

NORTH CEDAR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2008

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
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NORTH CEDAR COMMUNITY SCHOOL DISTRICT
 Officials
 June 30, 2008

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2007 Election)		
Mark Glover	Board President	2008
Tim Drewelow	Board Member	2007
Duane Stonerook	Board Member	2008
Peggy Kedley	Board Member	2009
Brent Montz	Board Member	2009
(After September 2007 Election)		
Mark Glover	Board President	(resigned 6-10-08) 2008
Duane Stonerook	Board Member	(Board President effective 6-10-08) 2008
Jane Malaby	Board Member	(appointed 6-16-08) 2008
Peggy Kedley	Board Member	2009
Brent Montz	Board Member	2009
Tim Drewelow	Board Member	2010
School Officials		
Mary Jo Hainstock	Superintendent	2008
Jean Esbaum	District Secretary	2008
Brian Gruhn	Attorney	2008

KAY L. CHAPMAN, CPA PC

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Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
North Cedar 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 Cedar Community School District, Clarence, Iowa, as of and for the year ended June 30, 2008, 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.

Except as discussed in the following paragraph, 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.

The financial statements of the North Cedar Community School District Foundation have not been audited, and I was not engaged to audit the Foundation financial statements as part of my audit of the North Cedar Community School District's basic financial statements. The Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because I was not engaged to audit the Foundation's financial statements and because I did not apply any auditing procedures to the Foundation's financial statements, I do not express an opinion on the discretely presented component unit.

Because the Foundation's financial statements have not been audited, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the financial statements of the discretely presented component unit of the North Cedar Community School District, as of and for the year ended June 30, 2008.

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 Cedar Community School District as of June 30, 2008, 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 February 19, 2009 on my consideration of North Cedar 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 14 and 44 through 45 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 Cedar Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 3, 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. 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, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the four years in the period ended June 30, 2008, appearing in Schedule 4, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
February 19, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Cedar 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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,754,773 in fiscal 2007 to \$8,356,092 in fiscal 2008, and General Fund expenditures increased from \$7,502,267, in fiscal 2007 to \$8,039,385 in fiscal 2008. The District's General Fund balance increased from \$1,451,037 in fiscal 2007 to \$1,767,744 in fiscal 2008, a 22% increase.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2008. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits, building repair, utilities, vehicle fuel, and substitute teacher expense.
- A slight decrease in General Fund interest earnings resulted from a market-wide drop in available rates. Comparison information from the last four years is shown below.

2005 \$28,729	2006 \$58,822	2007 \$75,681	2008 \$62,784
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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 Cedar 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 Cedar 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 Cedar 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.

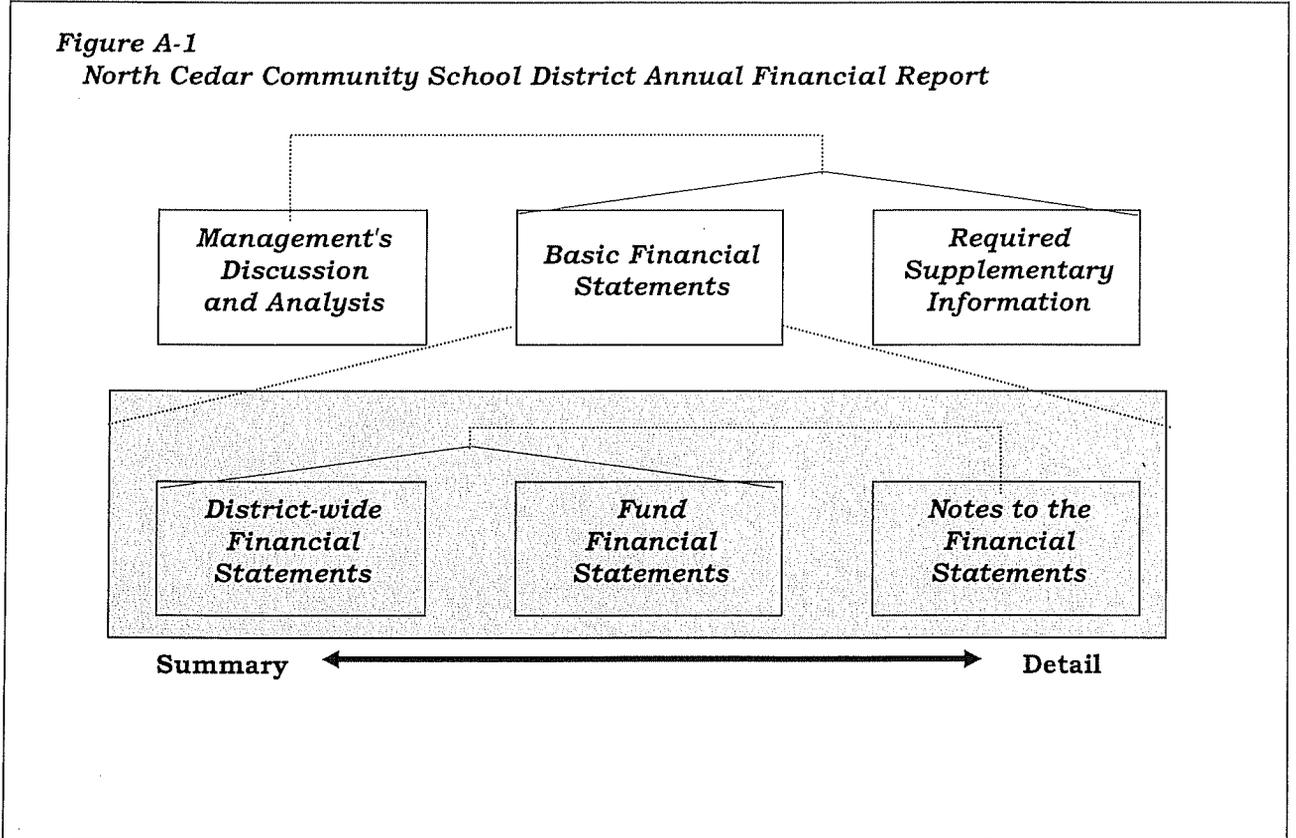


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 partially self-funded health insurance	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 three 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.
- *Component Unit:* This includes the activities of the North Cedar Community School District Foundation. The District receives significant financial benefits from the Foundation although they are legally separate entities.

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. Internal service funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one internal service fund, the employee benefit 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 fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of the private-purpose trust fund.

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

The District is responsible for ensuring 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, 2008 compared to June 30, 2007.

