \$1,073,033, well above last year's ending fund balances of \$893,108. There are several reasons for the increase in combined fund balance in fiscal year 2005: reduction in force of a certified teacher; district management of special education program; and local option tax revenues held in reserve for future infrastructure needs.

### **Governmental Fund Highlights**

- The District's improving General Fund financial position is a result of many factors. Growth during the year in tax and state funding resulted in an increase in revenue.

The General Fund balance increased from \$669,596 to \$749,174 due in part to reduction in force of a certified teacher and district management of special education program.

- **Proprietary Fund Highlights**

Enterprise Fund net assets increased from \$74,014 at June 30, 2004 to \$80,926 at June 30, 2005, representing an increase of approximately 9%. The increase was due to receiving increased federal funding through the National School Lunch Program.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, North-Linn Community School District did not amend its annual budget.

The District's receipts were \$185,718 more than budgeted receipts, a variance of 3%. A conservative approach is taken during the development of revenue projections, which decreases the possibility of exceeding estimated budgeted expenditures.

Total expenditures were \$272,598 less than budgeted, due primarily to the District's conservative approach to budgeting.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2005, the District had invested \$4,043,860, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 4% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$195,113.

The original cost of the District's capital assets was \$7,409,220. Governmental funds account for \$7,335,056, with the remainder of \$74,164 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred due to purchases of a transportation vehicles and computer equipment.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2004-2005</u>
Land	\$ 30,487	\$ 30,487	\$ -	\$ -	\$ 30,487	\$ 30,487	0.00%
Buildings and improvements	3,656,382	3,583,673	-	-	3,656,382	3,583,673	2.03%
Improvements, other than buildings	197,398	180,744	-	-	197,398	180,744	9.21%
Furniture and equipment	<u>124,700</u>	<u>56,387</u>	<u>34,893</u>	<u>40,916</u>	<u>159,593</u>	<u>97,303</u>	64.02%
Totals	<u>\$4,008,967</u>	<u>\$3,851,291</u>	<u>\$34,893</u>	<u>\$40,916</u>	<u>\$4,043,860</u>	<u>\$3,892,207</u>	3.90%

### Long-Term Debt

At June 30, 2005, the District had \$3,124,312 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 8% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

The decrease in long-term debt was a result of payment on principal of the District's general obligation bonds.

The decrease in early retirement payable was due to personnel not electing to participate in the early retirement program for certified staff.

Figure A-7  
Outstanding Long-term Obligations

	Total		Total
	School District		Change
	<u>2005</u>	<u>2004</u>	<u>2004-2005</u>
General obligation bonds	\$ 3,080,000	\$ 3,295,000	-6.53%
Early retirement	<u>44,312</u>	<u>111,143</u>	-60.13%
Total	<u>\$ 3,124,312</u>	<u>\$ 3,406,143</u>	-8.27%

## **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 possibility of declining enrollment will affect the District's budgetary abilities, and result in lower revenues received from state funding.
- The District will negotiate a new agreement with the North-Linn Education Association during fiscal year 2006. Settlements in excess of "new money" or allowable growth in state funding will have an adverse affect on the District's General Fund budget and related fund balance.

## **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 Joyce Miller, District Secretary/Treasurer and Business Manager, North-Linn Community School District, 3033 Lynx Drive, P.O. Box 200, Troy Mills, Iowa 52344.

## Basic Financial Statements

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2005

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,480,959	\$ 58,614	\$ 1,539,573
Receivables			
Property tax			
Delinquent	36,578	-	36,578
Succeeding year	2,172,075	-	2,172,075
Accrued interest	630	-	630
Accounts receivable	1,245	-	1,245
Due from other governments	82,139	-	82,139
Inventories	-	6,738	6,738
Capital assets, net of accumulated depreciation	4,008,967	34,893	4,043,860
 Total assets	 7,782,593	 100,245	 7,882,838
 <b>LIABILITIES</b>			
Accounts payable	92,736	168	92,904
Salaries and benefits payable	435,782	18,142	453,924
Accrued interest payable	1,941	-	1,941
Deferred revenue - succeeding year property tax	2,172,075	-	2,172,075
Deferred revenue - other	-	1,009	1,009
Long-term liabilities		-	
Portion due within one year			
Bonds payable	225,000	-	225,000
Early retirement payable	20,245	-	20,245
Portion due after one year			
Bonds payable	2,855,000	-	2,855,000
Early retirement payable	24,067	-	24,067
 Total liabilities	 5,826,846	 19,319	 5,846,165

See notes to financial statements and Independent Auditor's Report.

