

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

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Independent Auditor's Report

To the Board of Education of  
North Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Central Community School District, Manly, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Central Community School District at June 30, 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, we have also issued our report dated March 27, 2009, on our consideration of North Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 39 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Central Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

March 27, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

North Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$4,397,813 in fiscal 2007 to \$4,721,416 in fiscal 2008, while General Fund expenditures increased from \$4,496,282 in fiscal 2007 to \$5,146,957 in fiscal 2008. The District's General Fund balance decreased from \$390,202 in fiscal 2007 to \$(35,339) in fiscal 2008.
- 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 and restricted grant expenditures and the recent formation of a whole grade sharing agreement with Nora Springs – Rock Falls CSD. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2008. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

### USING THIS ANNUAL REPORT

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

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

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

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

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

Figure A-1  
North Central Community School District Annual Financial Report

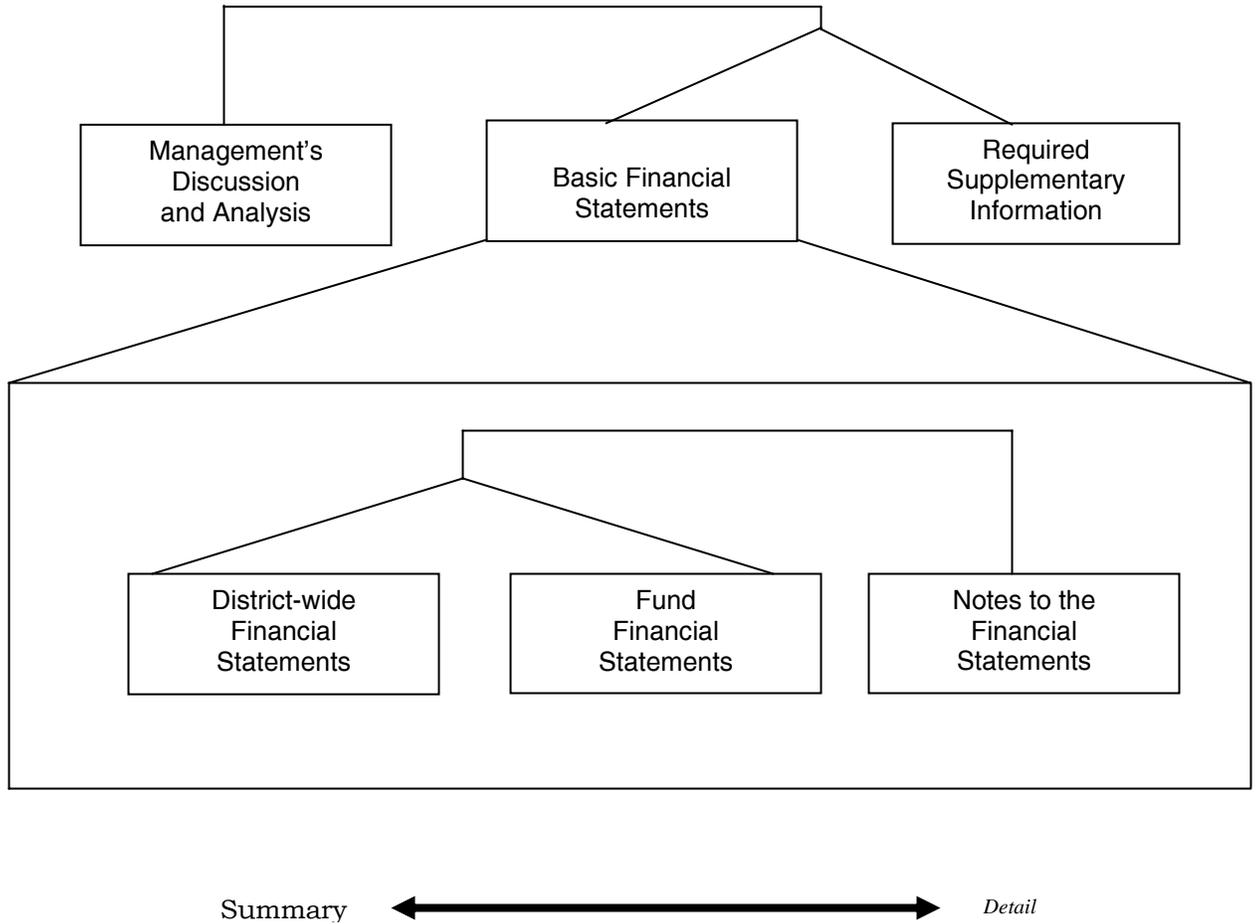


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way

to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District current has one internal service fund used to account for the District's employee flexible benefit plan.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

## Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2007-2008
	Governmental Activities		Business-type Activities		Total School District		
	2007	2008	2007	2008	2007	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	3,275,342	3,591,436	40,940	38,721	3,316,282	3,630,157	9%
Capital assets	4,602,943	4,799,948	10,236	7,902	4,613,179	4,807,850	4%
<b>Total assets</b>	<b>7,878,285</b>	<b>8,391,384</b>	<b>51,176</b>	<b>46,623</b>	<b>7,929,461</b>	<b>8,438,007</b>	<b>6%</b>
Long-term liabilities	2,980,950	2,665,000			2,980,950	2,665,000	-11%
Other liabilities	2,139,381	2,894,517	1,597	2,111	2,140,978	2,896,628	35%
<b>Total liabilities</b>	<b>5,120,331</b>	<b>5,559,517</b>	<b>1,597</b>	<b>2,111</b>	<b>5,121,928</b>	<b>5,561,628</b>	<b>9%</b>
Net Assets:							
Invested in capital assets, net of related debt	1,652,943	2,134,948	10,236	7,902	1,663,179	2,142,850	29%
Restricted	591,775	611,872	0	0	591,775	611,872	3%
Unrestricted	513,236	85,047	39,343	36,610	552,579	121,657	-78%
<b>TOTAL NET ASSETS</b>	<b>2,757,954</b>	<b>2,831,867</b>	<b>49,579</b>	<b>44,512</b>	<b>2,807,533</b>	<b>2,876,379</b>	<b>2%</b>