Figure A-3

Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total Change
	Activities		Activities		School District		
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Current and other assets	\$ 7,936,764	\$ 9,630,010	\$ 12,294	\$ 19,517	\$ 7,949,058	\$ 9,649,527	-17.62%
Capital assets	<u>12,274,127</u>	<u>9,185,184</u>	<u>69,629</u>	<u>21,396</u>	<u>12,343,756</u>	<u>9,206,580</u>	34.08%
Total assets	<u>20,210,891</u>	<u>18,815,194</u>	<u>81,923</u>	<u>40,913</u>	<u>20,292,814</u>	<u>18,856,107</u>	7.62%
Long-term liabilities	4,375,536	8,491,403	-	-	4,375,536	8,491,403	-48.47%
Other liabilities	<u>9,880,500</u>	<u>5,524,306</u>	<u>36,485</u>	<u>3,790</u>	<u>9,916,985</u>	<u>5,528,096</u>	79.39%
Total liabilities	<u>14,256,036</u>	<u>14,015,709</u>	<u>36,485</u>	<u>3,790</u>	<u>14,292,521</u>	<u>14,019,499</u>	1.95%
Net assets							
Invested in capital assets, net of related debt	2,479,127	1,796,999	69,629	21,396	2,548,756	1,818,395	40.17%
Restricted	1,095,764	1,230,304	-	-	1,095,764	1,230,304	-10.94%
Unrestricted	<u>2,379,964</u>	<u>1,772,182</u>	<u>(24,191)</u>	<u>15,727</u>	<u>2,355,773</u>	<u>1,787,909</u>	31.76%
Total net assets	<u>\$ 5,954,855</u>	<u>\$ 4,799,485</u>	<u>\$ 45,438</u>	<u>\$ 37,123</u>	<u>\$ 6,000,293</u>	<u>\$ 4,836,608</u>	24.06%

The District's combined net assets increased by approximately 24%, or \$1,163,685, from the prior year. The largest portion of the District's net assets is 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 resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$134,540, or approximately 11% from the prior year. The District's restricted net assets decreased due to changes outside the control of the district in program revenues, expense, and related debt.

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 \$567,864, or approximately 32%. This increase in unrestricted net assets was a result of increased property tax which improved cash flow and allowed the District to meet financial obligations and remain within its budget.

Figure A-4 shows the change in net assets for the years ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4

Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total
	2008	2007	2008	2007	2008	2007	Change 2007-2008
Revenues							
Program revenues							
Charges for service	\$ 608,693	\$ 509,936	\$ 252,831	\$ 255,899	\$ 861,524	\$ 765,835	12.49%
Operating grants	1,012,730	901,454	148,013	142,845	1,160,743	1,044,299	11.15%
Capital grants	-	32,145	-	-	-	32,145	-100.00%
General revenues							
Property tax	4,108,372	3,773,370	-	-	4,108,372	3,773,370	8.88%
Local option sales and services tax	536,195	695,229	-	-	536,195	695,229	-22.88%
Unrestricted state grants	3,776,098	3,749,787	-	-	3,776,098	3,749,787	0.70%
Unrestricted investment earnings	158,099	400,722	424	991	158,523	401,713	-60.54%
Contributions and donations	27,356	8,030	-	-	27,356	8,030	240.67%
Other	1,632	10,207	-	-	1,632	10,207	-84.01%
Total revenues	<u>10,229,175</u>	<u>10,080,880</u>	<u>401,268</u>	<u>399,735</u>	<u>10,630,443</u>	<u>10,480,615</u>	1.43%
Program expenses							
Governmental activities							
Instruction	5,655,176	5,398,023	-	-	5,655,176	5,398,023	4.76%
Support services	2,325,588	2,137,550	-	-	2,325,588	2,137,550	8.80%
Non-instructional programs	347	347	441,171	410,111	441,518	410,458	7.57%
Other expenses	<u>1,092,694</u>	<u>1,067,852</u>	<u>-</u>	<u>-</u>	<u>1,092,694</u>	<u>1,067,852</u>	2.33%
Total expenses	<u>9,073,805</u>	<u>8,603,772</u>	<u>441,171</u>	<u>410,111</u>	<u>9,514,976</u>	<u>9,013,883</u>	5.56%
Change in net assets before capital contributions							
contributions	1,155,370	1,477,108	(39,903)	(10,376)	1,115,467	1,466,732	-23.95%
Capital contributions	-	-	48,218	-	48,218	-	100.00%
Change in net assets	<u>\$ 1,155,370</u>	<u>\$ 1,477,108</u>	<u>\$ 8,315</u>	<u>\$ (10,376)</u>	<u>\$ 1,163,685</u>	<u>\$ 1,466,732</u>	-20.66%

In fiscal 2008, property tax and unrestricted state grants account for approximately 77% of the revenue from governmental activities while charges for service and sales and operating grants account for 99% of the revenue from business type activities.

The District's total revenues were approximately \$10.6 million of which \$10.2 million was for governmental activities and approximately \$400,000 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.43% increase in revenues and a 5.56% increase in expenses. Property tax increased approximately \$335,002 to fund increases in expenditures. There were increases in expenses related to negotiated salary and benefits as well as increases in

expenses funded by grants received by the District. However, additional increases in expenses relating to upkeep of facilities, resulted in the overall increase in expenses.

Governmental Activities

Revenues for governmental activities were \$10,229,175 and expenses were \$9,073,805 for the year ended June 30, 2008. The District was able to remain within its budget due to planning and reviewing expenditures on a daily basis.

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, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-2008	2008	2007	Change 2007-2008
Instruction	\$ 5,655,176	\$ 5,398,023	4.8%	\$ 4,358,074	\$ 4,301,545	1.3%
Support services	2,325,588	2,137,550	8.8%	2,324,583	2,133,461	9.0%
Non-instructional programs	347	347	0.0%	(6,298)	347	-1915.0%
Other expenses	<u>1,092,694</u>	<u>1,067,852</u>	<u>2.3%</u>	<u>776,023</u>	<u>724,884</u>	<u>7.1%</u>
Total expenses	<u>\$ 9,073,805</u>	<u>\$ 8,603,772</u>	<u>5.5%</u>	<u>\$ 7,452,382</u>	<u>\$ 7,160,237</u>	<u>4.1%</u>

For the year ended June 30, 2008:

- The cost financed by users of the District's programs was \$608,693.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,012,730.
- The net cost of governmental activities was financed with \$4,644,567 in property and other taxes and \$3,776,098 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2008 were \$401,268 representing increase of less than 1% over the year while expenses totaled \$441,171, an 8 percent increase over the prior year. 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, 2008, the District did not increase meal prices. The District considers meal price increases only when deemed necessary to meet the obligations of the School Nutrition Fund. However, food and salary/benefit costs continue to increase. The District will review and determine if an increase in meal prices is necessary.

INDIVIDUAL FUND ANALYSIS

As previously noted, North Cedar 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 \$2,957,212, well below last year's ending fund balances of \$3,563,086. The primary reason for the decrease in combined fund balances in fiscal 2008 is due to the building project, combined with salary/benefit increases and declining enrollment.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. The increase in revenues was more than the District's increase in General Fund expenditures.
- The General Fund balance increased from \$1,451,037 to \$1,767,744, due in part to an increase in property tax, the Instructional Support Levy and no assistance from the General Fund to the health insurance program.
- The Capital Project Fund balance decreased significantly due to expenditures associated with the building project.
- The Debt Service Fund balance increased slightly from \$6,929 at June 30, 2007 to \$8,204 at June 30, 2008.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$37,123 at June 30, 2007 to \$45,438 at June 30, 2008, representing an increase of approximately 22%. This is due primarily to capital assets paid for by the Capital Projects Fund as part of the building projects and contributed to the School Nutrition Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, North Cedar Community School District amended its annual budget one time to reflect additional expenditures associated with unexpected increased costs of operations including pay applications for the building project.