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2005

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 928,967	\$ 34,893	\$ 963,860
Restricted for			
Phase III	17,971	-	17,971
Capital projects	117,819	-	117,819
Debt service	13,259	-	13,259
Physical plant and equipment levy	48,161	-	48,161
Other special revenue purposes	111,691	-	111,691
Unrestricted	<u>717,879</u>	<u>46,033</u>	<u>763,912</u>
 Total net assets	 <u>\$ 1,955,747</u>	 <u>\$ 80,926</u>	 <u>\$ 2,036,673</u>

See notes to financial statements and Independent Auditor's Report.

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2005

Exhibit B

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities							
Instruction							
Regular instruction	\$ 2,348,997	\$ 281,090	\$ 229,871	\$ -	\$ (1,838,036)	\$ -	\$ (1,838,036)
Special instruction	639,555	70,608	100,136	-	(468,811)	-	(468,811)
Other instruction	641,595	174,430	3,974	-	(463,191)	-	(463,191)
	<u>3,630,147</u>	<u>526,128</u>	<u>333,981</u>	<u>-</u>	<u>(2,770,038)</u>	<u>-</u>	<u>(2,770,038)</u>
Support services							
Student services	123,198	-	-	-	(123,198)	-	(123,198)
Instructional staff services	232,046	-	-	-	(232,046)	-	(232,046)
Administration services	549,813	-	-	-	(549,813)	-	(549,813)
Operation and maintenance of plant services	535,153	35	-	-	(535,118)	-	(535,118)
Transportation services	231,800	12,199	-	-	(219,601)	-	(219,601)
Central support services	-	-	-	-	-	-	-
	<u>1,672,010</u>	<u>12,234</u>	<u>-</u>	<u>-</u>	<u>(1,659,776)</u>	<u>-</u>	<u>(1,659,776)</u>
Other expenditures							
Facilities acquisition	91,831	-	-	-	(91,831)	-	(91,831)
Long-term debt interest	100,773	-	-	-	(100,773)	-	(100,773)
AEA flowthrough	217,479	-	217,479	-	-	-	-
Depreciation (unallocated)*	122,355	-	-	-	(122,355)	-	(122,355)
	<u>532,438</u>	<u>-</u>	<u>217,479</u>	<u>-</u>	<u>(314,959)</u>	<u>-</u>	<u>(314,959)</u>
Total governmental activities	<u>5,834,595</u>	<u>538,362</u>	<u>551,460</u>	<u>-</u>	<u>(4,744,773)</u>	<u>-</u>	<u>(4,744,773)</u>

See notes to financial statements and Independent Auditor's Report.

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2005

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b><u>Functions/Programs (continued)</u></b>						
Business type activities						
Non-instructional programs						
Food service operations	\$ 291,467	\$ 194,853	\$ 103,232	\$ -	\$ 6,618	\$ 6,618
Total	\$6,126,062	\$ 733,215	\$ 654,692	\$ -	\$ 6,618	\$ (4,738,155)
<b><u>General Revenues</u></b>						
Property tax levied for						
General purposes				1,809,230	-	1,809,230
Debt service				321,517	-	321,517
Capital outlay				231,971	-	231,971
Unrestricted state grants				2,839,022	-	2,839,022
Unrestricted investment earnings				10,909	294	11,203
Other				8,638	-	8,638
Total general revenues				5,221,287	294	5,221,581
Change in net assets				476,514	6,912	483,426
Net assets, beginning of year, as restated				1,479,233	74,014	1,553,247
Net assets, end of year				\$ 1,955,747	\$ 80,926	\$ 2,036,673

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

See notes to financial statements and Independent Auditor's Report.

