

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

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Independent Auditor's Report

To the Board of Education of
North Central 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 North Central Community School District, Manly, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Central Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 29, 2008, on our consideration of North Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 38 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Central Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006, (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 our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

April 29, 2008

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

North Central 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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 Financial Highlights

- General Fund revenues increased from \$4,076,814 in fiscal 2006 to \$4,397,813 in fiscal 2007, while General Fund expenditures increased from \$4,181,363 in fiscal 2006 to \$4,496,282 in fiscal 2007. The District's General Fund balance decreased from \$482,057 in fiscal 2006 to \$390,202 in fiscal 2007, a 19% decrease.
- The increase in General Fund revenues was attributable to an increase in state and federal grant revenue in fiscal 2007. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.

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

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

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

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

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

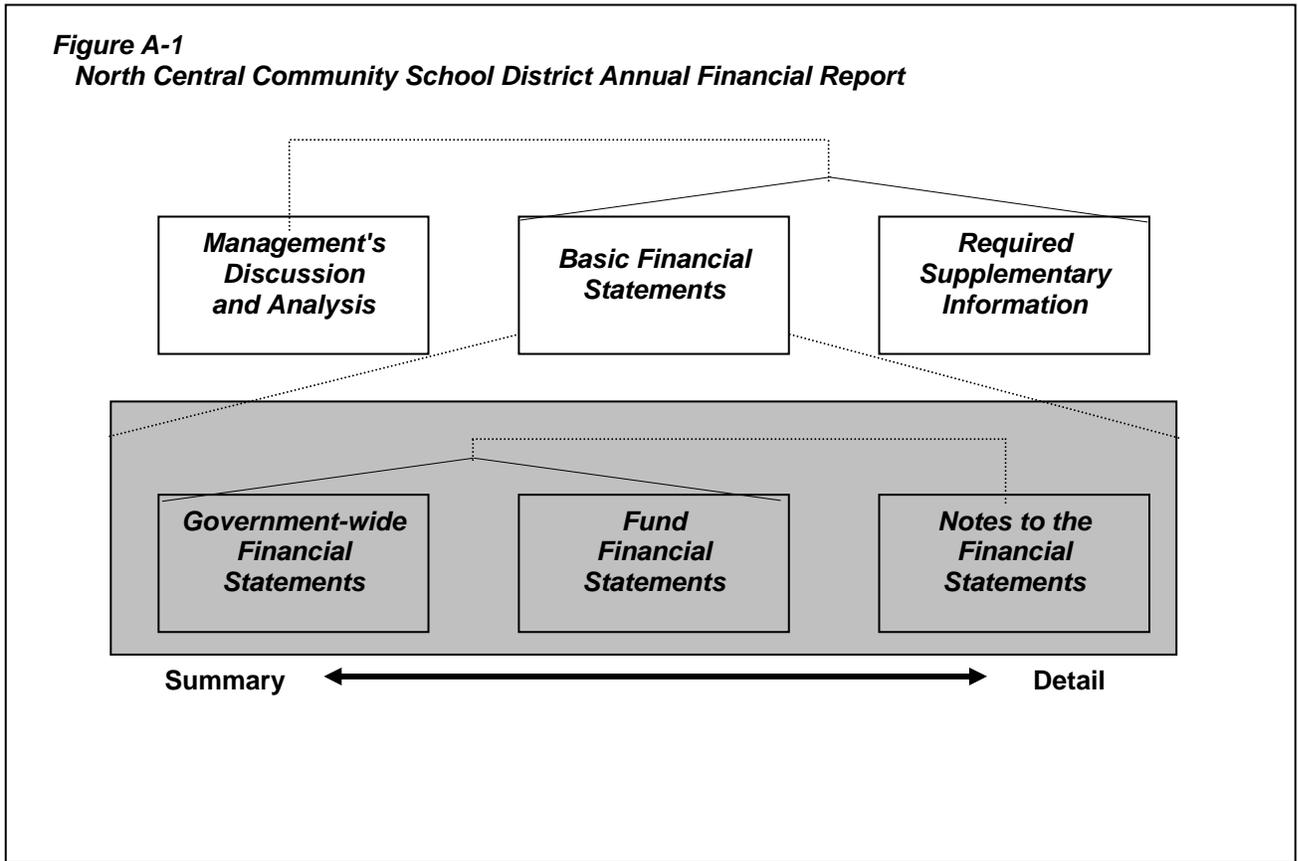


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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: 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"> • 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, 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 net assets, 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 Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students 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 include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2007-2006
	Governmental Activities		Business-type Activities		Total School District		
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	
Current and other assets	3,275,342	5,954,538	40,940	41,579	3,316,282	5,996,117	-45%
Capital assets	4,602,943	4,556,543	10,236	12,580	4,613,179	4,569,123	1%
Total assets	7,878,285	10,511,081	51,176	54,159	7,929,461	10,565,240	-25%
Long-term liabilities	2,980,950	5,550,500	-	-	2,980,950	5,550,500	-46%
Other liabilities	2,139,381	2,435,058	1,597	1,813	2,140,978	2,436,871	-12%
Total liabilities	5,120,331	7,985,558	1,597	1,813	5,121,928	7,987,371	-36%
Net Assets:							
Invested in capital assets, net of related debt	1,652,943	1,456,543	10,236	12,580	1,663,179	1,469,123	13%
Restricted	591,775	473,399	-	-	591,775	473,399	25%
Unrestricted	513,236	595,581	39,343	39,766	552,579	635,347	-13%
TOTAL NET ASSETS	2,757,954	2,525,523	49,579	52,346	2,807,533	2,577,869	9%

The District's combined net assets increased by nearly 9%, or approximately \$229,664 over 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 approximately \$118,376 or 25% over the prior year. The increase was primarily a result of revenue from the local option sales tax and the increased debt service and management fund balances.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$82,768, or 13%.