The District's revenues were \$27,821 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving more in state aid and grants than originally anticipated.

Total expenditures were \$2,487,633 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$12,343,756 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 34% over the prior year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$456,274.

The original cost of the District's capital assets was \$17,075,350. Governmental funds account for \$16,889,894, with the remainder of \$185,456 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings and improvements category, which increased by \$10,147,117. This increase resulted from purchases associated with the building/remodeling projects.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-2008
Land	\$ 63,072	\$ 63,072	\$ -	\$ -	\$ 63,072	\$ 63,072	0.00%
Construction in progress	-	7,389,500	-	-	-	7,389,500	-100%
Buildings and improvements	11,358,929	1,211,812	-	-	11,358,929	1,211,812	837.35%
Improvements, other than buildings	35,402	43,166	-	-	35,402	43,166	-17.99%
Furniture and equipment	<u>816,724</u>	<u>477,634</u>	<u>69,629</u>	<u>21,396</u>	<u>886,353</u>	<u>499,030</u>	77.62%
Totals	<u>\$12,274,127</u>	<u>\$9,185,184</u>	<u>\$69,629</u>	<u>\$21,396</u>	<u>\$12,343,756</u>	<u>\$9,206,580</u>	34.08%

Long-Term Debt

At June 30, 2008, the District had \$9,880,500 in general obligation, revenue and other long-term debt outstanding. This represents an increase of 16.36% over last year (see Figure A-7). Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

In July 2007, the District's voters authorized the issuance of \$1,710,000 in local option sales and services tax revenue bonds to pay for construction and remodeling projects of the District.

Figure A-7

Outstanding Long-term Obligations

	Total		Total
	School District		Change
	<u>2008</u>	<u>2007</u>	<u>2007-</u> <u>2008</u>
General obligation bonds	\$ 8,085,000	\$ 8,400,000	-3.75%
Revenue bonds	1,710,000	-	100.00%
Early retirement	<u>85,500</u>	<u>91,403</u>	-6.46%
Total	<u>\$ 9,880,500</u>	<u>\$ 8,491,403</u>	16.36%

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:

- Enrollment must remain stable or increase. District funding is driven by enrollment; therefore future enrollment stability is a critical element in maintaining a sound financial foundation. The District anticipates a decline in K-12 enrollment and a greater number of open-enrolled out students than open-enrolled in students.
- The District negotiated a new agreement with the North Cedar Education Association (NCEA) for fiscal 2008. Settlements in excess of "new money" or allowable growth in state funding for Certified as well as Classified staff will have an adverse effect on the District's General budget and related fund balance.
- The District is currently undergoing construction projects at three sites. Due to increased construction costs, the District will need to allocate additional funds to complete the projects over the next two fiscal years.

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 Jean Esbaum, District Secretary/Treasurer and Business Manager, North Cedar Community School District, 400 Ball Street, Clarence, Iowa, 52216.

Basic Financial Statements

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

Exhibit A

	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>	<u>Component Unit</u>
Assets	<u>Activities</u>	<u>Activities</u>		<u>Foundation</u>
Cash and cash equivalents	\$ 2,979,715	\$ 7,496	\$ 2,987,211	\$ 94,782
Investments with fiscal agent	427,606	-	427,606	-
Investments	-	-	-	85,422
Receivables				
Property tax				
Delinquent	57,586	-	57,586	-
Succeeding year	3,673,421	-	3,673,421	-
Accounts receivable	142	-	142	-
Income surtaxes	311,579	-	311,579	-
Accrued interest receivable	857	-	857	-
Due from other governments	456,159	-	456,159	-
Due from other fund	29,699	-	29,699	-
Inventories	-	4,798	4,798	-
Non-depreciable capital assets	63,072	-	63,072	-
Capital assets, net of accumulated depreciation	<u>12,211,055</u>	<u>69,629</u>	<u>12,280,684</u>	-
Total assets	<u>20,210,891</u>	<u>81,923</u>	<u>20,292,814</u>	<u>180,204</u>
Liabilities				
Accounts payable	616,492	-	616,492	-
Salaries and benefits payable	21,074	2,904	23,978	-
Accrued interest payable	62,946	-	62,946	-
Due to other fund	-	29,699	29,699	-
Deferred revenue				
Succeeding year property tax	3,673,421	-	3,673,421	-
Other	1,603	3,882	5,485	-
Long-term liabilities				
Portion due within one year				
General obligation bonds payable	330,000	-	330,000	-
Revenue bonds payable	215,000	-	215,000	-
Early retirement payable	16,200	-	16,200	-
Portion due after one year				
General obligation bonds payable	7,755,000	-	7,755,000	-
Revenue bonds payable	1,495,000	-	1,495,000	-
Early retirement payable	69,300	-	69,300	-
Total liabilities	<u>14,256,036</u>	<u>36,485</u>	<u>14,292,521</u>	-
Net Assets				
Invested in capital assets, net of related debt	2,479,127	69,629	2,548,756	-
Restricted for				
Management levy	48,933	-	48,933	-
Physical plant and equipment levy	487,320	-	487,320	-
Other special revenue purposes	135,303	-	135,303	-
Capital projects	424,208	-	424,208	-
Scholarships	-	-	-	180,204
Unrestricted	<u>2,379,964</u>	<u>(24,191)</u>	<u>2,355,773</u>	-
Total net assets	<u>\$ 5,954,855</u>	<u>\$ 45,438</u>	<u>\$ 6,000,293</u>	<u>\$ 180,204</u>

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2008

Exhibit B

<u>Functions/Programs</u> Primary Government	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Component Unit		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total	Foundation
Governmental activities								
Instruction								
Regular instruction	\$ 3,623,200	\$ 336,113	\$ 492,766	\$ -	\$(2,794,321)	-	\$(2,794,321)	
Special instruction	1,259,144	264,930	185,428	-	(808,786)	-	(808,786)	
Other instruction	772,832	-	17,865	-	(754,967)	-	(754,967)	
	5,655,176	601,043	696,059	-	(4,358,074)	-	(4,358,074)	
Support services								
Student	158,852	-	-	-	(158,852)	-	(158,852)	
Instructional staff	87,360	-	-	-	(87,360)	-	(87,360)	
Administration	828,239	1,005	-	-	(827,234)	-	(827,234)	
Operation and maintenance of plant	821,106	-	-	-	(821,106)	-	(821,106)	
Transportation	430,031	-	-	-	(430,031)	-	(430,031)	
	2,325,588	1,005	-	-	(2,324,583)	-	(2,324,583)	
Non-instructional programs	347	6,645	-	-	6,298	-	6,298	
Other expenses								
Facilities acquisition	-	-	-	-	-	-	-	
Long-term debt interest	447,672	-	-	-	(447,672)	-	(447,672)	
AEA flowthrough	316,671	-	316,671	-	-	-	-	
Depreciation (unallocated) *	328,351	-	-	-	(328,351)	-	(328,351)	
	1,092,694	-	316,671	-	(776,023)	-	(776,023)	
Total governmental activities	9,073,805	608,693	1,012,730	-	(7,452,382)	-	(7,452,382)	