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
Balance Sheet  
Governmental Funds  
June 30, 2005

Exhibit C

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,177,860	\$ 303,099	\$ 1,480,959
Receivables			
Property tax			
Delinquent	26,098	10,480	36,578
Succeeding year	1,577,667	594,408	2,172,075
Accounts receivable	828	417	1,245
Accrued interest	540	90	630
Due from other governments	64,275	17,864	82,139
Total assets and other debits	<u>\$ 2,847,268</u>	<u>\$ 926,358</u>	<u>\$ 3,773,626</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 84,645	\$ 8,091	\$ 92,736
Salaries and benefits payable	435,782	-	435,782
Deferred revenue - Succeeding year property tax	1,577,667	594,408	2,172,075
Total liabilities	<u>2,098,094</u>	<u>602,499</u>	<u>2,700,593</u>
 Fund balances			
Reserved for			
Phase III	17,971	-	17,971
Debt service	-	15,200	15,200
Unreserved, undesignated	-		
Special revenue	-	190,840	190,840
Other governmental	731,203	117,819	849,022
Total fund balances	<u>749,174</u>	<u>323,859</u>	<u>1,073,033</u>
Total liabilities and fund balances	<u>\$ 2,847,268</u>	<u>\$ 926,358</u>	<u>\$ 3,773,626</u>

See notes to financial statements and Independent Auditor's Report.

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets  
June 30, 2005

Exhibit D

Total fund balances of governmental funds	\$ 1,073,033
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.	4,008,967
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,941)
Long-term liabilities, including early retirement and bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,124,312)</u>
Net assets of governmental activities	<u>\$ 1,955,747</u>

See notes to financial statements and Independent Auditor's Report.

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005

Exhibit E

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Revenues			
Local sources			
Local tax	\$ 1,652,124	\$ 704,802	\$ 2,356,926
Tuition	237,936	-	237,936
Other	136,525	183,448	319,973
State sources	3,264,260	4,358	3,268,618
Federal sources	127,656	-	127,656
Total revenues	<u>5,418,501</u>	<u>892,608</u>	<u>6,311,109</u>
Expenditures			
Current			
Instruction			
Regular instruction	2,387,709	73,583	2,461,292
Special instruction	639,555	-	639,555
Other instruction	474,773	166,822	641,595
	<u>3,502,037</u>	<u>240,405</u>	<u>3,742,442</u>
Support services			
Student services	123,198	-	123,198
Instructional staff services	191,667	40,379	232,046
Administration services	549,813	-	549,813
Operation and maintenance of plant services	509,923	82,966	592,889
Transportation services	244,806	13,900	258,706
	<u>1,619,407</u>	<u>137,245</u>	<u>1,756,652</u>
Other expenditures			
Facilities acquisition	-	91,831	91,831
Long-term debt			
Principal	-	215,000	215,000
Interest and fiscal charges	-	107,780	107,780
AEA flowthrough	217,479	-	217,479
	<u>217,479</u>	<u>414,611</u>	<u>632,090</u>
Total expenditures	<u>5,338,923</u>	<u>792,261</u>	<u>6,131,184</u>
Net change in fund balances	79,578	100,347	179,925
Fund balance, beginning of year	669,596	223,512	893,108
Fund balance, end of year	<u>\$ 749,174</u>	<u>\$ 323,859</u>	<u>\$ 1,073,033</u>

See notes to financial statements and Independent Auditor's Report.

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2005

Exhibit F

Net change in fund balances - total governmental funds \$ 179,925

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

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

Capital outlay	\$ 196,841	
Depreciation expense	<u>(189,090)</u>	7,751

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 215,000

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		66,831
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 7,007

Change in net assets of governmental activities		<u>\$ 476,514</u>
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See notes to financial statements and Independent Auditor's Report.

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
Proprietary Fund  
June 30, 2005

Exhibit G

	<u>School Nutrition</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 58,614
Inventories	6,738
Capital assets, net of accumulated depreciation	<u>34,893</u>
Total assets	<u>100,245</u>
 <b>LIABILITIES</b>	
Accounts payable	168
Salaries and benefits payable	18,142
Deferred revenue	<u>1,009</u>
Total liabilities	<u>19,319</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	34,893
Unreserved retained earnings	<u>46,033</u>
Total net assets	<u>\$ 80,926</u>

See notes to financial statements and Independent Auditor's Report.

