

NORTH LINN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Net Assets	H	21
Statement of Cash Flows	I	22
Fiduciary Fund Financial Statements:		
Statement of Net Assets	J	23
Statement of Changes in Net Assets	K	24
Notes to Financial Statements		25-34
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		35
Notes to Required Supplementary Information - Budgetary Reporting		36
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	38
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	39
Combining Statement of Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	4	40
Combining Statement of Changes in Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	5	41
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	6	42
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	7	43
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 <u>Government Auditing Standards</u>		44-45
Schedule of Findings		46-48

North Linn Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Douglas Winn	President	2008
Elizabeth Benesch	Vice President	2009
Dan Buenz	Board Member	2010
Brad Winn	Board Member	2010
Maureen McEvoy	Board Member	2009
Debra Zumbach	Board Member	2009
Mark Waring	Board Member	2008
Board of Education (After September 2008 Election)		
Douglas Winn	President	2011
Elizabeth Benesch	Vice President	2009
Dan Buenz	Board Member	2011*
Brad Winn	Board Member	2011*
Maureen McEvoy	Board Member	2009
Debra Zumbach	Board Member	2009
Mark Waring	Board Member	2009
School Officials		
Larry Boer	Superintendent	2009
Marge Holub	Business Manager/ District Secretary	2009
Gruhn Law Firm	Attorney	2009

*Board terms 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.

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(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
North Linn 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 Linn Community School District, Troy Mills, 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 the North Linn Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

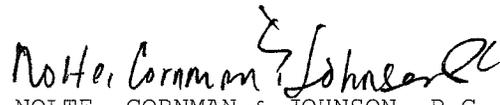
In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2010 on our consideration of the North Linn Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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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 an opinion on the financial statements that collectively comprise North Linn Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those 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 three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Linn Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,410,395 in fiscal 2008 to \$6,755,897 in fiscal 2009, while General Fund expenditures increased from \$6,306,686 in fiscal 2008 to \$6,641,375 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$433,078 in fiscal 2008 to a balance of \$547,600 in fiscal 2009, a 26.44% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local and federal sources in fiscal 2009. The increase in expenditures was due primarily to increases in salaries and benefits as well as increases in expenses funded by grants received by the District for fiscal 2009.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) increased from 5.84% for fiscal year 2008 to 6.54% for fiscal year 2009. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