The District's combined total net assets increased by \$68,846 or approximately 2% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$20,097 or 3% over the prior year. The increase was primarily a result of revenue from the local option sales tax and the increased debt service and management fund balances.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$430,922 or approximately -78%

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

Figure A-4

	Change in Net Assets						Percentage Change 2007-2008
	Governmental Activities		Business-type Activities		Total School District		
	2008	2007	2008	2007	2008	2007	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	509,039	465,018	134,782	141,544	643,821	606,562	6%
Operating grants, contributions & restricted interest	629,043	566,695	100,625	133,517	729,648	700,212	4%
Capital grants, contributions & restricted interest	7,500	12,358	0	0	7,500	12,358	-39%
General Revenues:							
Property taxes	1,976,351	1,895,120	0	0	1,976,351	1,895,120	4%
Income Surtax	131,712	105,399	0	0	131,712	105,399	20%
Local option sales tax	374,709	376,827	0	0	374,709	376,827	-1%
Unrestricted state grants	2,245,249	2,034,892	0	0	2,245,249	2,034,892	10%
Unrestricted investment earnings	15,322	22,281	125	192	15,447	22,473	-31%
Other revenue	35,642	119,629	0	0	35,642	119,629	-70%
<b>Total Revenues</b>	<b>5,924,597</b>	<b>5,598,219</b>	<b>235,532</b>	<b>275,253</b>	<b>6,160,079</b>	<b>5,873,472</b>	<b>5%</b>
Expenses:							
Instruction	3,680,226	3,138,231	0	0	3,680,226	3,138,231	17%
Support services	1,589,444	1,404,451	0	0	1,589,444	1,404,451	13%
Non-instructional programs	0	0	240,599	278,020	240,599	278,020	-13%
Other expenditures	580,964	823,106	0	0	580,964	823,106	-29%
<b>Total expenses</b>	<b>5,850,634</b>	<b>5,365,788</b>	<b>240,599</b>	<b>278,020</b>	<b>6,091,233</b>	<b>5,643,808</b>	<b>8%</b>
<b>CHANGE IN NET ASSETS</b>	<b>73,913</b>	<b>232,431</b>	<b>(5,067)</b>	<b>(2,767)</b>	<b>68,846</b>	<b>229,664</b>	<b>-71%</b>
Net assets beginning of year	2,757,954	2,525,523	49,579	52,346	2,807,533	2,577,869	9%
Net assets end of year	2,831,867	2,757,954	44,512	49,579	2,876,379	2,807,533	2%

Property tax and unrestricted state grants account for \$4,221,600 of the total revenue. The District's expenses primarily relate to instruction and support services, which account for \$5,269,670 of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$5,924,547 and expenses were \$5,850,634.

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.

	Total Cost of Services			Net Cost of Services		
	2007	2008	Change 2007- 2008	2007	2008	Change 2007- 2008
	\$	\$		\$	\$	
Instruction	3,138,231	3,680,226	17%	2,374,090	2,741,440	15%
Support Services	1,404,451	1,589,444	13%	1,370,555	1,582,028	15%
Other Expenses	823,106	580,964	-29%	577,072	381,604	-34%
<b>TOTAL</b>	<b>5,365,788</b>	<b>5,850,634</b>	<b>9%</b>	<b>4,321,717</b>	<b>4,705,072</b>	<b>9%</b>

- The cost financed by users of the District's programs was \$509,039. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$636,523.
- The net cost of governmental activities was financed with \$2,482,772 in property and local other taxes and \$2,245,249 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$235,532 and expenses were \$240,599. 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.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$589,867.00, a considerable decrease from last years ending fund balance of \$1,037,844.00. However, the primary reason for the decrease in combined fund balances in fiscal 2008 is due to employee related costs and the whole grade sharing agreement.

### Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$390,202.00 to \$(35,339.00), due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PEEL) Fund balance decreased from \$124,903 in fiscal 2007 to \$18,514 in fiscal 2008.

- The Capital Projects Fund balance decreased from \$288,385 in 2007 to \$288,385 in 2008. The decrease in funds is a direct result of ongoing construction projects in the district.

### Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$49,579 at June 30, 2007 to \$44,512 at June 30, 2008, representing an increase of approximately 10%. The goal of the School Nutrition Fund is to break even or to show a small profit to be used for future kitchen equipment purchases. Expenses for food and labor were down in fiscal year 2008, but not enough to offset decreases in revenues.

### BUDGETARY HIGHLIGHTS

The District's receipts were \$6,149,690. \$202,494 more than the budgeted receipts, a variance of 3%. The most significant variance resulted from the District receiving more in state and federal sources than originally anticipated.

