

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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Interstate 35 Community School District

<u>Name</u>	<u>Officials Title</u>	<u>Expires</u>
Board of Education (Before September 2008 Election)		
Bret Smith	President	2009
Leah Gray	Vice President	2008
Bruce McCuddin	Board Member	2009
Julie Brownlee	Board Member	2010
Ken Stanley	Board Member	2008
Board of Education (After September 2008 Election)		
Leah Gray	President	2011
Julie Brownlee	Vice President	2011*
Bruce McCuddin	Board Member	2009
Bret Smith	Board Member (Resigned)	2009
Bryan Arzani	Board Member (Appointed)	2009
Ken Stanley	Board Member	2011
School Officials		
Bill Maske	Superintendent	2009
Lisa Brown	Board Secretary/ Business Manager	2009
Ahlers & Cooney, P.C.	Attorney	2009

* Board term changed per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Interstate 35 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 the Interstate 35 Community School District, Truro, Iowa, as of and for the year ended June 30, 2009, 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.

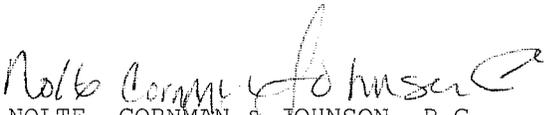
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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 that 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 the Interstate 35 Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2010 on our consideration of the Interstate 35 Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of 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 35 through 36 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Interstate 35 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 five years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by the United States Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, 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.


NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Interstate 35 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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,955,149 in fiscal 2008 to \$7,957,040 in fiscal 2009, while General Fund expenditures increased from \$7,119,600 in fiscal 2008 to \$7,904,380 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$1,555,415 in fiscal 2008 to a balance of \$1,608,705 in fiscal 2009.
- The District's solvency ratio for fiscal 2008 was 19.07%. The improved health of the General Fund has allowed the solvency ratio for fiscal 2009 to rise to 19.49%.

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 Interstate 35 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 Interstate 35 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 Interstate 35 Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of the various programs, benefiting the District.

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

Figure A-1
Interstate 35 Community School District Annual Financial Report

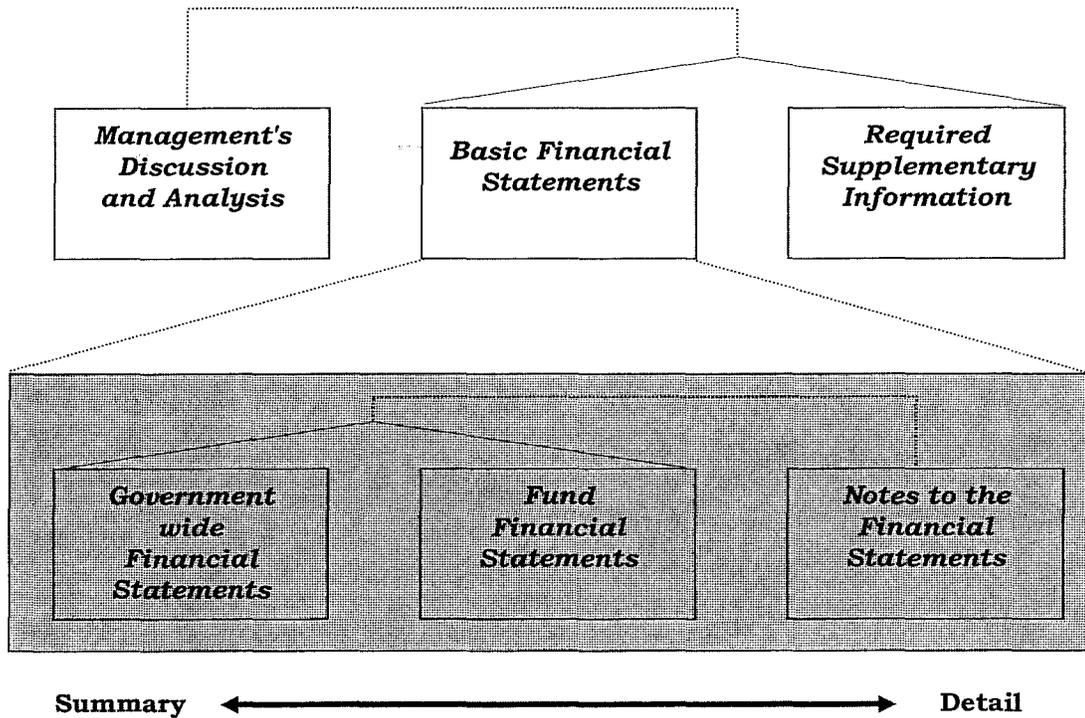


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary 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
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
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
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

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

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

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

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 for the year ended June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total Change June 30, 2008-09
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2009	2008	2009	2008	2009	2008	
Current and other assets	\$ 8,666,428	9,643,961	37,547	74,929	8,703,975	9,718,890	-10.44%
Capital assets	12,170,656	9,957,738	70,985	95,649	12,241,641	10,053,387	21.77%
Total assets	20,837,084	19,601,699	108,532	170,578	20,945,616	19,772,277	5.93%
Long-term liabilities	6,648,445	7,232,890	0	0	6,648,445	7,232,890	-8.08%
Other liabilities	5,367,663	4,015,230	23,008	17,865	5,390,671	4,033,095	33.66%
Total liabilities	12,016,108	11,248,120	23,008	17,865	12,039,116	11,265,985	6.86%
Net assets:							
Invested in capital assets, net of related debt	6,017,762	5,677,785	70,985	95,649	6,088,747	5,773,434	5.46%
Restricted	1,332,060	1,146,420	0	0	1,332,060	1,146,420	16.19%
Unrestricted	1,471,154	1,529,374	14,539	57,064	1,485,693	1,586,438	-6.35%
Total net assets	\$ 8,820,976	8,353,579	85,524	152,713	8,906,500	8,506,292	4.70%

The District's combined net assets increased by 4.70%, or \$467,397, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$185,640, or 16.19% from the prior year. The increase in restricted net assets is primarily due to the increase in fund balance of the Debt Service Fund.

Unrestricted net assets – are 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 \$100,745, or 6.35%. This decrease in unrestricted net assets was primarily a result of the decrease in the Capital Projects Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008

Figure A-4
Changes of Net Assets

	Governmental		Business Type		Total		Total Change 2008-09
	Activities		Activities		School District		
	2009	2008	2009	2008	2009	2008	
Revenues:							
Program revenues:							
Charges for services	\$ 728,505	642,729	276,886	253,626	1,005,391	896,355	12.16%
Operating grants and contributions and restricted interest	1,425,701	1,540,855	135,789	123,553	1,561,490	1,664,408	-6.18%
General revenues:							
Property tax	3,169,661	2,810,495	0	0	3,169,661	2,810,495	12.78%
Statewide sales and services tax	459,815	516,226	0	0	459,815	516,226	-10.93%
Income surtax	0	60,473	0	0	0	60,473	-100.00%
Unrestricted state grants	3,743,784	3,868,930	0	0	3,743,784	3,868,930	-3.23%
Unrestricted investment earnings	76,253	34,876	224	737	76,477	35,613	114.74%
Other	93,975	99,720	0	0	93,975	99,720	-5.76%
Total revenues	9,697,694	9,574,304	412,899	377,916	10,110,593	9,952,220	1.59%
Program expenses:							
Governmental activities:							
Instructional	5,721,646	5,149,073	0	0	5,721,646	5,149,073	11.12%
Support services	2,525,109	2,124,910	38,452	31,716	2,563,561	2,156,626	18.87%
Non-instructional programs	0	0	441,636	378,306	441,636	378,306	16.74%
Other expenditures	983,542	813,552	0	0	983,542	813,552	20.89%
Total expenses	9,230,297	8,087,535	480,088	410,022	9,710,385	8,497,557	14.27%
Changes in net assets	467,397	1,486,769	(67,189)	(32,106)	400,208	1,454,663	-72.49%
Beginning net assets	8,353,579	6,866,810	152,713	184,819	8,506,292	7,051,629	20.63%
Ending net assets	\$ 8,820,976	8,353,579	85,524	152,713	8,906,500	8,506,292	4.70%

Property tax, statewide sales and services tax, and unrestricted state grants account for 76.03% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.95% of the revenue from business type activities.

The District's total revenues were approximately \$10.11 million of which \$9.70 million was for governmental activities and \$0.41 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.59% increase in revenues and a 14.27% increase in expenses. Local tax increased \$359,166 to fund increases in expenses. The increase in expenses related to increased costs in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$9,697,694 and expenses were \$9,230,297 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 5,721,646	5,149,073	11.12%	3,877,471	3,266,536	18.70%
Support services	2,525,109	2,124,910	18.83%	2,524,914	2,124,392	18.85%
Other expenses	983,542	813,552	20.89%	673,706	513,023	31.32%
Totals	<u>\$ 9,230,297</u>	<u>8,087,535</u>	<u>14.13%</u>	<u>7,076,091</u>	<u>5,903,951</u>	<u>19.85%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$728,505.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,425,701.
- The net cost of governmental activities was financed with \$3,169,661 in property tax, \$459,815 in statewide sales and services tax, \$3,743,784 in unrestricted state grants, \$76,253 in interest income, and other general revenues of \$93,975.

Business-Type Activities

Revenues of the District's business type activities were \$412,899 and expenses were \$480,088. 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, the Interstate 35 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 combined fund balance of \$3,363,597, below last year's ending fund balances of \$5,603,864.

Governmental Fund Highlights

- The District's improved General Fund financial position from \$1,555,415 to a balance of \$1,608,075 is the product of many factors. Revenues increased during the year due primarily to increases in revenues from local sources. The increase in revenues was greater than the increase in expenses thus ensuring the fund balance to increase.
- The District's Special Revenue, Physical Plant and Equipment Levy Fund decreased to a balance of \$36,021 at June 30, 2009 as compared to a balance of \$42,022 at June 30, 2008. The decrease was due to the increase in expenditures.
- The District's Capital Projects Fund decreased to \$924,164 at June 30, 2009 as compared to \$3,455,031 at June 30, 2008. The decrease in the Capital Funds Fund balance was due to the increase in facilities acquisitions expenditures throughout the year.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$152,713 at June 30, 2008 to \$85,524 at June 30, 2009, representing a decrease of 43.99%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$137,318 more than budgeted revenues, a variance of 1.37%. The most significant variance resulted from the District receiving more in federal revenues than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$12,241,641, 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 an increase of 21.77% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$426,965.

The original cost of the District's capital assets was \$18,657,464. Governmental funds account for \$18,290,527 with the remainder of \$366,937 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$2,795,198 at June 30, 2009, compared to \$291,046, reported at June 30, 2008. This increase was a result of the renovation and expansion of the school.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 600,734	601,200	0	0	600,734	601,200	-0.08%
Construction in progress	2,795,198	291,046	0	0	2,795,198	291,046	860.40%
Buildings	8,182,214	8,424,476	0	0	8,182,214	8,424,476	-2.88%
Land improvements	189,326	210,199	0	0	189,326	210,199	-9.93%
Machinery and equipment	403,184	430,817	70,985	95,649	474,169	526,466	-9.93%
Total	\$ 12,170,656	9,957,738	70,985	95,649	12,241,641	10,053,387	21.77%

Long-Term Debt

At June 30, 2009, the District had \$6,648,445 in total long-term debt outstanding. This represents a decrease of 8.08% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$3,545,000 at June 30, 2009.

The District had \$1,345,000 outstanding in Revenue Bonds payable at June 30, 2009.

The District \$1,695,000 outstanding in Capital Loan Notes payable at June 30, 2009.

The District had total outstanding Early Retirement payable from the Special Revenue – Management Fund of \$48,621 at June 30, 2009.

The District had total outstanding Compensated Absences payable from the General Fund of \$14,824 at June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total
	June 30,		Change
	2009	2008	June 30, 2008-09
General Obligation Bonds	\$ 3,545,000	3,945,000	-10.14%
Revenue Bonds	1,345,000	1,345,000	0.00%
Capital Loan Notes	1,695,000	1,850,000	-8.38%
Early Retirement	48,621	80,174	-39.36%
Compensated Absences	14,824	12,716	16.58%
	<u>\$ 6,648,445</u>	<u>7,232,890</u>	<u>-8.08%</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:

- Low allowable growth over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- With the District's current financial challenges, the FY 2010 state budget cut of 10% results in a significant decrease in General Fund revenue, shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues.

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 Lisa Brown, Board Secretary, Interstate 35 Community School District, P.O. Box 79, Truro, Iowa, 50257.

BASIC FINANCIAL STATEMENTS

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP	\$ 1,123,512	0	1,123,512
Other	3,849,985	26,698	3,876,683
Receivables:			
Local tax:			
Delinquent	56,337	0	56,337
Succeeding year	3,208,242	0	3,208,242
Accounts	5,797	832	6,629
Accrued ISCAP interest	139	0	139
Due from other governments	422,416	0	422,416
Inventories	0	10,017	10,017
Capital assets, net of accumulated depreciation	12,170,656	70,985	12,241,641
TOTAL ASSETS	20,837,084	108,532	20,945,616
LIABILITIES			
Accounts payable	230,739	0	230,739
Salaries and benefits payable	736,061	16,912	752,973
ISCAP warrants payable	1,106,000	0	1,106,000
ISCAP interest payable	379	0	379
ISCAP unamortized premium	21,410	0	21,410
Interest payable	64,832	0	64,832
Deferred revenue:			
Succeeding year property tax	3,208,242	0	3,208,242
Unearned revenue	0	6,096	6,096
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	410,000	0	410,000
Revenue bonds	195,000	0	195,000
Capital loan notes	165,000	0	165,000
Early retirement	27,107	0	27,107
Compensated absences	14,824	0	14,824
Portion due after one year:			
General obligation bonds	3,135,000	0	3,135,000
Revenue bonds	1,150,000	0	1,150,000
Capital loan notes	1,530,000	0	1,530,000
Early retirement	21,514	0	21,514
TOTAL LIABILITIES	12,016,108	23,008	12,039,116
NET ASSETS			
Invested in capital assets, net of related debt	6,017,762	70,985	6,088,747
Restricted for:			
Categorical funding	57,265	0	57,265
Management levy	197,135	0	197,135
Physical plant and equipment levy	36,021	0	36,021
Capital projects	492,058	0	492,058
Debt service	444,883	0	444,883
Other special revenue purposes	104,698	0	104,698
Unrestricted	1,471,154	14,539	1,485,693
TOTAL NET ASSETS	\$ 8,820,976	85,524	8,906,500

SEE NOTES TO BASIC FINANCIAL STATEMENTS

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,485,966	452,449	1,071,311	(1,962,206)	0	(1,962,206)
Special	1,418,006	31,649	43,554	(1,342,803)	0	(1,342,803)
Other	817,674	244,212	1,000	(572,462)	0	(572,462)
	<u>5,721,646</u>	<u>728,310</u>	<u>1,115,865</u>	<u>(3,877,471)</u>	<u>0</u>	<u>(3,877,471)</u>
Support services:						
Student	136,504	0	0	(136,504)	0	(136,504)
Instructional staff	190,495	0	0	(190,495)	0	(190,495)
Administration	923,257	0	0	(923,257)	0	(923,257)
Operation and maintenance of plant	753,214	0	0	(753,214)	0	(753,214)
Transportation	521,639	195	0	(521,444)	0	(521,444)
	<u>2,525,109</u>	<u>195</u>	<u>0</u>	<u>(2,524,914)</u>	<u>0</u>	<u>(2,524,914)</u>
Other expenditures:						
Facilities acquisitions	135,988	0	0	(135,988)	0	(135,988)
Long-term debt interest	274,583	0	0	(274,583)	0	(274,583)
AEA flowthrough	309,836	0	309,836	0	0	0
Depreciation(unallocated)*	263,135	0	0	(263,135)	0	(263,135)
	<u>983,542</u>	<u>0</u>	<u>309,836</u>	<u>(673,706)</u>	<u>0</u>	<u>(673,706)</u>
Total governmental activities	9,230,297	728,505	1,425,701	(7,076,091)	0	(7,076,091)
Business Type activities:						
Support services:						
Administration	38,452	0	0	0	(38,452)	(38,452)
Non-instructional programs:						
Food service operations	441,636	276,886	135,789	0	(28,961)	(28,961)
Total business type activities	<u>480,088</u>	<u>276,886</u>	<u>135,789</u>	<u>0</u>	<u>(67,413)</u>	<u>(67,413)</u>
Total	<u>\$ 9,710,385</u>	<u>1,005,391</u>	<u>1,561,490</u>	<u>(7,076,091)</u>	<u>(67,413)</u>	<u>(7,143,504)</u>
General Revenues:						
Property tax: for:						
General purposes				\$ 2,339,175	0	2,339,175
Capital outlay				283,942	0	283,942
Debt service				546,544	0	546,544
Statewide sales and services tax:				459,815	0	459,815
Unrestricted state grants				3,743,784	0	3,743,784
Unrestricted investment earnings				76,253	224	76,477
Other				93,975	0	93,975
Total general revenues				<u>7,543,488</u>	<u>224</u>	<u>7,543,712</u>
Changes in net assets				467,397	(67,189)	400,208
Net assets beginning of year				<u>8,353,579</u>	<u>152,713</u>	<u>8,506,292</u>
Net assets end of year				<u>\$ 8,820,976</u>	<u>85,524</u>	<u>8,906,500</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.
SEE NOTES TO BASIC FINANCIAL STATEMENTS

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
ASSETS					
Cash and pooled investments:					
ISCAP	\$ 1,123,512	0	0	0	1,123,512
Other	2,230,730	804,916	435,109	379,230	3,849,985
Receivables:					
Local tax:					
Delinquent	37,908	0	9,774	8,655	56,337
Succeeding year	2,164,446	0	543,436	500,360	3,208,242
Accounts	4,962	0	0	835	5,797
Accrued ISCAP interest	139	0	0	0	139
Due from other governments	198,277	224,139	0	0	422,416
TOTAL ASSETS	\$ 5,759,974	1,029,055	988,319	889,080	8,666,428
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 123,603	104,891	0	2,245	230,739
Salaries and benefits payable	736,061	0	0	0	736,061
ISCAP warrants payable	1,106,000	0	0	0	1,106,000
ISCAP interest payable	379	0	0	0	379
ISCAP unamortized premium	21,410	0	0	0	21,410
Deferred revenue:					
Succeeding year property tax	2,164,446	0	543,436	500,360	3,208,242
Total liabilities	4,151,899	104,891	543,436	502,605	5,302,831
Fund balances:					
Reserved for:					
Capital facility construction	0	432,106	0	0	432,106
Debt service	0	0	444,883	0	444,883
Catergorical funding	57,265	0	0	0	57,265
Unreserved	1,550,810	492,058	0	386,475	2,429,343
Total fund balances	1,608,075	924,164	444,883	386,475	3,363,597
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,759,974	1,029,055	988,319	889,080	8,666,428

SEE NOTES TO BASIC FINANCIAL STATEMENTS

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds (page 15)	\$	3,363,597
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		12,170,656
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.		(64,832)
Long-term liabilities, including general obligation bonds, revenue bonds, captial loan notes payable, early retirement and compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(6,648,445)</u>
Net assets of governmental activities (page 13)	\$	<u><u>8,820,976</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,199,553	459,815	546,544	484,037	3,689,949
Tuition	430,322	0	0	0	430,322
Other	134,617	71,263	1,932	220,799	428,611
Intermediate sources	4,671	0	0	16,000	20,671
State sources	4,734,509	0	391	346	4,735,246
Federal sources	433,239	0	0	0	433,239
Total revenues	7,936,911	531,078	548,867	721,182	9,738,038
EXPENDITURES:					
Current:					
Instruction:					
Regular	3,429,617	0	0	63,893	3,493,510
Special	1,418,006	0	0	0	1,418,006
Other	598,592	0	0	209,483	808,075
	5,446,215	0	0	273,376	5,719,591
Support services:					
Student	136,354	0	0	150	136,504
Instructional staff	190,381	0	0	0	190,381
Administration	789,788	0	0	139,100	928,888
Operation and maintenance of plant	511,982	210,851	0	30,546	753,379
Transportation	519,824	0	0	0	519,824
	2,148,329	210,851	0	169,796	2,528,976
Other expenditures:					
Facilities acquisitions	0	2,599,050	0	40,624	2,639,674
Long-term debt:					
Principal	0	0	555,000	0	555,000
Interest	0	0	245,357	0	245,357
AEA flowthrough	309,836	0	0	0	309,836
	309,836	2,599,050	800,357	40,624	3,749,867
Total expenditures	7,904,380	2,809,901	800,357	483,796	11,998,434
Excess(deficiency)of revenues over(under) expenditures	32,531	(2,278,823)	(251,490)	237,386	(2,260,396)
OTHER FINANCING SOURCES(USES):					
Transfers in	0	0	471,644	0	471,644
Transfers out	0	(252,044)	0	(219,600)	(471,644)
Sale of equipment	20,129	0	0	0	20,129
Total other financing sources(uses)	20,129	(252,044)	471,644	(219,600)	20,129
Net change in fund balance	52,660	(2,530,867)	220,154	17,786	(2,240,267)
Fund balance beginning of year	1,555,415	3,455,031	224,729	368,689	5,603,864
Fund balance end of year	\$ 1,608,075	924,164	444,883	386,475	3,363,597

SEE NOTES TO BASIC FINANCIAL STATEMENTS

INTERSTATE 35 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, 2009

Net change in fund balances - total governmental funds (page 17) \$ (2,240,267)

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

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

Expenditures for capital assets	\$ 2,613,446	
Depreciation expense	(400,062)	
Loss on disposal	(466)	2,212,918

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows: 555,000

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. (29,226)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	\$ 31,553	
Compensated absences	(2,108)	29,445

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (60,473)

Changes in net assets of governmental activities (page 14) \$ 467,397

SEE NOTES TO BASIC FINANCIAL STATEMENTS

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	<u>School Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 26,698
Receivables:	
Accounts	832
Inventories	10,017
Capital assets, net of accumulated depreciation	70,985
TOTAL ASSETS	<u>108,532</u>
LIABILITIES	
Salaries and benefits payable	16,912
Unearned revenues	6,096
TOTAL LIABILITIES	<u>23,008</u>
NET ASSETS	
Invested in capital assets	70,985
Unrestricted	14,539
TOTAL NET ASSETS	<u>\$ 85,524</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 276,886
OPERATING EXPENSES:	
Support services:	
Administration:	
Salaries	38,450
Benefits	2
	38,452
Non-instructional programs:	
Food service operations:	
Salaries	125,823
Benefits	61,490
Services	100
Supplies	226,207
Depreciation	26,903
Other	1,113
	441,636
TOTAL OPERATING EXPENSES	480,088
OPERATING LOSS	(203,202)
NON-OPERATING REVENUES:	
State sources	4,627
Federal sources	131,162
Interest income	224
TOTAL NON-OPERATING REVENUES	136,013
Change in net assets	(67,189)
Net assets beginning of year	152,713
Net assets end of year	\$ 85,524

SEE NOTES TO BASIC FINANCIAL STATEMENTS

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 278,484
Cash payments to employees for services	(222,356)
Cash payments to suppliers for goods or services	(211,576)
Net cash used in operating activities	(155,448)
Cash flows from non-capital financing activities:	
State grants received	4,627
Federal grants received	112,231
Net cash provided by non-capital financing activities	116,858
Cash flows from capital financing activities:	
Purchase of assets	(2,239)
Cash flows from investing activities:	
Interest on investments	224
Net decrease in cash and cash equivalents	(40,605)
Cash and cash equivalents at beginning of year	67,303
Cash and cash equivalents at end of year	\$ 26,698
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (203,202)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	18,931
Depreciation	26,903
Increase in accounts receivable	(136)
Increase in inventories	(3,087)
Increase in salaries and benefits payable	3,409
Increase in unearned revenue	1,734
Net cash used in operating activities	\$ (155,448)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$18,931.

