

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2009

TABLE OF CONTENTS

		<u>Page</u>
Officials		2
Independent Auditor's Report		3-4
Management's Discussion and Analysis (MD&A)		5-10
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14-17
Governmental Fund Financial Statements:		
Balance Sheet	C	18
Reconciliation of the Balance Sheet -		
Governmental Funds to the Statement of Net Assets	D	19
Statement of Revenues, Expenditures and Changes in Fund Balances	E	20
Reconciliation of the Statement of Revenues, Expenditures And Changes		
in Fund Balances - Governmental Funds To the Statement of Activities	F	21
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	22
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	23
Statement of Cash Flows	I	24
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	25
Statement of Changes in Fiduciary Net Assets	K	26
Notes to Financial Statements		27-36
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and		
Changes in Balances - Budget and Actual -		
All Governmental Funds and Proprietary Fund		38
Notes to Required Supplementary Information - Budgetary Reporting		39
Other Supplementary Information:	<u>Schedule</u>	
Non-major Governmental Funds:		
Combining Balance Sheet	1	41
Combining Schedule of Revenues, Expenditures and Changes		
in Fund Balances	2	42
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	43-44
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	4	45
Schedule of Revenues by Source and Expenditures by Function -		
All Governmental Funds	5	46
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 <i>Government Auditing Standards</i>		47-48
Schedule of Findings		49-50

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September, 2008 Election)		
Mike Boyle	President	2008
Mike Bair	Vice President	2009
Dan Gruber	Board Member	2008
Duane White	Board Member	2008
Jimmah White	Board Member	2011

Board of Education
(After September, 2008 Election)

Jimmah White	President	2011*
Mike Bair	Vice President	2009
Tina Layman	Board Member	2011
Dirk Wilkin	Board Member	2011
Dan Gruber	Board Member	2012

School Officials

Randy Moffit	Superintendent	2009
Gloria Bartlett	District Secretary/Treasurer	2009
Ron Peeler	Attorney	Indefinite

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



705 Main Street
Pella, IA 50219
641-628-3737

www.vanmaanencpa.com

Van Maanen, Sietstra & Meyer, PC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
North Mahaska Community School District
New Sharon, 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 Mahaska Community School District, New Sharon, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2009 on our consideration of North Mahaska Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 10 and 38 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Mahaska Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

October 22, 2009

North Mahaska Community School District

Management's Discussion and Analysis

For the Year Ending June 30, 2009

This section of the North Mahaska Community School District's financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2009. The analysis focuses on school district financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The General Fund June 30, 2009 balance decreased to \$395,279 from the June 30, 2008 fund balance of \$705,251. The decrease resulted from anticipated overspending plus large cuts in funding that were not anticipated including a 1.5% across the board state cut and an error in special education reporting that the state was unwilling to correct. The latter matter is still under legal review.
- The District's tax levy raised slightly from \$12.49 to \$12.57. However, the tax levy remained low compared to any district in Iowa. SILO funds that were used to lower the tax rate required to pay debt service requirements continues to keep property taxes lower. Additional state cuts and decreasing enrollment will require an increased tax rate in future years.
- Special education posted a positive balance of \$7,163 for 2008-2009. This used up carry over due to additional tuitioned out students that were not included in the previous year. However, due to an error in the state reporting system, the state withheld and redistributed \$204,165 of special education funding that should have stayed with the school. The accounting of the general education expenditures was deleted from the on-line system. While the school district retained a paper copy of the original correct version of the Special Education Supplement that showed the correct amount of \$7,163, the state would only reinstate the district's authority, but would not correct the cash balance. The matter is still under legal review.
- The district experienced an enrollment decrease of 35.2 students from the previous year. With 4% allowable growth, the district did not need to utilize the budget guarantee for 2008-09 but will need to do so for 2009-10.
- The capital project funds were used in the construction of a new preschool building. Although some of the preschool project expenses were paid in 2007-08, most were paid in 2008-09, and the building was occupied in January of 2009. This has depleted the SILO funds, and they will be recovered during the 2009-10 school year.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements (district-wide and fund statements) including notes to the financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The statement of net assets and statement of activities provide information on a district-wide basis. The statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long- term financial information about the activities the District operates like businesses, such as food services.

- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

District-Wide Financial Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those provided by private sector companies. The statement of net assets includes all of the District’s net assets and how they have changed. Net assets, the difference between the District’s assets and liabilities, are one way to measure the District’s overall financial position. 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.

- Over time, increases or decreases in the District’s net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall financial condition of the District additional non-financial factors, such as changes in the District’s property tax base and the condition of school buildings and other facilities should be considered.