Figure A-4 shows the change in net assets for the years ended June 30, 2007 and 2006.

Figure A-4

	Change in Net Assets						Percentage Change 2007-2006
	Governmental Activities		Business-type Activities		Total School District		
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	
Revenues							
Program Revenues:							
Charges for services	465,018	321,672	141,544	129,250	606,562	450,922	35%
Operating grants, contributions and restricted interest	566,695	523,696	133,517	116,706	700,212	640,402	9%
Capital grants & contributions and restricted interest	12,358	4,161	-	-	12,358	4,161	197%
General Revenues:							
Property taxes	1,895,120	1,868,148	-	-	1,895,120	1,868,148	15%
Income Surtax	105,399	107,802	-	-	105,399	107,802	-2%
Local option sales tax	376,827	321,181	-	-	376,827	321,181	17%
Unrestricted state grants	2,034,892	1,963,085	-	-	2,034,892	1,963,085	4%
Unrestricted investment earnings	22,281	30,069	192	137	22,473	30,206	-26%
Other revenue	119,629	24,165	-	-	119,629	24,165	395%
Total Revenues	5,598,219	5,163,979	275,253	246,093	5,873,472	5,410,072	9%
Expenses:							
Instruction	3,138,231	2,953,327	-	-	3,138,231	2,953,327	6%
Support services	1,404,451	1,311,205	-	-	1,404,451	1,311,205	7%
Non-instructional programs	-	-	278,020	254,905	278,020	254,905	9%
Other expenditures	823,106	705,363	-	-	823,106	705,363	17%
Total expenses	5,365,788	4,969,895	278,020	254,905	5,643,808	5,224,800	8%
Change in net assets before transfers	232,431	194,084	(2,767)	(8,812)	229,664	185,272	24%
Transfers	-	-	-	-	-	-	0%
CHANGE IN NET ASSETS	232,431	194,084	(2,767)	(8,812)	229,664	185,272	24%
Net assets beginning of year	2,525,523	2,331,439	52,346	61,158	2,577,869	2,392,597	8%
Net assets end of year	2,757,954	2,525,523	49,579	52,346	2,807,533	2,577,869	9%

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 81% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,598,219 and expenses were \$5,365,788. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

	Total Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2007	Net Cost of Services 2006
	\$	\$	\$	\$
Instruction	3,138,231	2,953,327	2,374,090	2,330,780
Support Services	1,404,451	1,311,205	1,370,555	1,307,861
Non-instructional Programs	-	-	-	-
Other Expenses	823,106	705,363	577,072	481,725
TOTAL	5,365,788	4,969,895	4,321,717	4,120,366

- The cost financed by users of the District's programs was \$465,018.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$579,053.
- The net cost of governmental activities was financed with \$2,377,346 in property and other taxes and \$2,034,892 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$275,253 and expenses were \$278,020. 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, 2007, the District did not increase meal prices.

INDIVIDUAL FUND ANALYSIS

As previously noted, North Central 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 \$1,037,844, below last year's ending fund balances of \$3,473,088.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues which were offset by increase in expenditures needed to prepare the district for the upcoming whole grade sharing agreement for the 2007-08 school year.
- The General Fund balance decreased from \$482,057 to \$390,202.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$41,616 in fiscal 2006 to \$124,903 in fiscal 2007.