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2005

Exhibit H

	<u>School Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 194,853</u>
Operating expenses	
Non-instructional programs	
Salaries	116,485
Benefits	15,813
Purchased services	2,774
Supplies	150,372
Depreciation	<u>6,023</u>
Total operating expenses	<u>291,467</u>
Operating loss	<u>(96,614)</u>
Non-operating revenue	
Interest income	294
State sources	4,344
Federal sources	<u>98,888</u>
Total non-operating revenue	<u>103,526</u>
Change in net assets	6,912
Net assets, beginning of year	<u>74,014</u>
Net assets, end of year	<u>\$ 80,926</u>

See notes to financial statements and Independent Auditor's Report.

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2005

Exhibit I

	<u>School Nutrition</u>
Cash flows from operating activities	
Cash received from sale of lunches and breakfasts	\$ 194,439
Cash payments to employees for services	(135,151)
Cash payments to suppliers for goods and services	<u>(138,954)</u>
Net cash used in operating activities	<u>(79,666)</u>
Cash flows from non-capital financing activities	
State grants received	4,344
Federal grants received	<u>86,475</u>
Net cash provided by non-capital financing activities	<u>90,819</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>294</u>
Net increase in cash and cash equivalents	11,447
Cash and cash equivalents, beginning of year	<u>47,167</u>
Cash and cash equivalents, end of year	<u>\$ 58,614</u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>	
Operating loss	\$ (96,614)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	6,023
Commodities used	12,413
Decrease in inventories	1,611
Increase in accounts payable	168
(Decrease) in deferred revenue	(414)
(Decrease) in salaries and benefits payable	<u>(2,853)</u>
Net cash used in operating activities	<u>\$ (79,666)</u>

**Non-cash investing, capital and financing activities**

During the year ended June 30, 2005, the District received \$12,413 of federal commodities.

See notes to financial statements and Independent Auditor's Report.

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2005

Exhibit J

	<u>Private Purpose Trust</u>
<b>Assets</b>	
Cash and pooled investments	\$ 29,820
Accrued interest receivable	<u>500</u>
Total assets	30,320
<b>Liabilities</b>	
Accounts payable	<u>3</u>
<b>Net assets</b>	
Reserved	<u>\$ 30,317</u>

See notes to financial statements and Independent Auditor's Report.

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended June 30, 2005

Exhibit K

	<u>Private Purpose Trust</u>
Additions	
Local sources	
Interest	\$ 169
Contributions and donations	<u>8,362</u>
Total additions	<u>8,531</u>
Deductions	
Instruction	
Purchased services	2,000
Supplies	<u>4,691</u>
Total deductions	<u>6,691</u>
Change in net assets	1,840
Net assets, beginning of year	<u>28,477</u>
Net assets, end of year	<u>\$ 30,317</u>

See notes to financial statements and Independent Auditor's Report.

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2005

**Note 1. Summary of Significant Accounting Policies**

The North-Linn Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. The geographic area served includes the City of Walker, portions of Troy Mills and Coggon, Iowa, and the agricultural territory in Benton, Buchanan, Delaware and Linn 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, North-Linn 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 North-Linn Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 expenditures, including instructional, support and other costs.

The District reports the following major proprietary fund:

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

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 various student groups.

### 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, early retirement and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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 governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year 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 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

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

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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.

<u>Asset Class</u>	<u>Amount</u>
Land	\$2,500
Buildings	\$2,500
Improvements other than buildings	\$2,500
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$2,500

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

<u>Asset Class</u>	<u>Useful Life</u>
Buildings	50 years
Improvements to buildings	20-50 years
Furniture and equipment	4-12 years

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

Early Retirement - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2005. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of 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.

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

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

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

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted nor did the District exceed its General Fund unspent authorized budget.

