

**NORTH FAYETTE
COMMUNITY SCHOOL DISTRICT
WEST UNION, IOWA**

FINANCIAL REPORT

JUNE 30, 2009

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NORTH FAYETTE COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION AND SCHOOL OFFICIALS

Name	Title	Address	Term Expires
<u>Board of Education</u> (Before September 2008 Election)			
Tim O'Brien	President	Fayette, Iowa	2009
Karen Michelson	Vice President	Fayette, Iowa	2009
Roy Guenther	Member	West Union, Iowa	2008
Judy Heyer	Member	West Union, Iowa	2008
Mike Snyder	Member	West Union, Iowa	2008
Randy Tope	Member	West Union, Iowa	2010
Denise Johnson	Member	Alpha, Iowa	2010

<u>Board of Education</u> (After September 2008 Election)			
Roy Guenther	President	West Union, Iowa	2010
Karen Michelson	Vice President	Fayette, Iowa	2009
Julie Ahrens	Member	West Union, Iowa	2009
Kathy Wenthold	Member	West Union, Iowa	2009
Carol Weidemann	Member	West Union, Iowa	2009
Randy Tope	Member	West Union, Iowa	2010
Denise Johnson	Member	Alpha, Iowa	2010

School Officials

Ronald O'Kones – Superintendent
Sue Thoms – District Secretary/Treasurer

123 West Water Street
P.O. Box 507
Decorah, Iowa 52101
Telephone 563 382-3637
Fax 563 382-5797

HACKER, NELSON & CO., P.C.
Certified Public Accountants
And Business Consultants

www.hackernelson.com

9 North Locust Avenue
P.O. Box 529
New Hampton, Iowa 50659
Telephone 641 394-2245
Fax 641 394-3138

INDEPENDENT AUDITOR'S REPORT ON THE
THE FINANCIAL STATEMENTS

To the Board of Education
North Fayette Community School District
West Union, Iowa

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 Fayette Community School District 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 North Fayette Community School District's management. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Fayette Community School District as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof 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 November 25, 2009, on our consideration of North Fayette Community School District's internal control over financial reporting and on 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.

The management's discussion and analysis and budgetary comparison information on page 3 and pages 27 through 28, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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. However, we did not audit the information and express no opinion on it.

Decorah, Iowa
November 25, 2009

Hacker, Nelson & Co., P.C.

**NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
WEST UNION, IOWA**

**Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2009**

Management of North Fayette Community School District provides this Management's Discussion and Analysis of North Fayette Community School District's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009.

The intent of this discussion and analysis is to look at North Fayette Community School District's financial performance as a whole with comparisons to the previous fiscal year activities. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

In total, governmental net assets increased by \$680,119. Local option sales tax increased approximately by \$152,182, property taxes levied increased by \$43,774. District program expenses were 10.6% or approximately \$72,275 more in 2009 than in 2008.

General fund revenues accounted for \$8,772,182 in revenue or 83.2% of all revenues. General fund expenditures accounted for \$8,695,488 in expenditures or 80.5% of all expenditures.

USING THE BASIC FINANCIAL STATEMENTS

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand North Fayette Community School District as a financial whole, or as an entire operating entity.

The statement of net assets and statement of activities provide information about the activities of North Fayette Community School District as a whole and present an overall view of the District's finances and a longer-term view of those 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 Fayette Community School District's operations in more detail than the District-wide statements by providing information about the most significant funds with all other nonmajor funds presented in total in a single column. For North Fayette Community School District, the general fund, management levy fund and capital projects fund are the more significant funds.

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 special revenue.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

The District-wide financial statements report information about the District as a whole using accounting methods similar to the accounting used by most 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 statement of net assets presents all of the District's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the District's net assets may serve as a useful indicator of whether the financial position of the District 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.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

In the statement of net assets and statement of activities, the District is divided into two distinct kinds of activities:

Governmental Activities: Most of the District's programs and services are reported here, including instruction, co-curricular activities, support services, (nursing, guidance, media, administration), building and grounds operation and maintenance, and pupil transportation. Property tax and state aid finance most of these activities.

Business-type Activities: These services are provided on a charge for goods or services basis to recover all of the expenses for the goods or services provided. The District's school nutrition program is included here.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide more detailed information about the District's major funds. The District uses different funds in accordance with the Uniform Financial Accounting for Iowa LEA's, as required by the Iowa Department of Education, to record its financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, management levy fund and capital projects fund.

Governmental Funds

Governmental funds account for most of the District's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps one to 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 governmental funds required financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

Proprietary Funds

Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same way as the District-wide financial statements. The proprietary funds required financial statements to include a statement of net assets, a statement of revenues, expenses, and changes in net assets and a statement of cash flows.

A summary reconciliation between the District-wide financial statements and the fund financial statements follows the fund financial statements.

DISTRICT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following is a summary perspective of the statement of net assets of the District as a whole. The North Fayette Community School District's net assets at the end of fiscal year 2009 for governmental activities were \$7,754,358 and for business-type activities were \$86,203.

Condensed Statement of Net Assets (Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total		Percent Change
	2009	2008	2009	2008	2009	2008	
Current and other assets	\$ 7,104	\$ 9,554	\$ 33	\$ 7	\$ 7,137	\$ 9,561	-25.35%
Capital assets	7,597	6,696	59	58	7,656	6,754	13.36%
Total assets	14,701	16,250	92	65	14,793	16,315	-9.33%
Long-term debt outstanding	2,243	2,368	-	-	2,243	2,368	-5.28%
Other liabilities	4,721	6,826	6	19	4,727	6,845	-30.94%
Total liabilities	6,964	9,194	6	19	6,970	9,213	-24.35%
Net assets							
Invested in capital assets, net of related debt	5,688	5,097	59	58	5,747	5,155	11.48%
Restricted	792	1,300	-	-	792	1,300	-39.08%
Unrestricted	1,257	659	27	(12)	1,284	647	98.45%
Total net assets	\$ 7,737	\$ 7,056	\$ 86	\$ 46	\$ 7,823	\$ 7,102	10.15%

The following analysis shows the change in net assets for the year ending June 30, 2009:

Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total		Percent Change
	2009	2008	2009	2008	2009	2008	
Revenues:							
Program revenue							
Charges for service	\$ 691	\$ 613	\$ 267	\$ 247	\$ 958	\$ 860	11.40%
Operating grants	1,319	1,220	190	184	1,509	1,404	7.48%
General revenue							
Property taxes	3,278	3,322	-	-	3,278	3,322	-1.32%
Sales tax and surtax	1,002	850	-	-	1,002	850	17.88%
Unrestricted state grants	4,137	4,223	-	-	4,137	4,223	-2.04%
Unrestricted investment earnings	101	204	-	1	101	205	-50.73%
Other revenue	13	199	8	31	21	230	-90.87%
Total revenues	10,541	10,631	465	463	11,006	11,094	-0.79%
Program expenses:							
Instruction	6,472	6,163	-	-	6,472	6,163	5.01%
Student support	2,619	2,673	-	-	2,619	2,673	-2.02%
Non-instructional programs	-	-	425	479	425	479	-11.27%
Other expenses	769	776	-	-	769	776	-0.90%
Total expenses	9,860	9,612	425	479	10,285	10,091	-1.89%
Increase (decrease) in net assets	681	1,019	40	(16)	721	1,003	-28.12%
Net assets Beginning of Year	7,056	6,037	46	62	7,102	6,099	16.45%
Net assets End of Year	\$ 7,737	\$ 7,056	\$ 86	\$ 46	\$ 7,823	\$ 7,102	10.15%

INDIVIDUAL FUND ANALYSIS

As the District completed the year, its governmental funds reported a combined fund balance of \$2,389,827, a \$349,013 decrease from the 2008 fiscal year end balance of \$2,738,840. The District spent \$194,957 more than the prior fiscal year.

- The general fund received less revenue during fiscal year 2009 through property taxes and state sources. The general fund expenditures increased in instructional functional area \$91,362 compared to prior year. Overall expenditures increased by \$35,753. The ending fund balance showed an increase of \$76,694 to \$1,004,792.
- The management levy fund increased due to receiving more revenue during fiscal year 2009 through property taxes. The ending fund balance showed a increase of \$88,153 to \$432,717.
- The capital projects fund balance decreased due to not receiving bond proceeds and completing some construction projects. The ending fund balance showed a decrease of \$471,677 to \$627,133.

BUDGETARY HIGHLIGHTS

The District's Board of Education annually adopts a budget as required by Iowa law. Proper public notice and a required public hearing are held before final approval of the budget. State statute required approval of the budget on or before April 15th of each year. The budget document presents functional expenditures by fund and the legal level of control is at the expense level by total instruction, total support services, total non-instructional programs, total other expenditures and total expenditures. The District amends the budget, as allowed by Iowa law, generally once per year to reflect the additional revenues and expenditures that may occur during the school year.

The following chart shows the original and amended budget for fiscal 2009 as well as the actual revenue and expenditures for the year:

Budgetary Comparison Schedule				
(Expressed in Thousands)				
	Budget Amounts		Variance	
	Actual	Final		
Revenues				
Local sources	\$ 5,358	\$ 5,250	\$ 108	
Intermediate sources	-	-	-	
State sources	5,129	5,512	(383)	
Federal sources	521	406	115	
	<hr/>			
Total revenues	\$ 11,008	\$ 11,168	\$ (160)	
<hr/>				
Expenditures				
Instruction	\$ 6,436	\$ 6,466	\$ 30	
Student support	2,604	2,989	385	
Non-instructional programs	425	450	25	
Other expenses	1,850	2,139	289	
	<hr/>			
Total expenditures	\$ 11,315	\$ 12,044	\$ 729	
<hr/>				

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2009, North Fayette Community School District had \$7,597,876 invested in a broad range of capital assets, including buildings, land and equipment for the governmental activities. For the enterprise funds, the District had \$59,253 invested in equipment in the school nutrition fund.