Total expenditures were \$6,604,184. \$266,221 more than budgeted, a variance of 4%. The certified budget was exceeded in the instruction and support services functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget and due to unexpected costs associated with the first year of a whole-grade sharing arrangement.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had invested \$4,807,850, 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 decrease of 4% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2008 compared to \$44,972 reported at June 30, 2007. During 2008 the District completed a \$253,000 science room construction project, spent \$76,000 on roofing projects and purchased two buses for \$111,000.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2007-2008
	Activities		Activities		School District		
	2007	2008	2007	2008	2007	2008	
	\$	\$	\$	\$	\$	\$	
Land	45,500	45,500	0	0	45,500	45,500	0%
Construction in progress	44,972	0	0	0	44,972	0	-100%
Buildings	3,849,712	3,964,852	0	0	3,849,712	3,964,852	3%
Improvements	513,013	504,986	0	0	513,013	504,986	-2%
Equipment & Furniture	149,746	284,610	10,236	7,902	159,982	292,512	83%
<b>TOTAL</b>	<b>4,602,943</b>	<b>4,799,948</b>	<b>10,236</b>	<b>7,902</b>	<b>4,613,179</b>	<b>4,807,850</b>	<b>4%</b>

**Long-Term Debt**

At June 30, 2008 the District had \$2,665,000 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 11% from last year. (See Figure A-7) Additional information about the District’s long-term debt is presented in Note 7 to the financial statements.

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

	<b>Total School District</b>		<b>Percentage</b>
	<b>2007</b>	<b>2008</b>	<b>Change</b>
			<b>2007-2008</b>
	\$	\$	
General Obligation Bonds	2,425,000	2,205,000	-9%
Local Option Sales and Services			
Tax Revenue Bonds	525,000	460,000	-12%
Early Retirement	30,950	0	-100%
	<u>2,980,950</u>	<u>2,665,000</u>	<u>-11%</u>

**ECONOMIC FACTORS BEARING ON THE DISTRICT’S FUTURE**

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

- School financing is highly dependent upon student enrollment. The District’s October 2008 enrollment decreased by 3.5 students. This drop in enrollment will decrease the District’s funding for fiscal year 2010.
- Although the District has experienced declining enrollment for the past three years, the District expects a slight increase in future enrollment due to a new housing development in progress within the District.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be replaced during fiscal 2009 at a cost of \$111,000. To pay for these buses, the District will use a combination of resources from the General Fund and the Physical Plant and Equipment Levy Fund.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District’s citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bruce A. Burton, Superintendent, North Central Community School District, 105 S East St. Manly, Iowa, 50456.

## BASIC FINANCIAL STATEMENTS

## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	683,294	-	683,294
Other	361,177	21,651	382,828
Cash with fiscal agent	133,790	-	133,790
Receivables:			
Property tax:			
Delinquent	59,653	-	59,653
Succeeding year	2,046,055	-	2,046,055
Accounts	-	210	210
Accrued interest:			
ISCAP	3,920	-	3,920
Due from other governments	287,872	322	288,194
Inventories	-	16,538	16,538
Unamortized bond issue costs	15,675	-	15,675
Capital assets, net of accumulated depreciation	4,799,948	7,902	4,807,850
	<u>8,391,384</u>	<u>46,623</u>	<u>8,438,007</u>
<b>Liabilities</b>			
Warrants issued in excess of bank balance	22,897	-	22,897
Accounts payable	108,409	-	108,409
Salaries and benefits payable	2,258	-	2,258
Accrued interest payable	22,961	-	22,961
Deferred revenue:			
Succeeding year property tax	2,046,055	-	2,046,055
Other	-	2,111	2,111
ISCAP warrants payable	679,000	-	679,000
ISCAP accrued interest payable	4,253	-	4,253
ISCAP premium	8,684	-	8,684
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	225,000	-	225,000
Revenue bonds payable	65,000	-	65,000
Portion due after one year:			
General obligation bonds payable	1,980,000	-	1,980,000
Revenue bonds payable	395,000	-	395,000
	<u>5,559,517</u>	<u>2,111</u>	<u>5,561,628</u>

## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,134,948	7,902	2,142,850
Restricted for:			
State categorical aid	9,627		9,627
Management levy	162,655	-	162,655
Physical plant and equipment levy	18,514	-	18,514
Other special revenue purposes	23,408	-	23,408
Local option sales tax capital projects	117,101	-	117,101
Debt service	280,567	-	280,567
Unrestricted	85,047	36,610	121,657
<b>Total net assets</b>	<u>2,831,867</u>	<u>44,512</u>	<u>2,876,379</u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,533,279	260,865	346,884	-
Special	597,299	49,412	29,773	-
Other	549,648	196,731	55,121	-
	<u>3,680,226</u>	<u>507,008</u>	<u>431,778</u>	<u>-</u>
Support services:				
Student	79,709	-	-	-
Instructional staff	132,999	-	-	-
Administration	570,814	-	-	-
Operation and maintenance of plant	483,943	2,031	-	-
Transportation	321,979	-	5,385	-
	<u>1,589,444</u>	<u>2,031</u>	<u>5,385</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	111,407	-	-	7,500
Long-term debt interest	109,846	-	565	-
AEA flowthrough	191,295	-	191,295	-
Depreciation (unallocated)*	168,416	-	-	-
	<u>580,964</u>	<u>-</u>	<u>191,860</u>	<u>7,500</u>
Total governmental activities	5,850,634	509,039	629,023	7,500
Business type activities:				
Non-instructional programs:				
Food service operations	240,599	134,782	100,625	-
Total	<u>6,091,233</u>	<u>643,821</u>	<u>729,648</u>	<u>7,500</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