**Note 2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2005, the District had no investments.

Investment rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

### Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 30,487	\$ -	\$ -	\$ 30,487
Capital assets being depreciated:				
Buildings and improvements	5,561,943	60,072	-	5,622,015
Improvements other than buildings	488,841	-	-	488,841
Furniture and equipment	<u>1,070,804</u>	<u>136,769</u>	<u>(13,860)</u>	<u>1,193,713</u>
Total capital assets being depreciated	<u>7,121,588</u>	<u>196,841</u>	<u>(13,860)</u>	<u>7,304,569</u>
Less accumulated depreciation for:				
Buildings and improvements	1,978,270	102,629	(115,266)	1,965,633
Improvements other than buildings	308,097	15,741	(32,395)	291,443
Furniture and equipment	<u>1,014,417</u>	<u>70,720</u>	<u>(16,124)</u>	<u>1,069,013</u>
Total accumulated depreciation	<u>3,300,784</u>	<u>189,090</u>	<u>(163,785)</u>	<u>3,326,089</u>
Total capital assets being depreciated, net	<u>3,820,804</u>	<u>7,751</u>	<u>149,925</u>	<u>3,978,480</u>
Governmental activities capital assets, net	<u>\$ 3,851,291</u>	<u>\$ 7,751</u>	<u>\$ 149,925</u>	<u>\$ 4,008,967</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 74,164	\$ -	\$ -	\$ 74,164
Less accumulated depreciation	<u>33,248</u>	<u>6,023</u>	<u>-</u>	<u>39,271</u>
Business type activities capital assets, net	<u>\$ 40,916</u>	<u>\$ (6,023)</u>	<u>\$ -</u>	<u>\$ 34,893</u>

Depreciation expense was charged to the following functions:

#### Governmental activities

Instruction	
Regular	\$ 22,905
Support services	
Instructional staff support	
Operation and maintenance of plant	2,336
Transportation	41,494
Unallocated depreciation	<u>122,355</u>
Total governmental activities depreciation expense	<u>\$ 189,090</u>

#### Business type activities

Food services	<u>\$ 6,023</u>
---------------	-----------------

**Note 4. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 3,295,000	\$ -	\$(215,000)	\$ 3,080,000	\$ 225,000
Early retirement	<u>111,143</u>	<u>6,751</u>	<u>(73,582)</u>	<u>44,312</u>	<u>20,245</u>
Total	<u>\$ 3,406,143</u>	<u>\$ 6,751</u>	<u>\$(288,582)</u>	<u>\$ 3,124,312</u>	<u>\$ 245,245</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees, administrators and board secretary. This voluntary early retirement plan is offered annually at the board's discretion. Eligible employees must have been at least age fifty-five and have completed fifteen years of consecutive service to the District. Employees must have completed an application, which was required to be approved by the Board of Education. The early retirement incentive for each eligible employee was equal to 20 percent of the employee's contracted base salary for the year prior to taking early retirement. Employees could choose to receive early retirement benefits in a single payment on January 15<sup>th</sup> of the year following separation from the District or in equal annual installments over a period of three years from the effective date of separation. Early retirement benefits paid during the year ended June 30, 2005 totaled \$73,582.

## Bonds Payable

Details of the district's June 30, 2005 general obligation bonded indebtedness are as follows:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 225,000	\$ 100,930	\$ 325,930
2007	225,000	94,180	319,180
2008	235,000	87,430	322,430
2009	240,000	80,380	320,380
2010	255,000	73,180	328,180
2011	260,000	65,275	325,275
2012	270,000	56,955	326,955
2013	280,000	48,180	328,180
2014	290,000	38,800	328,800
2015	300,000	28,940	328,940
2016	310,000	18,440	328,440
2017	<u>190,000</u>	<u>7,125</u>	<u>197,125</u>
Total	<u>\$ 3,080,000</u>	<u>\$ 699,815</u>	<u>\$ 3,779,815</u>

### **Note 5. 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, IA, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$198,933, \$196,977 and \$190,509 respectively, equal to the required contributions for each year.

### **Note 6. Risk Management**

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

**Note 7. 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 \$217,479 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 8. Balance Correction**

During the year ended June 30, 2005, the District realized that the amount previously reported as accumulated depreciation of capital assets was \$149,925 more than actual. Therefore, the amount was corrected during the year ended June 30, 2005. This resulted in a decrease in beginning accumulated depreciation in Note 3 and a corresponding increase in the governmental activities beginning fund balance on the Statement of Activities.