The District had depreciation expense of \$337,258 for fiscal 2009 and total accumulated depreciation of \$7,103,132 as of June 30, 2009. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt

At year-end, the District had approximately \$2,243,000 in bonds and other debt compared to approximately \$2,367,000 last year. More detail is presented in Note 5 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt that districts can issue to 5 percent of the assessed value of all taxable property within the District's corporate limits. The District's outstanding general obligation debt is significantly below this \$10,663,580 limit.

Other obligations include capital leases and early retirement. More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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:

- The District has experienced declining enrollment for the past four years and will continue to see this trend. A significant loss is expected in the next year.
- Further staff reductions including retirements will assist in keeping the District costs down.
- The District will continue to seek ways to cut transportation and buildings/grounds costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of North Fayette Community School District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Office, North Fayette Community School District, West Union, Iowa, 52175.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
Other	\$ 2,960,045	\$ 30,207	\$ 2,990,252
Receivables			
Property tax			
Delinquent	76,301		76,301
Succeeding year	3,513,137		3,513,137
Accounts	17,412	1	17,413
Accrued interest	12,547		12,547
Due from other governments	523,554		523,554
Inventories		3,077	3,077
Capital assets, non-depreciable	88,450		88,450
Capital assets, net of accumulated depreciation	7,509,426	59,253	7,568,679
	<u>\$ 14,700,872</u>	<u>\$ 92,538</u>	<u>\$ 14,793,410</u>
Total assets			
LIABILITIES			
Accounts payable	\$ 76,302		\$ 76,302
Salaries and benefits payable	834,934	\$ 3,042	837,976
Interfund payable (receivable)	-	-	-
Accrued interest payable	8,731		8,731
Deferred revenue			
Succeeding year property tax	3,513,137		3,513,137
Other	288,797	3,293	292,090
Long-term liabilities			
Portion due within one year			
Bonds payable	165,000		165,000
Capital leases	55,114		55,114
Early retirement	127,959		127,959
Compensated absences	14,961		14,961
Portion due after one year			
Bonds payable	1,690,000		1,690,000
Capital leases	-		-
Early retirement	189,580		189,580
	<u>6,964,515</u>	<u>6,335</u>	<u>6,970,850</u>
Total liabilities			
NET ASSETS			
Invested in capital assets, net of related debt	5,687,762	59,253	5,747,015
Restricted for			
Debt service			-
Capital projects	627,133		627,133
Other purposes	164,794		164,794
Unrestricted	1,256,668	26,950	1,283,618
	<u>7,736,357</u>	<u>86,203</u>	<u>7,822,560</u>
Total net assets			
Total liabilities and net assets	<u>\$ 14,700,872</u>	<u>\$ 92,538</u>	<u>\$ 14,793,410</u>

See Notes to Financial Statements.

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NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Functions and Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants
Governmental activities			
Instruction			
Regular instruction	\$ 4,026,061	\$ 166,681	\$ 861,872
Special instruction	1,180,888	41,465	1,696
Other instruction	1,264,914	14,421	99,440
	<u>6,471,863</u>	<u>222,567</u>	<u>963,008</u>
Support services			
Student services	296,834	457,050	
Instructional staff services	238,440		
Administration services	865,978		
Operation and maintenance plant services	787,008		
Transportation services	430,982	11,141	
	<u>2,619,242</u>	<u>468,191</u>	
Other			
Long-term debt interest	86,825		
Facilities acquisition	1,313		
AEA flowthrough	355,848		355,848
Depreciation (unallocated)	325,500		
	<u>769,486</u>		<u>355,848</u>
Total governmental activities	9,860,591	690,758	1,318,856
Business-type activities			
Non-instructional programs			
Nutrition services	425,376	267,239	190,625
Total	\$ 10,285,967	\$ 957,997	\$ 1,509,481
General revenues			
Property taxes levied for			
General purposes			
Management			
PPEL			
Local option sales tax and surtax			
Unrestricted state grants			
Unrestricted investment earnings			
Transfer in (out)			
Other			
Total general revenues			
Change in net assets			
Net assets, beginning of year			
Net assets, end of year			

See Notes to Financial Statements.

EXHIBIT B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (2,997,508)		\$ (2,997,508)
(1,137,727)		(1,137,727)
(1,151,053)		(1,151,053)
(5,286,288)		(5,286,288)
160,216		160,216
(238,440)		(238,440)
(865,978)		(865,978)
(787,008)		(787,008)
(419,841)		(419,841)
(2,151,051)		(2,151,051)
(86,825)		(86,825)
(1,313)		(1,313)
-		-
(325,500)		(325,500)
(413,638)		(413,638)
(7,850,977)		(7,850,977)
	\$ 32,488	32,488
(7,850,977)	32,488	(7,818,489)
2,688,151		2,688,151
299,922		299,922
290,113		290,113
1,002,052		1,002,052
4,137,477		4,137,477
100,538	292	100,830
(8,850)	8,850	-
21,693		21,693
8,531,096	9,142	8,540,238
680,119	41,630	721,749
7,056,238	44,573	7,100,811
\$ 7,736,357	\$ 86,203	\$ 7,822,560

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Management Levy	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and pooled investments					
Other	\$ 1,730,662	\$ 446,257	\$ 462,797	\$ 320,329	\$ 2,960,045
ISCAP	-				-
Receivables					
Property tax					
Delinquent	62,665	6,993	-	6,643	76,301
Succeeding year	2,908,938	300,000		304,199	3,513,137
Accounts	17,412			-	17,412
Accrued interest	12,547				12,547
Due from other funds	20,533			-	20,533
Due from other governments	356,541		167,013		523,554
Total assets	\$ 5,109,298	\$ 753,250	\$ 629,810	\$ 631,171	\$ 7,123,529
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 71,837		\$ 2,677		\$ 74,514
Salaries and benefits payable	834,934				834,934
Early retirement payable				\$ 1,787	1,787
Due to other funds		\$ 20,533		-	20,533
ISCAP warrants payable	-				-
Accrued interest payable	-				-
Due to other funds	-				-
Bond premium	-				-
Deferred revenue					
Succeeding year property tax	2,908,938	300,000		304,199	3,513,137
Other	288,797				288,797
Total liabilities	4,104,506	320,533	2,677	305,986	4,733,702
Fund balances					
Reserved for					
Debt service				-	-
Other purposes	-				-
Unreserved, reported in					
General fund	1,004,792				1,004,792
Management levy funds		432,717			432,717
Special revenue funds				325,185	325,185
Capital projects fund			627,133		627,133
Total fund balances	1,004,792	432,717	627,133	325,185	2,389,827
Total liabilities and fund balances	\$ 5,109,298	\$ 753,250	\$ 629,810	\$ 631,171	\$ 7,123,529

See Notes to Financial Statements.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET ASSETS

Total governmental fund balances	\$ 2,389,827
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, net of accumulated depreciation of	
\$ 7,103,132	7,597,876
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds	
Bonds payable	(1,855,000)
Capital leases	(55,114)
Accrued interest	(8,731)
Compensated absences	(14,961)
Early retirement	(317,540)
Net assets of governmental activities per Exhibit A	<u>\$ 7,736,357</u>

See Notes to Financial Statements.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	Management Levy	Capital Projects	Nonmajor Governmental Funds	Total
REVENUES					
Local sources					
Local property tax	\$ 2,999,032	\$ 299,922		\$ 290,112	\$ 3,589,066
Tuition	170,160				170,160
Other	144,545	22,833	\$ 703,015	461,036	1,331,429
State sources	5,123,194	236		225	5,123,655
Federal sources	335,251				335,251
Total revenues	8,772,182	322,991	703,015	751,373	10,549,561
EXPENDITURES					
Current					
Instruction					
Regular instruction	3,850,503	139,778		-	3,990,281
Special instruction	1,180,888				1,180,888
Other instruction	799,428			465,486	1,264,914
	5,830,819	139,778		465,486	6,436,083
Support services					
Student services	296,834			-	296,834
Instructional staff services	238,041				238,041
Administration services	856,444			-	856,444
Operation and maintenance plant services	704,022	77,558		-	781,580
Transportation services	413,480	17,502		-	430,982
	2,508,821	95,060		-	2,603,881
Other					
Long-term debt					
Principal				212,847	212,847
Interest and fiscal charges				89,404	89,404
Facilities acquisition			929,919	261,742	1,191,661
AEA flowthrough	355,848				355,848
	355,848	-	929,919	563,993	1,849,760
Total expenditures	8,695,488	234,838	929,919	1,029,479	10,889,724
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	76,694	88,153	(226,904)	(278,106)	(340,163)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-			302,251	302,251
Operating transfers (out)	-		(244,773)	(66,328)	(311,101)
	-		(244,773)	235,923	(8,850)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES	76,694	88,153	(471,677)	(42,183)	(349,013)
FUND BALANCE, beginning of year	928,098	344,564	1,098,810	367,368	2,738,840
FUND BALANCE, end of year	\$ 1,004,792	\$ 432,717	\$ 627,133	\$ 325,185	\$ 2,389,827