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2008

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Component Unit
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government	Total	Foundation
<u>Functions/Programs (continued)</u>						
Primary Government (continued)						
Business type activities						
Non-instructional programs						
Food service operations	\$ 441,171	\$ 148,013	\$ -	\$ (40,327)	\$ (40,327)	
Total primary government	<u>\$ 9,514,976</u>	<u>\$ 1,160,743</u>	<u>\$ -</u>	<u>(40,327)</u>	<u>(7,492,709)</u>	
Component Unit						
Foundation	<u>\$ 22,366</u>	<u>\$ -</u>	<u>\$ -</u>			<u>\$ (22,366)</u>
<u>General Revenues</u>						
Property tax levied for						
General purposes					3,109,354	
Debt service					658,394	
Capital outlay					340,624	
Local option sales and services tax					536,195	
Unrestricted state grants					3,776,098	
Contributions and donations					27,356	
Unrestricted investment earnings (loss)					158,099	19,157
Bond premium					1,632	(1,638)
Capital contributions					48,218	
Total general revenues and capital contributions	<u>8,607,752</u>			<u>48,218</u>	<u>8,656,394</u>	<u>17,519</u>
Change in net assets	1,155,370			8,315	1,163,685	(4,847)
Net assets, beginning of year, as corrected	4,799,485			37,123	4,836,608	185,051
Net assets, end of year	<u>\$ 5,954,855</u>			<u>\$ 45,438</u>	<u>\$ 6,000,293</u>	<u>\$ 180,204</u>

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

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2008

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
Assets					
Cash and pooled investments	\$1,774,258	\$ 22,856	\$ 2,021	\$ 825,197	\$2,624,332
Investments with fiscal agent	-	427,606	-	-	427,606
Receivables					
Property tax					
Delinquent	42,921	-	9,986	4,679	57,586
Succeeding year	2,701,217	-	660,203	312,001	3,673,421
Accounts receivable	142	-	-	-	142
Accrued interest	-	857	-	-	857
Income surtax	218,105	-	-	93,474	311,579
Due from other governments	233,844	222,279	25	11	456,159
Due from other funds	29,699	3,828	-	-	33,527
Total assets and other debits	<u>\$3,225,928</u>	<u>\$654,570</u>	<u>\$670,214</u>	<u>\$ 410,165</u>	<u>\$4,960,877</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 290,443	\$253,218	\$ -	\$ 72,831	\$ 616,492
Salaries and benefits payable	21,074	-	-	-	21,074
Due to other fund	-	-	3,828	-	3,828
Deferred revenue					
Succeeding year property tax	2,701,217	-	660,203	312,001	3,673,421
Income surtax	218,105	-	-	93,474	311,579
Other	1,603	-	-	-	1,603
Total liabilities	<u>3,232,442</u>	<u>253,218</u>	<u>664,031</u>	<u>478,306</u>	<u>4,627,997</u>
Fund balances					
Reserved for					
Debt service	-	-	8,204	-	8,204
Talented and Gifted program	68,806	-	-	-	68,806
Teacher Quality Professional Development	16,128	-	-	-	16,128
Market Factor	2,527	-	-	-	2,527
Unreserved					
Designated for					
Various programs	16,898	-	-	-	16,898
Playground equipment	-	-	-	5,246	5,246
Unreserved, governmental funds	1,663,385	424,208	-	-	2,087,593
Unreserved, special revenue funds	-	-	-	751,810	751,810
Total fund balances	<u>1,767,744</u>	<u>424,208</u>	<u>8,204</u>	<u>757,056</u>	<u>2,957,212</u>
Total liabilities and fund balances	<u>\$5,000,186</u>	<u>\$677,426</u>	<u>\$672,235</u>	<u>\$1,235,362</u>	<u>\$7,585,209</u>

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2008

Exhibit D

Total fund balances of governmental funds	\$2,957,212
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.	12,274,127
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	311,579
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.	(62,946)
The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets.	355,383
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(9,880,500)</u>
Net assets of governmental activities	<u><u>\$5,954,855</u></u>

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

Exhibit E

Revenues	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total</u>
Local sources					
Local tax	\$3,051,487	\$ 536,195	\$658,394	\$412,312	\$ 4,658,388
Tuition	387,240	-	-	-	387,240
Other	128,538	52,442	1,432	219,967	402,379
Intermediate sources	3,600	-	-	-	3,600
State sources	4,608,140	-	-	-	4,608,140
Federal sources	177,087	-	-	-	177,087
Total revenues	<u>8,356,092</u>	<u>588,637</u>	<u>659,826</u>	<u>632,279</u>	<u>10,236,834</u>
Expenditures					
Current					
Instruction					
Regular	3,713,291	-	-	30,874	3,744,165
Special	1,259,738	-	-	-	1,259,738
Other	612,742	-	-	159,213	771,955
	<u>5,585,771</u>	<u>-</u>	<u>-</u>	<u>190,087</u>	<u>5,775,858</u>
Support services					
Student	158,852	-	-	-	158,852
Instructional staff	70,706	-	-	-	70,706
Administration	849,237	-	-	3,251	852,488
Operation and maintenance of plant	700,672	-	-	134,431	835,103
Transportation	357,476	-	-	34,740	392,216
	<u>2,136,943</u>	<u>-</u>	<u>-</u>	<u>172,422</u>	<u>2,309,365</u>
Other expenditures					
Facilities acquisition	-	3,182,829	-	245,889	3,428,718
Long-term debt					
Principal	-	-	315,000	-	315,000
Interest and fiscal charges	-	32,745	380,514	-	413,259
AEA flowthrough	316,671	-	-	-	316,671
	<u>316,671</u>	<u>3,215,574</u>	<u>695,514</u>	<u>245,889</u>	<u>4,473,648</u>
Total expenditures	<u>8,039,385</u>	<u>3,215,574</u>	<u>695,514</u>	<u>608,398</u>	<u>12,558,871</u>

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 316,707	\$(2,626,937)	\$(35,688)	\$ 23,881	\$(2,322,037)
Other financing sources (uses)					
Bond premium	-	6,163	-	-	6,163
Proceeds from issuance of bonds	-	1,710,000	-	-	1,710,000
Interfund operating transfers in	-	-	36,963	-	36,963
Interfund operating transfers (out)	-	(36,963)	-	-	(36,963)
Total other financing sources	-	1,679,200	36,963	-	1,716,163
Excess revenues over expenditures	316,707	(947,737)	1,275	23,881	(605,874)
Fund balance, beginning of year, as corrected	<u>1,451,037</u>	<u>1,371,945</u>	<u>6,929</u>	<u>733,175</u>	<u>3,563,086</u>
Fund balance, end of year	<u>\$1,767,744</u>	<u>\$ 424,208</u>	<u>\$ 8,204</u>	<u>\$757,056</u>	<u>\$ 2,957,212</u>

See notes to financial statements.