Required Supplementary Information

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
 Budgetary Comparison Schedule of Receipts, Disbursements  
 and Changes in Balances - Budget and Actual (Cash Basis)  
 All Governmental Funds and Proprietary Fund  
 Required Supplementary Information  
 For the Year Ended June 30, 2005

	Governmental Funds		Proprietary Fund		Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual		Actual			Original	Final	
Receipts								
Local sources	\$ 2,857,110	\$ 194,733	\$ 3,051,843	\$ 2,863,473	\$ 2,863,473	\$ 188,370		
State sources	3,268,618	4,344	3,272,962	3,301,290	3,301,290	(28,328)		
Federal sources	129,201	86,475	215,676	190,000	190,000	25,676		
Total receipts	<u>6,254,929</u>	<u>285,552</u>	<u>6,540,481</u>	<u>6,354,763</u>	<u>6,354,763</u>	<u>185,718</u>		
Disbursements								
Instruction	3,732,625	-	3,732,625	3,896,105	3,896,105	163,480		
Support services	1,671,347	-	1,671,347	1,682,909	1,682,909	11,562		
Non-instructional programs	-	274,105	274,105	277,151	277,151	3,046		
Other expenditures	683,577	-	683,577	778,087	778,087	94,510		
Total disbursements	<u>6,087,549</u>	<u>274,105</u>	<u>6,361,654</u>	<u>6,634,252</u>	<u>6,634,252</u>	<u>272,598</u>		
Excess (deficiency) of receipts over (under) disbursements	167,380	11,447	178,827	(279,489)	(279,489)	458,316		
Balance, beginning of year	1,313,579	47,167	1,360,746	1,383,182	1,383,182	(22,436)		
Balance, end of year	<u>\$ 1,480,959</u>	<u>\$ 58,614</u>	<u>\$ 1,539,573</u>	<u>\$ 1,103,693</u>	<u>\$ 1,103,693</u>	<u>\$ 435,880</u>		

See accompanying Independent Auditor's Report.

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 For the Year Ended June 30, 2005

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 6,254,929	\$ 56,180	\$ 6,311,109
Expenditures	<u>6,087,549</u>	<u>43,635</u>	<u>6,131,184</u>
Net	167,380	12,545	179,925
Beginning fund balances	<u>1,313,579</u>	<u>(420,471)</u>	<u>893,108</u>
Ending fund balances	<u>\$ 1,480,959</u>	<u>\$ (407,926)</u>	<u>\$ 1,073,033</u>

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 285,552	\$ 12,827	\$ 298,379
Expenditures	<u>274,105</u>	<u>17,362</u>	<u>291,467</u>
Net	11,447	(4,535)	6,912
Beginning fund balances	<u>47,167</u>	<u>26,847</u>	<u>74,014</u>
Ending fund balances	<u>\$ 58,614</u>	<u>\$ 22,312</u>	<u>\$ 80,926</u>

See accompanying Independent Auditor's Report.

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General 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. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt any budget amendments.

During the year ended June 30, 2005, District disbursements did not exceed the amounts budgeted, nor was the General Fund unspent authorized budget exceeded.

## Other Supplementary Information

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2005

Schedule 1

	Special Revenue					
	Management	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
<b>ASSETS</b>						
Cash and pooled investments	\$ 28,339	\$ 116,496	\$ 48,591	\$ 99,943	\$ 9,730	\$ 303,099
Receivables						
Property tax						
Delinquent	2,649	-	2,361	-	5,470	10,480
Succeeding year	128,000	-	140,478	-	325,930	594,408
Accounts receivable	-	417	-	-	-	417
Accrued interest	-	78	-	12	-	90
Due from other governments	-	-	-	17,864	-	17,864
Total assets	<u>\$158,988</u>	<u>\$116,991</u>	<u>\$191,430</u>	<u>\$117,819</u>	<u>\$341,130</u>	<u>\$926,358</u>

**LIABILITIES AND FUND EQUITY**

Liabilities						
Accounts payable	\$ -	\$ 5,300	\$ 2,791	\$ -	\$ -	\$ 8,091
Deferred revenue						
Succeeding year property tax	128,000	-	140,478	-	325,930	594,408
Total liabilities	<u>128,000</u>	<u>5,300</u>	<u>143,269</u>	<u>-</u>	<u>325,930</u>	<u>602,499</u>
Fund equity						
Reserved for debt service	-	-	-	-	15,200	15,200
Unreserved fund balances	30,988	111,691	48,161	117,819	-	308,659
Total fund equity	<u>30,988</u>	<u>111,691</u>	<u>48,161</u>	<u>117,819</u>	<u>15,200</u>	<u>323,859</u>
Total liabilities and fund equity	<u>\$158,988</u>	<u>\$116,991</u>	<u>\$191,430</u>	<u>\$117,819</u>	<u>\$341,130</u>	<u>\$926,358</u>

See accompanying Independent Auditor's Report.