See Notes to Financial Statements.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Net change in fund balances - total governmental funds	\$	(349,013)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.</p>		
Depreciation	\$	(337,258)
Capital outlays		901,835
		1,239,093
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.</p>		
		212,847
<p>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, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		2,577
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences		(1,818)
Early retirement		(86,309)
		(88,127)
Change in net assets of governmental activities per Exhibit B	\$	680,119

See Notes to Financial Statements.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

EXHIBIT E

	Enterprise Fund School Nutrition	Internal Service Fund Employee Health
ASSETS		
CURRENT ASSETS		
Cash	\$ 30,207	\$ 13,154
Accounts receivable	1	
Inventories	3,077	
Total current assets	33,285	13,154
NONCURRENT ASSETS		
Furniture and equipment	141,236	
Less accumulated depreciation	(81,983)	
Total noncurrent assets	59,253	-
Total assets	\$ 92,538	\$ 13,154
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Contracts and benefits payable	\$ 3,042	
Due to other funds	-	
Deferred revenue	3,293	
Total liabilities	6,335	\$ -
NET ASSETS		
Invested in capital assets, net of related debt	59,253	
Unrestricted deficit	26,950	13,154
Total net assets	86,203	13,154
Total liabilities and net assets	\$ 92,538	\$ 13,154

See Notes to Financial Statements.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

EXHIBIT F

	Enterprise Fund School Nutrition	Internal Service Fund Employee Health
OPERATING REVENUES		
Local sources		
Charges for services	\$ 267,239	\$ 52,459
OPERATING EXPENSES		
Non-instructional programs		
Food service operations		
Salaries and benefits	194,043	
Supplies	223,528	
Depreciation	7,805	
Other		49,608
Total operating expenses	425,376	49,608
Operating (loss) income	(158,137)	2,851
NONOPERATING REVENUES		
Interest income	292	35
State sources	5,151	
Federal sources	185,474	
Transfer in	8,850	
Transfer out	-	
Total nonoperating revenues	199,767	35
Change in net assets	41,630	2,886
Net assets, beginning of year	44,573	10,268
Net assets, end of year	\$ 86,203	\$ 13,154

See Notes to Financial Statements.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

	Enterprise Fund School Nutrition	Internal Service Fund Employee Health
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sale of lunches and breakfasts	\$ 267,044	
Cash received from miscellaneous operating activities	195	
Cash payments to employees for services	(206,700)	
Cash payments to suppliers for goods and services	(221,250)	
Cash reimbursed by operating fund		\$ 52,459
Cash payments by operating activities		(49,608)
Net cash (used in) provided by operating activities	(160,711)	2,851
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State grants and federal grants received	190,626	
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	292	35
Net increase in cash	30,207	2,886
CASH, beginning of year	-	10,268
CASH, end of year	\$ 30,207	\$ 13,154
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities		
Operating (loss) income	\$ (158,137)	\$ 2,851
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities		
Depreciation	7,805	
(Increase) in accounts receivable	(1)	
Decrease in inventories	4,214	
(Decrease) in contracts and benefits payable	(1,779)	
(Decrease) in deferred revenue	(1,521)	
(Decrease) due to other funds	(11,292)	
Net cash (used in) provided by operating activities	\$ (160,711)	\$ 2,851

Non-cash, noncapital financing activities:

During the year ended June 30, 2009, the District received commodities valued at \$37,390.

During the year ended June 30, 2009, the proprietary fund received capital assets with net value of \$8,850 transferred from the physical plant and equipment levy fund.

See Notes to Financial Statements.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

The North Fayette Community School District is a political subdivision of the State of Iowa. The District's primary purpose is to provide education from grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of West Union, Fayette and Hawkeye, Iowa, and the predominately agricultural territory in a portion of Fayette County. It is supported financially by local property taxes, state aid and state and federal grants for special projects. The District is governed by a seven-member Board of Education whose members are elected on a non-partisan basis. The District has taxing authority and fund raising capabilities of its own. Final approval of the District's annual program and budget plans rests with the local Board of Education.

b. Significant Accounting Policies

Scope of Reporting Entity

For financial reporting purposes, North Fayette 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; or the organization is fiscally dependent on the primary government. Also, any other organizations that due to the nature or significance of their relationship with the District should be included in the financial statements as component units. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Joint Venture

The District participates in a jointly governed organization that provides services to the District and meets the criteria of a joint venture since there is ongoing financial interest or responsibility by the participating governments. The District is a member of the Northeast Iowa Conference Schools 28E Retention Pool Trust.

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 Fayette County Assessor's Conference Board.

District-wide Financial Statements

The statement of net assets and the statement of activities report information on all non-fiduciary activities of the District. 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 support. For the most part, the effect of interfund activity has been removed from these statements.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

District-wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The general fund, management levy fund and the capital projects fund are the major governmental funds for the District. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The funds of the financial reporting entity are described below:

Governmental

General Fund

The general fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

Management Levy-Special Revenue Fund

The management levy-special revenue fund is used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Capital Projects Fund

The capital projects fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

Proprietary Funds

Enterprise Fund

The District's proprietary fund is the school nutrition fund. This fund is used to account for the food service operations of the District.

Internal Service Fund

Internal service fund is utilized to account for the financing of health insurance provided to the employees of the District.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the financial statements.

On the District-wide statement of net assets and the statement of activities, both governmental and business-type activities are presented using the "economic resources" measurement focus as defined below in item b.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The School District considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.
- b. The District-wide statements and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized 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.

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

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

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

The proprietary funds of the District applies all applicable GASB pronouncements, as well as 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.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

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

Assets, Liabilities and 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. All investment activity is carried on by the District in each individual fund. 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 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 taxes in the governmental fund are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% 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.

Interfund Transactions

During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2009, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the District-wide statements.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Equity (Continued)

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 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 District-wide statement of net assets. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years:

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School nutrition fund equipment	1,000
Other furniture and equipment	1,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable

Payroll and related expenditures or expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities. Also, wages for hourly employees earned in June and paid in July have been accrued as liabilities. The rate in effect at June 30, 2009 was used to calculate the salaries payable.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Equity (Continued)

Deferred Revenue

In the fund financial statements certain revenues are measurable, however they are not available. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable and unspent grant proceeds. Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Long-term Obligation

In the District-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. Early retirement liability has been paid primarily by the governmental management levy fund.

Compensated Absences

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

Fund Balance

In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Reserved fund balances are used first when an expenditure is incurred for purposes for both reserved and unreserved fund balances.

Net Assets

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

Restricted net assets consists of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted net assets are used first when an expense is incurred for purposes for both restricted and unrestricted net assets.

Unrestricted net assets represent the difference between assets and liabilities that are not restricted and can be used for future obligations of the District.

Budgets and Budgetary Accounting

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

2. Deposits 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.

NOTES TO FINANCIAL STATEMENTS

2. Deposits and Pooled Investments (Continued)

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; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Direct government obligation portfolio	\$ 2,156,563
Diversified portfolio	75,904
	\$ 2,232,467

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

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

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2009:

Governmental	
General fund	
Title I	\$ 25,491
Title IIA	41,023
State vocational aid	7,196
Drug Free	1,583
Income Surtax	251,976
Various programs	29,272
Capital projects	
Local option sales tax	167,013
	\$ 523,554

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets

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

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Governmental activities				
Land	\$ 88,450			\$ 88,450
Construction in progress	626,364		\$ 626,364	-
	714,814	\$ None	626,364	88,450
Capital assets being depreciated				
Buildings	5,651,527			5,651,527
Improvements	2,356,670	1,690,587		4,047,257
Furniture and equipment	4,738,904	174,870		4,913,774
Total capital assets being depreciated	12,747,101	1,865,457	None	14,612,558
Less accumulated depreciation for:				
Buildings	1,988,302	106,613		2,094,915
Improvements	659,112	92,337		751,449
Furniture and equipment	4,118,460	138,308		4,256,768
Total accumulated depreciation	6,765,874	337,258	None	7,103,132
Total capital assets being depreciated, net	5,981,227	1,528,199	None	7,509,426
Governmental activities				
Capital assets	\$ 6,696,041	\$ 1,528,199	\$ 626,364	\$ 7,597,876
Business-type activities				
Furniture and equipment	\$ 132,386	\$ 8,850		\$ 141,236
Less accumulated depreciation	74,178	7,805	\$ None	81,983
Business-type activities				
Capital assets, net	\$ 58,208	\$ 1,045	\$ None	\$ 59,253

Depreciation expense was charged to the governmental functions of the District as follows:

Governmental activities	
Instruction	
Regular	\$ 11,359
Support services	
Instructional staff support services	399
	11,758
Unallocated depreciation	325,500
Total depreciation expense-governmental activities	<u>\$ 337,258</u>
Business-type activities	
Food services	<u>\$ 7,805</u>

NOTES TO FINANCIAL STATEMENTS

5. **Long-term Debt Obligations**

Long-term liability activity for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Amounts Due Within One Year
Governmental activities					
Bonds					
General obligation	\$ None		\$ None	\$ None	
Revenue bonds	2,015,000		160,000	1,855,000	\$ 165,000
	2,015,000		160,000	1,855,000	165,000
Other liabilities					
Capital leases	107,961		52,847	55,114	55,114
Early retirement	231,230	\$ 177,303	90,994	317,539	127,959
	339,191	177,303	143,841	372,653	183,073
Governmental activities					
Long-term liabilities	\$ 2,354,191	\$ 177,303	\$ 303,841	\$ 2,227,653	\$ 348,073

a. **Early Retirement**

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentive for each eligible employee is equal to 50% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay.