- The Capital Projects Fund balance decreased to \$288,385 due to remodeling projects and construction during the 2007 fiscal year.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$52,346 at June 30, 2006 to \$49,579 at June 30, 2007, representing a decrease of approximately 6%. This change resulted from an increase in salaries and other expenses.

BUDGETARY HIGHLIGHTS

The District's receipts were \$596,716 more than budgeted. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the support services, non-instructional programs and other expenditures functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$4,613,179, 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 1% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$185,952.

During the fiscal year the district expended \$325,883 on improvements and buildings and had \$44,972 of construction in progress at June 30, 2007.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2007-2006
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Land	45,500	45,500	-	-	45,500	45,500	0%
Construction in progress	44,972	171,882	-	-	44,972	171,882	-74%
Buildings	3,849,712	3,639,488	-	-	3,849,712	3,639,488	6%
Improvements	513,013	539,988	-	-	513,013	539,988	-5%
Equipment & Furniture	149,746	159,685	10,236	12,580	159,982	172,265	-7%
TOTAL	4,602,943	4,556,543	10,236	12,580	4,613,179	4,569,123	1%

Long-Term Debt

At June 30, 2007, the District had \$2,980,950 in general obligation, and other long-term debt outstanding. This represents a decrease of approximately 46% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

**Figure A-7
Outstanding Long-Term Obligations**

	Total School District		Percentage Change
	2007	2006	2007-2006
	\$	\$	
General Obligation Bonds	2,425,000	4,940,000	-51%
Revenue Bonds	525,000	585,000	-10%
Early Retirement	30,950	25,500	21%
	<u>2,980,950</u>	<u>5,550,500</u>	<u>-46%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's September 2007 enrollment decreased by nine students. This decrease in enrollment will decrease the District's funding for fiscal year 2009.
- The district has entered into a whole grade sharing agreement with a neighboring district beginning the fiscal year 2009.
- Although the District has experienced declining enrollment in the past years, the District expects a slight increase in future enrollment due to a new housing development in progress within the District.
- Costs outside of the Board's control such as continual increases in health insurance and utility costs are worrisome, and employee contract settlements will also have in effect on the District's financial viability.

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 Bruce A. Burton, Superintendent, North Central Community School District, 105 S East Street, Manly, Iowa, 50456.

BASIC FINANCIAL STATEMENTS

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
Other	636,678	20,738	657,416
Cash with fiscal agent	140,238	-	140,238
Receivables:			
Property tax:			
Delinquent	52,391	-	52,391
Succeeding year	1,972,202	-	1,972,202
Accounts	175,549	247	175,796
Due from other governments	280,649	-	280,649
Inventories	-	19,955	19,955
Unamortized bond issue costs	17,635	-	17,635
Capital assets, net of accumulated depreciation	4,602,943	10,236	4,613,179
	<u>7,878,285</u>	<u>51,176</u>	<u>7,929,461</u>
Liabilities			
Accounts payable	139,955	-	139,955
Salaries and benefits payable	2,307	-	2,307
Accrued interest payable	24,917	-	24,917
Deferred revenue:			
Succeeding year property tax	1,972,202	-	1,972,202
Other	-	1,597	1,597
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	220,000	-	220,000
Revenue bonds payable	65,000	-	65,000
Termination benefits	30,950	-	30,950
Portion due after one year:			
General obligation bonds payable	2,205,000	-	2,205,000
Revenue bonds payable	460,000	-	460,000
	<u>5,120,331</u>	<u>1,597</u>	<u>5,121,928</u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	1,652,943	10,236	1,663,179
Restricted for:			
Management levy	65,780	-	65,780
Physical plant and equipment levy	124,903	-	124,903
Other special revenue purposes	53,045	-	53,045
Local option sales tax capital projects	148,147	-	148,147
Debt service	199,900	-	199,900
Unrestricted	513,236	39,343	552,579
Total net assets	<u>2,757,954</u>	<u>49,579</u>	<u>2,807,533</u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,216,104	302,401	231,090	-
Special	552,262	18,994	28,407	-
Other	369,865	140,473	42,776	-
	<u>3,138,231</u>	<u>461,868</u>	<u>302,273</u>	<u>-</u>
Support services:				
Student	50,415	-	-	-
Instructional staff	125,849	-	23,380	-
Administration	545,220	-	-	-
Operation and maintenance of plant	446,467	3,150	-	-
Transportation	236,500	-	7,366	-
	<u>1,404,451</u>	<u>3,150</u>	<u>30,746</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	280,838	-	-	12,358
Long-term debt interest	218,756	-	56,178	-
AEA flowthrough	177,498	-	177,498	-
Depreciation (unallocated)*	146,014	-	-	-
	<u>823,106</u>	<u>-</u>	<u>233,676</u>	<u>12,358</u>
Total governmental activities	5,365,788	465,018	566,695	12,358
Business type activities:				
Non-instructional programs:				
Food service operations	278,020	141,544	133,517	-
Total	<u>5,643,808</u>	<u>606,562</u>	<u>700,212</u>	<u>12,358</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,682,613)	-	(1,682,613)
(504,861)	-	(504,861)
(186,616)	-	(186,616)
<u>(2,374,090)</u>	<u>-</u>	<u>(2,374,090)</u>
(50,415)	-	(50,415)
(102,469)	-	(102,469)
(545,220)	-	(545,220)
(443,317)	-	(443,317)
(229,134)	-	(229,134)
<u>(1,370,555)</u>	<u>-</u>	<u>(1,370,555)</u>
(268,480)	-	(268,480)
(162,578)	-	(162,578)
-	-	-
(146,014)	-	(146,014)
<u>(577,072)</u>	<u>-</u>	<u>(577,072)</u>
(4,321,717)	-	(4,321,717)
<u>-</u>	<u>(2,959)</u>	<u>(2,959)</u>
<u>(4,321,717)</u>	<u>(2,959)</u>	<u>(4,324,676)</u>
1,526,488	-	1,526,488
318,640	-	318,640
49,992	-	49,992
105,399	-	105,399
376,827	-	376,827
2,034,892	-	2,034,892
22,281	192	22,473
119,629	-	119,629
<u>4,554,148</u>	<u>192</u>	<u>4,554,340</u>
232,431	(2,767)	229,664
<u>2,525,523</u>	<u>52,346</u>	<u>2,577,869</u>
<u>2,757,954</u>	<u>49,579</u>	<u>2,807,533</u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