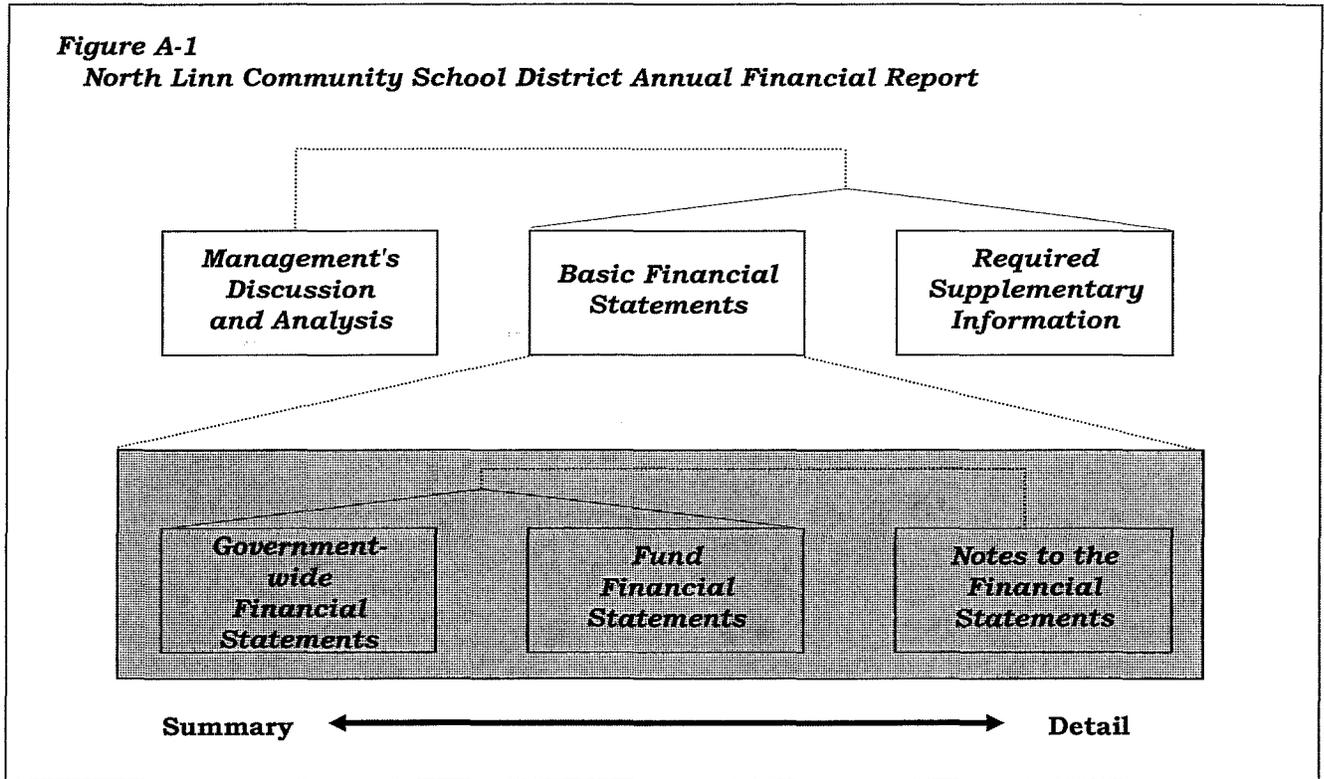


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private-Purpose Trust Fund - The District accounts for outside donations and activities of various student groups in this fund for the purpose of awarding scholarships to graduating seniors.
- Agency Fund - This is the fund through which the District administers and accounts for certain revenues and expenditures on behalf of other organizations.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total Change
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 6,695,657	6,332,390	60,344	74,615	6,756,001	6,407,005	5.45%
Capital assets	3,938,541	3,998,308	25,116	26,007	3,963,657	4,024,315	-1.51%
Total assets	10,634,198	10,330,698	85,460	100,622	10,719,658	10,431,320	2.76%
Long-term obligations	2,244,867	2,567,976	0	0	2,244,867	2,567,976	-12.58%
Other liabilities	4,851,206	4,804,947	30,373	25,560	4,881,579	4,830,507	1.06%
Total liabilities	7,096,073	7,372,923	30,373	25,560	7,126,446	7,398,483	-3.68%
Net assets:							
Invested in capital assets, net of related debt	1,783,541	1,603,308	25,116	26,007	1,808,657	1,629,315	11.01%
Restricted	1,103,537	926,699	0	0	1,103,537	926,699	19.08%
Unrestricted	651,047	427,768	29,971	49,055	681,018	476,823	42.82%
Total net assets	\$ 3,538,125	2,957,775	55,087	75,062	3,593,212	3,032,837	18.48%

The District's combined net assets increased by 18.48%, or \$560,375, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$176,838, or 19.08% over the prior year. This increase is mostly attributable to increases in fund balance for the Capital Projects and Physical Plant and Equipment Levy Funds.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$204,195, or 42.82%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance.