Early retirement benefits will be paid in six equal installments over a three year period beginning in July following the start of retirement. The second payment will be paid the following February, with subsequent payments each July and February for two more years.

At June 30, 2009, the District has obligations to 11 participants with a total liability of \$317,539. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$90,994.

b. **Bonded Indebtedness**

\$705,000 2004 School Infrastructure Local Option Sales and Services Tax Revenue Bonds due annually in varying installments June 1, 2009 through June 1, 2013 plus interest semi-annually with interest rates of the bonds varying from 3.75% to 4.40%.

\$1,150,000 2007 School Infrastructure Local Option Sales and Services Tax Revenue Bonds due annually in varying installments June 1, 2014 through June 1, 2022 plus interest semi-annually with interest rates of the bonds varying from 4.05% to 4.45%.

NOTES TO FINANCIAL STATEMENTS

5. Long-term Debt Obligations (Continued)

b. Bonded Indebtedness (Continued)

A summary of the bond principal and interest maturities is as follows:

Year Ending June 30,	Principal	Interest
2010	\$ 165,000	\$ 78,772
2011	175,000	72,173
2012	180,000	64,910
2013	185,000	57,170
2014	110,000	49,030
2015-2019	605,000	174,305
2020-2023	435,000	45,550
	\$ 1,855,000	\$ 541,910

The School Infrastructure Local Option Sales and Services Tax Revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the School Infrastructure Local Option Sales and Services Tax Revenue bonds includes the following provisions:

- a) \$217,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account. This amount is accounted for in the capital projects fund.
- b) All proceeds from the local option sales and services tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

At June 30, 2009, the debt issued by the District did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$ 213,271,604
Debt limit – 5% of total assessed valuation	\$ 10,663,580
Debt applicable to debt limit	
Capital leases	(55,114)
Bonded debt outstanding	(1,855,000)
Legal debt margin	\$ 8,753,466

NOTES TO FINANCIAL STATEMENTS

5. Long-term Debt Obligations (Continued)

c. Capital Leases

The District has leased two buses under capital leases. The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of June 30, 2009.

	Year Ending June 30,	Amount
	2010	\$ 57,478
Minimum lease payments		\$ 57,478
Less amount representing interest		2,364
Present value of minimum lease payments		\$ 55,114

6. Due to/from Other Funds

As of June 30, 2009, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 20,533	
Management levy fund		\$ 20,533
	\$ 20,533	\$ 20,533

The interfund receivables are loans from each respective fund all of which may not be repaid in the next year.

7. Interfund Transfers

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

	Transfers In	Transfers Out
Capital projects fund		\$ 244,773
Physical plant and equipment levy fund		66,328
Debt service fund	\$ 302,251	
Nutrition fund	8,850	
	\$ 311,101	\$ 311,101

Transfers from the physical plant and equipment levy fund and the capital projects fund to the debt service fund were to move resources from bond issuance to help pay bond expenses. Transfer from the physical plant and equipment levy fund to the nutrition fund was to pay for capital assets.

NOTES TO FINANCIAL STATEMENTS

8. Net Assets

The government wide statement of net assets reports \$791,927 of restricted net assets, of which \$164,794 is restricted by enabling legislation. The amounts restricted at June 30, 2009 are as follows:

Restricted net assets		
Capital projects fund	\$	627,133
Plant, property and equipment levy fund		164,794
	\$	791,927

9. 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. NA is the trustee for the program.

A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09A	6/26/08	6/25/09		\$ 12,547		
2008-09B	1/21/09	1/21/10				
2009-10A	6/25/09	6/23/10				
			\$ None	\$ 12,547	\$ None	\$ None

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.

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	3.50%	3.47%
2008-09B	3.00%	2.11%
2009-10A	2.50%	0.90%

10. Leases

The District has entered into a lease agreement for a copier. The agreement is for five years and requires monthly payments until September 2012.

Future minimum lease payments under the lease agreements are as follows:

Year ended June 30,		
2010	\$	9,984
2011		9,984
2012		4,992
	\$	24,960

Total lease expense for the year ended June 30, 2009 was \$9,984.

11. 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%, 3.90% and 3.70% of their annual covered salary and the District is required to contribute 6.35%, 6.05% and 5.75% of annual covered payroll for the years ended June 30, 2009, 2008, and 2007, respectively. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$334,944, \$308,587 and \$287,929 respectively, equal to the required contributions for each year.

12. Other Postemployment Benefits (OPEB)

The District participates in the Northeast Iowa Schools Insurance Trust (Trust), a voluntary joint undertaking of twelve school districts, as authorized by Chapter 28E of the Code of Iowa. The primary purpose of the Trust is to provide medical, dental, life, disability, and welfare plan for its employees and their families. The Trust was formed to create a pool to pay insurance costs. The agreement was effective July 1, 2005 and will continue in force until terminated by mutual agreement of the governing board. The Trust is administered by Midwest Group Benefits Consultants, Inc.

The Trust self-insures its health benefits and buys stop-loss insurance from IISI. Upon retirement, the retiree can continue his/her health coverage upon payment of the appropriate health premium based upon the District specific plan coverage in which North Fayette Community School District pays a premium of \$452-\$633 for each retired employee. For the year ended June 30, 2009 the District paid \$23,972 in health insurance for the retired employees and the retired employees paid \$37,626 for their health insurance. There are 1,322 active and 140 retired members in the Trust. Participants must be age 55 or older at retirement. The Trust issues a publicly available financial report that includes financial statements and required supplementary information for the Trust. That report may be obtained at the North Fayette Community School District's office located at 105 E. Main Street, West Union, IA 52175.

The 28E agreement provides that contribution requirements of the plan members and the participating employers are established and may be amended by the officials of the Trust. Plan members or beneficiaries receiving benefits contribute differing amounts per month for the active employee's required health insurance contributions depending on the District.

13. Employee Insurance Plan

Monthly payments of service fees and plan contributions are recorded as expenditures in the general fund at the time of payment to the trust account maintained by Midwest Group Benefits Consultants, Inc. The trust liability is limited to \$95,000 per individual annually with a \$2,000,000 per individual maximum. Payments from participating members are the sole source for paying claims and establishing reserves for the trust self-funded programs. Stop loss insurance is purchased by the trust to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. The District may be contingently liable for any claims in excess of funds available at June 30, 2009, since the pool arrangement allows the Trust to make additional assessments to members. The District's share of the trust's liability for any unreported claim or assessment at June 30, 2009 was \$203,221 which is covered by funds on hand. The District contributed \$960,436 for the year ended June 30, 2009.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2009, no liability has been recorded in the District's financial statements. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance company coverage.

14. Risk Management

North Fayette Community School District is exposed to various risks of loss related to torts; theft; damage to an 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.

15. 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 \$355,848 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.

16. Flexible Fringe Benefit Plan

The District sponsors a flexible fringe benefit plan as a part of its contractual obligation with its employees. The benefit available under the plan is insurance. Each participating employee can choose their deductible as well as having the option to have un-reimbursed medical and dependent care expenses deducted on a pre-tax basis. The District contributes \$600 per month for certified staff at least half time, \$528 for non-certified staff at least half time, and \$1,355 for administration staff. The difference between the District's contribution and the amount of health premium is put into a TSA of the employee's choice or subtracted from the employee's salary. There were 114 participants in the plan for the year ended June 30, 2009.

17. Contingencies

a. Grant Funding

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2009 significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

b. Insurance Plan

As discussed in Note 13, the District is contingently liable for any unreported claim or assessment in excess of their balance in the insurance pool.

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NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE OF
REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
For the Year Ended June 30, 2009

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual
REVENUES			
Local sources	\$ 5,090,655	\$ 267,531	\$ 5,358,186
Intermediate sources	-	-	-
State sources	5,123,655	5,151	5,128,806
Federal sources	335,251	185,474	520,725
Total revenues	10,549,561	458,156	11,007,717
EXPENDITURES/EXPENSES			
Instruction	6,436,083	-	6,436,083
Support services	2,603,881	-	2,603,881
Non-instructional	-	425,376	425,376
Other	1,849,760	-	1,849,760
Total expenditures/expenses	10,889,724	425,376	11,315,100
DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	(340,163)	32,780	(307,383)
OTHER FINANCING SOURCES, NET	(8,850)	8,850	-
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES/EXPENSES AND OTHER FINANCING USES	(349,013)	41,630	(307,383)
FUND BALANCE, beginning of year	2,738,840	44,573	2,783,413
FUND BALANCE, end of year	\$ 2,389,827	\$ 86,203	\$ 2,476,030

See Notes to Required Supplementary Information.

Budget Amounts		Final to Actual Variance- Positive (Negative)
Original	Amended Final	
\$ 5,249,585	\$ 5,249,585	\$ 108,601
-	-	-
5,512,220	5,512,220	(383,414)
406,000	406,000	114,725
<u>11,167,805</u>	<u>11,167,805</u>	<u>(160,088)</u>
6,465,500	6,465,500	29,417
2,989,000	2,989,000	385,119
450,000	450,000	24,624
1,938,904	2,138,904	289,144
<u>11,843,404</u>	<u>12,043,404</u>	<u>728,304</u>
(675,599)	(875,599)	568,216
-	-	-
(675,599)	(875,599)	568,216
<u>2,053,265</u>	<u>2,053,265</u>	<u>730,148</u>
<u>\$ 1,377,666</u>	<u>\$ 1,177,666</u>	<u>\$ 1,298,364</u>

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
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. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the modified accrual 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 functional level, not by fund. The Code of Iowa also provides District expenditures in the general fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$200,000.