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

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

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- Governmental funds: Most of the District’s basic services are included in governmental funds, which generally focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District’s enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. Internal service funds, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities.
- Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**Figure A-3
Condensed Statement of Net Assets**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 3,722,210	3,721,802	72,845	65,225	3,795,055	3,787,027	0.2%
Capital assets	5,626,083	4,964,329	15,043	22,292	5,641,126	4,986,621	13.1%
Total assets	9,348,293	8,686,131	87,888	87,517	9,436,181	8,773,648	7.6%
Long-term liabilities	1,560,000	1,890,258	-	-	1,560,000	1,890,258	-17.5%
Other liabilities	2,413,188	1,817,195	7,268	265	2,420,456	1,817,460	33.2%
Total liabilities	3,973,188	3,707,453	7,268	265	3,980,456	3,707,718	7.4%
Net assets:							
Invested in capital assets, net of related debt	4,066,083	3,084,329	15,043	22,292	4,081,126	3,106,621	31.4%
Restricted	935,025	1,205,871	-	-	935,025	1,205,871	-22.5%
Unrestricted	373,997	688,478	65,577	64,960	439,574	753,438	-41.7%
Total net assets	\$ 5,375,105	4,978,678	80,620	87,252	5,455,725	5,065,930	7.7%

The District's total net assets increased \$389,795, or 7.7%, due to the fact that the District is basically maintaining total assets (7.6% increase) while significantly decreasing its long-term debt (17.5% decrease). The District has used local option sales tax collections for both capital asset improvements and to help reduce the District's debt.

**Figure A-4
Changes in Net Assets**

	Governmental Activities		Business type Activities		Total District	
	Year ended June 30,		Year ended June 30,		Year ended June 30,	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for service	\$ 483,699	542,063	121,410	120,699	605,109	662,762
Operating grants, contributions and restricted interest	910,854	680,556	111,788	108,645	1,022,642	789,201
Capital grants, contributions and restricted interest	-	200	-	-	-	200
General revenues:						
Property tax	1,900,161	1,772,823	-	-	1,900,161	1,772,823
Local option sales and service tax	501,549	536,245	-	-	501,549	536,245
Unrestricted state grants	1,857,619	2,117,088	-	-	1,857,619	2,117,088
Unrestricted investment earnings	18,280	67,159	80	1,573	18,360	68,732
Other	435,488	13,390	-	-	435,488	13,390
Total revenues	6,107,650	5,729,524	233,278	230,917	6,340,928	5,960,441
Program expenses:						
Governmental activities:						
Instruction	3,771,964	3,359,172	-	-	3,771,964	3,359,172
Support services	1,507,674	1,449,576	-	-	1,507,674	1,449,576
Non-instructional programs	4,500	4,500	239,910	223,681	244,410	228,181
Other expenses	427,085	450,631	-	-	427,085	450,631
Total expenses	5,711,223	5,263,879	239,910	223,681	5,951,133	5,487,560
Change in net assets	\$ 396,427	465,645	(6,632)	7,236	389,795	472,881

For the year ending June 30, 2009, property tax and unrestricted state grants account for 59% of the total revenue. Instruction and support services account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,114,917 and expenses were \$5,718,490. The District saw an increase in total net assets of \$396,427. The increase was due to the recovery of lost funding through the cash reserve levy, maintaining capital asset levels while debt balances have decreased, maintenance of positive open enrollment revenues, and the collection of local option sales and service tax monies.

Business Type Activities

Revenues for business type activities were \$233,278 and expenses were \$239,910. Net assets decreased \$6,632 from \$87,252 to \$80,620. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal, and state reimbursements and investment income.

The District voted to increase meal prices for the 2006-07 school year to cover the rising expenses in the School Nutrition Fund. They were left at that level for 2007-08 and for 2008-09.

Individual Fund Analysis

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,321,017 which is \$597,853 less than the balance of \$1,918,870 at the beginning of the year.

The individual fund analysis basically goes through each of the major school funds and tries to put in simple terms where they are and where we may want to go with them during the coming year. Please keep in mind that it is a snap shot picture of finances on June 30 of each year. The figures represent our modified accrual position on June 30, 2009, compared with where we were on June 30, 2008. You can find these figures in the June reports on expenditures, revenues, and fund balances. North Mahaska Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund Highlights

General Operating Fund

In the General Fund, we had revenues and other financing sources of \$4,780,897. We had expenditures and other financing uses of \$5,090,869. Therefore, we ended the year \$309,972 in the red. We started the year with a balance of \$705,251, so we ended the year with a balance of \$395,279. The decrease was due predominantly to the special education error cited earlier in this report. The state 1.5% cut and the planned overspending added to the deficit.

Management Fund

In the Management Fund, we expended \$72,054 and had revenues of \$78,436 meaning we spent \$6,382 less than we received. Because we started the year with \$95,391, we ended the year with a balance of \$101,773. Approximately \$70,000 will be added to this fund through the Management Levy passed for the 2009-10 budget. This is a decrease from past years because the balance of the fund has been improved, and only insurance premiums and unemployment claims are being paid from the fund. Money from this fund can be spent on insurance (other than employee health), tort liability claims, unemployment claims, and qualifying early retirement payments. The balance in this account at the end of the 2008-09 fiscal year should cover the insurance premiums that occur early in the school year, so the fund will not go in the red after premium payments in July.

Physical Plant and Equipment Levy (PPEL)

In PPEL we expended \$72,180 and received \$54,152 meaning we were \$18,028 in the red. Since we started the year with \$57,257, we finished with a balance of \$39,229. We will continue to use PPEL to purchase school buses with one planned for the 2010-11 fiscal year.

Capital Projects

We started the year with a balance of \$576,807 in all capital projects funds. We have expended \$991,812 primarily on the preschool project and on debt service. We have received \$914,167 during the past year. The balance is now \$491,162 (a decrease of \$85,645). The decrease is primarily due to the preschool project. This fund balance, which decreased sharply as expenditures were made for the new day care / preschool facility in the 2008-09 fiscal year, will build back up during the 2009-10 fiscal year.

Activity Fund

The activity fund is a conglomerate of many different minor funds from athletics and music to class treasuries. The fund is in good condition over all. The beginning balance last July was \$112,943. At the end of June, it was \$67,950. The balance can fluctuate quite a bit depending on what projects are going on and when money is being paid out. This is not a fund in which you are trying to make money, but you like to keep a healthy balance to cover cash flow during the year. Most of the accounts are revolving in nature in that organizations use them for their activities. In the athletic part of the budget, some sports ran in the red, but others ran in the black. Due to smaller gates this past year, the athletic fund lost money. There were also some additional project expenditures that brought down the final balance.

Proprietary Fund Highlights

Nutrition Fund

The nutrition fund started the year with a balance of \$87,252. Revenues for the year totaled \$233,278 while expenditures totaled \$239,910 leaving a balance of \$80,620 - a difference of \$6,632 in the red. Revenues and expenditures both increased from the previous year. This account has been doing well and supporting itself. Prices were increased for the 2006-07 school year and left the same for 2007-08 and 2008-09. The increase in expenditures was due to increased wages and food prices.

Budgetary Highlights

The district's local sources receipts were considerably less than budgeted due to the state cut and the special education error.

Total expenditures were less than budgeted, due primarily to the District budget for the General Fund and cut backs because of the 1.5% cut. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

Capital Assets

On June 30, 2009, the District had invested \$5,641,126, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$240,116.

The original cost of the District's capital assets was \$7,816,410. Of this amount \$169,413 was in the Proprietary, School Lunch Fund.

Long-Term Debt

On June 30, 2009, the District had \$1,560,000 in general obligation bonds. This represents a decrease of approximately 17% from the previous year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Factors Bearing on the District's Future

The district remains in sound financial condition at this point. The one cent option sales tax (SILO) will continue to be a big help for many projects. The general fund status experienced a huge decrease due to the special education error and the 1.5% cut. Decreasing enrollment, state economic conditions, and future state cuts will further deplete the general fund forcing cutbacks in future years. The cost of insurance was higher than previous years, and future projections appear to be higher. All of these factors have put the district in a much tighter budgeting environment than it has experienced for several years. With a further decrease in enrollment and a poor economy, some of the factors enjoyed by the district in the past will not be present in the near future. This will require a combination of cuts in staff and other expenditures and finding additional funding.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the district's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gloria Bartlett, Board Secretary, or Randy Moffit, Superintendent, North Mahaska Community School, P.O. Box 89, New Sharon, Iowa 50207.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

Basic Financial Statements

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:			
Other	\$ 1,389,600	66,497	1,456,097
Receivables:			
Property tax:			
Delinquent	27,091	-	27,091
Succeeding year	2,161,318	-	2,161,318
Accounts	11,040	-	11,040
Due from other governments	133,161	-	133,161
Inventories	-	6,348	6,348
Capital assets, net of accumulated depreciation	5,626,083	15,043	5,641,126
Total assets	9,348,293	87,888	9,436,181
Liabilities			
Excess of outstanding warrants over bank balance	118,153	-	118,153
Accounts payable	62,325	7,268	69,593
Salaries and benefits payable	5,902	-	5,902
Due to other governments	37,650	-	37,650
Accrued interest payable	11,995	-	11,995
Unearned revenue:			
Succeeding year property tax	2,161,318	-	2,161,318
Other	15,845	-	15,845
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	330,000	-	330,000
Portion due after one year:			
General obligation bonds payable	1,230,000	-	1,230,000
Total liabilities	3,973,188	7,268	3,980,456
Net assets			
Invested in capital assets, net of related debt	4,066,083	15,043	4,081,126
Restricted for:			
Management levy	101,773	-	101,773
Physical plant and equipment levy	39,229	-	39,229
Debt service	213,629	-	213,629
Capital projects	491,162	-	491,162
Other special revenue purposes	67,950	-	67,950
State grants	21,282	-	21,282
Unrestricted	373,997	65,577	439,574
Total net assets	\$ 5,375,105	80,620	5,455,725

See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2009

Functions/Programs	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular	\$ 2,539,219	245,962	429,895	-
Special	632,572	3,026	255,615	-
Other	600,173	234,711	10,450	-
	<u>3,771,964</u>	<u>483,699</u>	<u>695,960</u>	<u>-</u>
Support Service:				
Student	82,166	-	-	-
Instructional staff	207,226	-	-	-
Administration	527,556	-	-	-
Operating and maintenance of plant	386,310	-	-	-
Transportation	304,416	-	14,335	-
	<u>1,507,674</u>	<u>-</u>	<u>14,335</u>	<u>-</u>
Non-instructional programs	4,500	-	-	-
Other expenditures:				
Long-term debt interest	80,496	-	-	-
AEA flowthrough	200,559	-	200,559	-
Depreciation (unallocated)*	146,030	-	-	-
	<u>427,085</u>	<u>-</u>	<u>200,559</u>	<u>-</u>
Total governmental activities	5,711,223	483,699	910,854	-
Business type activities:				
Non-instructional programs:				
Food service operations	239,910	121,410	111,788	-
	<u>239,910</u>	<u>121,410</u>	<u>111,788</u>	<u>-</u>
Total primary government	<u>\$ 5,951,133</u>	<u>605,109</u>	<u>1,022,642</u>	<u>-</u>

Exhibit B

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business type Activities	Total
(1,863,362)	-	(1,863,362)
(373,931)	-	(373,931)
(355,012)	-	(355,012)
(2,592,305)	-	(2,592,305)
(82,166)	-	(82,166)
(207,226)	-	(207,226)
(527,556)	-	(527,556)
(386,310)	-	(386,310)
(290,081)	-	(290,081)
(1,493,339)	-	(1,493,339)
(4,500)	-	(4,500)
(80,496)	-	(80,496)
-	-	-
(146,030)	-	(146,030)
(226,526)	-	(226,526)
(4,316,670)	-	(4,316,670)
-	(6,712)	(6,712)
-	(6,712)	(6,712)
(4,316,670)	(6,712)	(4,323,382)

Exhibit B

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2009

	Program Revenues			
Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Totals continued from previous pages	\$ 5,951,133	605,109	1,022,642	-

General Revenues:

- Property tax levied for:
 - General purposes
 - Debt service
 - Capital outlay
- Statewide sales and services tax
- Unrestricted state grants
- Unrestricted investment earnings
- Other
- Contributions not restricted to specific programs

Gain (loss) on sale of assets

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business type Activities	Total
(4,316,670)	(6,712)	(4,323,382)
1,797,305	-	1,797,305
48,979	-	48,979
53,877	-	53,877
501,549	-	501,549
1,857,619	-	1,857,619
18,280	80	18,360
92,755	-	92,755
350,000	-	350,000
(7,267)	-	(7,267)
4,713,097	80	4,713,177
396,427	(6,632)	389,795
4,978,678	87,252	5,065,930
\$ 5,375,105	80,620	5,455,725

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

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Assets					
Cash and pooled investments:					
Other	\$ 545,742	224,926	411,749	207,183	1,389,600
Receivables:					
Property tax:					
Current year delinquent	24,624	698	-	1,769	27,091
Succeeding year	1,830,083	198,781	-	132,454	2,161,318
Accounts	11,040	-	-	-	11,040
Due from other governments	50,228	-	82,933	-	133,161
Total assets	\$ 2,461,717	424,405	494,682	341,406	3,722,210
Liabilities and Fund Balances					
Liabilities:					
Excess of outstanding warrants over bank balance	\$ 118,153	-	-	-	118,153
Accounts payable	58,805	-	3,520	-	62,325
Salaries and benefits payable	5,902	-	-	-	5,902
Due to other governments	37,650	-	-	-	37,650
Deferred revenue:					
Succeeding year property tax	1,830,083	198,781	-	132,454	2,161,318
Other	15,845	-	-	-	15,845
Total liabilities	\$ 2,066,438	198,781	3,520	132,454	2,401,193
Fund balances:					
Reserved for:					
State grants	\$ 21,282	-	-	-	21,282
Debt service	-	225,624	-	-	225,624
Unreserved:					
Designated for cash flow	180,000	-	-	-	180,000
Undesignated	193,997	-	491,162	208,952	894,111
Total fund balances	395,279	225,624	491,162	208,952	1,321,017
Total liabilities and fund balances	\$ 2,461,717	424,405	494,682	341,406	3,722,210

See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2009

Total fund balances of governmental funds (Exhibit C)	\$ 1,321,017
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,626,083
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(11,995)
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,560,000)</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 5,375,105</u></u>

See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended June 30, 2009

	General	Debt Service	Capital Projects	Non-major Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 1,727,103	48,979	501,549	124,079	2,401,710
Tuition	218,320	-	-	-	218,320
Other	69,742	3,389	408,979	243,316	725,426
State sources	2,572,070	25	3,639	65	2,575,799
Federal sources	193,662	-	-	-	193,662
Total revenues	4,780,897	52,393	914,167	367,460	6,114,917
Expenditures:					
Current:					
Instruction:					
Regular	2,531,179	-	-	6,500	2,537,679
Special	632,572	-	-	-	632,572
Other	322,878	-	-	267,182	590,060
	3,486,629	-	-	273,682	3,760,311
Support services:					
Student	81,966	-	-	200	82,166
Instructional staff	206,876	-	-	200	207,076
Administration	516,508	-	-	10,020	526,528
Operation and maintenance of plant	359,229	-	-	38,105	397,334
Transportation	239,102	-	-	77,827	316,929
	1,403,681	-	-	126,352	1,530,033
Non-instructional programs	-	-	-	4,500	4,500
Other expenditures:					
Facilities acquisition	-	-	807,721	6,882	814,603
Long-term debt:					
Principal	-	320,000	-	-	320,000
Interest and fiscal charges	-	82,764	-	-	82,764
AEA flowthrough	200,559	-	-	-	200,559
	200,559	402,764	807,721	6,882	1,417,926
Total expenditures	5,090,869	402,764	807,721	411,416	6,712,770
Excess (deficiency) of revenues over (under) expenditures	(309,972)	(350,371)	106,446	(43,956)	(597,853)
Other financing sources (uses):					
Operating transfers in (out)	-	204,774	(192,091)	(12,683)	-
Total other financing sources (uses)	-	204,774	(192,091)	(12,683)	-
Net change in fund balances	(309,972)	(145,597)	(85,645)	(56,639)	(597,853)
Fund balances beginning of year	705,251	371,221	576,807	265,591	1,918,870
Fund balances end of year	\$ 395,279	225,624	491,162	208,952	1,321,017

See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 Year ended June 30, 2009

Net change in fund balances - total governmental funds (Exhibit E) \$ (597,853)

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

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

Capital outlays	\$ 901,888	
Less loss on retirement of capital assets	(7,267)	
Depreciation expense	(232,867)	661,754

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. 320,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,268

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

Compensated absences		10,258
----------------------	--	--------

Change in net assets of governmental activities (Exhibit B) \$ 396,427

See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 June 30, 2009

	School Nutrition
Assets	
Current assets:	
Cash and investments	\$ 66,497
Inventories	6,348
Total current assets	72,845
Non-current assets:	
Property and equipment:	
Machinery and equipment	169,413
Accumulated depreciation	(154,370)
Total non-current assets	15,043
Total assets	87,888
 Liabilities	
Current liabilities:	
Accounts payable	7,268
Total current liabilities	7,268
 Net Assets	
Invested in capital assets, net of related debt	15,043
Unrestricted	65,577
Total net assets	\$ 80,620

See notes to financial statements.

Exhibit H

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 Year ended June 30, 2009

	School Nutrition
Operating revenue:	
Local sources:	
Charges for services	\$ 121,410
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Depreciation	7,249
Other	232,661
Total operating expenses	239,910
Operating loss	(118,500)
Non-operating revenue:	
Local sources	80
State sources	3,084
Federal sources	108,704
Total non-operating revenue	111,868
Change in net assets	(6,632)
Net assets beginning of year	87,252
Net assets end of year	\$ 80,620

See notes to financial statements.

Exhibit I

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year ended June 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 121,410
Cash payments to employees for services	(119,347)
Cash payments to suppliers for goods or services	(89,367)
Net cash used by operating activities	(87,304)
Cash flows from non-capital financing activities:	
State grants received	3,084
Federal grants received	92,465
Net cash provided by non-capital financing activities	95,549
Cash flows from investing activities:	
Interest on investments	80
Net increase in cash and cash equivalents	8,325
Cash and cash equivalents at beginning of year	58,172
Cash and cash equivalents at end of year	\$ 66,497
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (118,500)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	16,239
Depreciation	7,249
Decrease in inventories	705
Increase in accounts payable	7,003
Net cash used by operating activities	\$ (87,304)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	\$ 66,497
Cash and cash equivalents at year end	\$ 66,497

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received federal commodities valued at \$16,239.

See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2009

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 280,750	1,800
Total assets	280,750	1,800
Liabilities		
Accounts payable	-	1,800
Total liabilities	-	1,800
Net assets		
Reserved for scholarships	280,750	-
Total net assets	\$ 280,750	-

See notes to financial statements.

Exhibit K

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year ended June 30, 2009

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 450
Interest income	15,815
Total additions	16,265
Deductions:	
Support services:	
Scholarships awarded	11,575
Change in net assets	4,690
Net assets beginning of year	276,060
Net assets end of year	\$ 280,750

See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

North Mahaska Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. 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 City of New Sharon, Iowa and the predominate agricultural territory in Mahaska and Poweshiek counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

Jointly Governed Organization - 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 Mahaska County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

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

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

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

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

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Physical Plant and Equipment Levy (PPEL) Fund: This fund is authorized by Iowa Code 298.2 and accounts for transactions related to the improvement of facilities and grounds, construction of school houses, certain equipment expenditures and other expenditures authorized in Iowa Code 298.3.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise fund of the District is considered non-major:

School Nutrition Fund: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

Fiduciary Fund Types: Fiduciary funds focus on net assets and changes in net assets. The District's fiduciary funds include the following:

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

Agency Fund: This fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-40 years
Furniture and equipment	5-20 years

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

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax receivable.

Unearned revenue on the Statement of Net Assets consists of unspent grant proceeds as well as the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

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

E. Budgets and Budgetary Accounting

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

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

Diversified Portfolio	<u>Amortized Cost</u> \$1,180,131
-----------------------	--------------------------------------

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) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 204,774
Capital Projects	Student Activity	12,683
		<u>\$ 217,457</u>

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

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 95,250	-	-	95,250
Construction in progress	58,484	-	58,484	-
Total capital assets not being depreciated	153,734	-	58,484	95,250
Capital assets being depreciated:				
Buildings	5,735,476	800,990	-	6,536,466
Improvements other than buildings	802,612	74,952	-	877,564
Furniture and equipment	955,175	84,430	69,467	970,138
Total capital assets being depreciated	7,493,263	960,372	69,467	8,384,168
Less accumulated depreciation for:				
Buildings	1,536,448	138,374	-	1,674,822
Improvements other than buildings	485,846	25,869	-	511,715
Furniture and equipment	660,374	68,624	62,200	666,798
Total accumulated depreciation	2,682,668	232,867	62,200	2,853,335
Total capital assets being depreciated, net	4,810,595	727,505	7,267	5,530,833
Governmental activities capital assets, net	\$ 4,964,329	727,505	65,751	5,626,083
Business type activities:				
Furniture and equipment	\$ 169,413	-	-	169,413
Less accumulated depreciation	147,121	7,249	-	154,370
Business type activities capital assets, net	\$ 22,292	(7,249)	-	15,043

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 14,652
Special	-
Other	10,113

Support services:

Student services	-
Instructional staff	150
Administration	1,028
Operation and maintenance of plant	4,621
Transportation	56,273
	<u>86,837</u>

Unallocated depreciation

146,030

Total governmental activities depreciation expense

\$ 232,867

Business type activities:

Food services

\$ 7,249

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,880,000	-	320,000	1,560,000	330,000
Compensated absences	10,258	-	10,258	-	-
Total	\$ 1,890,258	-	330,258	1,560,000	330,000

General Obligation Bonds Payable

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

Bond Issue of April 1, 2002				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2009	4.35-4.45%	\$ 330,000	68,381	398,381
2010	4.45-4.55%	345,000	53,667	398,667
2011	4.55-4.65%	355,000	37,941	392,941
2012	4.65-4.75%	100,000	24,530	124,530
2013	4.75-4.85%	100,000	19,855	119,855
2014	4.85-4.95%	110,000	14,960	124,960
2015	4.95-5.00%	110,000	9,598	119,598
2016	5.00-5.05%	110,000	4,125	114,125
Total		\$ 1,560,000	233,057	1,793,057

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$203,265, \$171,403, and \$156,555, respectively, equal to the required contributions for each year.

(7) Risk Management

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

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

(8) 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 \$200,559 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.

(9) Subsequent Event

On October 8, 2009, Governor Chet Culver announced a 10 percent across-the-board cut to state general fund appropriations effective immediately. The cut is a reduction of approximately \$238.5 million to Iowa schools and approximately \$800,000 to the Iowa Department of Education. What this will mean to Iowa school districts is still unfolding.

Required Supplementary Information

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL
 FUNDS AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 3,345,456	121,490	3,466,946	3,624,613	3,624,613	(157,667)
State sources	2,575,799	3,084	2,578,883	2,754,705	2,754,705	(175,822)
Federal sources	193,662	108,704	302,366	259,000	259,000	43,366
Total revenues	<u>6,114,917</u>	<u>233,278</u>	<u>6,348,195</u>	<u>6,638,318</u>	<u>6,638,318</u>	<u>(290,123)</u>
Expenditures:						
Instruction	3,760,311	-	3,760,311	3,525,544	3,745,418	(14,893)
Support services	1,530,033	-	1,530,033	1,843,397	1,843,397	313,364
Noninstructional programs	4,500	239,910	244,410	305,016	305,016	60,606
Other expenditures	1,417,926	-	1,417,926	1,359,370	1,478,739	60,813
Total expenditures	<u>6,712,770</u>	<u>239,910</u>	<u>6,952,680</u>	<u>7,033,327</u>	<u>7,372,570</u>	<u>419,890</u>
Excess (deficiency) of revenues over (under) expenditures	(597,853)	(6,632)	(604,485)	(395,009)	(734,252)	129,767
Balances beginning of year	<u>1,918,870</u>	<u>87,252</u>	<u>2,006,122</u>	<u>2,042,865</u>	<u>2,042,865</u>	<u>(36,743)</u>
Balances end of year	<u>\$ 1,321,017</u>	<u>80,620</u>	<u>1,401,637</u>	<u>1,647,856</u>	<u>1,308,613</u>	<u>93,024</u>

See accompanying independent auditor's report.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year ended June 30, 2009

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

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

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

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

Other Supplementary Information

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2009

	Special Revenue Funds			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 100,772	67,950	38,461	207,183
Receivables:				
Property tax:				
Current year delinquent	1,001	-	768	1,769
Succeeding year	74,900	-	57,554	132,454
Total assets	\$ 176,673	67,950	96,783	341,406
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 74,900	-	57,554	132,454
Total liabilities	74,900	-	57,554	132,454
Fund balances:				
Unreserved, undesignated fund balance	101,773	67,950	39,229	208,952
Total liabilities and fund balances	\$ 176,673	67,950	96,783	341,406

See accompanying independent auditor's report.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 Year ended June 30, 2009

	Special Revenue Funds			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 70,202	-	53,877	124,079
Other	8,197	234,872	247	243,316
State sources	37	-	28	65
Total revenues	<u>78,436</u>	<u>234,872</u>	<u>54,152</u>	<u>367,460</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	6,500	-	-	6,500
Other instruction	-	267,182	-	267,182
Support Services:				
Student services	200	-	-	200
Instructional staff services	200	-	-	200
Administration services	10,020	-	-	10,020
Operation and maintenance of plant services	38,105	-	-	38,105
Transportation services	12,529	-	65,298	77,827
Non-instructional program	4,500	-	-	4,500
Other expenditures:				
Facilities acquisition	-	-	6,882	6,882
Total expenditures	<u>72,054</u>	<u>267,182</u>	<u>72,180</u>	<u>411,416</u>
Excess (deficiency) of revenues over (under) expenditures	6,382	(32,310)	(18,028)	(43,956)
Other financing sources:				
Interfund transfers out	-	(12,683)	-	(12,683)
Net change in fund balances	6,382	(44,993)	(18,028)	(56,639)
Fund balance beginning of year	<u>95,391</u>	<u>112,943</u>	<u>57,257</u>	<u>265,591</u>
Fund balance end of year	<u>\$ 101,773</u>	<u>67,950</u>	<u>39,229</u>	<u>208,952</u>

See accompanying independent auditor's report.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUNDS, STUDENT ACTIVITY ACCOUNTS
Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures and Interfund Transfers	Balance End of Year
Drama/Plays	\$ 270	252	126	396
Speech	1,065	-	109	956
Music Resale	(433)	1,509	1,350	(274)
Band Uniform	4,264	1,505	3,655	2,114
Vocal	802	1,222	595	1,429
Flags	343	-	-	343
Instrumental	-	1,305	278	1,027
Pop	8,045	5,729	6,680	7,094
District Football	942	-	-	942
Change	(124)	4,400	3,900	376
Elementary Band	343	1,532	1,731	144
FB Cheerleaders	434	-	75	359
Lock	69	-	-	69
Baseball Concessions	8,738	5,098	7,870	5,966
Softball Concessions	3,544	7,197	7,527	3,214
Student Trainers	141	204	273	72
BB Cheerleaders	101	910	332	679
Athletic Misc	17,984	11,774	12,625	17,133
WR Cheerleaders	462	-	-	462
Dance Team	897	1,309	1,428	778
Boys Basketball	-	6,685	5,471	1,214
Boys Basketball/Coach	325	-	85	240
Football/Coach	564	1,640	1,993	211
Football	-	15,838	14,277	1,561
Baseball	-	1,809	4,503	(2,694)
Boys Track	-	60	1,357	(1,297)
Boys Track/Coach	539	-	-	539
Boys Golf	-	80	335	(255)
G/B Golf/Coach	332	35	137	230
Boys Wrestling	-	727	1,186	(459)
Wrestling/Coach	567	332	1,090	(191)
Girls Basketball	-	5,093	3,060	2,033
Girls Volleyball	-	5,322	5,326	(4)
Volleyball/Coach	2,167	2,436	2,805	1,798
Girls Basketball/Coach	554	-	70	484
Softball	-	4,240	6,495	(2,255)
Girls Track	-	249	2,029	(1,780)
Girls Track/Coach	202	1,254	1,589	(133)
High School Fundraiser	1,029	751	-	1,780
Elementary Fundraiser	1,115	2,340	2,301	1,154
Interest	8,574	161	1,320	7,415

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUNDS, STUDENT ACTIVITY ACCOUNTS
Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures and Interfund Transfers	Balance End of Year
Prom Party	2,318	10,879	11,980	1,217
Annual	2,653	10,761	7,572	5,842
National Honor Society	567	619	401	785
Spanish Club/Trip	-	270	254	16
FFA	1,740	22,869	22,336	2,273
FFA Foundation/Scholarship	2,018	-	1,475	543
FFA Milk	(8)	197	954	(765)
FFA/Farm	11,573	7,688	9,641	9,620
Greenhouse	5,100	13,349	37,129	(18,680)
School Fund/Concessions	65	19,439	17,697	1,807
Student Council	1,735	656	1,028	1,363
Class of 2013	225	180	-	405
Elementary Basketball	664	-	-	664
Outdoor Classroom	1,949	-	612	1,337
Elementary/Misc	13,208	25,133	34,909	3,432
Elementary Pop	(55)	55	-	-
Change/Misc Balance	-	300	300	-
Class of 2014	-	185	-	185
Rocket Team	744	-	210	534
Class of 2008	371	-	371	-
Class of 2009	2,428	18,535	20,898	65
Class of 2010	903	10,374	8,115	3,162
Class of 2011	515	175	-	690
Class of 2012	375	210	-	585
Totals	\$ 112,943	234,872	279,865	67,950

See accompanying independent auditor's report.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year ended June 30, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 2,693	27,982	28,875	1,800
Total assets	\$ 2,693	27,982	28,875	1,800
Liabilities				
Accounts payable	\$ 2,693	27,982	28,875	1,800
Total liabilities	\$ 2,693	27,982	28,875	1,800

See accompanying independent auditor's report.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	2009	2008	2007	2006	2005
Revenues:					
Local sources:					
Local tax	\$ 2,401,710	2,307,783	2,289,190	2,185,988	2,246,991
Tuition	218,320	244,659	250,820	236,039	152,012
Other	725,426	394,722	422,997	360,951	334,615
State sources	2,575,799	2,621,155	2,487,339	2,306,029	2,136,469
Federal sources	193,662	156,835	157,417	169,241	182,276
Total	<u>\$ 6,114,917</u>	<u>5,725,154</u>	<u>5,607,763</u>	<u>5,258,248</u>	<u>5,052,363</u>
Expenditures:					
Instruction:					
Regular instruction	\$ 2,537,679	3,351,499	3,145,711	3,066,755	3,017,607
Special instruction	632,572	N/A	N/A	N/A	N/A
Other instruction	590,060	N/A	N/A	N/A	N/A
Support services:					
Student services	82,166	127,220	113,123	106,464	105,674
Instructional staff services	207,076	214,305	190,871	144,781	45,525
Administration services	526,528	504,869	515,313	476,634	435,102
Operation and maintenance of plant services	397,334	329,219	333,837	382,664	313,864
Transportation services	316,929	324,807	259,081	245,324	254,032
Non-instructional programs	4,500	4,500	4,500	4,000	6,575
Other expenditures:					
Facilities acquisition	814,603	100,541	84,957	350,575	104,947
Long-term debt:					
Principal	320,000	305,000	295,000	285,000	285,000
Interest and other charges	82,764	95,375	106,873	117,012	126,498
AEA flowthrough	200,559	188,083	176,431	162,157	153,340
Total	<u>\$ 6,712,770</u>	<u>5,545,418</u>	<u>5,225,697</u>	<u>5,341,366</u>	<u>4,848,164</u>

See accompanying independent auditor's report.



705 Main Street

Pella, IA 50219

641-628-3737

www.vanmaanencpa.com

Van Maanen, Sietstra & Meyer, PC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the North Mahaska Community School District, New Sharon, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated October 22, 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 Mahaska Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of North Mahaska Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Mahaska 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, including deficiencies we consider to be material weaknesses.

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of North Mahaska Community School District and other parties to whom North Mahaska Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

October 22, 2009

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year ended June 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

SIGNIFICANT DEFICIENCIES

II-A-09 Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in school Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.

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

Response - We will continue to investigate alternatives to this problem.

Conclusion - Response accepted.

Part III: Other Findings Related to Required Statutory Reporting:

III-A-09 Certified Budget - Expenditures for the year ended June 30, 2009, exceeded the certified budget amount in the instruction functional area.

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

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

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

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

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year ended June 30, 2009

- III-D-09 Business Transactions – No business transactions between the District and District officials or employees were noted.
- III-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- III-F-09 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- III-G-09 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- III-H-09 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District’s investment policy were noted.
- III-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- III-J-09 Deficit Balances – Twelve student activity accounts had deficit balances at June 30, 2009.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion - Response accepted.
- III-K-09 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
- III-L-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$	495,450
Statewide sales and services tax revenue			501,549
Expenditures/transfers out:			
School infrastructure:			
Facilities acquisition and construction	\$	804,908	
Debt service for school infrastructure:			
General obligation debt		192,091	996,999
Ending balance		\$	-