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

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 494,657	494,517	222,500	197,827	717,157	692,344	3.58%
Operating grants and contributions and restricted interest	955,031	957,386	121,010	113,121	1,076,041	1,070,507	0.52%
General revenues:							
Local tax	2,266,502	2,202,136	0	0	2,266,502	2,202,136	2.92%
Income surtax	255,999	143,996	0	0	255,999	143,996	77.78%
Statewide sales and services tax	632,436	650,353	0	0	632,436	650,353	-2.75%
Unrestricted state grants	3,263,097	3,216,172	0	0	3,263,097	3,216,172	1.46%
Other	148,164	166,406	710	1,100	148,874	167,506	-11.12%
Transfers	0	(6,085)	0	0	0	(6,085)	-100.00%
Total revenues and transfers	8,015,886	7,824,881	344,220	312,048	8,360,106	8,136,929	2.74%
Program expenses:							
Governmental activities:							
Instructional	4,750,991	4,564,278	0	0	4,750,991	4,564,278	4.09%
Support services	2,044,684	1,934,844	298	0	2,044,982	1,934,844	5.69%
Non-instructional programs	477	0	363,897	330,754	364,374	330,754	10.16%
Other expenses	639,384	567,828	0	0	639,384	567,828	12.60%
Total expenses	7,435,536	7,066,950	364,195	330,754	7,799,731	7,397,704	5.43%
Change in net assets	580,350	757,931	(19,975)	(18,706)	560,375	739,225	-24.19%
Beginning net assets	2,957,775	2,199,844	75,062	93,768	3,032,837	2,293,612	32.23%
Ending net assets	\$ 3,538,125	2,957,775	55,087	75,062	3,593,212	3,032,837	18.48%

Local tax (property tax, income surtax and statewide sales and services tax) and unrestricted state grants account for 80.07% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.79% of the revenue from business type activities.

The District's total revenues were approximately \$8.36 million of which nearly \$8.02 million was for governmental activities and approximately \$0.34 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.74% increase in revenues and a 5.43% increase in expenses. Unrestricted state grant revenues increased \$46,925 to fund increases in expenditures. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$8,015,886 and expenses were \$7,435,536. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 4,750,991	4,564,278	4.09%	3,565,283	3,382,744	5.40%
Support services	2,044,684	1,934,844	5.68%	2,044,684	1,918,436	6.58%
Non-instructional	477	0	100.00%	477	0	100.00%
Other expenses	639,384	567,828	12.60%	375,404	313,867	19.61%
Totals	<u>\$ 7,435,536</u>	<u>7,066,950</u>	<u>5.22%</u>	<u>5,985,848</u>	<u>5,615,047</u>	<u>6.60%</u>

- The cost financed by users of the District's programs was \$494,657.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$955,031.
- The net cost of governmental activities was financed with \$2,226,502 in property tax, \$255,999 in income surtax, \$632,436 in statewide sales and services tax, \$3,263,097 in unrestricted state grants, \$71,325 in interest income and \$76,839 in other revenues.

Business type Activities

Revenues of the District's business type activities were \$344,220 and expenses were \$364,195. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,635,227, above last year's ending fund balances of a \$1,412,764. The primary reason for the increase in governmental fund balance can be attributed to the increase in fund balance of the General Fund.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Increases in state and federal grant revenues lent to the rise in fund revenues. The increase in revenues was more than enough to offset the increase in fund expenditures during the year to ensure the improvement of the General Fund.
- The Capital Projects Fund balance increased from \$615,248 in fiscal 2008 to \$635,565 in fiscal 2009. This increase was caused by the District's revenues exceeding expenditures in 2009 as compared to 2008.

Proprietary Fund Highlights

The Proprietary Funds net assets decreased from \$75,062 at June 30, 2008 to \$55,087 at June 30, 2009, representing a decrease of 26.62%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$70,458 more than budgeted revenues, a variance of .86%. The most significant variance resulted from the District receiving more in local source revenues than originally anticipated.

Initially, total disbursements were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget disbursements 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 disbursements for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$3,963,657, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.51% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$214,864.

The original cost of the District's capital assets was \$8,090,551. Governmental funds account for \$8,005,018 with the remainder of \$85,533 in the Proprietary funds.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$234,257 at June 30, 2008, compared to \$279,426 reported at June 30, 2009. The main factors attributable to the increase in machinery and equipment during the year resulted from the purchase of equipment.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 30,487	30,487	0	0	30,487	30,487	0.00%
Buildings	3,491,245	3,602,039	0	0	3,491,245	3,602,039	-3.08%
Land improvements	162,499	157,532	0	0	162,499	157,532	3.15%
Machinery and equipment	254,310	208,250	25,116	26,007	279,426	234,257	19.28%
Total	\$ 3,938,541	3,998,308	25,116	26,007	3,963,657	4,024,315	-1.51%

Long-Term Debt

At June 30, 2009, the District had \$2,244,867 in general obligation and other long-term debt outstanding. This represents a decrease of 12.58% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$2,155,000 at June 30, 2009.