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**INDEPENDENT AUDITOR'S REPORT ON THE
SUPPLEMENTARY INFORMATION**

**To the Board of Education
North Fayette Community School District
West Union, Iowa**

Our report on our audit of the basic financial statements of North Fayette Community School District as of and for the year ended June 30, 2009 appears on page 2. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We have previously audited, in accordance with U.S. generally accepted auditing standards, the basic financial statements of North Fayette Community School District as of and for the year ending June 30, 2008, none of which is presented herein, and expressed unqualified opinions on those basic financial statements. In our opinion, the information set forth in the required supplementary information for the year ending June 30, 2008, appearing on pages 35 through 39, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived. On page 39 the estimated enrollment for fiscal year 2010 has not been audited and we express no opinion on it. The basic financial statements of North Fayette Community School District for the years ended June 30, 2005, 2006 and 2007 were audited by other auditors who expressed unqualified opinions on those financial statements. Their reports on the information presented on pages 35 through 39 related to the 2005 to 2007 financial statements stated that, in their opinion, such information was fairly stated in all material respects in relation to the 2005 to 2007 financial statements taken as a whole.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
November 25, 2009

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009

	Special Revenue	Debt Service	Total Nonmajor Funds
REVENUES			
Local sources			
Property taxes	\$ 290,112		\$ 290,112
Other	461,036	\$ -	461,036
State sources	225		225
Total revenues	751,373	-	751,373
EXPENDITURES			
Current			
Instruction			
Regular instruction	-		-
Other instruction	465,486		465,486
Support services			
Operation and maintenance plant services	-		-
Transportation services	-		-
Other			
Facilities acquisition	261,742		261,742
Long-term debt			
Principal		212,847	212,847
Interest and fiscal charges		89,404	89,404
Total expenditures	727,228	302,251	1,029,479
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	24,145	(302,251)	(278,106)
OTHER FINANCING SOURCES			
Transfers in		302,251	302,251
Transfers (out)	(66,328)		(66,328)
	(66,328)	302,251	235,923
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND FINANCING USES	(42,183)	-	(42,183)
FUND BALANCE, beginning of year	367,368	-	367,368
FUND BALANCE, end of year	\$ 325,185	\$ -	\$ 325,185

See Independent Auditor's Report on the Supplementary Information.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2009

	Physical Plant and Equipment Levy	Student Activity	Total Nonmajor Special Revenue Funds
ASSETS			
Cash and pooled investments	\$ 158,151	\$ 162,178	\$ 320,329
Receivables			
Property tax			
Delinquent	6,643		6,643
Succeeding year	304,199		304,199
Accounts		-	-
Total assets	\$ 468,993	\$ 162,178	\$ 631,171
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ 1,787	\$ 1,787
Due to other funds			-
Deferred revenue			
Succeeding year property tax	304,199		304,199
Total liabilities	304,199	1,787	305,986
Fund balances			
Unreserved	164,794	160,391	325,185
Total liabilities and fund balances	\$ 468,993	\$ 162,178	\$ 631,171

See Independent Auditor's Report on the Supplementary Information.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2009

	Physical Plant and Equipment Levy	Student Activity	Total Nonmajor Special Revenue Funds
REVENUES			
Local sources			
Local property tax	\$ 290,112		\$ 290,112
Other	1,571	\$ 459,465	461,036
State sources	225		225
Total revenues	291,908	459,465	751,373
EXPENDITURES			
Current			
Instruction			
Regular instruction			-
Other instruction		465,486	465,486
Support services			
Student services			-
Instructional staff services			-
Administration services			-
Operation and maintenance plant services	-		-
Transportation services			-
Non-instructional			-
Other			
Facilities acquisition	261,742		261,742
Total expenditures	261,742	465,486	727,228
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	30,166	(6,021)	24,145
OTHER FINANCING SOURCES (USES)			
Operating transfers out	(66,328)		(66,328)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND FINANCING USES	(36,162)	(6,021)	(42,183)
FUND BALANCE, beginning of year	200,956	166,412	367,368
FUND BALANCE, end of year	\$ 164,794	\$ 160,391	\$ 325,185

See Independent Auditor's Report on the Supplementary Information.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
For the Year Ended June 30, 2009

	Balance June 30, 2008	Revenues and Transfers	Expenditures and Transfers	Balance June 30, 2009
Elementary School Activities:				
Playground	\$ 15,663	\$ 100	\$ 15,005	\$ 758
Fayette attendance	1,892	817	1,186	1,523
Hawkeye attendance	2,828	1,767	1,452	3,143
West Union attendance	1,914	906	991	1,829
Interest	950	129	-	1,079
Middle School Activities:				
Athletics	512	26,252	18,040	8,724
Steering Committee	66	587	558	95
Micro Society	2,566	1,610	2,201	1,975
Science Club	-	-	-	-
Pop machine	3,460	6,538	7,105	2,893
School Store	631	2,106	1,784	953
FRCYSE - at RISK	405	-	-	405
Tag		295		295
High School Activities:				
Athletics	66,384	106,803	112,085	61,102
Interest	3,146	2,164	4,186	1,124
Speech	1,371	117	(3,732)	5,220
Speech contest	2,976	8,362	11,338	-
Speech fall play	1,537	6,251	2,445	5,343
Vocal music	2,091	4,877	3,995	2,973
Musical	2,829	-	245	2,584
Band	4,543	2,489	1,937	5,095
Art club	783	1,249	1,303	729
Yearbook	6,706	11,716	10,785	7,637
BPA	2,014	10,947	10,698	2,263
FFA	6,905	58,267	46,333	18,839
FHA	239	981	936	284
Honor Society	534	-	(304)	838
Student Council	2,709	4,093	5,784	1,018
Shop and I tech	393	-	-	393
Math/Science	533	9,813	9,613	733
Technology Club	640	1,212	1,353	499
German	9,323	9,272	17,473	1,122
German bound	-	8,058	5,593	2,465
British	552	-	511	41
Spanish	1,501	1,663	1,184	1,980
Spanish bound	-	27,701	27,701	-
Cheerleading	1,938	5,357	2,257	5,038
Danceline	2,613	37,189	38,227	1,575
Class of:				
2007	1,127	-	1,127	-
2008	1,820	-	1,820	-
2009	505	546	430	621
2010	2,088	4,851	6,571	368
2011	(109)	1,771	(496)	2,158
2012	-	708	402	306
Activity ticket	2,242	3,683	5,254	671
Graduation fees	1,423	3,645	4,902	166
STW - Enterprise	1,507	79,725	80,509	723
Mini Arts Festival	984	522	-	1,506
Post Prom	1,678	4,326	4,699	1,305
	<u>\$ 166,412</u>	<u>\$ 459,465</u>	<u>\$ 465,486</u>	<u>\$ 160,391</u>

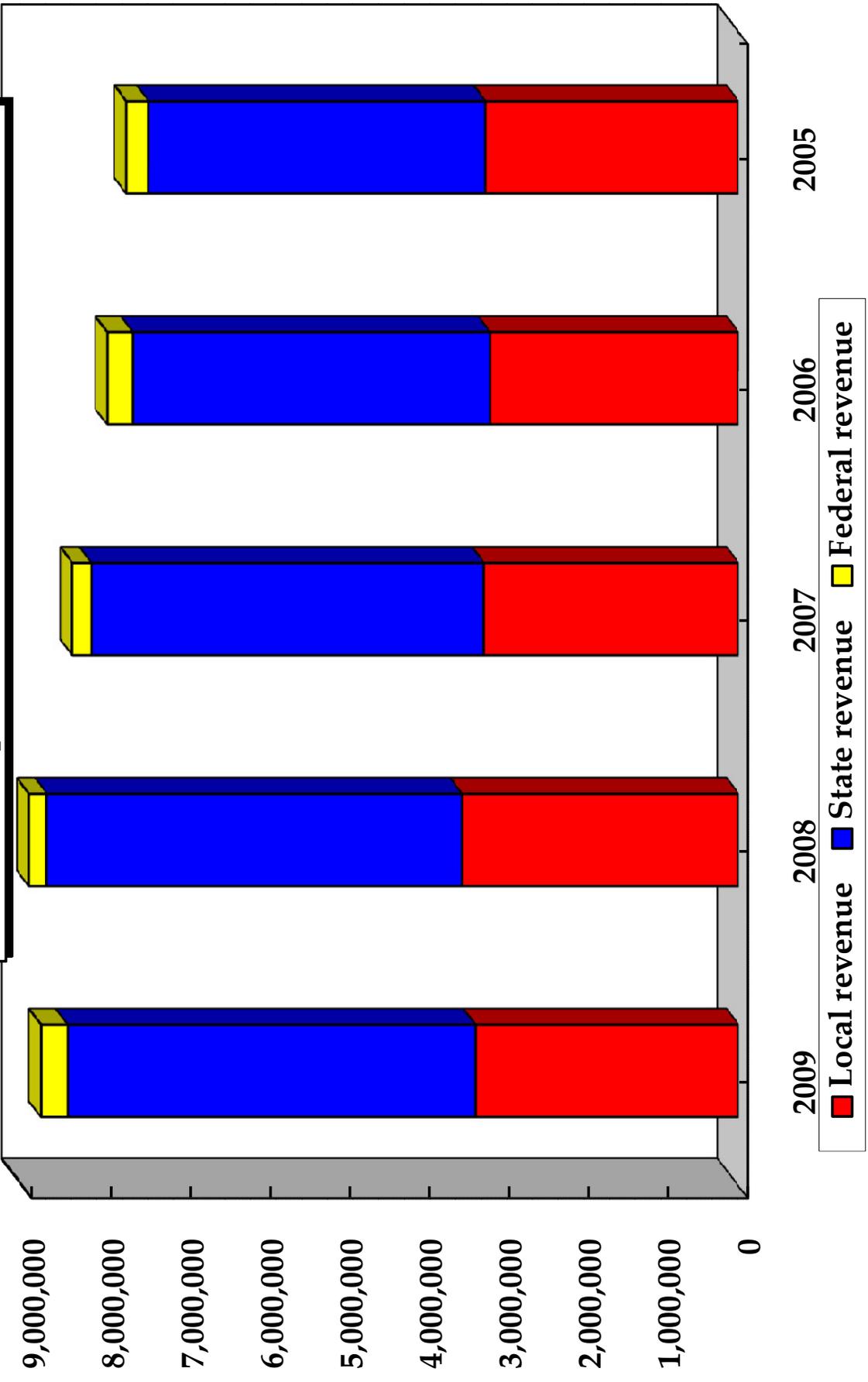
See Independent Auditor's Report on the Supplementary Information.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GOVERNMENTAL FUNDS
For the Years Ended June 30,