NORTH CEDAR 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, 2008

Exhibit F

Net change in fund balances - total governmental funds \$ (605,874)
Amounts reported for governmental activities in the Statement of Activities
are different because:

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

Expenditures for capital assets	\$ 3,536,384	
Depreciation expense	(447,441)	3,088,943

Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds. (13,822)

The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 109,633

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Issued	\$ (1,710,000)	
Repaid	315,000	(1,395,000)

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 governmental funds, as follows:

Early retirement		5,903
------------------	--	-------

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. (34,413)

Change in net assets of governmental activities \$1,155,370

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2008

Exhibit G

	Business Type Activities Nonmajor Enterprise	Governmental Activity Internal Service
Assets		
Cash and pooled investments	\$ 7,496	\$355,383
Inventories	4,798	-
Capital assets, net of accumulated depreciation	69,629	-
Total assets	81,923	355,383
Liabilities		
Salaries and benefits payable	2,904	-
Deferred revenue	3,882	-
Due to other funds	29,699	-
Total liabilities	36,485	-
Net Assets		
Invested in capital assets	69,629	-
Unrestricted	(24,191)	355,383
Total net assets	\$ 45,438	\$355,383

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

Exhibit H

	<u>Business Type</u> <u>Activity</u>	<u>Governmental</u> <u>Activity</u>
	<u>Enterprise</u> <u>Fund</u>	<u>Internal</u> <u>Service</u> <u>Fund</u>
	<u>Nonmajor</u> <u>School</u> <u>Nutrition</u>	
Operating revenue		
Local sources		
Charges for service	\$252,831	\$ -
Employee contributions	-	761,224
Total operating revenue	<u>252,831</u>	<u>761,224</u>
Operating expenses		
Support services		
Business administration		
Salaries	6,741	-
Benefits	924	-
Purchased services	356	67,158
Operation and maintenance of plant		
Purchased services	7,569	-
Total support services	<u>15,590</u>	<u>67,158</u>
Non-instructional programs		
Food service operations		
Salaries and benefits	163,333	-
Benefits	55,305	-
Supplies	198,110	-
Depreciation	8,833	-
Other enterprise		
Benefits	-	572,415
Miscellaneous	-	13,520
Total non-instructional programs	<u>425,581</u>	<u>585,935</u>
Total operating expenses	<u>441,171</u>	<u>653,093</u>
Operating income (loss)	<u>(188,340)</u>	<u>108,131</u>
Non-operating revenues		
Interest income	424	1,502
State sources	4,942	-
Federal sources	143,071	-
Total non-operating revenues	<u>148,437</u>	<u>1,502</u>
Net income (loss) before capital contributions	<u>(39,903)</u>	<u>109,633</u>
Capital contributions	48,218	-
Net income	8,315	109,633
Net assets, beginning of year	37,123	245,750
Net assets, end of year	<u>\$ 45,438</u>	<u>\$ 355,383</u>

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

Exhibit I

	Business Type Activity	Governmental Activity
	Enterprise Fund	
	Nonmajor School Nutrition	Internal Service Fund
Cash flows from operating activities		
Cash received from sale of services	\$ 252,923	\$ -
Cash received from other operations	-	761,224
Cash payments to employees for services	(193,700)	-
Cash payments to suppliers for goods and services	(189,043)	(653,093)
Net cash provided by (used in) operating activities	(129,820)	108,131
Cash flows from non-capital financing activities		
State grants received	4,942	-
Federal grants received	125,143	-
Net cash provided by non-capital financing activities	130,085	-
Cash flows from capital and related financing activities		
Capital contributions	48,218	-
Acquisition of capital assets	(57,066)	-
Net cash used in capital and related financing activities	(8,848)	-
Cash flows from investing activities		
Interest on investments	424	1,502
Net increase (decrease) in cash and cash equivalents	(8,159)	109,633
Cash and cash equivalents, beginning of year	15,655	245,750
Cash and cash equivalents, end of year	\$ 7,496	\$355,383
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$(188,340)	\$ 108,131
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	8,833	-
Commodities used	17,928	-
Decrease in inventory	(936)	-
Increase in due to other funds	29,699	-
Increase in deferred revenue	92	-
Increase in accrued salaries and benefits	2,904	-
Net cash provided by (used in) operating activities	\$(129,820)	\$ 108,131
Non-cash investing, capital and financing activities		

During the year ended June 30, 2008, the District received \$17,928 of federal commodities.

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2008

Exhibit J

	Private Purpose Trust <u>Scholarships</u>
Assets	
Cash and pooled investments	\$111,206
Liabilities	<u> -</u>
Net assets	
Reserved for scholarships	<u><u>\$111,206</u></u>

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2008

Exhibit K

	<u>Private Purpose Trust Scholarships</u>
Additions	
Local sources	
Gifts and contributions	\$ 9,861
Deductions	
Non-instructional programs	
Scholarships	<u>1,500</u>
Change in net assets	8,361
Net assets, beginning of year	<u>102,845</u>
Net assets, end of year	<u>\$111,206</u>

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

Note 1. Summary of Significant Accounting Policies

The North Cedar 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 Cities of Mechanicsville, Stanwood, Clarence and Lowden, Iowa, and the agricultural territory in Cedar and Jones 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 Cedar 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. North Cedar Community School District has one component unit which meets the Governmental Accounting Standards Board criteria.

These financial statements present the North Cedar Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit

The North Cedar Community School District Foundation was created to raise money through contributions and fundraisers to benefit the District. The Foundation is a separate legal entity with its own accounting records and board of trustees. The Foundation does not produce separately prepared financial statements. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation is accounted for as a Governmental Fund in these financial statements. The Foundation financial statements are shown in the Statement of Net Assets and the Statement of Activities in separate columns. As explained in the Independent Auditor's opinion, the Foundation financial statements have not been audited.

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 funds:

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

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

The District reports the following nonmajor funds:

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 Internal Service Fund is utilized to account for employee flexible benefits and medical insurance plans.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund consists of the following:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims, judgments and early retirement 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 funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

Property Tax Receivable - Property tax in 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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

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 expenditures for hours worked by non-certified employees in June 2008, but not paid until July 2008, have been accrued as liabilities.

Early Retirement Termination Benefits - 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, 2008. 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 income surtaxes not collected within sixty days after year end. Deferred revenue in the enterprise funds consists of monies collected for lunches that have not yet been served as of June 30, 2008.

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 and the unearned revenue for monies collected for lunches that have not yet been served.

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 Balance - 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.

Net Assets - Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consist of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$536,253 of restricted net assets which is restricted by enabling legislation.

E. Budgeting and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 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, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 2,407,780

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

At June 30, 2008, the District also had \$427,606 invested with Bankers Trust Company, which was invested in the Goldman Sachs Financial Square Treasury Obligations Fund. These investments are valued at fair market value.

Credit Risk. This is the risk that a security's credit rating will be downgraded or that the issuer of a security or a guarantor will default (fail to make scheduled interest and principal payments or fail to fulfill its promise to repurchase securities). The investments in the Goldman Sachs Financial Square Treasury Obligations Fund were rated Aaa by Moody's Investor Service. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investor's Service. The District places no limit on the amount that may be invested in any one issuer. The investments in the Goldman Sachs Financial Square Treasury Obligations Fund and the Iowa Schools Joint Investment Trust accounted for 15% and 85%, respectively, of the District's total investments.