The District had early retirement payable of \$89,867 at June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
General obligation bonds	\$ 2,155,000	2,395,000	-10.02%
Early retirement	89,867	172,976	-48.05%
Totals	\$ 2,244,867	2,567,976	-12.58%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase North Linn Community Schools' employer benefit costs significantly over the next few years.
- On the District's October 2009 certified enrollment, the District showed a decrease of 4.1 resident students on Line 1. If this trend would continue in this direction, it would not lend to the financial stability of the District.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The FY 2010 state budget cut of 10% results in a significant decrease in General Fund revenue, shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marge Holub, Business Manager, North Linn Community School District, 3033 Lynx Drive, P.O. Box 200, Troy Mills, Iowa, 52344.

BASIC FINANCIAL STATEMENTS

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP	\$ 1,669,693	0	1,669,693
Other	2,106,156	60,205	2,166,361
Receivables:			
Property tax:			
Delinquent	48,003	0	48,003
Succeeding year	2,357,086	0	2,357,086
Income surtax	215,322	0	215,322
Accounts	7,471	139	7,610
Accrued interest	8,625	0	8,625
Accrued ISCAP interest	7,471	0	7,471
Due from other governments	275,795	0	275,795
Prepaid items	35	0	35
Capital assets, net of accumulated depreciation	3,938,541	25,116	3,963,657
TOTAL ASSETS	10,634,198	85,460	10,719,658
LIABILITIES			
Accounts payable	278,551	346	278,897
Salaries and benefits payable	501,619	24,925	526,544
Accrued interest payable	6,098	0	6,098
ISCAP warrants payable	1,646,000	0	1,646,000
ISCAP accrued interest payable	10,631	0	10,631
ISCAP unamortized premium	25,223	0	25,223
Deferred revenue:			
Succeeding year property tax	2,357,086	0	2,357,086
Other	25,998	0	25,998
Unearned revenue	0	5,102	5,102
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	255,000	0	255,000
Early retirement payable	55,763	0	55,763
Portion due after one year:			
General obligation bonds payable	1,900,000	0	1,900,000
Early retirement payable	34,104	0	34,104
TOTAL LIABILITIES	7,096,073	30,373	7,126,446
NET ASSETS			
Invested in capital assets, net of related debt	1,783,541	25,116	1,808,657
Restricted for:			
Categorical funding	105,777	0	105,777
Management levy	52,413	0	52,413
Physical plant and equipment levy	173,795	0	173,795
Capital projects	635,565	0	635,565
Other special revenue purposes	135,987	0	135,987
Unrestricted	651,047	29,971	681,018
TOTAL NET ASSETS	\$ 3,538,125	55,087	3,593,212