	Modified Accrual				
	2009	2008	2007	2006	2005
REVENUES					
Local sources					
Local tax	\$ 3,589,066	\$ 3,574,782	\$ 3,972,590	\$ 3,828,672	3,871,344
Tuition	170,160	185,900	179,932	178,189	168,181
Other	1,331,429	1,455,768	1,020,161	573,398	528,874
Intermediate sources	-	-	-	750	51,640
State sources	5,123,655	5,220,404	4,926,840	4,488,172	4,231,743
Federal sources	335,251	225,193	240,238	315,821	279,263
Total revenues	\$ 10,549,561	\$ 10,662,047	\$ 10,339,761	\$ 9,385,002	\$ 9,131,045
EXPENDITURES					
Current					
Instruction					
Regular instruction	\$ 3,990,281	\$ 4,015,185	\$ 3,923,888	\$ 3,737,695	3,786,343
Special instruction	1,180,888	1,052,349	1,108,027	1,020,967	869,707
Other instruction	1,264,914	1,084,304	975,240	1,114,113	933,325
Support services					
Student services	296,834	290,287	279,887	272,124	224,712
Instructional staff services	238,041	222,659	182,007	230,290	256,867
Administration services	856,444	889,189	815,604	774,339	677,941
Operation and maintenance plant services	781,580	788,831	1,015,021	715,398	776,970
Transportation services	430,982	471,904	464,843	396,250	401,072
Other					
Facilities acquisition	1,191,661	1,119,191	2,234,761	532,183	105,727
Long-term debt					
Principal	212,847	375,673	368,588	362,478	295,000
Interest and fiscal charges	89,404	104,328	75,253	71,740	134,404
AEA flowthrough	355,848	348,651	339,590	316,945	313,183
Total expenditures	\$ 10,889,724	\$ 10,762,551	\$ 11,782,709	\$ 9,544,522	\$ 8,775,251

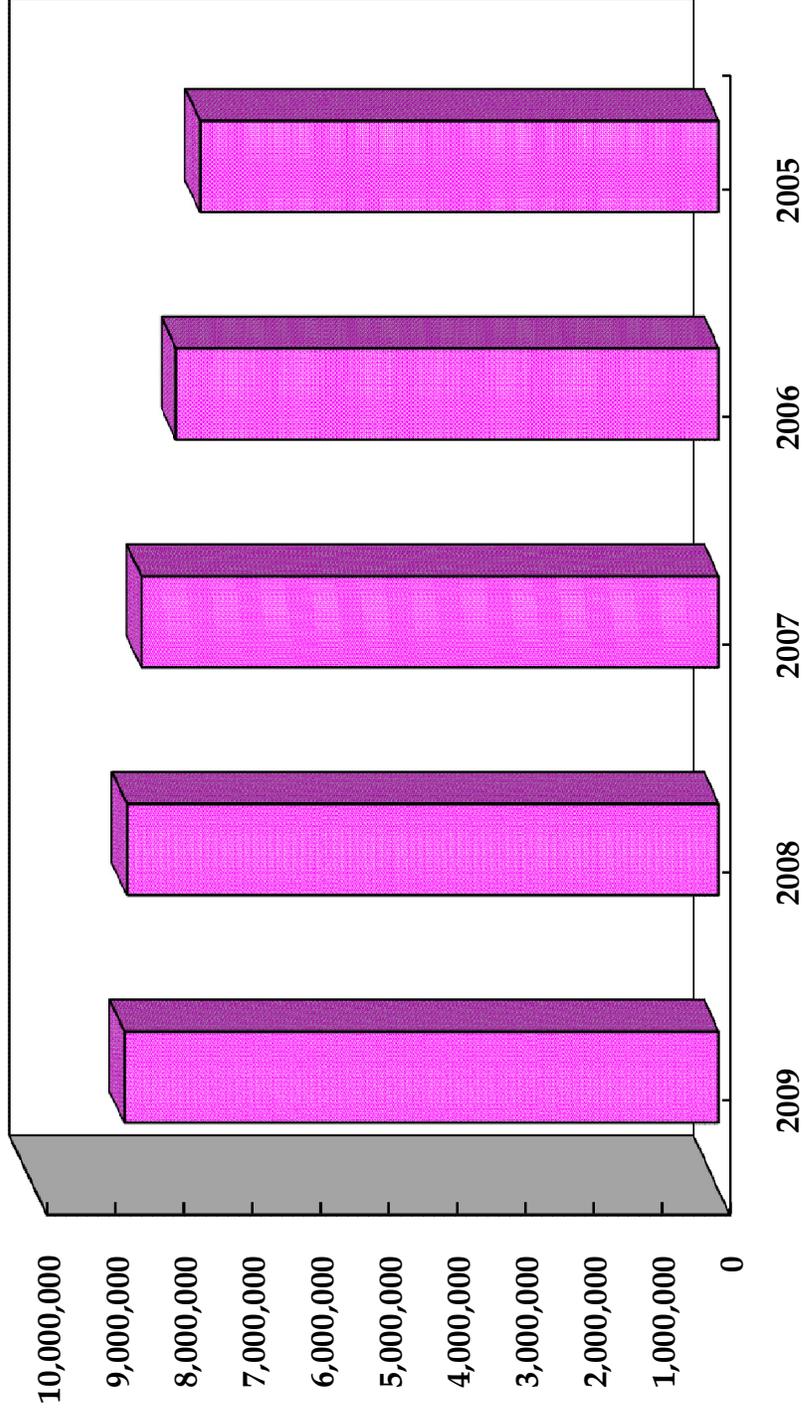
See Independent Auditor's Report on the Supplementary Information.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
Comparison of General Fund Revenues