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2005

	Special Revenue					Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Debt Service	
Revenues						
Local sources						
Local taxes	\$ 155,526	-	\$ 138,659	\$ 93,182	\$ 317,435	\$ 704,802
Other	6,388	175,593	242	383	842	183,448
State sources	146	-	130	-	4,082	4,358
Total revenues	162,060	175,593	139,031	93,565	322,359	892,608
Expenditures						
Current						
Instruction						
Regular program instruction	73,583	-	-	-	-	73,583
Other instruction	-	166,822	-	-	-	166,822
Support services						
Instructional staff support services	-	-	40,379	-	-	40,379
Operation and maintenance of plant services	82,966	-	-	-	-	82,966
Transportation services	-	-	13,900	-	-	13,900

See accompanying Independent Auditor's Report.

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2005

	Special Revenue					
	Management Levy	Student Activity	Equipment Levy	Capital Projects	Debt Service	Total
Expenditures (continued)						
Other expenditures						
Facilities acquisition and construction	\$ -	\$ -	\$ 78,432	\$ 13,399	\$ -	\$ 91,831
Long-term debt						
Principal	-	-	-	-	215,000	215,000
Interest and fiscal charges	-	-	-	-	107,780	107,780
Total expenditures	156,549	166,822	132,711	13,399	322,780	792,261
Excess (deficiency) of revenues over (under) expenditures	5,511	8,771	6,320	80,166	(421)	100,347
Fund balances, beginning of year	25,477	102,920	41,841	37,653	15,621	223,512
Fund balances, end of year	\$ 30,988	\$ 111,691	\$ 48,161	\$ 117,819	\$ 15,200	\$ 323,859

See accompanying Independent Auditor's Report.

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 For the Year Ended June 30, 2005

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Track	\$ 1,007	\$ 3,284	\$ 4,400	\$ (109)
Golf	866	40	230	676
Boys' basketball	1,411	4,960	4,531	1,840
Football	3,324	7,863	7,699	3,488
Baseball	3,067	3,150	4,260	1,957
Wrestling	5,337	8,266	6,144	7,459
Girls' basketball	1,939	5,231	5,215	1,955
Volleyball	1,172	2,344	2,096	1,420
Softball	1,564	4,504	4,442	1,626
Class of:				
2003	255	-	255	-
2004	493	-	493	-
2005	2,055	-	2,055	-
2006	120	12,804	10,821	2,103
2007	80	-	-	80
Speech	87	275	329	33
Vocal music	2,536	16,141	15,907	2,770
Instrumental music	630	874	1,570	(66)
Wellness	28	-	-	28
Entrepreneurship	402	687	566	523
Publication	7,191	6,618	6,990	6,819
Cheerleaders	128	1,522	1,084	566
Pom pom squad	522	-	351	171
Peer groups	582	-	-	582
National Honor Society	1,444	850	1,000	1,294
High school student council	12,341	4,974	4,702	12,613
FFA	5,946	40,412	41,075	5,283
FHA	675	102	189	588
Vending machines	134	-	-	134
Journalism	8	-	-	8
Weight room	62	-	-	62
Middle school student council	21,185	27,938	22,773	26,350

See accompanying Independent Auditor's Report.

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 For the Year Ended June 30, 2005

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
FBLA	\$ 1,528	\$ 3,692	\$ 3,523	\$ 1,697
Junior Honor Society	727	191	383	535
Coggon store	1,175	919	1,307	787
Walker store	944	2,414	2,088	1,270
School pictures	6,857	1,304	279	7,882
Now interest	5,611	708	-	6,319
Recycling program - Coggon	4,045	9,635	8,628	5,052
Recycling program - Walker	47	6,956	5,452	1,551
McKinley Scholarship	5,395	1,150	200	6,345
	<u>5,395</u>	<u>1,150</u>	<u>200</u>	<u>6,345</u>
Totals	<u>\$ 102,920</u>	<u>\$ 179,808</u>	<u>\$ 171,037</u>	<u>\$ 111,691</u>

See accompanying Independent Auditor's Report.