	General Fund	Debt Service	Capital Projects Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments:					
Other	236,483	60,669	114,931	224,595	636,678
Cash with fiscal agent	-	-	140,238	-	140,238
Receivables:					
Property tax:					
Delinquent	37,827	9,109	-	5,455	52,391
Succeeding year	1,378,948	393,963	-	199,291	1,972,202
Accounts	115,921	-	15,000	44,628	175,549
Interfund receivable	-	15,551	-	-	15,551
Due from other governments	173,432	-	107,217	-	280,649
Total assets	1,942,611	479,292	377,386	473,969	3,273,258
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	65,755	750	73,450	-	139,955
Salaries and benefits payable	2,307	-	-	-	2,307
Interfund payable	-	-	15,551	-	15,551
Deferred revenue:					
Succeeding year property tax	1,378,948	393,963	-	199,291	1,972,202
Other	105,399	-	-	-	105,399
Total liabilities	1,552,409	394,713	89,001	199,291	2,235,414
Fund balances:					
Reserved for:					
Debt service	-	84,579	140,238	-	224,817
Unreserved reported in:					
General fund	390,202	-	-	-	390,202
Special revenue funds	-	-	-	274,678	274,678
Capital projects funds	-	-	148,147	-	148,147
Total fund balances	390,202	84,579	288,385	274,678	1,037,844
Total liabilities and fund balances	1,942,611	479,292	377,386	473,969	3,273,258