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,087,092	200,984	653,612	(2,232,496)	0	(2,232,496)
Special	854,547	85,127	37,439	(731,981)	0	(731,981)
Other	809,352	208,546	0	(600,806)	0	(600,806)
	<u>4,750,991</u>	<u>494,657</u>	<u>691,051</u>	<u>(3,565,283)</u>	<u>0</u>	<u>(3,565,283)</u>
Support services:						
Student	209,469	0	0	(209,469)	0	(209,469)
Instructional staff	279,354	0	0	(279,354)	0	(279,354)
Administration	664,334	0	0	(664,334)	0	(664,334)
Operation and maintenance of plant	576,297	0	0	(576,297)	0	(576,297)
Transportation	315,230	0	0	(315,230)	0	(315,230)
	<u>2,044,684</u>	<u>0</u>	<u>0</u>	<u>(2,044,684)</u>	<u>0</u>	<u>(2,044,684)</u>
Non-instructional programs	477	0	0	(477)		(477)
Other expenditures:						
Facilities acquisitions	165,014	0	0	(165,014)	0	(165,014)
Long-term debt interest	80,180	0	0	(80,180)	0	(80,180)
AEA flowthrough	263,980	0	263,980	0	0	0
Depreciation(unallocated)*	130,210	0	0	(130,210)	0	(130,210)
	<u>639,384</u>	<u>0</u>	<u>263,980</u>	<u>(375,404)</u>	<u>0</u>	<u>(375,404)</u>
Total governmental activities	<u>7,435,536</u>	<u>494,657</u>	<u>955,031</u>	<u>(5,985,848)</u>	<u>0</u>	<u>(5,985,848)</u>
Business Type activities:						
Support services:						
Administration	298	0	0	0	(298)	(298)
Non-instructional programs:						
Nutrition services	363,897	222,500	121,010	0	(20,387)	(20,387)
Total business type activities	<u>364,195</u>	<u>222,500</u>	<u>121,010</u>	<u>0</u>	<u>(20,685)</u>	<u>(20,685)</u>
Total	<u>\$ 7,799,731</u>	<u>717,157</u>	<u>1,076,041</u>	<u>(5,985,848)</u>	<u>(20,685)</u>	<u>(6,006,533)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,167,212	0	2,167,212
Capital outlay				99,290	0	99,290
Income surtax				255,999	0	255,999
Statewide sales and services				632,436	0	632,436
Unrestricted state grants				3,263,097	0	3,263,097
Unrestricted investment earnings				71,325	710	72,035
Other				76,839	0	76,839
Total general revenues				<u>6,566,198</u>	<u>710</u>	<u>6,566,908</u>
Changes in net assets				580,350	(19,975)	560,375
Net assets beginning of year				<u>2,957,775</u>	<u>75,062</u>	<u>3,032,837</u>
Net assets end of year				<u>\$ 3,538,125</u>	<u>55,087</u>	<u>3,593,212</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Other Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments:			
ISCAP	\$ 1,669,693	0	1,669,693
Other	1,139,958	966,198	2,106,156
Receivables:			
Property tax:			
Delinquent	41,424	6,579	48,003
Succeeding year	2,067,471	289,615	2,357,086
Income surtax	215,322	0	215,322
Accounts	6,042	1,429	7,471
Accrued interest	8,625	0	8,625
Accrued ISCAP interest	7,471	0	7,471
Due from other governments	143,235	132,560	275,795
Prepaid items	35	0	35
TOTAL ASSETS	\$ 5,299,276	1,396,381	6,695,657
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 260,271	18,280	278,551
Salaries and benefits payable	500,760	859	501,619
ISCAP warrants payable	1,646,000	0	1,646,000
ISCAP accrued interest payable	10,631	0	10,631
ISCAP unamortized premium	25,223	0	25,223
Deferred revenue:			
Succeeding year property tax	2,067,471	289,615	2,357,086
Income surtax	215,322	0	215,322
Other	25,998	0	25,998
Total liabilities	4,751,676	308,754	5,060,430
Fund balances:			
Reserved for:			
Categorical funding	105,777	0	105,777
Unreserved fund balance	441,823	1,087,627	1,529,450
Total fund balances	547,600	1,087,627	1,635,227
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,299,276	1,396,381	6,695,657

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 16) \$ 1,635,227

*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. 3,938,541

Accounts receivable income surtax, are not yet available
 to finance expenditures of the current period. 215,322

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. (6,098)

Long-term liabilities, including general obligation bonds
 payable and early retirement payable, are not due and
 payable in the current period and, therefore, are not
 reported as liabilities in the governmental funds. (2,244,867)