Component Unit Investments - The Foundation had investments in mutual funds as follows:

Mutual funds \$85,422

Note 3. Due From and Due To Other Funds

Details of interfund receivables and payables at June 30, 2008 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Non-major enterprise	
	School Nutrition	\$ 29,699
Capital Projects	Debt Service	<u>3,828</u>
Totals		<u>\$ 33,527</u>

The School Nutrition Fund owes General Fund for salaries and benefits paid for by the General Fund during the year ended June 30, 2008. The Debt Service Fund had a negative cash balance at June 30, 2008. Since Debt Service Fund monies are pooled with the Capital Projects Fund, this negative cash balance is reported as interfund receivable/payable at June 30, 2008.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 36,963

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer from the Capital Projects Fund to the Debt Service Fund were for fees and interest payments on debt.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 63,072	\$ -	\$ -	\$ 63,072
Construction in progress	<u>7,389,500</u>	<u>3,044,146</u>	<u>(10,433,646)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>7,452,572</u>	<u>3,044,146</u>	<u>(10,433,646)</u>	<u>63,072</u>
Capital assets being depreciated:				
Buildings and improvements	3,946,671	10,433,646	-	14,380,317
Improvements other than buildings	377,214	-	-	377,214
Furniture and equipment	<u>1,634,470</u>	<u>492,238</u>	<u>(57,417)</u>	<u>2,069,291</u>
Total capital assets being depreciated	<u>5,958,355</u>	<u>10,925,884</u>	<u>(57,417)</u>	<u>16,826,822</u>
Less accumulated depreciation for:				
Buildings and improvements	2,734,859	286,529	-	3,021,388
Improvements other than buildings	334,048	7,764	-	341,812
Furniture and equipment	<u>1,156,836</u>	<u>153,148</u>	<u>(57,417)</u>	<u>1,252,567</u>
Total accumulated depreciation	<u>4,225,743</u>	<u>447,441</u>	<u>(57,417)</u>	<u>4,615,767</u>
Total capital assets being depreciated, net	<u>1,732,612</u>	<u>10,478,443</u>	<u>-</u>	<u>12,211,055</u>
Governmental activities capital assets, net	<u>\$ 9,185,184</u>	<u>\$ 13,522,589</u>	<u>\$(10,433,646)</u>	<u>\$ 12,274,127</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 135,309	\$ 58,147	\$ (8,000)	\$ 185,456
Less accumulated depreciation	<u>113,913</u>	<u>8,833</u>	<u>(6,919)</u>	<u>115,827</u>
Business type activities capital assets, net	<u>\$ 21,396</u>	<u>\$ 49,314</u>	<u>\$ (1,081)</u>	<u>\$ 69,629</u>

Depreciation expense was charged to the following functions:

Governmental activities		
Instruction		
Regular		\$ 2,653
Special		2,442
Other		877
Support services		
Instructional staff		16,654
Administration		13,118
Operation and maintenance of plant		10,444
Transportation		72,555
Non-instructional programs		347
Unallocated depreciation		<u>328,351</u>
Total governmental activities depreciation expense		<u>\$ 447,441</u>
Business type activities		
Food services		<u>\$ 8,833</u>

Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 8,400,000	\$ -	\$ 315,000	\$ 8,085,000	\$ 330,000
Revenue bonds	-	1,710,000	-	1,710,000	215,000
Early retirement	<u>91,403</u>	<u>19,600</u>	<u>25,503</u>	<u>85,500</u>	<u>16,200</u>
Totals	<u>\$ 8,491,403</u>	<u>\$ 1,729,600</u>	<u>\$ 340,503</u>	<u>\$ 9,880,500</u>	<u>\$ 561,200</u>

Interest costs incurred and charged to expense on all long-term debt was \$447,672 for the year ended June 30, 2008. During the year ended June 30, 2008, the District made principal payments on total long-term debt of \$315,000.

Early Retirement Termination Benefit

The District offers a voluntary early retirement plan to its certified employees. An employee is deemed to be eligible for this program when they have completed at least fifteen years of contract service as a full-time certificated employee with the North Cedar Community School District by June 30 of the current fiscal year and will have attained at least fifty-six years of age on or before June 30 of the current fiscal year. An employee will be deemed to be in their first year of eligibility during the fiscal year in which they meet both longevity and age criteria for the first time.

The early retirement pay for each eligible full-time certified staff member, as defined by the Master Contract or individual contract, shall be calculated based on the current salary schedule, excluding any extra-curricular, Phase II and Phase III monies. An eligible employee, upon early retirement, shall receive an early retirement benefit representing eighty-one days' pay subject to a pro-ration formula.

Additionally, an eligible employee may receive additional per diem pay for unused/accumulated sick leave based on a pro-ration formula. This separation pay shall be made in three equal payments made on July 15th of the three years following early retirement; one third in July of the retirement year, one third in July of the second year and one third in July of the third year.

At June 30, 2008 the District had obligations to four former employees for a total of \$85,500.

General Obligation Bonds

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 1, 2005			
	Interest Rates	Principal	Interest	Total
2009	4.00%	\$ 330,000	\$ 329,802	\$ 659,802
2010	4.00%	345,000	316,602	661,602
2011	4.00%	360,000	302,802	662,802
2012	4.00%	380,000	288,402	668,402
2013	4.00%	395,000	273,202	668,202
2014-2018	4.00%	2,240,000	1,115,210	3,355,210
2019-2023	4.00% -4.20%	2,755,000	625,462	3,380,462
2024-2025	4.25%-4.3 %	1,280,000	82,894	1,362,894
Totals		<u>\$ 8,085,000</u>	<u>\$ 3,334,376</u>	<u>\$ 11,419,376</u>

Revenue Bonds

Details of the District’s June 30, 2008 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of July 1, 2007			
	Interest Rates	Principal	Interest	Total
2009	4.00%	\$ 215,000	\$ 66,625	\$ 281,625
2010	4.00%	225,000	57,825	282,825
2011	4.00%	230,000	48,725	278,725
2012	4.10%	240,000	39,205	279,205
2013	4.20%	255,000	28,930	283,930
2014-2015	4.3%-4.35%	<u>545,000</u>	<u>23,967</u>	<u>568,967</u>
	4.00			
Totals		<u>\$ 1,710,000</u>	<u>\$ 265,277</u>	<u>\$ 1,975,277</u>

The District has pledged future local option sales and services tax revenues to repay the \$1,710,000 bonds issued July 1, 2007. The bonds were issued for the purpose of financing a portion of a school remodeling and construction project. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$1,710,000 at June 30, 2008. For the current year, no principal was paid on the bonds; however, \$35,462 of interest was paid on the revenue bonds. Total local option sales and services tax revenues were \$536,195 for the year ended June 30, 2008.

The resolution providing for the issuance of the local option sales and service tax revenue bonds includes the following provisions:

- a) \$171,000 of the proceeds from the issuance of the revenue bonds shall be deposited into a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in the Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Note 7. Pension and Retirement Benefits

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

Plan members were required to contribute 3.90% of their annual covered salary and the District was required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Plan members were required to contribute 3.70% of their annual covered salary and the District was required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$283,987, \$257,609 and \$240,657 respectively, equal to the required contributions for each year.