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

	\$
Total fund balances of governmental funds (Exhibit C)	
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	1,037,844
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,602,943
Bond issue costs are expensed when incurred for the fund financial statements, but are capitalized and expensed over the life of the bonds for the Statement of Net Assets.	17,635
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	105,399
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.	(24,917)
Long-term liabilities, including bonds payable and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,980,950)</u>
Net assets of governmental activities (Exhibit A)	<u><u>2,757,954</u></u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund	Debt Service	Capital Projects Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,469,792	318,640	376,827	200,617	2,365,876
Tuition	156,443	-	-	-	156,443
Other	226,550	56,178	20,640	196,681	500,049
State sources	2,414,613	226	-	155	2,414,994
Federal sources	130,415	-	-	12,358	142,773
Total revenues	<u>4,397,813</u>	<u>375,044</u>	<u>397,467</u>	<u>409,811</u>	<u>5,580,135</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,162,625	-	-	48,029	2,210,654
Specia	552,262	-	-	-	552,262
Other	239,816	-	-	130,049	369,865
	<u>2,954,703</u>	<u>-</u>	<u>-</u>	<u>178,078</u>	<u>3,132,781</u>
Support services:					
Student	50,415	-	-	-	50,415
Instructional staff	125,849	-	-	-	125,849
Administration	540,385	-	-	2,875	543,260
Operation and maintenance of plant	411,036	-	-	32,791	443,827
Transportation	236,396	-	-	12,100	248,496
	<u>1,364,081</u>	<u>-</u>	<u>-</u>	<u>47,766</u>	<u>1,411,847</u>
Other expenditures:					
Facilities acquisition	-	-	439,918	23,978	463,896
Long-term debt:					
Principal	-	2,575,000	-	-	2,575,000
Interest and fiscal charges	-	260,971	-	-	260,971
AEA flowthrough	177,498	-	-	-	177,498
	<u>177,498</u>	<u>2,835,971</u>	<u>439,918</u>	<u>23,978</u>	<u>3,477,365</u>
Total expenditures	<u>4,496,282</u>	<u>2,835,971</u>	<u>439,918</u>	<u>249,822</u>	<u>8,021,993</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(98,469)</u>	<u>(2,460,927)</u>	<u>(42,451)</u>	<u>159,989</u>	<u>(2,441,858)</u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund	Debt Service	Capital Projects Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Compensation for loss of fixed assets	5,164	-	-	-	5,164
Sales of real estate equipment	1,450	-	-	-	1,450
Operating transfers in	-	91,272	-	-	91,272
Operating transfers out	-	-	(91,272)	-	(91,272)
Total other financing sources (uses)	<u>6,614</u>	<u>91,272</u>	<u>(91,272)</u>	<u>-</u>	<u>6,614</u>
Net change in fund balances	(91,855)	(2,369,655)	(133,723)	159,989	(2,435,244)
Fund balances beginning of year	<u>482,057</u>	<u>2,454,234</u>	<u>422,108</u>	<u>114,689</u>	<u>3,473,088</u>
Fund balances end of year	<u><u>390,202</u></u>	<u><u>84,579</u></u>	<u><u>288,385</u></u>	<u><u>274,678</u></u>	<u><u>1,037,844</u></u>

NORTH CENTRAL 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, 2007

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(2,435,244)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
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. Capital outlay expenditures exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	230,008	
Depreciation expense	<u>(183,608)</u>	46,400
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		11,470
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.		42,215
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits		(5,450)
Bond issue costs are expensed when incurred for the fund financial statements, but are capitalized and expensed over the life of the bonds for the Statement of Net Assets.		(1,960)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		<u>2,575,000</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>232,431</u></u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	20,738
Accounts receivable	247
Inventories	19,955
Capital assets, net of accumulated depreciation	<u>10,236</u>
Total assets	<u>51,176</u>
Liabilities	
Deferred revenue	<u>1,597</u>
Net assets	
Invested in capital assets, net of related debt	10,236
Unrestricted	<u>39,343</u>
Total net assets	<u><u>49,579</u></u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>141,544</u>
Operating expenses:	
Non-instructional programs:	
Salaries	104,295
Benefits	46,945
Supplies	124,436
Depreciation	<u>2,344</u>
	<u>278,020</u>
Operating gain (loss)	<u>(136,476)</u>
Non-operating revenues:	
State sources	3,319
Federal sources	130,198
Interest income	<u>192</u>
Total non-operating revenues	<u>133,709</u>
Change in net assets	(2,767)
Net assets beginning of year	<u>52,346</u>
Net assets end of year	<u><u>49,579</u></u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	141,249
Cash payments to employees for services	(151,240)
Cash payments to suppliers for goods or services	(99,375)
Net cash used by operating activities	<u>(109,366)</u>
Cash flows from non-capital financing activities:	
State grants received	3,319
Federal grants received	100,939
Net cash provided by non-capital financing activities	<u>104,258</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>192</u>
Net increase (decrease) in cash and cash equivalents	(4,916)
Cash and cash equivalents at beginning of year	<u>25,654</u>
Cash and cash equivalents at end of year	<u><u>20,738</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(136,476)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	29,259
Depreciation	2,344
Decrease (increase) in inventories	(4,198)
Decrease (increase) in accounts receivable	(79)
(Decrease) increase in deferred revenue	(216)
Net cash used in operating activities	<u><u>(109,366)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$29,259 of federal commodities.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2007

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	19,089
Liabilities	
	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>19,089</u></u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2007

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	229
Deductions:	
Support services:	
Scholarships awarded	<u>200</u>
Change in net assets	29
Net assets beginning of year	<u>19,060</u>
Net assets end of year	<u><u>19,089</u></u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

1. Summary of Significant Accounting Policies

North Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Manly, Iowa and the predominately agricultural territory in a portion of Worth and Cerro Gordo 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 Central 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 Central Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt 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 not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are 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 nonmajor governmental funds.