**Change in net assets**

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,925,530)	-	(1,925,530)
(518,114)	-	(518,114)
(297,796)	-	(297,796)
<u>(2,741,440)</u>	<u>-</u>	<u>(2,741,440)</u>
(79,709)	-	(79,709)
(132,999)	-	(132,999)
(570,814)	-	(570,814)
(481,912)	-	(481,912)
(316,594)	-	(316,594)
<u>(1,582,028)</u>	<u>-</u>	<u>(1,582,028)</u>
(103,907)	-	(103,907)
(109,281)	-	(109,281)
-	-	-
<u>(168,416)</u>	<u>-</u>	<u>(168,416)</u>
<u>(381,604)</u>	<u>-</u>	<u>(381,604)</u>
(4,705,072)	-	(4,705,072)
<u>-</u>	<u>(5,192)</u>	<u>(5,192)</u>
<u>(4,705,072)</u>	<u>(5,192)</u>	<u>(4,710,264)</u>
1,530,526	-	1,530,526
396,180	-	396,180
49,645	-	49,645
131,712	-	131,712
374,709	-	374,709
2,245,249	-	2,245,249
15,322	125	15,447
35,642	-	35,642
<u>4,778,985</u>	<u>125</u>	<u>4,779,110</u>
73,913	(5,067)	68,846
<u>2,757,954</u>	<u>49,579</u>	<u>2,807,533</u>
<u>2,831,867</u>	<u>44,512</u>	<u>2,876,379</u>

## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2008

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments:				
ISCAP	683,294	-	-	683,294
Other	-	143,381	217,796	361,177
Cash with fiscal agent	-	-	133,790	133,790
Receivables:				
Property tax:				
Delinquent	42,868	10,806	5,979	59,653
Succeeding year	1,450,624	391,253	204,178	2,046,055
Accrued interest - ISCAP	3,920	-	-	3,920
Interfund receivable	-	15,551	-	15,551
Due from other governments	173,403	-	114,469	287,872
<b>Total assets</b>	<b><u>2,354,109</u></b>	<b><u>560,991</u></b>	<b><u>676,212</u></b>	<b><u>3,591,312</u></b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Warrants issued in excess of bank balance	22,897	-	-	22,897
Accounts payable	107,394	-	1,015	108,409
Salaries and benefits payable	2,258	-	-	2,258
Interfund payable	-	-	15,551	15,551
ISCAP warrants payable	679,000	-	-	679,000
ISCAP accrued interest payable	4,253	-	-	4,253
ISCAP premium	8,684	-	-	8,684
Deferred revenue:				
Succeeding year property tax	1,450,624	391,253	204,178	2,046,055
Other	114,338	-	-	114,338
Total liabilities	<u>2,389,448</u>	<u>391,253</u>	<u>220,744</u>	<u>3,001,445</u>
Fund balances:				
Reserved for:				
State categorical aid	9,627	-	-	9,627
Debt service	-	169,738	133,790	303,528
Unreserved reported in:				
General fund	(44,966)	-	-	(44,966)
Special revenue funds	-	-	204,577	204,577
Capital projects funds	-	-	117,101	117,101
Total fund balances	<u>(35,339)</u>	<u>169,738</u>	<u>455,468</u>	<u>589,867</u>
<b>Total liabilities and fund balances</b>	<b><u>2,354,109</u></b>	<b><u>560,991</u></b>	<b><u>676,212</u></b>	<b><u>3,591,312</u></b>

See notes to financial statements.

## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

\$

<b>Total fund balances of governmental funds (Exhibit C)</b>	589,867
--	---------

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,799,948
--	-----------

Bond issue costs are expensed when incurred for the fund financial statements, but are capitalized and expensed over the life of the bonds for the Statement of Net Assets.	15,675
---	--------

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	114,338
---	---------

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.	(22,961)
--	----------

Long-term liabilities, including general obligation and revenue bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,665,000)</u>
--	--------------------

<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>2,831,867</u></u>
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## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,502,352	396,180	575,301	2,473,833
Tuition	214,465	-	-	214,465
Other	131,318	565	220,270	352,153
State sources	2,726,302	276	150	2,726,728
Federal sources	146,979	-	-	146,979
Total revenues	<u>4,721,416</u>	<u>397,021</u>	<u>795,721</u>	<u>5,914,158</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,541,947	-	51,981	2,593,928
Special	597,299	-	-	597,299
Other	321,271	-	226,551	547,822
	<u>3,460,517</u>	<u>-</u>	<u>278,532</u>	<u>3,739,049</u>
Support services:				
Student	79,086	-	623	79,709
Instructional staff	132,999	-	-	132,999
Administration	564,866	-	3,601	568,467
Operation and maintenance of plant	452,966	-	27,955	480,921
Transportation	265,228	-	12,700	277,928
	<u>1,495,145</u>	<u>-</u>	<u>44,879</u>	<u>1,540,024</u>
Other expenditures:				
Facilities acquisition	-	-	496,415	496,415
Long-term debt:				
Principal	-	285,000	-	285,000
Interest and fiscal charges	-	111,802	-	111,802
AEA flowthrough	191,295	-	-	191,295
	<u>191,295</u>	<u>396,802</u>	<u>496,415</u>	<u>1,084,512</u>
Total expenditures	<u>5,146,957</u>	<u>396,802</u>	<u>819,826</u>	<u>6,363,585</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(425,541)</u>	<u>219</u>	<u>(24,105)</u>	<u>(449,427)</u>
Other financing sources (uses):				
Sales of equipment	-	-	1,450	1,450
Operating transfers in	-	84,940	-	84,940
Operating transfers out	-	-	(84,940)	(84,940)
Total other financing sources (uses)	<u>-</u>	<u>84,940</u>	<u>(83,490)</u>	<u>1,450</u>
Net change in fund balances	(425,541)	85,159	(107,595)	(447,977)
Fund balances beginning of year	<u>390,202</u>	<u>84,579</u>	<u>563,063</u>	<u>1,037,844</u>
Fund balances end of year	<u>(35,339)</u>	<u>169,738</u>	<u>455,468</u>	<u>589,867</u>