Note 8. Risk Management

The District has a self-funded health insurance plan for its employees. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess \$15,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in any of the past three calendar years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current claims and to establish a reserve for catastrophic losses. That reserve was \$49,304 at October 31, 2007, the last date for which information is available. There was no liability for incurred and unrecorded claims reported in the plan at June 30, 2008.

The change in the incurred but not reported and unpaid claims liability for the year ended June 30, 2008 is as follows:

Balance, beginning of year	\$ -
Incurred claims and claim adjustments	36,092
Payment of claims	<u>(36,092)</u>
Balance, end of year	<u>\$ -</u>

In addition, 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 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$316,671 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2008, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 11. Correction of Beginning Balance

An error relating to the fiscal year 2007 income surtax was discovered during the year ended June 30, 2008. Subsequently, the beginning fund balance of the General Fund was increased by \$228,402 and the beginning fund balance of the Physical Plant and Equipment Levy Fund was decreased by \$228,402.

An error relating to capital assets was discovered during the year ended June 30, 2008. Subsequently, the beginning net assets of the governmental activities were increased by \$669,837 for the year ended June 30, 2008.

Required Supplementary Information

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual
 All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 For the Year Ended June 30, 2008

	Governmental Funds		Enterprise Fund		Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual		Actual			Original	Final	
Revenues								
Local sources	\$5,448,007		\$253,255		\$5,701,262	\$ 5,394,158	\$ 5,394,158	\$ 307,104
Intermediate sources	3,600		-		3,600	100	100	3,500
State sources	4,608,140		4,942		4,613,082	4,866,023	4,866,023	(252,941)
Federal sources	177,087		143,071		320,158	350,000	350,000	(29,842)
Total revenues	<u>10,236,834</u>		<u>401,268</u>		<u>10,638,102</u>	<u>10,610,281</u>	<u>10,610,281</u>	<u>27,821</u>
Expenditures/Expenses								
Instruction	5,775,858		-		5,775,858	6,774,193	6,974,193	1,198,335
Support services	2,309,365		15,590		2,324,955	2,884,000	2,984,000	659,045
Non-instructional programs	-		425,581		425,581	445,000	445,000	19,419
Other expenditures	4,473,648		-		4,473,648	4,984,482	5,084,482	610,834
Total expenditures/expenses	<u>12,558,871</u>		<u>441,171</u>		<u>13,000,042</u>	<u>15,087,675</u>	<u>15,487,675</u>	<u>2,487,633</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	<u>(2,322,037)</u>		<u>(39,903)</u>		<u>(2,361,940)</u>	<u>(4,477,394)</u>	<u>(4,877,394)</u>	<u>2,515,454</u>
Net other financing sources (uses)	<u>1,716,163</u>		<u>48,218</u>		<u>1,764,381</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>2,164,381</u>
Excess revenues over expenditures	<u>(605,874)</u>		<u>8,315</u>		<u>(597,559)</u>	<u>(4,877,394)</u>	<u>(5,277,394)</u>	<u>4,679,835</u>
Balance, beginning of year, as corrected	<u>3,563,086</u>		<u>37,123</u>		<u>3,600,209</u>	<u>5,280,241</u>	<u>5,280,241</u>	<u>(1,680,032)</u>
Balance, end of year	<u>\$2,957,212</u>		<u>\$ 45,438</u>		<u>\$3,002,650</u>	<u>\$ 402,847</u>	<u>\$ 2,847</u>	<u>\$2,999,803</u>

See accompanying Independent Auditor's Report.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2008

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 and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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 adopted one budget amendment increasing budgeted expenditures by \$400,000.

Other Supplementary Information

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2008

Schedule 1

	Management <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$131,900	\$135,303	\$557,994	\$ 825,197
Receivables				
Property tax				
Delinquent	2,527	-	2,152	4,679
Succeeding year	174,999	-	137,002	312,001
Income surtaxes	-	-	93,474	93,474
Due from other governments	6	-	5	11
Total assets	<u>\$309,432</u>	<u>\$135,303</u>	<u>\$790,627</u>	<u>\$1,235,362</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 72,831	\$ 72,831
Deferred revenue				
Succeeding year property tax	174,999	-	137,002	312,001
Income surtaxes	-	-	93,474	93,474
Total liabilities	<u>174,999</u>	<u>-</u>	<u>303,307</u>	<u>478,306</u>
Fund balances				
Unreserved fund balances				
Designated for playground equipment	-	-	5,246	5,246
Undesignated	134,433	135,303	482,074	751,810
Total fund balances	<u>134,433</u>	<u>135,303</u>	<u>487,320</u>	<u>757,056</u>
Total liabilities and fund balances	<u>\$309,432</u>	<u>\$135,303</u>	<u>\$790,627</u>	<u>\$1,235,362</u>

See accompanying Independent Auditor's Report.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2008

Schedule 2

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues				
Local sources				
Local taxes	\$165,163	\$ -	\$247,149	\$412,312
Other	56	175,350	44,561	219,967
Total revenues	<u>165,219</u>	<u>175,350</u>	<u>291,710</u>	<u>632,279</u>
 Expenditures				
Current				
Instruction				
Regular	30,874	-	-	30,874
Other	-	159,213	-	159,213
Total instruction	<u>30,874</u>	<u>159,213</u>	<u>-</u>	<u>190,087</u>
Support services				
Administration	3,251	-	-	3,251
Operation and maintenance of plant	105,635	-	28,796	134,431
Transportation	-	-	34,740	34,740
Total support services	<u>108,886</u>	<u>-</u>	<u>63,536</u>	<u>172,422</u>
Other expenditures				
Facilities acquisition	-	-	245,889	245,889
Total expenditures	<u>139,760</u>	<u>159,213</u>	<u>309,425</u>	<u>608,398</u>
 Excess (deficiency) of revenues over (under) expenditures	25,459	16,137	(17,715)	23,881
Fund balances, beginning of year, as corrected	<u>108,974</u>	<u>119,166</u>	<u>505,035</u>	<u>733,175</u>
 Fund balances, end of year	<u>\$134,433</u>	<u>\$135,303</u>	<u>\$487,320</u>	<u>\$757,056</u>

See accompanying Independent Auditor's Report.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 For the Year Ended June 30, 2008

Schedule 3

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of Year
District-wide				
Interest	\$ 3,451	\$ 1,848	\$ 697	\$ 4,602
Elementary				
Student productions	13,084	2,459	2,532	13,011
Pop sales	5,197	2,572	2,963	4,806
Middle school				
Publications	4,979	8,828	9,133	4,674
Pop sales	1,496	4,372	3,879	1,989
Student clubs	3,337	11,526	5,962	8,901
Cheerleading	463	-	-	463
Student council	2,225	-	892	1,333
Health education	150	-	-	150
Trail blazers	4,845	712	289	5,268
EPA grant	1,311	-	-	1,311
High school				
Student clubs	1,267	39,274	33,686	6,855
Drama/speech	868	5,022	3,791	2,099
Vocal	1,481	5,587	3,723	3,345
Instrumental	5,118	3,901	3,901	5,118
Cross country	1,923	510	1,217	1,216
Basketball	5,829	8,267	7,985	6,111
Rigby athletic fund	1,266	2,073	2,293	1,046
Volleyball	2,641	3,741	4,976	1,406
Football	6,641	11,357	6,304	11,694
Baseball/softball	5,072	3,490	5,409	3,153
Track	983	2,083	2,504	562
Golf	147	22	-	169
Wrestling	3,783	4,545	5,364	2,964
Cheerleading	3,118	740	2,773	1,085
FFA	1,202	-	-	1,202
National Honor Society	491	427	845	73
Peer counselors	88	-	-	88
Student council	1,454	5,315	4,659	2,110
Alumni	4,912	200	47	5,065