The District reports the following major governmental funds:

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

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

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

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

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

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 accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006, through June 30, 2007, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,500

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

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

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been

recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the support services, non-instructional programs and other expenditures functions exceeded the amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 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, 2007, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
	\$	
Goldman Sachs Financial Square Treasury Obligations Fund	140,238	N/A

Credit risk: The investment in the Goldman Sachs Financial Square Treasury Obligations Fund was rated Aaa by Moody's Investors Service.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount \$
Debt Service	Capital Projects, Local Option Sales Tax	15,551

The interfund receivable/payable represents amounts that will be transferred for revenue bond payments.

4. Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	171,882	44,972	171,882	44,972
Land	45,500	-	-	45,500
Total capital assets not being deprec.	<u>217,382</u>	<u>44,972</u>	<u>171,882</u>	<u>90,472</u>
Capital assets being depreciated:				
Buildings	5,544,348	325,833	-	5,870,181
Improvements other than buildings	727,306	-	13,000	714,306
Furniture and equipment	572,149	46,950	(72,235)	691,334
Total capital assets being deprec.	<u>6,843,803</u>	<u>372,783</u>	<u>(59,235)</u>	<u>7,275,821</u>
Less accumulated depreciation for:				
Buildings	1,904,860	115,609	-	2,020,469
Improvements other than buildings	187,318	30,405	16,430	201,293
Furniture and equipment	412,464	37,594	(91,530)	541,588
Total accumulated depreciation	<u>2,504,642</u>	<u>183,608</u>	<u>(75,100)</u>	<u>2,763,350</u>
Total capital assets being depreciated, net	<u>4,339,161</u>	<u>189,175</u>	<u>15,865</u>	<u>4,512,471</u>
Governmental activities capital assets, net	<u>4,556,543</u>	<u>234,147</u>	<u>187,747</u>	<u>4,602,943</u>
Business type activities:				
Furniture and equipment	28,124	-	-	28,124
Less accumulated depreciation	<u>15,544</u>	<u>2,344</u>	<u>-</u>	<u>17,888</u>
Business type activities capital assets, net	<u>12,580</u>	<u>(2,344)</u>	<u>-</u>	<u>10,236</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Support services:	
Operation and maintenance of plant services	2,640
Transportation	34,954
	<u>37,594</u>
Unallocated depreciation	146,014
	<u>183,608</u>
Total depreciation expense – governmental activities	<u>183,608</u>
Business type activities:	
Food services	2,344
	<u>2,344</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	4,940,000	-	2,515,000	2,425,000	220,000
Revenue bonds	585,000	-	60,000	525,000	65,000
Termination benefits	25,500	30,950	25,500	30,950	30,950
Total	<u>5,550,500</u>	<u>30,950</u>	<u>2,600,500</u>	<u>2,980,950</u>	<u>315,950</u>

Termination Benefits

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

Early retirement benefits are equal to the difference between the current contract salary and the BA base rate on the current salary schedule.

Early retirement benefits will be paid in one installment in the year following the start of retirement.

At June 30, 2007, the District has obligations to two participants with a total liability of \$30,950. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$25,550.

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Refunding Bond Issue April 29, 2004			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	2.50	220,000	91,062	311,062
2009	2.75	225,000	85,562	310,562
2010	4.00	230,000	79,375	309,375
2011	4.0	240,000	70,175	310,175
2012	4.5	245,000	60,575	305,575
2013-2017	3.6-4.5	1,265,000	138,745	1,403,745
		<u>2,425,000</u>	<u>525,494</u>	<u>2,950,494</u>

On April 29, 2004 the District issued \$2,425,000 of general obligation crossover refunding bonds with interest rates ranging between 2.50% to 3.80%. The District used the proceeds to advance refund \$2,340,000 of outstanding March 1997 general obligation bonds in May 2007. The crossover refunding reduced total debt service payments over twelve years by \$148,228. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$112,274.

Revenue Bonds Payable

Details of the District's June 30, 2007 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 2001			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	3.2	65,000	18,440	83,440
2009	3.4	65,000	16,295	81,295
2010	3.6	65,000	14,020	79,020
2011	3.7	70,000	11,555	81,555
2012	3.8	70,000	8,930	78,930
2012-2015	4.0	190,000	10,000	200,000
		<u>525,000</u>	<u>79,240</u>	<u>604,240</u>

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services revenue bonds include the following provisions:

- \$58,500 of the proceeds from the bond issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the Capital Projects Local Option Sales Tax Fund.