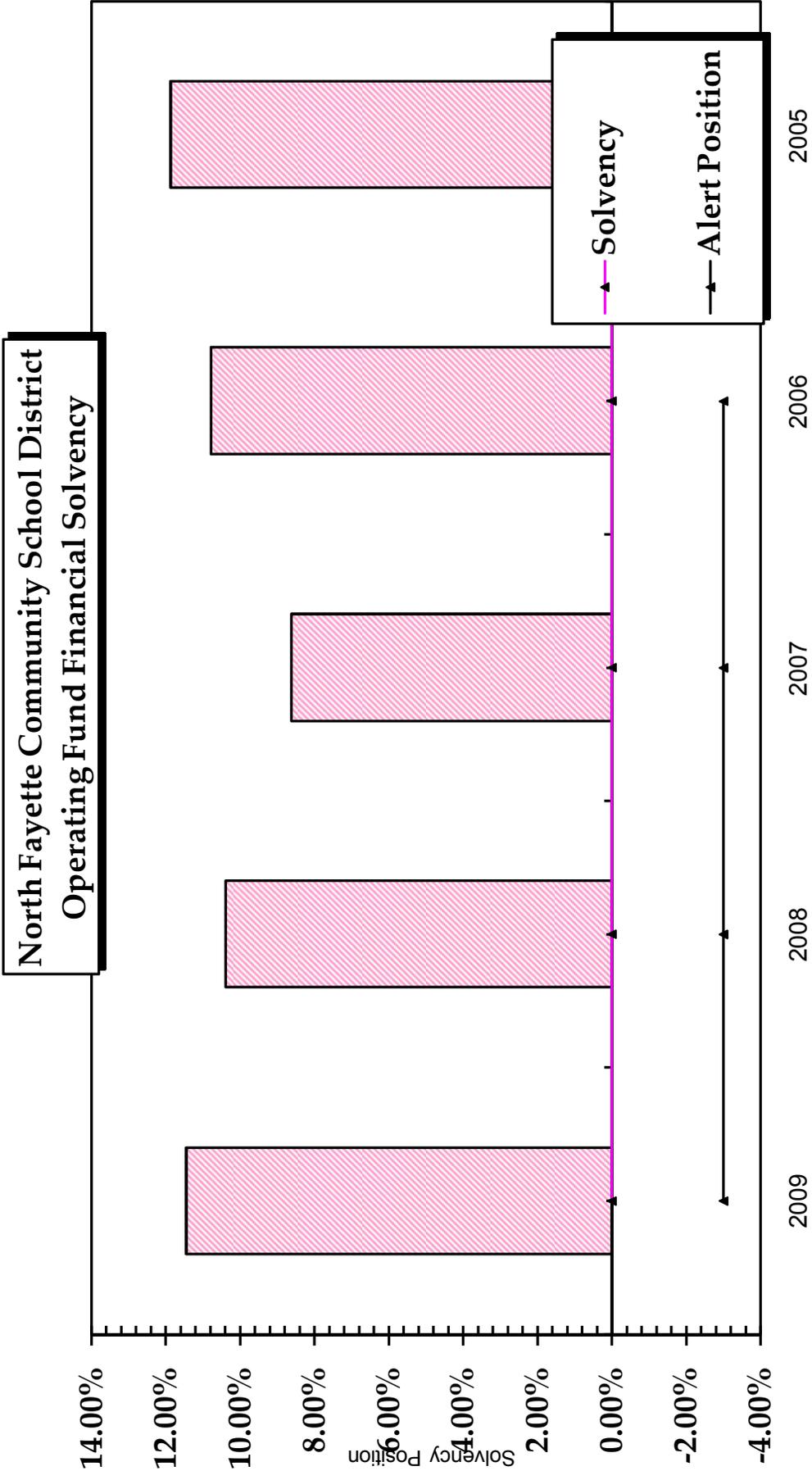


See Independent Auditor's Report on the Supplementary Information.

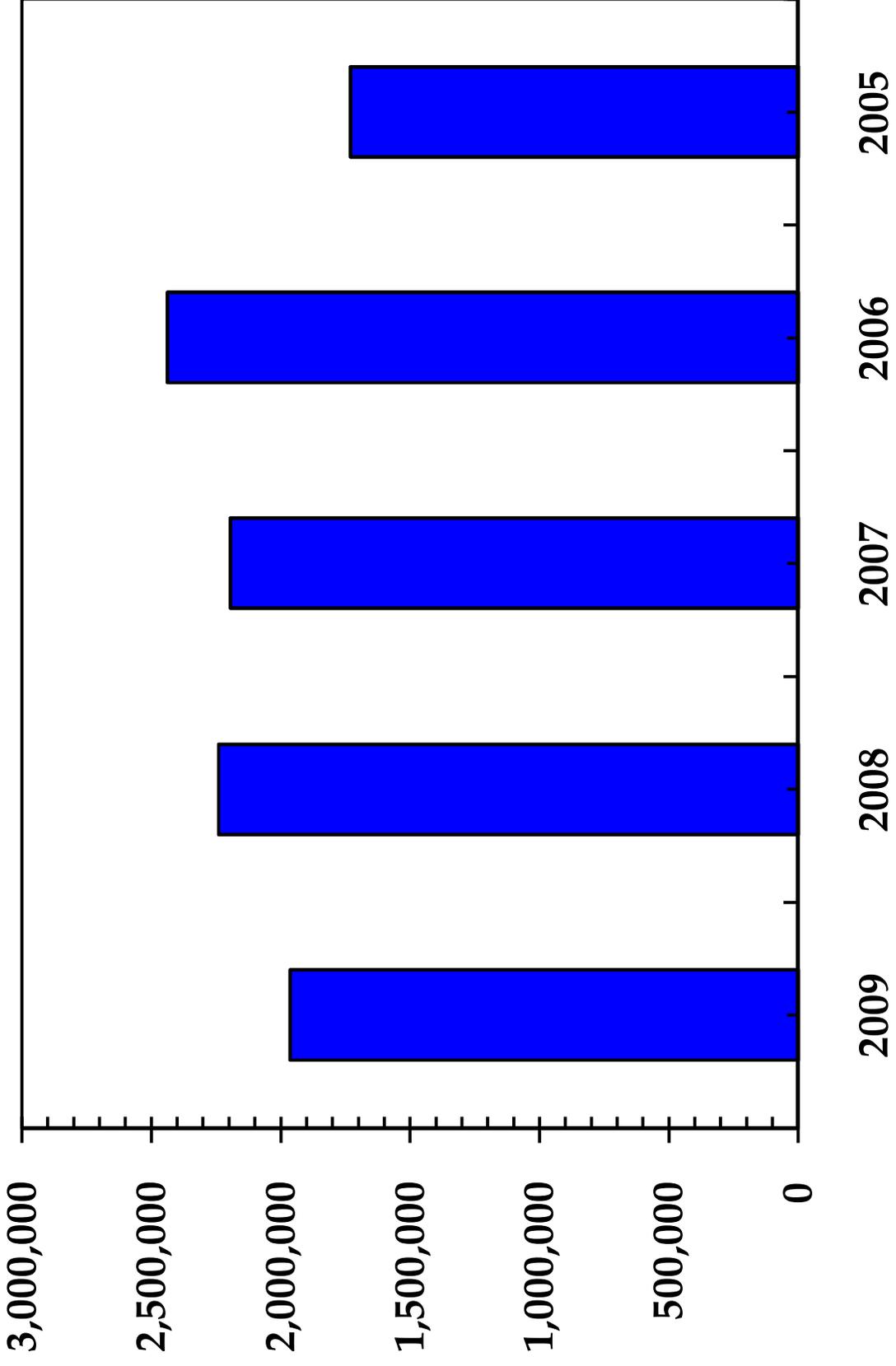
NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
Comparison of General Fund Expenditures



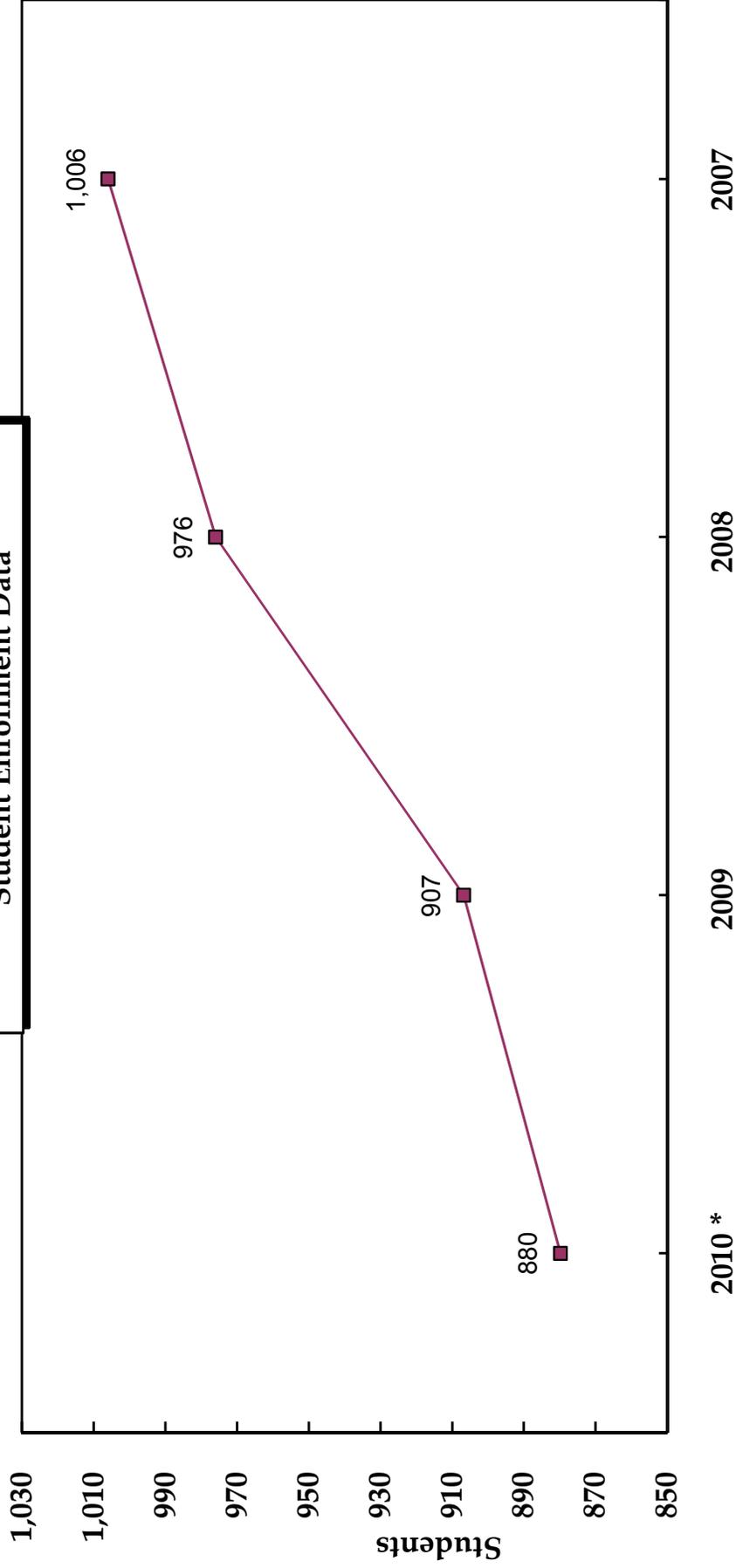
Totals By Year



**North Fayette Community School District
Spending Authority**



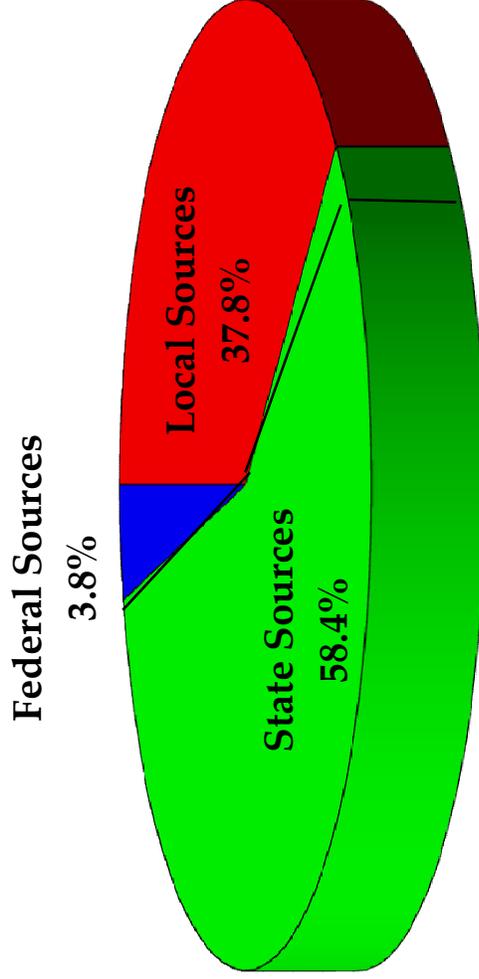
**North Fayette Community School District
Student Enrollment Data**



Resource: Total School Enrollment, Not Certified Enrollment, Line 11 of Certified Enrollment Form

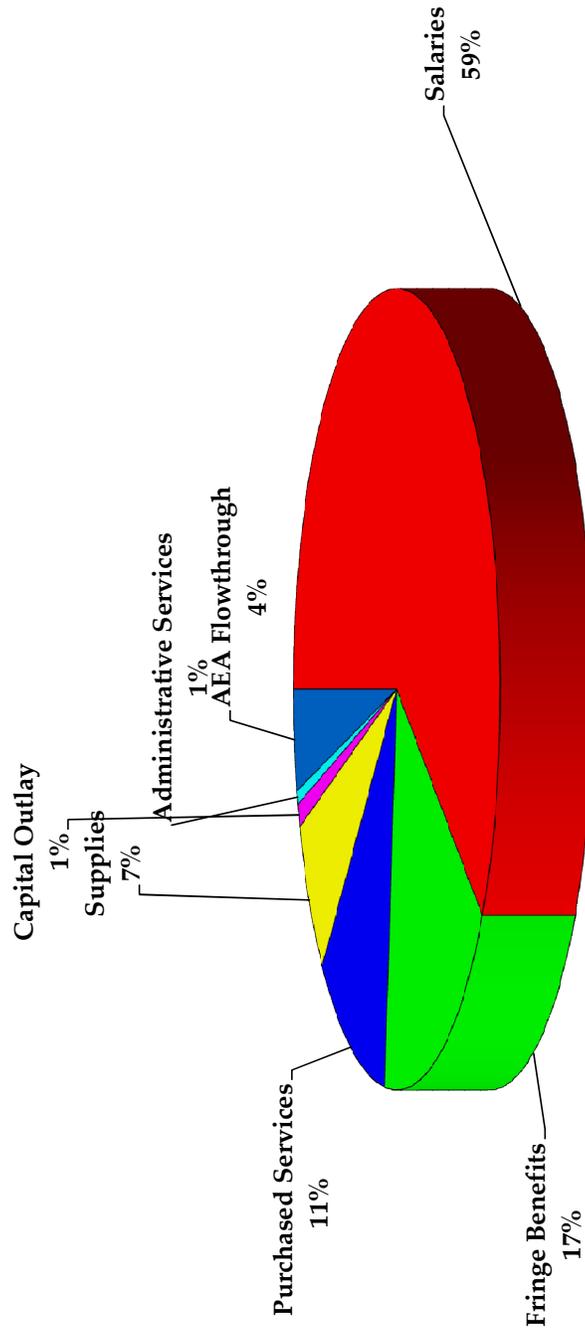
*estimated enrollment, has not been audited

**NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
General Fund Revenue Analysis Year Ended June 30, 2009**



SCHEDULE 12

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT
General Fund Expenditure Analysis Year Ended June 30, 2009



See Independent Auditor's Report on the Supplementary Information.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**To the Board of Education
North Fayette Community School District
West Union, Iowa**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Fayette Community School District as of and for the year ended June 30, 2009, which collectively comprise North Fayette Community School District's basic financial statements and have issued our report thereon dated November 25, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Fayette 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 an opinion on the effectiveness of North Fayette Community School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of North Fayette 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.

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

1. Financial Report Preparation

Reporting financial data reliably in accordance with generally accepted accounting principles requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Obtaining additional generally accepted accounting principles knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in their ability to prepare and take responsibility for reliable generally accepted accounting principles financial statements.

Response

Management is cognizant of this limitation.

Conclusion

Response acknowledged.

2. Overlapping Duties

The District's offices are not large enough to permit an adequate segregation of duties for effective internal controls. The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing grant expenditure reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records. While we do recognize that the District is not large enough to permit a segregation of duties for effective internal controls, we believe that it is important that the Board be aware that this condition does exist.

Response

Management is cognizant of this limitation.

Conclusion

Response acknowledged.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the North Fayette 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, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Fayette 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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of North Fayette Community School District in a separate letter dated November 25, 2009.

North Fayette Community School District's response to the findings identified in our audit is described above. We did not audit North Fayette Community School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
November 25, 2009

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MANAGEMENT LETTER

To the Board of Education
North Fayette Community School District
West Union, Iowa

In planning and performing our audit of the financial statements of North Fayette Community School District for the year ended June 30, 2009, we considered the District's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the District's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 thru 12 below are compliance comments required by the Iowa Auditor of State. A separate report dated November 25, 2009 contains our report on significant deficiencies in the District's internal control. This letter does not affect our report dated November 25, 2009, on the financial statements of the North Fayette Community School District. Comment numbers 13, 14 and 15 are repeat comments from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the District's responses and, accordingly, we express no opinion on them.

1. Certified Budget
Disbursements for the year ended June 30, 2009, did not exceed the amounts budgeted.
2. Questionable Expenditures
We noted no expenditures that may not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.
3. Travel Expense
No expenditures of District money for travel expenses of spouses of District officials and/or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions
We noted no business transactions between the District and District officials and/or employees for the year ended June 30, 2009.
5. Bond Coverage
Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes
We noted no transactions requiring Board approval, which had not been, approved by the Board. We also noted no minutes and bills that had not been published as required.

7. Certified Enrollment
No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

8. Deposits and Investments
A resolution naming official depository banks has been approved by the Board. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2009.

Recommendation

We recommend depository amounts be monitored to prevent exceeding the resolution. The Board should reconsider the amount that is necessary to be set for the depository resolution.

Response

The depository resolution will be watched more closely and the Board will increase the limit in order to remain at an acceptable amount.

Conclusion

Response accepted.

9. Certified Annual Report
The Certified Annual Report (CAR) was certified to the Iowa Department of Education timely.

10. Categorical Funding
No instances were noted of categorical funding used to supplant rather than supplement other funds.

11. Student Activity Fund
No instances of noncompliance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), for money in the Student Activity Fund which should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program were noted.

12. Statewide Sales and Service Tax
No instances of noncompliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

13. Property and Equipment Records
We recommend for proper insurance, maintenance and safeguarding of these assets, an inventory of all property and equipment should be taken at least once each year and checked against the capital assets records. The District also needs to calculate depreciation expense on the appropriate capital assets. The entries have been made to the financial statements.

Recommendation

We recommend management update its property records and record the result in the governmental activities.

Response

The District will take an inventory of all property and equipment at the conclusion of the school year.

Conclusion

Response accepted.

14. Disbursements

During our audit, we noted various items that were not in compliance with District procedures. We tested 75 payroll and non-payroll disbursements. Out of the 75 items tested we noted certain disbursements did not have all required procedures performed. All tested disbursements were appropriate expenditures of public funds.

Recommendation

We recommend all invoices have supporting documents with account numbers being charged, properly authorized with signature approval and marked that it has been paid. We also recommend that the purchase order be signed and attached to all applicable disbursements. We recommend for payroll that all employees have updated paperwork for deductions.

Response

The District does attach the check stub to all paid invoices. All paid invoices are audited and approved by the Board each month. We will implement additional procedures to address your recommendation.

Conclusion

Response accepted.

15. Bank Reconciliations

Reconciliations of book balances to the bank account by fund were not prepared by the District.

Recommendation

To improve financial accountability and control, a monthly reconciliation by fund of the book and bank balances should be prepared and retained by the District. Any differences should be investigated and resolved in a timely matter.

Response

We will implement a reconciliation of the book to bank balances including all cash and investment accounts.

Conclusion

Response accepted.

We have also provided you under separate cover a listing of general steps that you should review and consider implementing to strengthen controls. This list is not all inclusive. You should review all aspects of your operations and implement appropriate controls as deemed necessary. Some of these items may not be applicable or you may have already implemented them.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of North Fayette 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.

Hacher, Nelson & Co., P.C.

Decorah, Iowa
November 25, 2009