See notes to financial statements.

## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(447,977)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	418,007	
Depreciation expense	<u>(221,002)</u>	197,005
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		8,939
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		285,000
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.		
		1,956
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits		30,950
Bond issue costs are expensed when incurred for the fund financial statements, but are capitalized and expensed over the life of the bonds for the Statement of Net Assets.		
		<u>(1,960)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>73,913</u></u>

## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2008

	Nonmajor School Nutrition
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	21,651
Accounts receivable	210
Due from other governments	322
Inventories	16,538
Capital assets, net of accumulated depreciation	<u>7,902</u>
<b>Total assets</b>	<u>46,623</u>
<b>Liabilities</b>	
Deferred revenue	<u>2,111</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	7,902
Unrestricted	<u>36,610</u>
<b>Total net assets</b>	<u><u>44,512</u></u>

## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>134,782</u>
Operating expenses:	
Non-instructional programs:	
Salaries	79,408
Benefits	39,498
Supplies	119,359
Depreciation	<u>2,334</u>
Total operating expenses	<u>240,599</u>
Operating gain (loss)	<u>(105,817)</u>
Non-operating revenues:	
State sources	2,780
Federal sources	97,845
Interest income	<u>125</u>
Total non-operating revenues	<u>100,750</u>
Net income	(5,067)
Net assets beginning of year	<u>49,579</u>
Net assets end of year	<u><u>44,512</u></u>

## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2008

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	135,333
Cash payments to employees for services	(118,906)
Cash payments to suppliers for goods or services	<u>(97,916)</u>
Net cash used by operating activities	<u>(81,489)</u>
Cash flows from non-capital financing activities:	
State grants received	2,780
Federal grants received	<u>79,497</u>
Net cash provided by non-capital financing activities	<u>82,277</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>125</u>
Net increase (decrease) in cash and cash equivalents	913
Cash and cash equivalents at beginning of year	<u>20,738</u>
Cash and cash equivalents at end of year	<u><u>21,651</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(105,817)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	18,026
Depreciation	2,334
Decrease (increase) in inventories	3,417
Decrease (increase) in accounts receivable	37
(Decrease) increase in deferred revenue	<u>514</u>
Net cash used by operating activities	<u><u>(81,489)</u></u>

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

During the year ended June 30, 2008, the District received \$18,026 of federal commodities.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2008

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	19,313
<b>Liabilities</b>	
	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	<u><u>19,313</u></u>

## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2008

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	224
Deductions	<u>-</u>
Change in net assets	224
Net assets beginning of year	<u>19,089</u>
Net assets end of year	<u><u>19,313</u></u>

# NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2008

### 1. Summary of Significant Accounting Policies

North Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Manly, Iowa and the predominately agricultural territory in a portion of Worth and Cerro Gordo Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

#### A. Reporting Entity

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

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

#### B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

#### C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be

susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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, have a maturity date no longer than three months.

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

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

becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the instruction and support services functions exceeded the amounts budgeted.

**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 the following investment:

	<u>Fair Value</u>
	\$
Goldman Sachs Financial Square Treasury Obligations Fund	133,790

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

### 3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2008 is as follows:

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

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

### 4. Interfund Transfers

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

Transfer To	Transfer From	Amount
		\$
Debt Service Fund	Nonmajor Governmental – Capital Projects Fund	84,940

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

### 5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2007-08B	1/23/08	1/23/09	251,806	3,756	251,000	4,089
2008-09A	6/26/08	6/25/09	431,488	164	428,000	164
Total			<u>683,294</u>	<u>3,920</u>	<u>679,000</u>	<u>4,253</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	100,000	100,000	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2007-08B	3.750	3.451
2008-09A	3.500	3.469