See accompanying Independent Auditor's Report.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 For the Year Ended June 30, 2008

Schedule 3

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of Year
High school (continued)				
Publications	\$ 2,552	\$ 22,036	\$ 18,823	\$ 5,765
Canteen	3,068	303	962	2,409
Pop sales	3,573	2,717	2,037	4,253
Athletic pop	4,456	4,573	8,390	639
Math club	85	494	269	310
Class of				
2008	2,381	1,564	3,945	-
2009	3,631	5,055	5,619	3,067
2010	4,994	890	6	5,878
2011	2,272	125	202	2,195
2012	1,328	162	-	1,490
2013	834	582	-	1,416
2014	-	1,747	-	1,747
2015	-	744	-	744
Business club	-	5,376	3,031	2,345
Spanish club	1,170	111	105	1,176
	<u>1,170</u>	<u>111</u>	<u>105</u>	<u>1,176</u>
Totals	<u>\$ 132,213</u>	<u>\$ 175,350</u>	<u>\$ 159,213</u>	<u>\$ 135,303</u>

See accompanying Independent Auditor's Report.

NORTH CEDAR 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>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues				
Local sources				
Local tax	\$ 4,658,388	\$ 4,143,199	\$ 3,401,906	\$ 3,106,785
Tuition	387,240	316,302	244,152	194,874
Other	402,379	622,830	567,369	184,044
Intermediate sources	3,600	-	-	-
State sources	4,608,140	4,470,751	4,325,048	3,946,757
Federal sources	177,087	202,397	203,813	187,672
Total revenues	<u>\$10,236,834</u>	<u>\$ 9,755,479</u>	<u>\$ 8,742,288</u>	<u>\$ 7,620,132</u>
Expenditures				
Current				
Instruction				
Regular	\$ 3,744,165	\$ 3,429,668	\$ 3,173,137	\$ 3,184,214
Special	1,259,738	1,181,217	1,089,512	962,134
Other	771,955	839,603	799,141	885,192
Support services				
Student	158,852	141,787	138,542	132,330
Instructional staff	70,706	84,487	94,777	58,408
Administration	852,488	814,706	804,765	734,989
Operation and maintenance of plant	835,103	722,218	657,080	601,210
Transportation	392,216	376,169	345,569	301,780
Non-instructional programs	-	-	-	5,471
Other expenditures				
Facilities acquisition	3,428,718	8,058,800	1,145,123	131,472
Long-term debt				
Principal	315,000	305,000	285,000	-
Interest and other charges	413,259	355,003	365,940	-
AEA flowthrough	316,671	310,823	294,949	279,970
Total expenditures	<u>\$12,558,871</u>	<u>\$16,619,481</u>	<u>\$ 9,193,535</u>	<u>\$ 7,277,170</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 Cedar 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 Cedar Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 19, 2009. I did not issue an opinion on the North Cedar Community School District Foundation, which is included in the District's financial statements as a discretely presented component unit, because I was not engaged to and did not audit the Foundation. Except as discussed in the preceding sentence, 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 Cedar Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of North Cedar Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of North Cedar Community School District's internal control over financial reporting.

My 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, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies, including deficiencies I 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 Cedar

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 Cedar Community School District's financial statements that is more than inconsequential will not be prevented or detected by North Cedar Community School District's internal control. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings 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 Cedar Community School District's internal control.

My 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, I believe items A, B and C are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Cedar 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.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 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.

North Cedar Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit North Cedar Community School District's responses and, accordingly, I 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 Cedar Community School District and other parties to whom North Cedar Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the North Cedar 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

Kay L. Chapman, CPA PC
February 19, 2009

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2008

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

SIGNIFICANT DEFICIENCIES

- 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. I noted that the same individual performed the following duties: 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.

- 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 prepare the District's financial statements and related note disclosures in compliance with generally accepted accounting principles (GAAP). This is not an unusual situation for small governmental entities.

Recommendation - The business manager should consider obtaining additional GAAP training through reading relevant accounting literature and/or attending professional education courses. Since GAAP reporting and disclosures change constantly, the business manager should consider taking training annually to stay up-to-date on GAAP reporting and disclosure requirements. The District should also obtain current governmental accounting, reporting and disclosure reference materials and update them as new pronouncements become effective.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2008

Response - We believe that the business manager has sufficient knowledge to perform her daily duties and take responsibility for the annual financial statements and footnote disclosure in compliance with GAAP, as prepared by the auditor. We certainly understand the need for continuing education classes for all of our staff, including the business manager. However, we have a limited budget and must continually prioritize needs. We will investigate alternatives, but believe that it would not be an efficient use of District funds to get and maintain the necessary training for the business manager to comply with this recommendation. Nor do we consider hiring additional staff possessing these skills to be a feasible option.

Conclusion - Response accepted.

- C. Material Misstatement not Detected - During the course of my audit, I discovered material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The CAR contained incorrect amounts for succeeding year property taxes and omitted the retainage payable on construction contracts. These misstatements were subsequently corrected before the final CAR was filed with the Iowa Department of Education.

Recommendation - An effective system of internal control should detect material misstatements in the District's financial records and financial reporting. The District should review their control procedures and make appropriate changes to improve their internal controls to help eliminate this deficiency.

Response - We feel that our business manager has the knowledge needed to adequately perform her duties. The superintendent reviews some, but not all of the work performed and reports prepared by the business manager. We would like to hire additional office personnel to help with the business manager's workload and to provide some oversight and cross-checking of her work. However, with a limited budget, it is difficult to hire enough adequately-trained office personnel to review each other's work. We will review our procedures and consider making changes we deem necessary.

Conclusion - Response accepted.

- D. Signature Pre-printed on Checks - I noted that the District began printing checks bearing pre-printed signatures of the Board President and Board Secretary. Since the Board Secretary enters the check information into the computer system and is authorized to print the checks, this procedure negates the internal control developed by the requirement for checks to bear dual signatures.

Recommendation - I recommend that the use of the pre-printed signatures be discontinued or that procedures be altered so that the involvement of two individuals is required to issue a check. For instance, one individual could be authorized to enter and

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2008

prepare the check in the accounting system and another individual be authorized to print the check.

Response - We will investigate alternatives to current procedures to provide adequate controls over the issuance of checks.

Conclusion - Response accepted.

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2008 did not exceed the amounts budgeted.
2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. 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.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. 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.
6. Board Minutes - I noted no transactions requiring Board approval, which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. 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.
9. 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 CEDAR COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2008

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant