

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Central Community School District, Manly, Iowa, as of and for the year ended June 30, 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Central Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2010, on our consideration of North Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Central Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

March 9, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$4,721,416 in fiscal 2008 to \$5,085,943 in fiscal 2009, while General Fund expenditures increased from \$5,146,957 in fiscal 2008 to \$5,602,545 in fiscal 2009. The District's General Fund balance decreased from \$(35,339) in fiscal 2008 to \$(534,989) in fiscal 2009.
- The increase in General Fund revenues was attributable to an increase in property tax, tuition, and casino grant revenues in fiscal 2009. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2009.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

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

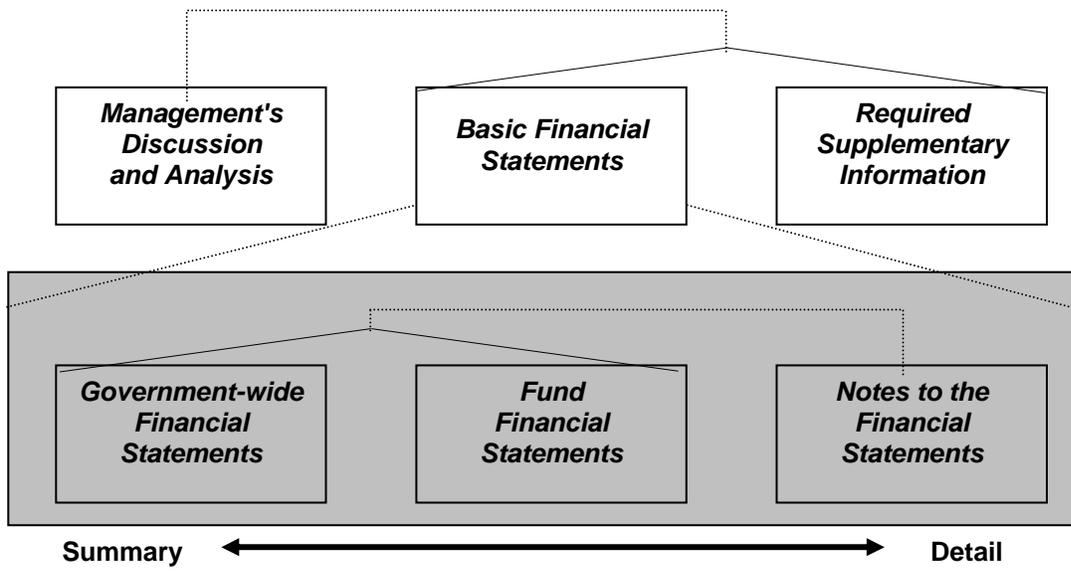


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net assets are an indicator of whether financial position is improving or deteriorating.

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 2) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

<i>Figure A-3</i>							
Condensed Statement of Net Assets							
	Governmental		Business-type		Total		Percentage
	Activities		Activities		School District		Change
	2009	2008	2009	2008	2009	2008	2008-2009
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,294,059	3,591,436	44,674	38,721	4,338,733	3,630,157	20%
Capital assets	4,917,303	4,799,948	8,358	7,902	4,925,661	4,807,850	2%
Total assets	9,211,362	8,391,384	53,032	46,623	9,264,394	8,438,007	10
Long-term liabilities	2,496,000	2,665,000	0	0	2,496,000	2,665,000	-6%
Other liabilities	3,950,564	2,894,517	2,519	2,111	3,953,083	2,896,628	36%
Total liabilities	6,446,564	5,559,517	2,519	2,111	6,449,083	5,561,628	16.0%
Net Assets:							
Invested in capital assets, net of related debt	2,542,303	2,134,948	8,358	7,902	2,550,661	2,142,850	19%
Restricted	662,007	611,872	0	0	662,007	611,872	8%
Unrestricted	(439,512)	85,047	42,155	36,610	(397,357)	121,657	-427%
TOTAL NET ASSETS	2,764,798	2,831,867	50,513	44,512	2,815,311	2,876,379	-2%

The District's combined total net assets decreased by nearly -2%, or approximately \$61,068, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$50,135 or 8% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$519,014, or -427%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2008.

Figure A-4	Change in Net Assets						Percentage Change 2008-2009
	Governmental		Business-type		Total		
	Activities		Activities		School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	742,740	509,039	139,516	134,782	882,256	643,821	37%
Operating grants & contributions	1,073,743	629,023	114,479	100,625	1,188,222	729,648	63%
Capital grants & contributions	74,131	7,500	0	0	74,131	7,500	888%
General Revenues:							
Property taxes	2,022,953	1,976,351	0	0	2,022,953	1,976,351	2%
Income Surtax	134,417	131,712	0	0	134,417	131,712	2%
Statewide sales tax	359,243	374,709	0	0	359,243	374,709	-4%
Unrestricted state grants	1,931,274	2,245,249	0	0	1,931,274	2,245,249	-14%
Unrestricted investment earnings	19,785	15,322	74	125	19,859	15,447	29%
Other revenue	20,806	35,642	0	0	20,806	35,642	-45%
Total Revenues	6,379,092	5,924,547	254,069	235,532	6,633,161	6,160,079	8%
Expenses:							
Instruction	4,290,446	3,680,226	0	0	4,290,446	3,680,226	17%
Support services	1,610,202	1,589,444	0	0	1,610,202	1,589,444	1%
Non-instructional programs	0	0	250,951	240,599	250,951	240,599	4%
Other expenditures	542,630	580,964	0	0	542,630	580,964	-7%
Total expenses	6,443,278	5,850,634	250,951	240,599	6,694,229	6,091,233	10%
Change in net assets before transfers	(64,186)	73,913	3,118	(5,067)	(61,088)	68,846	
Transfers	(2,883)	0	2,883	0	0	0	0
CHANGE IN NET ASSETS	(67,069)	73,913	6,001	(5,067)	(61,068)	68,846	
Net assets beginning of year	2,831,867	2,757,954	44,512	49,579	2,876,379	2,807,533	2%
Net assets end of year	2,764,798	2,831,867	50,513	44,512	2,815,311	2,876,379	-2%

In fiscal year 2009 property tax and unrestricted state grants account for 60% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

As shown in figure A-4, the District as a whole experienced an 8% increase in revenues and a 10% increase in expenses. Property tax increased \$46,602 to fund increases in expenses. The increases in expenses related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$6,379,092 and expenses were \$6,443,278.

- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$18,514 in fiscal 2008 to \$20,495 in fiscal 2009. The increase in revenues was the result of a casino grant. The carryover fund balance must be spent for site and building repairs and construction and equipment purchases.
- The Capital Projects Fund balance increased from \$250,891 in 2008 to 265,863 at June 30, 2009. This fund derives its revenue from sales taxes. This fund must be used for equipment purchases, site and building repairs and construction and bond payments.

Proprietary Fund Highlight

School Nutrition Fund net assets increased from \$44,512 at June 30, 2008 to \$50,513 at June 30, 2009, representing an increase of approximately 13%. The goal of the School Nutrition Fund is to break even or to show a small profit to be used for future kitchen equipment purchases.

BUDGETARY HIGHLIGHTS

The District’s receipts were \$173,796 less than budgeted receipts, a variance of 3%. The most significant variance resulted from the District receiving less in state aid than originally anticipated combined with the district’s miscellaneous income estimated at a higher amount than received.

Total expenditures were greater than budgeted, due primarily to the District’s expenditures in 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.

In spite of the District’s budgetary practice, the certified budget was exceeded in the instruction functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$4.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 2% from last year. More detailed information about the District’s capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$243,113.

The largest change in capital asset activity during the year occurred in the buildings area. During fiscal year 2009 the District constructed restroom facilities at the athletic costing \$237,000

<i>Figure A-6</i>							
<i>Capital Assets (net of depreciation)</i>							
	Governmental		Business type		Total		Percentage
	Activities		Activities		School District		Change
	2009	2008	2009	2008	2009	2008	2008-2009
	\$	\$	\$	\$	\$	\$	
Land	45,500	45,500	0	0	45,500	45,500	0%
Buildings	4,062,015	3,964,852	0	0	4,062,015	3,964,852	3%
Improvements	473,403	504,986	0	0	473,403	504,986	-6%
Equipment & furniture	336,385	284,610	8,358	7,902	344,743	292,512	18%
TOTAL	4,917,303	4,799,948	8,358	7,902	4,925,661	4,807,850	2%

Long-Term Debt

At June 30, 2009 the District had \$2,496,000 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7						
Outstanding Long-Term Obligations						
						Percentage
Total School District						Change
			2009	2008	2008-2009	
			\$	\$		
General obligation bonds			1,980,000	2,205,000	-10%	
Revenue bonds			395,000	460,000	-14%	
Early retirement			121,000	0	0%	
TOTAL			2,496,000	2,665,000	-6%	

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:

- Worth County has advised the District that, due to the recent completion of property revaluation assessments, the District's total taxable valuation will increase property tax collected in fiscal 2010.
- School financing is highly dependent upon student enrollment. The District's October 2009 enrollment decreased by 33 students. This drop in enrollment will decrease the District's funding for fiscal year 2011.
- Costs outside of the Board's control such as continual increases in health insurance and utility costs are worrisome, and employee contract settlements will also have an effect on the District's financial viability.
- The district is currently in year three of a whole grade sharing agreement and has reduced administration and is sharing a Superintendent with the other district. Utilizing the services between the two district's to help the economics of the district has been a priority of the Board.

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, Amy Yezek, District Secretary/Treasurer and Business Manager, North Central Community School District, PO Box 190, Manly, IA. 50456

BASIC FINANCIAL STATEMENTS

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	973,205	-	973,205
Other	293,319	26,591	319,910
Cash with fiscal agent	131,388	-	131,388
Receivables:			
Property tax:			
Delinquent	35,616	-	35,616
Succeeding year	2,404,782	-	2,404,782
Accounts	-	297	297
Accrued interest:			
ISCAP	1,781	-	1,781
Due from other governments	440,253	-	440,253
Inventories	-	17,786	17,786
Unamortized bond issue costs	13,715	-	13,715
Capital assets, net of accumulated depreciation	4,917,303	8,358	4,925,661
Total assets	9,211,362	53,032	9,264,394
Liabilities			
Warrants issued in excess of bank balance	140,901	-	140,901
Accounts payable	125,980	-	125,980
Salaries and benefits payable	633	-	633
Accrued interest payable	20,824	-	20,824
Deferred revenue:			
Succeeding year property tax	2,403,782	-	2,403,782
Other	68,405	2,519	70,924
ISCAP warrants payable	1,166,000	-	1,166,000
ISCAP accrued interest payable	3,537	-	3,537
ISCAP premium	20,502	-	20,502
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	230,000	-	230,000
Revenue bonds payable	65,000	-	65,000
Termination benefits	121,000	-	121,000
Portion due after one year:			
General obligation bonds payable	1,750,000	-	1,750,000
Revenue bonds payable	330,000	-	330,000
Total liabilities	6,446,564	2,519	6,449,083

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	973,205	-	973,205
Other	293,319	26,591	319,910
Cash with fiscal agent	131,388	-	131,388
Receivables:			
Property tax:			
Delinquent	35,616	-	35,616
Succeeding year	2,404,782	-	2,404,782
Accounts	-	297	297
Accrued interest:			
ISCAP	1,781	-	1,781
Due from other governments	440,253	-	440,253
Inventories	-	17,786	17,786
Unamortized bond issue costs	13,715	-	13,715
Capital assets, net of accumulated depreciation	4,917,303	8,358	4,925,661
Total assets	9,211,362	53,032	9,264,394
Liabilities			
Warrants issued in excess of bank balance	140,901	-	140,901
Accounts payable	125,980	-	125,980
Salaries and benefits payable	633	-	633
Accrued interest payable	20,824	-	20,824
Deferred revenue:			
Succeeding year property tax	2,403,782	-	2,403,782
Other	68,405	2,519	70,924
ISCAP warrants payable	1,166,000	-	1,166,000
ISCAP accrued interest payable	3,537	-	3,537
ISCAP premium	20,502	-	20,502
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	230,000	-	230,000
Revenue bonds payable	65,000	-	65,000
Termination benefits	121,000	-	121,000
Portion due after one year:			
General obligation bonds payable	1,750,000	-	1,750,000
Revenue bonds payable	330,000	-	330,000
Total liabilities	6,446,564	2,519	6,449,083

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net assets			
Invested in capital assets, net of related debt	2,542,303	8,358	2,550,661
Restricted for:			
Categorical funding	41,067	-	41,067
Management levy	107,658	-	107,658
Physical plant and equipment levy	20,495	-	20,495
Other special revenue purposes	15,918	-	15,918
Sales tax capital projects	134,555	-	134,555
Debt service	342,314	-	342,314
Unrestricted	<u>(439,512)</u>	<u>42,155</u>	<u>(397,357)</u>
Total net assets	<u><u>2,764,798</u></u>	<u><u>50,513</u></u>	<u><u>2,815,311</u></u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	3,006,753	438,843	788,728	-
Special	725,250	58,368	27,129	-
Other	558,443	243,407	59,271	-
	<u>4,290,446</u>	<u>740,618</u>	<u>875,128</u>	<u>-</u>
Support services:				
Student	51,725	-	-	-
Instructional staff	178,176	-	-	-
Administration	611,253	-	-	-
Operation and maintenance of plant	458,148	2,122	-	-
Transportation	310,900	-	2,562	-
	<u>1,610,202</u>	<u>2,122</u>	<u>2,562</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	66,197	-	-	74,131
Long-term debt interest	100,121	-	637	-
AEA flowthrough	195,416	-	195,416	-
Depreciation (unallocated)*	180,896	-	-	-
	<u>542,630</u>	<u>-</u>	<u>196,053</u>	<u>74,131</u>
Total governmental activities	6,443,278	742,740	1,073,743	74,131
Business type activities:				
Non-instructional programs:				
Food service operations	250,951	139,516	114,479	-
Total	<u>6,694,229</u>	<u>882,256</u>	<u>1,188,222</u>	<u>74,131</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,779,182)	-	(1,779,182)
(639,753)	-	(639,753)
(255,765)	-	(255,765)
<u>(2,674,700)</u>	<u>-</u>	<u>(2,674,700)</u>
(51,725)	-	(51,725)
(178,176)	-	(178,176)
(611,253)	-	(611,253)
(456,026)	-	(456,026)
(308,338)	-	(308,338)
<u>(1,605,518)</u>	<u>-</u>	<u>(1,605,518)</u>
7,934	-	7,934
(99,484)	-	(99,484)
-	-	-
(180,896)	-	(180,896)
<u>(272,446)</u>	<u>-</u>	<u>(272,446)</u>
(4,552,664)	-	(4,552,664)
-	3,044	3,044
<u>(4,552,664)</u>	<u>3,044</u>	<u>(4,549,620)</u>
1,581,426	-	1,581,426
387,939	-	387,939
53,588	-	53,588
134,417	-	134,417
359,243	-	359,243
1,931,274	-	1,931,274
19,785	74	19,859
20,806	-	20,806
4,488,478	74	4,488,552
(2,883)	2,883	-
4,485,595	2,957	4,488,552
(67,069)	6,001	(61,068)
2,831,867	44,512	2,876,379
<u>2,764,798</u>	<u>50,513</u>	<u>2,815,311</u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Assets			
Cash and pooled investments:			
ISCAP	973,205	-	973,205
Other	-	285,034	285,034
Cash with fiscal agent	-	131,388	131,388
Receivables:			
Property tax:			
Delinquent	25,772	9,844	35,616
Succeeding year	1,934,242	470,540	2,404,782
Accrued interest - ISCAP	1,781	-	1,781
Interfund receivable	6,000	277,275	283,275
Due from other governments	356,632	83,621	440,253
Total assets	3,297,632	1,257,702	4,555,334
Liabilities and Fund Balances			
Liabilities:			
Warrants issued in excess of bank balance	140,901	-	140,901
Accounts payable	96,330	19,398	115,728
Salaries and benefits payable	633	-	633
Interfund payable	279,660	6,000	285,660
ISCAP warrants payable	1,166,000	-	1,166,000
ISCAP accrued interest payable	3,537	-	3,537
ISCAP premium	20,502	-	20,502
Deferred revenue:			
Succeeding year property tax	1,934,242	469,540	2,403,782
Income surtax	122,411	-	122,411
Other	68,405	-	68,405
Total liabilities	3,832,621	494,938	4,327,559
Fund balances:			
Reserved for:			
Categorical funding	41,067	-	41,067
Debt service	-	363,138	363,138
Unreserved reported in:			
General fund	(576,056)	-	(576,056)
Special revenue funds	-	265,071	265,071
Capital projects funds	-	134,555	134,555
Total fund balances	(534,989)	762,764	227,775
Total liabilities and fund balances	3,297,632	1,257,702	4,555,334

NORTH CENTRAL 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 (Exhibit C)	227,775
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***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,917,303
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Bond issue costs are expensed when incurred for the fund financial statements, but are capitalized and expensed over the life of the bonds for the Statement of Net Assets.	13,715
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	122,411
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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.	(20,824)
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An internal service fund is used by the District's management to charge the costs of the sick leave program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	418
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Long-term liabilities, including general obligation and revenue bonds payable, and termination benefits are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,496,000)</u>
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Net assets of governmental activities (Exhibit A)	<u><u>2,764,798</u></u>
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NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	1,559,569	948,971	2,508,540
Tuition	363,207	-	363,207
Other	540,573	319,153	859,726
Intermediate sources	484	-	484
State sources	2,478,174	-	2,478,174
Federal sources	143,936	-	143,936
Total revenues	<u>5,085,943</u>	<u>1,268,124</u>	<u>6,354,067</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,887,158	33,202	2,920,360
Special	725,250	-	725,250
Other	327,023	250,981	578,004
	<u>3,939,431</u>	<u>284,183</u>	<u>4,223,614</u>
Support services:			
Student	51,039	686	51,725
Instructional staff	178,176	-	178,176
Administration	568,906	-	568,906
Operation and maintenance of plant	418,279	35,891	454,170
Transportation	251,298	12,419	263,717
	<u>1,467,698</u>	<u>48,996</u>	<u>1,516,694</u>
Other expenditures:			
Facilities acquisition	-	405,129	405,129
Long-term debt:			
Principal	-	290,000	290,000
Interest and fiscal charges	-	102,258	102,258
AEA flowthrough	195,416	-	195,416
	<u>195,416</u>	<u>797,387</u>	<u>992,803</u>
Total expenditures	<u>5,602,545</u>	<u>1,130,566</u>	<u>6,733,111</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(516,602)</u>	<u>137,558</u>	<u>(379,044)</u>
Other financing sources (uses):			
Compensation for loss of fixed assets	16,785	-	16,785
Sales of equipment	167	-	167
Operating transfers in	-	65,744	65,744
Operating transfers out	-	(65,744)	(65,744)
Total other financing sources (uses)	<u>16,952</u>	<u>-</u>	<u>16,952</u>
Net change in fund balances	(499,650)	137,558	(362,092)
Fund balances beginning of year	<u>(35,339)</u>	<u>625,206</u>	<u>589,867</u>
Fund balances end of year	<u>(534,989)</u>	<u>762,764</u>	<u>227,775</u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(362,092)
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	358,041	
Depreciation expense	<u>(240,686)</u>	117,355
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		8,073
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		290,000
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.		
		2,137
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits		(121,000)
Bond issue costs are expensed when incurred for the fund financial statements, but are capitalized and expensed over the life of the bonds for the Statement of Net Assets.		
		(1,960)
An internal service fund is used by the District's management to charge the costs of the sick leave program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		
		<u>418</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>(67,069)</u></u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2009

	Nonmajor School Nutrition \$	Governmental Activities - Internal Service Fund \$
Assets		
Cash and cash equivalents	26,591	8,285
Accounts receivable	297	-
Inventories	17,786	-
Capital assets, net of accumulated depreciation	8,358	-
	<u>53,032</u>	<u>8,285</u>
Total assets		
Liabilities		
Accounts payable	-	7,867
Deferred revenue	2,519	-
	<u>2,519</u>	<u>7,867</u>
Total liabilities		
Net assets		
Invested in capital assets	8,358	-
Unrestricted	42,155	418
	<u>50,513</u>	<u>418</u>
Total net assets		

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Nonmajor School Nutrition <u> </u> \$	Governmental Activities - Internal Service Fund <u> </u> \$
Operating revenues:		
Local sources:		
Charges for service	139,516	21,381
Operating expenses:		
Non-instructional programs:		
Salaries	83,179	-
Benefits	29,552	20,963
Supplies	135,793	-
Depreciation	2,427	-
Total operating expenses	<u>250,951</u>	<u>20,963</u>
Operating gain (loss)	<u>(111,435)</u>	<u>418</u>
Non-operating revenues:		
State sources	2,716	-
Federal sources	111,763	-
Interest income	74	-
Total non-operating revenues	<u>114,553</u>	<u>-</u>
Gain (loss) before contributions	3,118	418
Capital contributions	<u>2,883</u>	<u>-</u>
Net income	6,001	418
Net assets beginning of year	<u>44,512</u>	<u>-</u>
Net assets end of year	<u><u>50,513</u></u>	<u><u>418</u></u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	Nonmajor School Nutrition <u> </u> \$	Governmental Activities - Internal Service Fund <u> </u> \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	139,837	-
Cash received from sales of services to other funds	-	21,381
Cash payments to employees for services	(112,731)	(13,096)
Cash payments to suppliers for goods or services	(109,214)	-
Net cash (used) provided by operating activities	<u>(82,108)</u>	<u>8,285</u>
Cash flows from non-capital financing activities:		
State grants received	2,716	-
Federal grants received	84,258	-
Net cash provided by non-capital financing activities	<u>86,974</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>74</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	4,940	8,285
Cash and cash equivalents at beginning of year	<u>21,651</u>	<u>-</u>
Cash and cash equivalents at end of year	<u><u>26,591</u></u>	<u><u>8,285</u></u>
 Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	(111,435)	418
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	27,827	-
Depreciation	2,427	-
Decrease (increase) in inventories	(1,248)	-
Decrease (increase) in accounts receivable	(87)	-
(Decrease) increase in accounts payable	-	7,867
(Decrease) increase in deferred revenue	408	-
Net cash (used) provided by operating activities	<u>(82,108)</u>	<u>8,285</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$27,827 of federal commodities.

During the year ended June 30, 2009, the School Nutrition Fund received \$2,883 of equipment that was purchased by other funds.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

	Private Purpose Trust
	<u>\$</u>
Assets	
Cash and pooled investments	17,963
Interfund receivable	<u>2,385</u>
Total Assets	20,348
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>20,348</u></u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trust
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	1,000
Interest	<u>535</u>
Total additions	<u>1,535</u>
Deductions:	
Support services:	
Scholarships awarded	<u>500</u>
Change in net assets	1,035
Net assets beginning of year	<u>19,313</u>
Net assets end of year	<u><u>20,348</u></u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental fund:

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

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

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's employee flex benefit plan.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the instruction function exceeded the amount budgeted.

2. Cash and Pooled Investments

The District's deposits in banks 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 the following investment:

	<u>Fair Value</u>
	\$
Goldman Sachs Financial Square Treasury Obligations Fund	131,388

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

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
Nonmajor Management Fund	General Fund	225,993
Nonmajor Capital Projects Fund	General Fund	51,282
Nonmajor Private Purpose Trust Fund	General Fund	2,385
General Fund	Nonmajor PPEL Fund	6,000

The loans to the General Fund are for cash flow. The loan from the General Fund to the PPEL fund represents a PPEL check that was written on the wrong bank account.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	65,744

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

5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2008-09A	6/26/08	6/25/09	-	17	-	-
2008-09B	1/21/09	1/21/10	37,622	1,648	245,000	3,222
2009-10A	6/25/09	6/23/10	935,583	116	921,000	315
Total			<u>973,205</u>	<u>1,781</u>	<u>1,166,000</u>	<u>3,537</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant

proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	560,519	350,000	210,519

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
	%	%
2008-09A	3.500	3.469
2008-09B	3.000	2.110
2009-10A	2.500	0.902

6. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	45,500	-	-	45,500
Capital assets being depreciated:				
Buildings	6,122,154	246,476	-	6,368,630
Improvements other than buildings	737,862	-	-	737,862
Furniture and equipment	663,468	111,565	-	775,033
Total capital assets being deprec.	<u>7,523,484</u>	<u>358,041</u>	-	<u>7,881,525</u>
Less accumulated depreciation for:				
Buildings	2,157,302	149,313	-	2,306,615
Improvements other than buildings	232,876	31,583	-	264,459
Furniture and equipment	378,858	59,790	-	438,648
Total accumulated depreciation	<u>2,769,036</u>	<u>240,686</u>	-	<u>3,009,722</u>
Total capital assets being depreciated, net	<u>4,754,448</u>	<u>117,355</u>	-	<u>4,871,803</u>
Governmental activities capital assets, net	<u>4,799,948</u>	<u>117,355</u>	-	<u>4,917,303</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	28,124	2,883	-	31,007
Less accumulated depreciation	<u>20,222</u>	<u>2,427</u>	<u>-</u>	<u>22,649</u>
Business type activities capital assets, net	<u>7,902</u>	<u>456</u>	<u>-</u>	<u>8,358</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	5,811
Other	2,431
Support services:	
Administration	387
Operation and maintenance of plant services	3,978
Transportation	<u>47,183</u>
	59,790
Unallocated depreciation	<u>180,896</u>
Total depreciation expense – governmental activities	<u>240,686</u>
Business type activities:	
Food services	<u>2,427</u>

7. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	2,205,000	-	225,000	1,980,000	230,000
Revenue bonds	460,000	-	65,000	395,000	65,000
Termination benefits	<u>-</u>	<u>124,740</u>	<u>3,740</u>	<u>121,000</u>	<u>121,000</u>
Total	<u>2,665,000</u>	<u>124,740</u>	<u>293,740</u>	<u>2,496,000</u>	<u>416,000</u>

Termination Benefits

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

Early retirement benefits are equal to the difference between the employee's current salary and the BA base rate, with a maximum retirement benefit of \$27,000.

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

At June 30, 2009, the District has obligations to four participants with a total liability of \$121,000. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$3,740.

General Obligation Bonds Payable

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

Year Ending June 30,	Refunding Bond Issue April 29, 2004			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	4.00	230,000	79,375	309,375
2011	4.0	240,000	70,175	310,175
2012	4.5	245,000	60,575	305,575
2013	4.5	255,000	49,550	304,550
2014	4.0	270,000	38,075	308,075
2015-2017	3.6-3.8	740,000	51,120	791,120
		<u>1,980,000</u>	<u>348,870</u>	<u>2,328,870</u>

Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue of September 2005			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	3.6	65,000	14,020	79,020
2011	3.7	70,000	11,555	81,555
2012	3.8	70,000	8,930	78,930
2013	4.0	75,000	6,100	81,100
2014	4.0	75,000	3,100	78,100
2015	4.0	40,000	800	40,800
		<u>395,000</u>	<u>44,505</u>	<u>439,505</u>

The District has pledged future local option (statewide) sales and services tax revenues to repay the \$585,000 of bonds issued in September 2005. The bonds were issued for the purpose of financing a portion of the costs of school renovations. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues and received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require nearly 25 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$439,505. For the current year, principal of \$65,000 and interest of \$16,295 were paid on the bonds and total statewide sales and services tax revenues were \$359,243.

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

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

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

8. Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$195,517, \$144,817 and \$143,523 respectively, equal to the required contributions for each year.

9. Risk Management

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

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$195,416 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. Lease Commitment

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

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

12. Deficit Fund Balances

At June 30, 2009 the District had a General Fund deficit unreserved fund balance of \$576,056.

13. Debt Service Property Tax Levy

During fiscal years 2008 and 2009 approximately \$162,590 total property tax for the Debt Service Fund was collected in error. A mistake on the 2008 and 2009 budget worksheets resulted in the District levying property taxes for the payment of revenue bonds. The extra property tax collected was not used for the payment of any bonds and has accumulated in the Debt Service Fund.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,731,473	139,590	3,871,063	3,854,909	3,854,909	16,154
Intermediate sources	484	-	484	-	-	484
State sources	2,478,174	2,716	2,480,890	2,668,023	2,668,023	(187,133)
Federal sources	143,936	111,763	255,699	259,000	259,000	(3,301)
Total revenues	<u>6,354,067</u>	<u>254,069</u>	<u>6,608,136</u>	<u>6,781,932</u>	<u>6,781,932</u>	<u>(173,796)</u>
Expenditures/Expenses:						
Instruction	4,223,614	-	4,223,614	3,500,000	3,500,000	(723,614)
Support services	1,516,694	-	1,516,694	1,607,980	1,607,980	91,286
Non-instructional programs	-	250,951	250,951	275,000	275,000	24,049
Other expenditures	992,803	-	992,803	1,015,958	1,015,958	23,155
Total expenditures/expenses	<u>6,733,111</u>	<u>250,951</u>	<u>6,984,062</u>	<u>6,398,938</u>	<u>6,398,938</u>	<u>(585,124)</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(379,044)	3,118	(375,926)	382,994	382,994	(758,920)
Other financing sources (uses) net	<u>16,952</u>	<u>2,883</u>	<u>19,835</u>	<u>-</u>	<u>-</u>	<u>19,835</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	(362,092)	6,001	(356,091)	382,994	382,994	(739,085)
Balance beginning of year	<u>589,867</u>	<u>44,512</u>	<u>634,379</u>	<u>3,753,387</u>	<u>3,753,387</u>	<u>(3,119,008)</u>
Balance end of year	<u><u>227,775</u></u>	<u><u>50,513</u></u>	<u><u>278,288</u></u>	<u><u>4,136,381</u></u>	<u><u>4,136,381</u></u>	<u><u>(3,858,093)</u></u>

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

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

During the year ended June 30, 2009, expenditures in the instruction function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds			Capital Projects		Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Sales Tax	Debt Service	
	\$	\$	\$	\$	\$	\$
Cash and pooled investments	-	15,918	44,616	-	224,500	285,034
Cash with fiscal agents	-	-	-	131,388	-	131,388
Receivables:						
Property tax:						
Delinquent	2,665	-	879	-	6,300	9,844
Succeeding year	200,001	-	60,663	-	209,876	470,540
Interfund receivable	225,993	-	-	51,282	-	277,275
Due from other governments	-	-	-	83,621	-	83,621
Total assets	428,659	15,918	106,158	266,291	440,676	1,257,702
Liabilities & Fund Balances						
Liabilities:						
Accounts payable	-	-	19,000	398	-	19,398
Interfund payables	-	-	6,000	-	-	6,000
Deferred revenue:						
Succeeding year property tax	200,001	-	60,663	-	208,876	469,540
Total liabilities	200,001	-	85,663	398	208,876	494,938
Fund balances:						
Reserved for debt service	-	-	-	131,338	231,800	363,138
Unreserved reported in:						
Special revenue funds	228,658	15,918	20,495	-	-	265,071
Capital projects funds	-	-	-	134,555	-	134,555
Total fund balances	228,658	15,918	20,495	265,893	231,800	762,764
Total liabilities and fund balances	428,659	15,918	106,158	266,291	440,676	1,257,702

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Special Revenue Funds			Capital Projects		Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Sales Tax	Debt Service	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	148,201	-	53,588	359,243	387,939	948,971
Other	-	243,491	73,219	1,806	637	319,153
Total revenues	<u>148,201</u>	<u>243,491</u>	<u>126,807</u>	<u>361,049</u>	<u>388,576</u>	<u>1,268,124</u>
Expenditures:						
Current:						
Instruction:						
Regular	33,202	-	-	-	-	33,202
Other	-	250,981	-	-	-	250,981
Support services:						
Student	686	-	-	-	-	686
Operation and maintenance of plant	35,891	-	-	-	-	35,891
Transportation	12,419	-	-	-	-	12,419
Other expenditures:						
Facilities acquisition	-	-	124,826	280,303	-	405,129
Long-term debt:						
Principal	-	-	-	-	290,000	290,000
Interest and fiscal charges	-	-	-	-	102,258	102,258
Total expenditures	<u>82,198</u>	<u>250,981</u>	<u>124,826</u>	<u>280,303</u>	<u>392,258</u>	<u>1,130,566</u>
Excess (deficiency) of revenues over (under) expenditures	66,003	(7,490)	1,981	80,746	(3,682)	137,558
Other financing sources (uses):						
Operating transfers in	-	-	-	-	65,744	65,744
Operating transfers out	-	-	-	(65,744)	-	(65,744)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,744)</u>	<u>65,744</u>	<u>-</u>
Net change in fund balances	66,003	(7,490)	1,981	15,002	62,062	137,558
Fund balances beginning of year	<u>162,655</u>	<u>23,408</u>	<u>18,514</u>	<u>250,891</u>	<u>169,738</u>	<u>625,206</u>
Fund balances end of year	<u><u>228,658</u></u>	<u><u>15,918</u></u>	<u><u>20,495</u></u>	<u><u>265,893</u></u>	<u><u>231,800</u></u>	<u><u>762,764</u></u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Boys basketball	430	6,137	5,989	-	578
Football	564	23,117	18,063	(2,500)	3,118
Baseball	(2,908)	14,811	16,982	5,000	(79)
Boys track	(400)	9,011	13,611	6,000	1,000
Boys golf	197	56	557	400	96
Coop wrestling	324	6,623	7,961	1,800	786
JH wrestling	392	974	387	(400)	579
Volleyball	225	19,012	7,915	(10,665)	657
Softball	1,914	9,528	15,190	4,500	752
Girls track	(799)	3,316	7,832	4,500	(815)
Girls golf	(340)	314	1,029	2,000	945
Girls basketball	(1,425)	16,543	13,523	(600)	995
Athletic fundraiser	7,886	29,066	6,333	(43,934)	(13,315)
Cross country	437	808	1,331	200	114
French club	101	-	-	-	101
Honor society	234	-	150	(78)	6
Pep club	235	-	-	-	235
Student council	484	13,285	11,949	103	1,923
TAG/FPS	5,456	1,395	2,485	-	4,366
Drama & speech	370	1,057	1,226	-	201
Dance team	(691)	5,352	6,007	1,500	154
Elementary activities	1,703	-	-	-	1,703
Art activities	989	896	322	-	1,563
Cheerleading	178	2,415	4,169	1,800	224
Trap shooting	-	4,240	3,878	-	362
Middle school	157	-	-	-	157
Senior class	1	777	743	-	35
Junior class	2,360	3,667	5,454	3,824	4,397
Sophomore class	185	-	36	-	149
Freshman class	872	379	405	-	846
Interest	82	84	-	(53)	113
Magazine JH	2,673	-	-	-	2,673
Magazine elementary	1,597	-	-	-	1,597
Vocal music	1,104	61,484	73,297	10,665	(44)
Show choir	120	-	53	-	67
Choir robes	559	-	-	-	559
Instrumental music	1,728	241	17,082	15,938	825
Band uniforms	2,308	-	-	-	2,308
Jazz band	3	-	100	100	3
Elementary music	809	-	-	(100)	709
Yearbook	(6,906)	8,903	6,922	-	(4,925)
District football	200	-	-	-	200
Total	23,408	243,491	250,981	-	15,918

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	2,508,540	2,473,833	2,365,876	2,304,003	2,249,521	2,014,596
Tuition	363,207	214,465	156,443	90,901	100,997	106,440
Other	859,726	352,153	500,049	322,076	234,162	154,584
Intermediate sources	484	-	-	-	-	-
State sources	2,478,174	2,726,728	2,414,994	2,295,666	2,252,353	1,952,442
Federal sources	143,936	146,979	142,773	134,455	133,733	130,051
Total revenues	<u>6,354,067</u>	<u>5,914,158</u>	<u>5,580,135</u>	<u>5,147,101</u>	<u>4,970,766</u>	<u>4,358,113</u>
Expenditures:						
Instruction:						
Regular	2,920,360	2,593,928	2,210,654	2,196,900	2,080,015	2,011,759
Special	725,250	597,299	552,262	504,024	485,229	467,646
Other	578,004	547,822	369,865	376,231	309,989	294,463
Support services:						
Student	51,725	79,709	50,415	53,783	51,978	59,364
Instructional staff	178,176	132,999	125,849	134,532	30,699	28,814
Administration	568,906	568,467	543,260	492,525	465,518	452,412
Operation and maintenance	454,170	480,921	443,827	407,516	380,568	341,097
Transportation	263,717	277,928	248,496	268,250	164,091	188,258
Other expenditures:						
Facilities acquisition	405,129	496,415	463,896	671,595	111,175	82,998
Long-term debt:						
Principal	290,000	285,000	2,575,000	165,000	155,000	145,000
Interest and other charges	102,258	111,802	260,971	238,238	247,656	163,925
AEA flowthrough	195,416	191,295	177,498	162,817	159,158	154,194
Total expenditures	<u>6,733,111</u>	<u>6,363,585</u>	<u>8,021,993</u>	<u>5,671,411</u>	<u>4,641,076</u>	<u>4,389,930</u>

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Central Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 9, 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 North Central Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of North Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Central Community School District's internal control over financial reporting.

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 09-I-A, 09-I-B, 09-I-C, 09-I-D, 09-I-E, 09-I-F and 09-I-G are material weaknesses.

Compliance and Other Matters

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

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

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

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

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

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

March 9, 2010

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

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

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

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

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

Conclusion: Response accepted.

09-I-D Debt Service Property Tax Levy: During fiscal year 2008 and 2009 approximately \$162,590 total property tax for the Debt Service Fund was collected in error. A mistake on the 2008 and 2009 long-term debt budget worksheet resulted in the District levying property taxes for the payment of revenue bonds. The District's revenue bonds may only be paid from sales tax proceeds. The extra property tax collected was not used for the payment of revenue bonds and has accumulated in the Debt Service Fund.

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

District Response: The error occurred in the fiscal year 2008 when the payments for the revenue bonds were placed in the wrong column of the budget worksheet. The 2009 budget worksheet was filled out the same way as the 2008 worksheet. We have placed instructions in our budget file to prevent this error from happening in the future. We have reduced the 2010 Debt Service Fund property tax levy by \$100,000 and will be reducing the 2011 levy to compensate for the 2008 and 2009 errors.

Conclusion: Response accepted.

09-I-E Financial Reporting: During the audit, we identified material amounts of state and property tax revenues that were misclassified between accounts and between funds, ISCAP transactions that were incorrectly recorded, manual checks that were not posted to the accounting records and a flex benefit bank account not included in the accounting records. Adjustments were subsequently made by the District to properly reclassify and include these amounts in the financial statements.

Recommendation: The District should implement procedures to ensure all revenues and ISCAP transactions are posted to the correct funds and accounts. The District should discontinue writing manual checks; all checks should be written by the accounting software. All District bank accounts should be included in the accounting records

District Response: The District's had a new board secretary for fiscal year 2009. She is in the process of learning the District's software and school accounting. Additional training is planned for this year.

Conclusion: Response accepted.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

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

09-I-F Bank Reconciliations: One of the main internal controls over the cash balances reported in the accounting records is the preparation of a monthly reconciliation of the bank statement balances to the cash balances in the financial records. The cash balances in the computer financial accounting records were not reconciled to the bank monthly.

Recommendation: Bank reconciliations should be prepared monthly. Any variances between the bank reconciliation and the cash balances in the financial statements should be investigated and resolved. The preparation of monthly bank reconciliations would have prevented many of the errors described in comment 09-I-E.

District Response: Monthly bank reconciliations will be prepared.

Conclusion: Response accepted.

09-I-G Payroll Tax Reporting: There are specific due dates for paying and filing payroll tax reports with the Internal Revenue Service, State of Iowa, IPERS and Iowa Workforce Development. We noted that the District had incurred penalties for late filing.

Recommendation: The District should develop a time line with the due dates for all payroll tax payments and reports. The timeline could also include the due dates for Department of Education reporting requirements. The timeline should be reviewed daily to avoid missing due dates.

District Response: We will develop a system to ensure that reports are filed timely.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009, exceeded the amount budgeted in the instruction functional area.

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

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

Conclusion: Response accepted.

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

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

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

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

09-II-F Board Minutes: We noted that the February list of Nutrition Fund bills was not included in the minutes. We noted that many payments were made prior to board approval without documentation of board president approval and we noted that Activity and Nutrition Fund approved bills were not being published as required.

Recommendation: Chapter 179.29 of the Code of Iowa provides that "the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage, printing, and salaries without prior Board approval. This Board may approve a resolution designating certain other disbursements that may be paid prior to a Board Meeting with the approval of the Superintendent or other appointee. The Board's current policy states that the Board President may approve payment of bills prior to a board approval. The Board's written policy should be revised so that the superintendent can approve bills prior to a board meeting.. Then, except as expressly permitted, no checks should be prepared for claims that have not been properly audited and allowed. All bills and salaries for which checks are issued prior to audit and allowance by the board must be passed upon by the board of directors at the next meeting and be entered in the regular minutes of the secretary.

Iowa law requires that a list of District bills be published at least once a month. The list must include the bills for all funds.

District Response: We will revise our policy on payment of bills prior to board approval and implement procedures to ensure that all bills paid are published monthly.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

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

Conclusion: Response accepted.

09-II-G Certified Enrollment: The District did not have adequate documentation to determine if all students claimed for supplemental weighting were resident students.

Recommendation: The District should review its procedures for accumulating the data reported supplemental weighting. The lists of students for each class claimed for supplemental weighting should indicate if the student is a resident, tuition in, or open enrollment in student.

District Response: The person who prepared the supplemental weighting portion of the certified enrollment form is no longer employed by the District. We will review how we compile the number of students reported in the various classes eligible for supplemental weighting.

Conclusion: Response accepted.

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

09-II-I Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education after the October 15, 2010 due date.

Recommendation: In the future, the District should ensure the Certified Annual Report is timely certified to the Iowa Department of Education.

District Response: We will do so in the future.

Conclusion: Response accepted.

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

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

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

09-II-K 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	\$	\$	-
Statewide sales and services tax revenue			359,243
Expenditures/transfers out:			
School infrastructure:			
Buildings and building improvements	240,782		
Equipment	38,521		
Debt service for school infrastructure:			
Revenue debt	65,744	345,047	
Ending balance			<u>14,196</u>

09-II-L Financial Condition: The General Fund has a deficit unreserved fund balance of \$576,056 at June 30, 2009. The Student Activity Fund has several accounts with deficit balances at June 30, 2009.

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

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

Conclusion: Response accepted.

09-II-M Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used to account for the District's extracurricular student activity program. We noted elementary miscellaneous, elementary music, art, middle school miscellaneous, and magazine accounts in the Student Activity Fund that may belong more appropriately in other funds.

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

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

Conclusion: Response accepted.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

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

09-II-N Debt Service Property Tax Levy: As noted in internal control comment 09-I-D; during fiscal years 2008 and 2009 approximately \$162,590 of property tax for the Debt Service Fund was collected in error. A mistake on the 2008 and 2009 long-term debt budget worksheet resulted in the District levying property taxes for the payment of revenue bonds. The District's revenue bonds may only be paid from sales tax proceeds. The extra property tax collected was not used for the payment of revenue bonds and has accumulated in the Debt Service Fund.

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

District Response: We have reduce 2010 property tax levies for the payment of general obligation bonds by \$100,000 to compensate for the amounts levied in 2008 and 2009 in error. We will also reduce the 2011 debt service property tax levy.

Conclusion: Response accepted.

09-II-O Physical Plant and Equipment Levy Fund Expenditures (PPEL): The PPEL property tax levy may be spent to purchase and improve grounds; to construct buildings; to purchase or lease a single unit of equipment or technology exceeding \$500 in value per unit; to repair, remodel improve, or expand buildings; for energy conservation; and to purchase transportation equipment.

We noted that the District used the PPEL Fund to pay \$750 for equipment with a per unit cost of less than \$500 and \$9,400 for software. These items do not appear to be allowable from the PPEL Fund.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund. The General Fund should reimburse the PPEL Fund for these expenditures.

District Response: We will monitor expenditures from the PPEL Fund and make the reimbursement.

Conclusion: Response accepted.

09-II-P District Fees: Iowa allows schools to charge fees for textbooks, school supplies, eye and ear protective devises, summer school courses, drivers' education courses and discretionary transportation. We noted that charges of one fee at registration that included textbooks and athletic, cheerleading, dance, band and chorus participation fees. The participation fees do not appear to be allowable.

Recommendation: The District should review and revise the fees charged at registration.

District Response: We will revise the fee charged at registration.

Conclusion: Response accepted.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

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

09-II-Q Allocation of Interest: We noted that interest from a pooled bank account is not being allocated to the Capital Projects and Management Funds.

Recommendation: The District should allocate interest revenue to each fund within a pooled bank account.

District Response: We will review our procedures and make any necessary adjustments.

Conclusion: Response accepted.

09-II-R Interfund loans: On June 16, 2008 the Iowa Department of Education issued a Declaratory Order covering interfund loans. The Order states that all loans between funds must be approved by the board of directors, interest must be paid on the interfund loan and the loan must be repaid before October 1, after each year-end.

We noted that the General Fund shares a checking account with the Capital Projects, Management and Private Purpose Trust Funds. The General Fund runs a cash deficit in the pooled bank account. The General Fund cash deficit is an interfund loan.

Recommendation: The District should follow the June 16, 2008 Declaratory Order with respect to the interfund loans to the General Fund.

District Response: We will follow the declaratory order.

Conclusion: Response accepted.