SEE NOTES TO BASIC FINANCIAL STATEMENTS

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2009

(1) **Summary of Significant Accounting Policies**

The Interstate 35 Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education and regular pre-kindergarten. The geographic area served includes the City of Truro, New Virginia and St. Charles, Iowa, and the predominate agricultural territory in Madison, Clarke and Warren 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, Interstate 35 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 Interstate 35 Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the 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 plus the unspent bond proceeds and reduced by outstanding balances for bonds, notes, and other debt that are 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 that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following proprietary funds.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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 Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax

accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

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

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial

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

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected in the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Porfolio	\$ 1,738,923

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

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers at June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
	Special Revenue -	
	Physical Plant and	
Debt Service	Equipment Levy	\$ 219,600
Debt Service	Capital Projects	<u>252,044</u>
Total		<u>\$ 471,644</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools 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. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2009-10A	6/25/09	6/23/10	\$ 1,123,512	139	1,106,000	379

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, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity in the General Fund for the year ended June 30, 2009 was noted.

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
2009-10A	2.500%	0.902%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 601,200	0	466	600,734
Construction in progress	291,046	2,504,152	0	2,795,198
Total capital assets not being depreciated	892,246	2,504,152	466	3,395,932
Capital assets being depreciated:				
Buildings	12,120,648	0	0	12,120,648
Land improvements	537,699	0	0	537,699
Machinery and equipment	2,224,529	109,294	97,575	2,236,248
Total capital assets being depreciated	14,882,876	109,294	97,575	14,894,595
Less accumulated depreciation for:				
Buildings	3,696,172	242,262	0	3,938,434
Land improvements	327,500	20,873	0	348,373
Machinery and equipment	1,793,712	136,927	97,575	1,833,064
Total accumulated depreciation	5,817,384	400,062	97,575	6,119,871
Total capital assets being depreciated, net	9,065,492	(290,768)	0	8,774,724
Governmental activities capital assets, net	\$ 9,957,738	2,213,384	466	12,170,656

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 364,698	2,239	0	366,937
Less accumulated depreciation	269,049	26,903	0	295,952
Business type activities capital assets, net	\$ 95,649	(24,664)	0	70,985

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 32,351
Other		21,508
Support services:		
Instructional staff		114
Operation and maintenance of plant		4,972
Transportation		77,982
Unallocated depreciation		263,135
Total governmental activities depreciation expense		\$ 400,062
Business type activities:		
Food service operations		\$ 26,903

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 3,945,000	0	400,000	3,545,000	410,000
Revenue Bonds	1,345,000	0	0	1,345,000	195,000
Capital Loan Note	1,850,000	0	155,000	1,695,000	165,000
Early Retirement	80,174	18,376	49,929	48,621	27,107
Compensated Absences	12,716	2,718	610	14,824	14,824
	\$ 7,232,890	21,094	605,539	6,648,445	811,931

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of December 1, 2002			
	Interest Rates	Principal	Interest	Total
2010	3.20-3.45 %	\$ 410,000	132,935	542,935
2011	3.45-3.65	425,000	118,867	543,867
2012	3.65-3.70	440,000	103,474	543,474
2013	3.70-3.85	460,000	87,062	547,062
2014	3.85-4.00	475,000	69,329	544,329
2015-2017	4.00-4.30	1,335,000	89,910	1,424,910
Total		\$ 3,545,000	601,577	4,146,577

Revenue Bonds

Details of the District's statewide sales and services tax revenue bonded indebtedness, as June 30, 2009, are as follows:

Year Ending June 30,	Bond issue of May 1, 2008			
	Interest Rates	Principal	Interest	Total
2010	3.50 %	\$ 195,000	45,483	240,483
2011	3.50	210,000	38,395	248,395
2012	3.50	220,000	30,870	250,870
2013	3.65	230,000	22,823	252,823
2014	3.75	240,000	14,125	254,125
2015	3.85	250,000	4,812	254,812
Total		\$ 1,345,000	156,508	1,501,508

The District has pledged future statewide sales and services tax revenues to repay the \$1,345,000 bonds issued on May 1, 2008. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitution debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 51 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$1,535,013. For the current year, no principal and \$40,350 in interest was paid on the bonds and total statewide sales and services tax revenues were \$459,815.

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

- a) \$134,500 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds, if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales and services tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interests requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Capital Loan Notes

During the year ended June 30 2008, the District issued \$1,850,000 in Capital Loan Notes, which are payable from the Special Revenue, Physical Plant and Equipment Levy. Details of the District's June 30, 2009 capital loan notes indebtedness are as follows:

Year Ending June 30,	Capital Loans Note of May 1, 2008				
	Interest Rates		Principal	Interest	Total
2010	2.70	% \$	165,000	60,726	225,726
2011	3.00		170,000	56,270	226,270
2012	3.20		175,000	51,170	226,170
2013	3.50		180,000	45,570	225,570
2014	3.70		185,000	39,270	224,270
2015-2018	3.80-4.10		820,000	83,474	903,474
Total			\$ 1,695,000	336,480	2,031,480

Early Retirement

The District offers a voluntary early retirement plan to its certified and non-certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement cash incentive for each eligible employee is equal to 1% of the previous year contract times each year of employment. The District also pays \$25 for each unused sick day. The retiree also receives a health insurance incentive for a period of up to three years, but before the retiree reaches age sixty-five. Early retirement benefits paid during the year ended June 30, 2009, totaled \$49,929. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$265,379, \$235,940, and \$204,521, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No. 45 for the year ended June 30, 2010.

(9) Risk Management

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

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2009 were \$119,371.

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

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$309,836 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Construction Commitments

The District has entered into a contract totaling \$2,947,963 for the expansion of the school. As of June 30, 2009, costs \$2,795,198, had been incurred against the contract. The balance of \$152,765 remaining at June 30, 2009, will be paid as work on the project progresses.

(12) Deficit Fund Balance

At June 30, 2009 the District had a deficit fund balance in the Capital Projects, LOSST Revenue Bond Account of \$103,950.

(13) Categorical Funding

The District's categorical funding balances for the year ended June 30, 2009 are as follows:

<u>Project</u>	<u>Amount</u>
Market Factor	\$ 5,501
Gifted and Talented	22,126
Professional Development	14,899
Market Factor Incentives	2,168
Model Core Curriculum	7,363
Salary Improvement	1,994
Home School Assistance Program (HSAP)	<u>3,214</u>
Total	<u>\$ 57,265</u>

REQUIRED SUPPLEMENTARY INFORMATION

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,548,882	277,110	4,825,992	4,913,222	4,913,222	(87,230)
Intermediate sources	20,671	0	20,671	15,000	15,000	5,671
State sources	4,735,246	4,627	4,739,873	4,828,397	4,828,397	(88,524)
Federal sources	433,239	131,162	564,401	257,000	257,000	307,401
Total revenues	9,738,038	412,899	10,150,937	10,013,619	10,013,619	137,318
Expenditures/expenses:						
Instruction	5,719,591	0	5,719,591	6,730,539	6,730,539	1,010,948
Support services	2,528,976	38,452	2,567,428	3,233,227	3,233,227	665,799
Non-instructional programs	0	441,636	441,636	500,000	500,000	58,364
Other expenditures	3,749,867	0	3,749,867	4,611,777	4,611,777	861,910
Total expenditures/expenses	11,998,434	480,088	12,478,522	15,075,543	15,075,543	2,597,021
Excess(deficiency) of revenues over(under) expenditures/expenses	(2,260,396)	(67,189)	(2,327,585)	(5,061,924)	(5,061,924)	2,734,339
Other financing sources, net	20,129	0	20,129	3,200,000	3,200,000	(3,179,871)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(2,240,267)	(67,189)	(2,307,456)	(1,861,924)	(1,861,924)	(445,532)
Balance beginning of year	5,603,864	152,713	5,756,577	2,164,241	2,164,241	3,592,336
Balance end of year	\$ 3,363,597	85,524	3,449,121	302,317	302,317	3,146,804

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function, 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.

OTHER SUPPLEMENTARY INFORMATION

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2009

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
ASSETS				
Cash and pooled investments	\$ 242,178	106,108	30,944	379,230
Receivables:				
Property tax:				
Delinquent	3,578	0	5,077	8,655
Succeeding year property tax	200,000	0	300,360	500,360
Accounts	0	835	0	835
TOTAL ASSETS	\$ 445,756	106,943	336,381	889,080
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 0	2,245	0	2,245
Deferred revenue:				
Succeeding year property tax	200,000	0	300,360	500,360
	200,000	2,245	300,360	502,605
Fund balances:				
Unreserved	245,756	104,698	36,021	386,475
TOTAL LIABILITIES AND FUND BALANCES	\$ 445,756	106,943	336,381	889,080

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
REVENUES:				
Local sources:				
Local tax	\$ 200,095	0	283,942	484,037
Other	14,311	205,864	624	220,799
Intermediate sources	0	16,000	0	16,000
State sources	143	0	203	346
TOTAL REVENUES	214,549	221,864	284,769	721,182
EXPENDITURES:				
Current:				
Instruction:				
Regular	63,893	0	0	63,893
Other	0	209,483	0	209,483
Support services:				
Student	0	150	0	150
Administration	139,100	0	0	139,100
Operation and maintenance of plant	0	0	30,546	30,546
Other expenditures:				
Facilities acquisitions	0	0	40,624	40,624
TOTAL EXPENDITURES	202,993	209,633	71,170	483,796
EXCESS OF REVENUES OVER EXPENDITURES	11,556	12,231	213,599	237,386
OTHER FINANCING USES:				
Transfers out	0	0	(219,600)	(219,600)
NET CHANGE IN FUND BALANCE	11,556	12,231	(6,001)	17,786
FUND BALANCE BEGINNING OF YEAR	234,200	92,467	42,022	368,689
FUND BALANCE END OF YEAR	\$ 245,756	104,698	36,021	386,475

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Speech	\$ 201	243	444	0
HS Vocal	1,928	3,419	2,283	3,064
HS Band	1,525	1,531	2,947	109
Co-ed athletic gates	4,664	23,560	24,202	4,022
Cross Country	0	1,453	1,453	0
Golf	695	2,792	2,599	888
HS Cheerleaders	1,573	5,812	4,504	2,881
Dance Team	4,051	6,939	6,599	4,391
Boys Basketball	1,161	5,402	4,825	1,738
Football	(8,399)	13,999	2,972	2,628
Baseball	1,582	8,540	7,555	2,567
Boys Track	1,589	667	997	1,259
Wrestling	(1,354)	4,774	3,066	354
Girls Basketball	1,288	4,873	3,510	2,651
Volleyball	1,524	1,366	1,299	1,591
Softball	795	1,717	1,351	1,161
Girls Track	689	1,512	2,110	91
HS General Athletics	4,720	8,237	8,523	4,434
JH Athletics	2,954	5,027	3,916	4,065
Knowledge Bowl	0	60	60	0
Booster Club	9,093	43,395	46,834	5,654
AED Grant	279	0	0	279
Athletic Complex	649	0	0	649
Interest	152	138	211	79
Uniform Fund	566	0	0	566
TAG Activity Fund Balance	727	0	135	592
Honor Society	857	937	473	1,321
HS Student Council	4,555	3,331	3,870	4,016
FFA	3,951	11,219	12,805	2,365
FCCLA	485	0	0	485
Art Club	12	0	0	12
HS Book Club	464	1,000	0	1,464
Senior Breakfast	234	0	0	234
Math & Science Club	0	1,248	836	412
Middle School Band	1,502	91	956	637
Vocal Entry Fees	326	0	21	305
7th and 8th Vocal	1,417	101	720	798
Elem Vocal	339	103	311	131
Class of 2009	532	533	1,000	65
Class of 2010	2,079	990	2,039	1,030
Class of 2011	440	2,153	275	2,318
Class of 2012	100	440	0	540
Class of 2013	511	48	511	48
High School Fundraising	1,648	606	943	1,311
Beep Club	4,493	23,814	16,166	12,141
Scholarship Memorial	0	16,000	10,000	6,000
Unreserved-Fund Balance Preschool	2,182	374	1,969	587
Elementary Classes	12,747	5,081	14,820	3,008
EL/MS Fundraising	257	0	0	257
Middle School Classes	12,022	1,037	3,256	9,803
JH Student Council	8,662	7,302	6,267	9,697
	<u>\$ 92,467</u>	<u>221,864</u>	<u>209,633</u>	<u>104,698</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2009

	Statewide Sales and Services Tax	LOSST Revenue Bonds	Capital Loan Notes	Total Capital Projects Funds
ASSETS				
Cash and pooled investments	\$ 267,919	(103,778)	640,775	804,916
Due from other governments	224,139	0	0	224,139
TOTAL ASSETS	\$ 492,058	(103,778)	640,775	1,029,055
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 0	172	104,719	104,891
Fund balances:				
Reserved:				
Capital facility construction	0	(103,950)	536,056	432,106
Unreserved	492,058	0	0	492,058
Total fund balances	492,058	(103,950)	536,056	924,164
TOTAL LIABILITIES AND FUND BALANCES	\$ 492,058	(103,778)	640,775	1,029,055

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2009

	Statewide		Capital	Total
	Sales and	Losst	Loan	Capital
	Services	Revenue	Notes	Projects
	Tax	Bonds		Funds
REVENUES:				
Local sources:				
Local tax	\$ 459,815	0	0	459,815
Other	3,393	22,229	45,641	71,263
TOTAL REVENUES	463,208	22,229	45,641	531,078
EXPENDITURES:				
Current:				
Support services:				
Operation and maintainance of plant	210,851	0	0	210,851
Other expenditures:				
Facilities acquisitions	103,239	1,169,960	1,325,851	2,599,050
TOTAL EXPENDITURES	314,090	1,169,960	1,325,851	2,809,901
Excess(deficiency)of revenues over (under)expenditures	149,118	(1,147,731)	(1,280,210)	(2,278,823)
Other financing uses:				
Transfer out	(252,044)	0	0	(252,044)
Net change in fund balances	(102,926)	(1,147,731)	(1,280,210)	(2,530,867)
Fund balance beginning of year	594,984	1,043,781	1,816,266	3,455,031
Fund balance end of year	\$ 492,058	(103,950)	536,056	924,164

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 3,689,949	3,326,721	3,296,822	3,033,229	2,961,634	2,503,938
Tuition	430,322	355,098	322,459	283,603	230,110	188,971
Other	428,611	443,370	500,273	458,751	415,118	345,482
Intermediate sources	20,671	673	9,691	3,663	180	860
State sources	4,735,246	4,752,359	4,453,988	3,711,595	3,534,845	3,343,852
Federal sources	433,239	635,610	169,225	172,332	172,013	125,386
Total	\$ 9,738,038	9,513,831	8,752,458	7,663,173	7,313,900	6,508,489
Expenditures:						
Current:						
Instruction:						
Regular	\$ 3,493,510	3,264,668	2,929,529	2,593,367	2,566,745	2,453,170
Special	1,418,006	1,190,396	1,271,565	879,648	1,054,796	843,303
Other	808,075	756,316	673,801	677,564	552,769	539,517
Support services:						
Student	136,504	133,351	124,138	170,046	177,068	174,280
Instructional staff	190,381	79,919	55,002	48,296	37,662	73,135
Administration	928,888	838,959	860,317	872,124	786,083	670,130
Operation and maintenance of plant	753,379	644,583	639,872	658,572	676,195	553,359
Transportation	519,824	507,750	465,040	447,807	484,531	458,525
Other expenditures:						
Facilities acquisitions	2,639,674	537,325	51,501	52,552	80,903	510
Long-term debt:						
Principal	555,000	385,000	375,000	365,000	355,000	350,000
Interest and fiscal charges	245,357	158,623	169,947	180,522	189,391	196,648
AEA flow-through	309,836	300,529	282,513	233,707	222,803	216,931
Total	\$ 11,998,434	8,797,419	7,898,225	7,179,205	7,183,946	6,529,508

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
RURAL EDUCATION ACHIEVEMENT PROGRAM(REAP)	84.358	FY 09	\$ <u>28,024</u>
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	17,253
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	<u>113,909</u>
			<u>131,162</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 09	65,445
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	<u>7,057</u>
			<u>72,502</u>
SPECIAL EDUCATION - GRANTS TO STATES(HIGH COST)	84.027	FY 09	<u>132,094</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	<u>2,209</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 09	<u>26,793</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 08	2,991
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 09	<u>5,584</u>
			<u>8,575</u>

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT(continued):			
STATE FISCAL STABILIZATION FUND(SFSF), EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 09	<u>72,877</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 09	43,554
SPECIAL EDUCATION - GRANTS TO STATES, RECOVERY ACT	84.391	FY 09	<u>23,634</u>
			<u>67,188</u>
EDUCATION TECHNOLOGY STATE GRANTS (E2T2)	84.318	FY 09	<u>285</u>
NORWALK COMMUNITY SCHOOL DISTRICT:			
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 09	<u>1,740</u>
DEPARTMENT OF JUSTICE:			
JUVENILE JUSTICE AND DELINQUENCY PREVENTION - ALLOCATION TO STATES	16.540	FY 09	<u>700</u>
TOTAL			<u>\$ 544,149</u>

Basis of Presentation - The Schedule of Expenditures includes the federal grant activity of the Interstate 35 Community School District and is presented in the conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

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

To the Board of Education of the
Interstate 35 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 Interstate 35 Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2010. 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 Interstate 35 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 Interstate 35 Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Interstate 35 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 Interstate 35 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 Interstate 35 Community School District's financial statements that is more than inconsequential will not be prevented or detected by Interstate 35 Community School District's internal control. We consider the deficiencies in internal control described in Part II of the Schedule of Findings and Questioned Costs 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 Interstate 35 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 item II-A-09 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Interstate 35 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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.