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds  
For the Last Four Years

Schedule 4

	Modified Accrual Basis			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues				
Local sources				
Local tax	\$ 2,356,926	\$ 2,318,829	\$ 2,292,171	\$ 2,139,322
Tuition	237,936	198,987	112,710	187,607
Other	319,973	252,767	309,112	249,498
State sources	3,268,618	3,050,813	3,005,028	2,966,590
Federal sources	127,656	146,379	132,990	142,198
Total revenues	<u>\$ 6,311,109</u>	<u>\$ 5,967,775</u>	<u>\$ 5,852,011</u>	<u>\$ 5,685,215</u>
Expenditures				
Instruction				
Regular instruction	2,461,292	2,534,032	2,413,359	2,413,938
Special instruction	639,555	754,462	572,333	551,068
Other instruction	641,595	475,431	443,505	462,194
Support services				
Student services	123,198	115,550	113,959	105,733
Instructional staff services	232,046	186,579	183,059	179,150
Administration services	549,813	541,624	539,400	535,018
Operation and maintenance of plant services	592,889	506,464	497,976	446,182
Transportation services	258,706	219,151	251,575	247,013
Central support services	-	300	-	-
Other expenditures				
Facilities acquisition	91,831	131,972	135,079	205,197
Long-term debt				
Principal	215,000	195,000	155,000	145,000
Interest and other charges	107,780	124,574	169,182	175,853
AEA flowthrough	217,479	214,176	222,982	223,992
Total expenditures	<u>\$ 6,131,184</u>	<u>\$ 5,999,315</u>	<u>\$ 5,697,409</u>	<u>\$ 5,690,338</u>

See accompanying Independent Auditor's Report.

# KAY L. CHAPMAN, CPA PC

210 Cedar Street  
Muscatine, Iowa 52761  
563-264-1385

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  
North-Linn Community School District

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North-Linn Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated September 13, 2005. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

In planning and performing my audit, I considered North-Linn Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item (A) Segregation of Duties, is a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether North-Linn Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I 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, 2005 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the North-Linn Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the North-Linn Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC  
September 13, 2005

NORTH –LINN COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2005

**Part I. Findings Related to the Financial Statements**

INSTANCES OF NON-COMPLIANCE

No matters were noted.

REPORTABLE CONDITIONS

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

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

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

NORTH –LINN COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2005

**Part II. Other Findings Related to Statutory Reporting:**

1. Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
2. Certified Budget - Disbursements for the year ended June 30, 2005 did not exceed the amounts budgeted.
3. Questionable Disbursements - I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
4. 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.
5. Business Transactions - No business transactions between the District and District officials or employees were noted.
6. 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.
7. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
8. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely and I noted no significant deficiencies in the amounts reported.

NORTH-LINN COMMUNITY SCHOOL DISTRICT  
Audit Staff  
June 30, 2005

This audit was performed by

Kay Chapman, CPA  
Christina Chamberlin, staff accountant

# North-Linn Community School District

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Betty Coleman, Development Director

Scott Beaty, Associate Principal

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## NEWS RELEASE

### FOR RELEASE:

Kay L. Chapman, CPA PC of Muscatine, Iowa today released an audit report on the North Linn Community School District in Troy Mills, Iowa.

The District's revenues totaled \$6,609,488 for the year ended June 30, 2005, a 6 percent increase from the prior year. Revenues included \$2,362,718 in local tax, charges for service of \$733,215, operating grants, contributions and restricted interest of \$654,692, unrestricted state grants of \$2,839,022, unrestricted interest of \$11,203 and other general revenues of \$8,638.

Expenses for District operations totaled \$6,126,062, a 3 percent decrease from the prior year. Expenses included \$3,630,147 for instruction, \$1,672,010 for support services, \$291,467 for non-instructional programs and \$532,438 for other expenses.

A copy of the audit report is available for review in the office of the Auditor of State and the District Secretary's office.