## 6. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	44,972	-	44,972	-
Land	45,500	-	-	45,500
Total capital assets not being deprec.	<u>90,472</u>	<u>-</u>	<u>44,972</u>	<u>45,500</u>
Capital assets being depreciated:				
Buildings	5,870,181	251,973	-	6,122,154
Improvements other than buildings	714,306	23,556	-	737,862
Furniture and equipment	691,334	187,450	215,316	663,468
Total capital assets being deprec.	<u>7,275,821</u>	<u>462,979</u>	<u>215,316</u>	<u>7,523,484</u>
Less accumulated depreciation for:				
Buildings	2,020,469	136,833	-	2,157,302
Improvements other than buildings	201,293	31,583	-	232,876
Furniture and equipment	541,588	52,586	215,316	378,858
Total accumulated depreciation	<u>2,763,350</u>	<u>221,002</u>	<u>215,316</u>	<u>2,769,036</u>
Total capital assets being depreciated, net	<u>4,512,471</u>	<u>241,977</u>	<u>-</u>	<u>4,754,448</u>
Governmental activities capital assets, net	<u>4,602,943</u>	<u>241,977</u>	<u>44,972</u>	<u>4,799,948</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	28,124	-	-	28,124
Less accumulated depreciation	<u>17,888</u>	<u>2,334</u>	<u>-</u>	<u>20,222</u>
Business type activities capital assets, net	<u>10,236</u>	<u>(2,334)</u>	<u>-</u>	<u>7,902</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	3,300
Other	1,826
Support services:	
Administration	387
Operation and maintenance of plant services	3,022
Transportation	<u>44,051</u>
	52,586
Unallocated depreciation	<u>168,416</u>
Total depreciation expense – governmental activities	<u>221,002</u>
Business type activities:	
Food services	<u>2,334</u>

## 7. 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	2,425,000	-	220,000	2,205,000	225,000
Revenue bonds	525,000	-	65,000	460,000	65,000
Termination benefits	<u>30,950</u>	<u>-</u>	<u>30,950</u>	<u>-</u>	<u>-</u>
Total	<u>2,980,950</u>	<u>-</u>	<u>315,950</u>	<u>2,665,000</u>	<u>290,000</u>

### General Obligation Bonds Payable

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

Year Ending June 30,	Refunding Bond Issue April 29, 2004			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2009	2.75	225,000	85,562	310,562
2010	4.00	230,000	79,375	309,375
2011	4.0	240,000	70,175	310,175
2012	4.5	245,000	60,575	305,575
2013	4.5	255,000	49,550	304,550
2014-2017	4.0-3.8	1,010,000	89,195	1,099,195
		<u>2,205,000</u>	<u>434,432</u>	<u>2,639,432</u>

### Revenue Bonds Payable

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 September 2005			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2009	3.4	65,000	16,295	81,295
2010	3.6	65,000	14,020	79,020
2011	3.7	70,000	11,555	81,555
2012	3.8	70,000	8,930	78,930
2013	4.0	75,000	6,100	81,100
2014-2015	4.0	115,000	3,900	118,900
		<u>460,000</u>	<u>60,800</u>	<u>520,800</u>

The District has pledged future local option sales and services tax revenues to repay the \$585,000 of bonds issued in September 2005. The bonds were issued for the purpose of financing a portion of the costs of school renovations. The bonds are payable solely from the proceeds of the local option sales and services tax revenues and 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 limitations of the District. Annual principal and interest payments on the bonds are expected to require nearly 25 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$520,800. For the current year, principal of \$65,000 and interest of \$18,440 were paid on the bonds and total local option sales and services tax revenues were \$374,709.

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

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

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

**8. Pension and Retirement Benefits**

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

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$144,817, \$143,523 and \$130,826 respectively, equal to the required contributions for each year.

**9. Risk Management**

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

**10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$191,295 or 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.

**11. Lease Commitment**

The District entered into a five year contract to lease copy machines in fiscal year 2008. The payments the District will make over the next five years are as follows:

Year Ended June 30	Lease Payment
	\$
2009	24,216
2010	24,216
2011	24,216
2012	24,216
2013	2,018

**12. Deficit Fund Balances**

At June 30, 2008 the District had a General Fund deficit unreserved fund balance of \$44,966.

### **13. Subsequent Events**

In August 2008 the District entered into an \$180,873 construction contract for capital improvements at its athletic field.

### **14. Debt Service Property Tax Levy**

During fiscal year 2008 approximately \$82,400 of property tax for the Debt Service Fund was collected in error. A mistake on the 2008 budget worksheets resulted in the District levying property taxes for the payment of revenue bonds. The extra property tax collected was not used for the payment of any bonds and has accumulated in the Debt Service Fund. The same error was made on the 2009 budget worksheets.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,040,451	134,907	3,175,358	3,088,237	3,088,237	87,121
State sources	2,726,728	2,780	2,729,508	2,605,959	2,605,959	123,549
Federal sources	146,979	97,845	244,824	253,000	253,000	(8,176)
Total revenues	<u>5,914,158</u>	<u>235,532</u>	<u>6,149,690</u>	<u>5,947,196</u>	<u>5,947,196</u>	<u>202,494</u>
Expenditures/Expenses:						
Instruction	3,739,049	-	3,739,049	3,387,252	3,387,252	(351,797)
Support services	1,540,024	-	1,540,024	1,503,500	1,503,500	(36,524)
Non-instructional programs	-	240,599	240,599	260,000	260,000	19,401
Other expenditures	1,084,512	-	1,084,512	1,187,211	1,187,211	102,699
Total expenditures/expenses	<u>6,363,585</u>	<u>240,599</u>	<u>6,604,184</u>	<u>6,337,963</u>	<u>6,337,963</u>	<u>(266,221)</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(449,427)	(5,067)	(454,494)	(390,767)	(390,767)	(63,727)
Other financing sources (uses) net	<u>1,450</u>	<u>-</u>	<u>1,450</u>	<u>540,000</u>	<u>540,000</u>	<u>(538,550)</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	(447,977)	(5,067)	(453,044)	149,233	149,233	(602,277)
Balance beginning of year	<u>1,037,844</u>	<u>49,579</u>	<u>1,087,423</u>	<u>1,077,718</u>	<u>1,077,718</u>	<u>9,705</u>
Balance end of year	<u><u>589,867</u></u>	<u><u>44,512</u></u>	<u><u>634,379</u></u>	<u><u>1,226,951</u></u>	<u><u>1,226,951</u></u>	<u><u>(592,572)</u></u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2008, expenditures in the instruction and support services functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2008

Assets	Special Revenue Funds			Capital Projects Fund	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales Tax	
	\$	\$	\$	\$	
Cash and pooled investments	158,106	23,408	17,084	19,198	217,796
Cash with fiscal agents	-	-	-	133,790	133,790
Receivables:					
Property tax:					
Delinquent	4,549	-	1,430	-	5,979
Succeeding year	150,000	-	54,178	-	204,178
Due from other governments	-	-	-	114,469	114,469
<b>Total assets</b>	<b>312,655</b>	<b>23,408</b>	<b>72,692</b>	<b>267,457</b>	<b>676,212</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Accounts payable	-	-	-	1,015	1,015
Interfund payables	-	-	-	15,551	15,551
Deferred revenue:					
Succeeding year property tax	150,000	-	54,178	-	204,178
Total liabilities	150,000	-	54,178	16,566	220,744
Fund balances:					
Reserved for debt service	-	-	-	133,790	133,790
Unreserved reported in:					
Special revenue funds	162,655	23,408	18,514	-	204,577
Capital projects funds	-	-	-	117,101	117,101
Total fund balances	162,655	23,408	18,514	250,891	455,468
<b>Total liabilities and fund balances</b>	<b>312,655</b>	<b>23,408</b>	<b>72,692</b>	<b>267,457</b>	<b>676,212</b>

## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Special Revenue Funds			Capital Projects Fund	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales Tax	
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	150,947	-	49,645	374,709	575,301
Other	11,722	196,914	105	11,529	220,270
State sources	116	-	34	-	150
Total revenues	<u>162,785</u>	<u>196,914</u>	<u>49,784</u>	<u>386,238</u>	<u>795,721</u>
Expenditures:					
Current:					
Instruction:					
Regular	51,981	-	-	-	51,981
Other	-	226,551	-	-	226,551
Support services:					
Student	623	-	-	-	623
Administration	3,601	-	-	-	3,601
Operation and maintenance of plant	27,955	-	-	-	27,955
Transportation	12,700	-	-	-	12,700
Other expenditures:					
Facilities acquisition	-	-	157,623	338,792	496,415
Total expenditures	<u>96,860</u>	<u>226,551</u>	<u>157,623</u>	<u>338,792</u>	<u>819,826</u>
Excess (deficiency) of revenues over (under) expenditures	65,925	(29,637)	(107,839)	47,446	(24,105)
Other financing sources (uses):					
Sales of equipment	-	-	1,450	-	1,450
Operating transfers out	-	-	-	(84,940)	(84,940)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,450</u>	<u>(84,940)</u>	<u>(83,490)</u>
Net change in fund balances	65,925	(29,637)	(106,389)	(37,494)	(107,595)
Fund balances beginning of year	<u>96,730</u>	<u>53,045</u>	<u>124,903</u>	<u>288,385</u>	<u>563,063</u>
Fund balances end of year	<u>162,655</u>	<u>23,408</u>	<u>18,514</u>	<u>250,891</u>	<u>455,468</u>

## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End of
	Beginning of Year				Year
	\$	\$	\$	\$	\$
Boys basketball	871	5,537	10,529	4,551	430
Football	771	13,175	15,852	2,470	564
Baseball	1,043	7,018	16,025	5,056	(2,908)
Boys track	689	1,248	7,925	5,588	(400)
Boys golf	429	894	1,250	124	197
Coop wrestling	1,369	4,331	9,944	4,568	324
JH wrestling	392	-	-	-	392
Volleyball	1,869	8,589	9,345	(888)	225
Softball	(1,126)	11,396	12,247	3,891	1,914
Girls track	1,016	3,933	12,658	6,910	(799)
Girls golf	338	275	1,577	624	(340)
Girls basketball	696	9,993	14,132	2,018	(1,425)
Athletic fundraiser	6,506	64,115	21,735	(41,000)	7,886
Cross country	435	1,410	2,366	958	437
French club	-	101	-	-	101
Honor society	91	200	257	200	234
Pep club	235	-	-	-	235
Student council	1,197	18,957	18,684	(986)	484
TAG/FPS	5,515	2,689	2,748	-	5,456
Drama & speech	(61)	1,399	1,712	744	370
Dance team	653	5,833	6,907	(270)	(691)
Elementary activities	1,693	10	-	-	1,703
Art activities	487	644	142	-	989
Cheerleading	350	2,723	7,588	4,693	178
Middle school	157	-	-	-	157
Senior class	67	2,263	2,529	200	1
Junior class	4,150	2,295	4,085	-	2,360
Sophomore class	230	750	795	-	185
Freshman class	937	1,023	1,088	-	872
Interest	1,424	184	-	(1,526)	82
Magazine JH	2,673	-	-	-	2,673
Magazine elementary	1,597	-	-	-	1,597
Vocal music	133	7,280	9,069	2,760	1,104
Show choir	120	-	-	-	120
Choir robes	841	-	282	-	559
Instrumental music	1,239	12,546	11,297	(760)	1,728
Band uniforms	4,409	-	101	(2,000)	2,308
Jazz band	23	60	80	-	3
Elementary music	809	-	-	-	809
Yearbook	(3,895)	6,043	11,129	2,075	(6,906)
Corn bowl conference Czar	12,673	-	12,673	-	-
District football	-	-	(200)	-	200
<b>Total</b>	<b>53,045</b>	<b>196,914</b>	<b>226,551</b>	<b>-</b>	<b>23,408</b>

## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2008	2007	2006	2005
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,473,833	2,365,876	2,304,003	2,249,521
Tuition	214,465	156,443	90,901	100,997
Other	352,153	500,049	322,076	234,162
State sources	2,726,728	2,414,994	2,295,666	2,252,353
Federal sources	146,979	142,773	134,455	133,733
Total revenues	<u>5,914,158</u>	<u>5,580,135</u>	<u>5,147,101</u>	<u>4,970,766</u>
Expenditures:				
Instruction:				
Regular	2,593,928	2,210,654	2,196,900	2,080,015
Special	597,299	552,262	504,024	485,229
Other	547,822	369,865	376,231	309,989
Support services:				
Student	79,709	50,415	53,783	51,978
Instructional staff	132,999	125,849	134,532	30,699
Administration	568,467	543,260	492,525	465,518
Operation and maintenance of plant	480,921	443,827	407,516	380,568
Transportation	277,928	248,496	268,250	164,091
Other expenditures:				
Facilities acquisition	496,415	463,896	671,595	111,175
Long-term debt:				
Principal	285,000	2,575,000	165,000	155,000
Interest and other charges	111,802	260,971	238,238	247,656
AEA flowthrough	191,295	177,498	162,817	159,158
Total expenditures	<u>6,363,585</u>	<u>8,021,993</u>	<u>5,671,411</u>	<u>4,641,076</u>

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

To the Board of Education of  
North Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Central Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 27, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 08-I-A, 08-I-B, 08-I-C and 08-I-D are material weaknesses.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

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

March 27, 2009

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

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

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

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

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

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

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

Conclusion: Response accepted.

08-I-D Debt Service Property Tax Levy: During fiscal year 2008 approximately \$82,400 of property tax for the Debt Service Fund was collected in error. A mistake on the 2008 long-term debt budget worksheet resulted in the District levying property taxes for the payment of revenue bonds. The District's revenue bonds may only be paid from sales tax proceeds. The extra property tax collected was not used for the payment of revenue bonds and has accumulated in the Debt Service Fund.

The same error was made on the 2009 long-term debt budget worksheet. The 2009 error will result in the District collecting excess debt service levy property taxes of approximately \$80,200 during fiscal year 2009.

Recommendation: The District should develop procedures for the review of the budget worksheets to prevent future errors.

District Response: The error occurred in the fiscal year 2008 when the payments for the revenue bonds were placed in the wrong column of the budget worksheet. The 2009 budget worksheet was filled out the same way as the 2008 worksheet. We have placed instructions in our budget file to prevent this error from happening in the future.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

08-II-A Certified Budget: Expenditures for the year ended June 30, 2008, exceeded the amounts budgeted in the instruction and support services functional areas.

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

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

Conclusion: Response accepted.

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

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

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

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

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

08-II-G Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education on Line 7 of the Certified Enrollment Form for October 2007, was overstated by one student. Also the calculations for supplemental weighting on line 12 included an open enrollment in student.

Recommendation: The District should review its procedures for accumulating the data reported on the Certified Enrollment Form.

District Response: We will review how we compile the number of students reported in the various categories.

Conclusion: Response accepted.

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

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

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

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

08-II-J Financial Condition: The General Fund has a deficit unreserved fund balance of \$44,966 at June 30, 2008. The Student Activity Fund has several accounts with deficit balances at June 30, 2008.

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

District Response: We are investigating methods to improve the General Fund's financial position. The District's policy is to allocate monies within the Student Activity Fund at the beginning of the year to cover accounts with deficits.

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

08-II-L Sale of Equipment: Iowa law specifies that proceeds from the sale of equipment be placed in the General Fund. We noted that \$1,450 from the sale of a bus was receipted to the Physical Plant and Equipment Levy Fund.

Recommendation: Future proceeds from the sale of equipment should be placed in the General Fund.

District Response: We will record future proceeds from the sale of equipment in the General Fund.

Conclusion: Response accepted.

08-II-M Debt Service Property Tax Levy: During fiscal year 2008 approximately \$82,400 of property tax for the Debt Service Fund was collected in error. A mistake on the 2008 long-term debt budget worksheet resulted in the District levying property taxes for the payment of revenue bonds. The District's revenue bonds may only be paid from sales tax proceeds. The extra property tax collected was not used for the payment of revenue bonds and has accumulated in the Debt Service Fund.

The same error was made on the 2009 long-term debt budget worksheet. The 2009 error will result in the District collecting excess debt service levy property taxes of approximately \$80,200 during fiscal year 2009.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

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

Recommendation: The District's 2010 and 2011 debt service property tax levy should be reduced to compensate for the excess amounts levied for 2008 and 2009.

District Response: We will reduce future property tax levies for the payment of general obligation bonds to compensate for the amounts levied in 2008 and 2009 in error.

Conclusion: Response accepted.