- Proceeds from the local option sales and services tax shall be placed in a revenue account. Monthly transfers, equal to 1/12 of the next principal payment plus 1/6 of the next interest payment, are to go from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. The sinking account is part of the Capital Projects Local Option Sales Tax Fund.

6. Pension and Retirement Benefits

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

Plan members are required to contribute 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, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$143,523, \$130,826 and \$130,262 respectively, equal to the required contributions for each year.

7. Risk Management

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

8. 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 \$177,498 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

9. Construction Commitment

The District has entered into a construction contract totaling \$149,800. As of June 30, 2007 costs of \$44,972 had been incurred against the contracts. The balance remaining at June 30, 2007 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,022,368	141,736	3,164,104	2,572,078	2,572,078	592,026
State sources	2,414,994	3,319	2,418,313	2,399,594	2,399,594	18,719
Federal sources	142,773	130,198	272,971	287,000	287,000	(14,029)
Total revenues	<u>5,580,135</u>	<u>275,253</u>	<u>5,855,388</u>	<u>5,258,672</u>	<u>5,258,672</u>	<u>596,716</u>
Expenditures:						
Instruction	3,132,781	-	3,132,781	3,445,900	3,445,900	313,119
Support services	1,411,847	-	1,411,847	1,350,800	1,350,800	(61,047)
Non-instructional programs	-	278,020	278,020	260,000	260,000	(18,020)
Other expenditures	3,477,365	-	3,477,365	1,123,651	1,123,651	(2,353,714)
Total expenditures	<u>8,021,993</u>	<u>278,020</u>	<u>8,300,013</u>	<u>6,180,351</u>	<u>6,180,351</u>	<u>(2,119,662)</u>
Excess (deficiency) of revenues over (under) expenditures	(2,441,858)	(2,767)	(2,444,625)	(921,679)	(921,679)	(1,522,946)
Other financing sources (uses) net	<u>6,614</u>	<u>-</u>	<u>6,614</u>	<u>-</u>	<u>-</u>	<u>6,614</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	(2,435,244)	(2,767)	(2,438,011)	(921,679)	(921,679)	(1,516,332)
Balance beginning of year	<u>3,473,088</u>	<u>52,346</u>	<u>3,525,434</u>	<u>1,794,859</u>	<u>1,794,859</u>	<u>1,730,575</u>
Balance end of year	<u>1,037,844</u>	<u>49,579</u>	<u>1,087,423</u>	<u>873,180</u>	<u>873,180</u>	<u>214,243</u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

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 Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

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

During the year ended June 30, 2007, expenditures in the support services, non-instructional programs, and other expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

Assets	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	Levy	\$
Cash and pooled investments	92,529	53,045	79,021	224,595
Receivables:				
Property tax:				
Delinquent	4,201	-	1,254	5,455
Succeeding year	150,001	-	49,290	199,291
Accounts	-	-	44,628	44,628
Total assets	246,731	53,045	174,193	473,969
Liabilities & Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	150,001	-	49,290	199,291
Fund balances:				
Unreserved reported in:				
Special revenue funds	96,730	53,045	124,903	274,678
Total liabilities and fund balances	246,731	53,045	174,193	473,969

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	Levy	\$
Revenues:				
Local sources:				
Local tax	150,625	-	49,992	200,617
Other	11,066	140,736	44,879	196,681
State sources	119	-	36	155
Federal sources	-	-	12,358	12,358
Total revenues	<u>161,810</u>	<u>140,736</u>	<u>107,265</u>	<u>409,811</u>
Expenditures:				
Current:				
Instruction:				
Regular	48,029	-	-	48,029
Other	-	130,049	-	130,049
Support services:				
Administration	2,875	-	-	2,875
Operation and maintenance of plant	32,791	-	-	32,791
Transportation	12,100	-	-	12,100
Other expenditures:				
Facilities acquisition	-	-	23,978	23,978
Total expenditures	<u>95,795</u>	<u>130,049</u>	<u>23,978</u>	<u>249,822</u>
Net change in fund balances	66,015	10,687	83,287	159,989
Fund balances beginning of year	<u>30,715</u>	<u>42,358</u>	<u>41,616</u>	<u>114,689</u>
Fund balances end of year	<u><u>96,730</u></u>	<u><u>53,045</u></u>	<u><u>124,903</u></u>	<u><u>274,678</u></u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
Boys basketball	2,034	5,319	4,482	(2,000)	871
Football	1,017	17,380	15,626	(2,000)	771
Baseball	(294)	11,591	14,254	4,000	1,043
Boys track	1,198	1,921	1,402	(1,028)	689
Boys golf	107	197	375	500	429
Coop wrestling	1,163	4,868	4,662	-	1,369
JH wrestling	1,093	64	1,765	1,000	392
Volleyball	1,624	6,099	4,354	(1,500)	1,869
Softball	(118)	3,607	6,615	2,000	(1,126)
Girls track	852	2,873	2,585	(124)	1,016
Girls golf	71	55	288	500	338
Girls basketball	1,065	6,584	5,453	(1,500)	696
Athletic fundraiser	695	10,358	4,223	(324)	6,506
Cross country	214	1,206	985	-	435
Honor society	(202)	225	182	250	91
Pep club	376	-	141	-	235
Student council	(47)	11,412	10,168	-	1,197
TAG/FPS	6,056	2,135	1,794	(882)	5,515
Drama & speech	701	1,690	3,196	744	(61)
Dance team	(403)	1,088	824	792	653
Elementary activities	7,470	1,523	7,300	-	1,693
Art	332	227	72	-	487
Cheerleading	(2,762)	1,391	1,279	3,000	350
Middle school	157	-	-	-	157
Senior class	(41)	864	756	-	67
Junior class	7,482	3,987	5,868	(1,451)	4,150
Sophomore class	329	370	469	-	230
Freshman class	966	731	760	-	937
Interest	2,254	263	-	(1,093)	1,424
Magazine JH	2,826	8,778	3,200	(5,731)	2,673
Magazine elementary	1,365	416	4,757	4,573	1,597
Vocal music	(154)	640	603	250	133
Show choir	120	-	-	-	120
Choir robes	841	-	-	-	841
Instrumental music	1,095	1,889	1,745	-	1,239
Band uniforms	4,409	-	-	-	4,409
Jazz band	(47)	150	80	-	23
Elementary music	830	-	21	-	809
Yearbook	(2,342)	7,330	8,883	-	(3,895)
Corn bowl conference Czar	-	23,505	10,832	-	12,673
District football	26	-	50	24	-
Total	42,358	140,736	130,049	-	53,045

See accompanying independent auditor's report.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,365,876	2,304,003	2,249,521	2,014,596
Tuition	156,443	90,901	100,997	106,440
Other	500,049	322,076	234,162	154,584
State sources	2,414,994	2,295,666	2,252,353	1,952,442
Federal sources	142,773	134,455	133,733	130,051
Total revenues	<u>5,580,135</u>	<u>5,147,101</u>	<u>4,970,766</u>	<u>4,358,113</u>
Expenditures:				
Instruction:				
Regular	2,210,654	2,196,900	2,080,015	2,011,759
Special	552,262	504,024	485,229	467,646
Other	369,865	376,231	309,989	294,463
Support services:				
Student	50,415	53,783	51,978	59,364
Instructional staff	125,849	134,532	30,699	28,814
Administration	543,260	492,525	465,518	452,412
Operation and maintenance of plant	443,827	407,516	380,568	341,097
Transportation	248,496	268,250	164,091	188,258
Other expenditures:				
Facilities acquisition	463,896	671,595	111,175	82,998
Long-term debt:				
Principal	2,575,000	165,000	155,000	145,000
Interest and other charges	260,971	238,238	247,656	163,925
AEA flowthrough	177,498	162,817	159,158	154,194
Total expenditures	<u>8,021,993</u>	<u>5,671,411</u>	<u>4,641,076</u>	<u>4,389,930</u>

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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
North Central 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 North Central Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 29, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Central Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of North Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Central Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects North Central Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of North Central Community School District's financial statements that is more than inconsequential will not be prevented or detected by North Central Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 07-I-A, 07-I-B and 07-I-C are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 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.

North Central Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit North Central 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 North Central Community School District and other parties to whom North Central Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

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

April 29, 2008

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

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

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2007

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

07-I-C Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The stamp is under the care, custody, and control of the administrative office. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

07-II-A Certified Budget: Expenditures for the year ended June 30, 2007, exceeded the amounts budgeted in the support services, non-instructional programs and other expenditures functional areas.

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

District Response: We will amend future budgets before expenditures exceed the budget.

Conclusion: Response accepted.

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

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

07-II-D Business Transactions: No transactions between the District and District officials or employees were noted.

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

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

07-II-G Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

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

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

07-II-J Financial Condition: The Student Activity Fund has several accounts with deficit balances at June 30, 2007.

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

District Response: The District's policy is to allocate monies within the Student Activity Fund at the beginning of the year to cover accounts with deficits.

Conclusion: Response accepted.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2007

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

07-II-K Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used to account for the District's extracurricular student activity program. We noted accounts in the Student Activity Fund that may belong more appropriately in other funds.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.