Interstate 35 Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Interstate 35 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 Interstate 35 Community School District and other parties to whom Interstate 35 Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Interstate 35 Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2010

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Interstate 35 Community School District

Compliance

We have audited the compliance of Interstate 35 Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Interstate 35 Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Interstate 35 Community School District's management. Our responsibility is to express an opinion on Interstate 35 Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Interstate 35 Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Interstate 35 Community School District's compliance with those requirements.

In our opinion, Interstate 35 Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Interstate 35 Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Interstate 35 Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Interstate 35 Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, which results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

Interstate 35 Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Interstate 35 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 Interstate 35 Community School District and other parties to whom Interstate 35 Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2010

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - Cluster:
 - School Nutrition Cluster:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Special Education Cluster:
 - CFDA Number 84.027 - Special Education - Grants to States (Part B)
 - CFDA Number 84.027 - Special Education - Grants to States (High Cost)
 - CFDA Number 84.391 - Special Education - Grants to States, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Interstate 35 Community School District did not qualify as a low-risk auditee.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will investigate available alternatives and implement them as soon as possible.

Conclusion - Response accepted.

CONTROL DEFICIENCIES:

II-B-09 Purchase Orders - We noted during our audit that District does use purchase orders in the purchase process, however, we noted instances of purchase orders for disbursements in the Student Activity Fund that were completed after the products had been ordered or completed after the products had been received.

Recommendation - The advantage of using a purchase order system is that the approvals of the items being purchased are noted prior to the ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also, reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring the actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore, allowing the person who approves the purchase orders, the insight to know, if there is still available funding to make the purchase.

Although, Districts are not required to use a purchase order system, the benefits to financial management make the system, desirable. The District's current purchase order system should be reviewed and the necessary changes made so that all disbursements are approved by the appropriate administrator, before the ordering of the supplies takes place.

Response - We will investigate our current purchasing procedures and make changes to ensure that we are complying with our policies.

Conclusion - Response accepted.

II-C-09 Board Policies - We noted during our audit the District has not implemented a capital asset policy. The District should implement a policy that addresses the dollar capitalization threshold and years to depreciate assets over. The policy should also address that the District should keep track of assets over \$500 for insurance purposes.

We also noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review their procedures in place and update or implement the necessary policies. The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - The Board is currently working on updating all policies in our Board Policy Manual to comply with the requirement of review every five years. The Board will also implement a capital asset policy.

Conclusion - Response accepted.

II-D-09 Hourly Wages Payroll Procedures - We noted during our audit that the District did not maintain documentation on hours worked by coaches and non-certified staff for wage and hour purposes, as required by the Department of Labor.

Recommendation - The District should require documentation of hours worked for coaches who are not exempt. The District should monitor for minimum wage as well as overtime.

Response - We will monitor our policies on coaches and non-certified staff and implement procedures to account for the monitoring of minimum wage and overtime.

Conclusion - Response accepted.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2009
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.027 - Special Education - Grants to States (Part B)
CFDA Number 84.391 - Special Education - Grants to States, Recovery Act
Federal Award Year: 2009
U.S. Department of Education
Passed through an Area Education Agency

CFDA Number 84.027 - Special Education -Grants to States (High Cost)
Federal Award Year: 2009
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will investigate available alternatives and implement them as soon as possible.

Conclusion - Response accepted.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTION COSTS
 YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget - District expenditures for the year ended June 30, 2009, did not exceed the amounts budgeted.

IV-B-09 Questionable Disbursements - We noted during our audit that the District wrote checks for purchase of gift cards. The gift cards were given as rewards to students and to mentors of new students. Gift cards for these purposes do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District has reviewed procedures and will purchase other items for rewards for students.

Conclusion - Response accepted.

IV-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-09 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Connie Kephart, Bus Driver Spouse owns Kephart Construction	Purchased Services	\$10,071
Bill Maske, Superintendent Spouse does computer repair	Purchased Services	\$3,162

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

IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The District will implement procedures to comply with the publication of minutes in a timely manner.

Conclusion - Response accepted.

IV-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-09 Certified Annual Report -The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales and services tax revenue			459,815
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$	207,771	
Debt service for school infrastructure:			
Revenue debt		252,044	459,815
			<hr/>
Ending balance		\$	<u>0</u>

IV-L-09 Financial Condition -The District had a deficit fund balance in the Capital Projects, LOSST Revenue Bonds account of \$103,950 at June 30, 2009.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit.

Response - The District will monitor these funds and investigate alternatives to eliminate any deficits that may exist.

Conclusion - Response accepted.

IV-M-09 Signing of Officiating Contracts - We noted during our audit that the Board President was not signing athletic officiating contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to comply with Chapter 291.1 of the Code of Iowa.

Response - We have implemented procedures to comply with the Board President signing all contracts for the District.

Conclusion - Response accepted.

IV-N-09 Checks Outstanding - We noted during our audit that the District had checks included in the activity bank reconciliation which have been outstanding for over a year.

Recommendation - The District should research the outstanding checks to determine if they should be reissued, voided, or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - We will investigate these outstanding checks and determine what steps need to be taken to remove them from our listing.

Conclusion - Response accepted.

IV-O-09 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual, "The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8)." Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

There are Elementary accounts in the Student Activity Fund. We noted expenditures within this account for instructional supplies and books. These expenditures appear to more instructional and nature and would be more appropriately run through the General Fund.

We noted that scholarships were being written to students out of the Student Activity Fund. It was also noted that when the scholarship was awarded to the student, the check was being written directly to the student. In the future scholarships should be recorded in the Private-Purpose Trust Fund. The District should write the check to the trade school/university the student is attending once that student has supplied adequate documentation to the District that the student is attending a trade school/university. The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. The District should also review procedures that are in place in regards to the Activity Fund and follow the suggested recommendations to gain compliance and better internal controls.

Response - We will review procedures for the Student Activity Fund revenues and expenditures and follow suggestions recommended to gain compliance and better internal controls.

Conclusion - Response accepted.