Net assets of governmental activities (page 14) \$ 3,538,125

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 2,117,943	943,049	3,060,992
Tuition	286,111	0	286,111
Other	133,859	222,751	356,610
State sources	4,008,819	244	4,009,063
Federal sources	209,065	0	209,065
Total revenues	<u>6,755,797</u>	<u>1,166,044</u>	<u>7,921,841</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	3,053,728	84,491	3,138,219
Special	854,547	0	854,547
Other	629,255	180,097	809,352
	<u>4,537,530</u>	<u>264,588</u>	<u>4,802,118</u>
Support services:			
Student	209,469	0	209,469
Instructional staff	201,036	74,566	275,602
Administration	676,586	2,579	679,165
Operation and maintenance of plant	482,481	105,957	588,438
Transportation	270,293	99,757	370,050
	<u>1,839,865</u>	<u>282,859</u>	<u>2,122,724</u>
Non-instructional programs	<u>0</u>	<u>477</u>	<u>477</u>
Other expenditures:			
Facilities acquisitions	0	189,399	189,399
Long-term debt:			
Principal	0	240,000	240,000
Interest and fiscal charges	0	80,780	80,780
AEA flowthrough	263,980	0	263,980
	<u>263,980</u>	<u>510,179</u>	<u>774,159</u>
Total expenditures	<u>6,641,375</u>	<u>1,058,103</u>	<u>7,699,478</u>
Excess of revenues over expenditures	114,422	107,941	222,363
Other financing sources(uses):			
Transfer in	0	316,563	316,563
Transfer out	0	(316,563)	(316,563)
Sale of equipment	100	0	100
Total other financing sources(uses)	<u>100</u>	<u>0</u>	<u>100</u>
Net change in fund balances	114,522	107,941	222,463
Fund balance beginning of year	433,078	979,686	1,412,764
Fund balance end of year	<u>\$ 547,600</u>	<u>1,087,627</u>	<u>1,635,227</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2009

Net change in fund balances - total governmental funds (page 18) \$ 222,463

**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	\$ 148,942	
Depreciation expense	<u>(208,709)</u>	(59,767)

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 240,000

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 93,945

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. 600

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

Early retirement 83,109

Changes in net assets of governmental activities (page 15) \$ 580,350

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	School Nutrition
ASSETS	
Cash and cash equivalents	\$ 60,205
Receivables:	
Accounts	139
Capital assets, net of accumulated depreciation	25,116
TOTAL ASSETS	85,460
LIABILITIES	
Accounts payable	346
Salaries and benefits payable	24,925
Unearned revenue	5,102
TOTAL LIABILITIES	30,373
NET ASSETS	
Invested in capital assets	25,116
Unrestricted	29,971
TOTAL NET ASSETS	\$ 55,087

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN 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	\$ 222,500
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	298
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	143,091
Benefits	20,281
Services	3,267
Supplies	191,103
Depreciation	6,155
	363,897
TOTAL OPERATING EXPENSES	364,195
OPERATING LOSS	(141,695)
NON-OPERATING REVENUES:	
State sources	3,852
Federal sources	117,158
Interest income	710
TOTAL NON-OPERATING REVENUES	121,720
Change in net assets	(19,975)
Net assets beginning of year	75,062
Net assets end of year	\$ 55,087

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN 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	\$ 198,481
Cash received from miscellaneous operating activities	25,633
Cash payments to employees for services	(160,746)
Cash payments to suppliers for goods or services	(167,690)
Net cash used in operating activities	(104,322)
Cash flows from non-capital financing activities:	
State grants received	3,852
Federal grants received	98,558
Net cash provided by non-capital financing activities	102,410
Cash flows from capital financing activities:	
Acquisition of capital assets	(5,264)
Cash flows from investing activities:	
Interest on investments	710
Net decrease in cash and cash equivalents	(6,466)
Cash and cash equivalents at beginning of year	66,671
Cash and cash equivalents at end of year	\$ 60,205
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (141,695)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	18,600
Depreciation	6,155
Decrease in inventories	7,877
Increase in accounts payable	203
Increase in accounts receivable	(20)
Increase in salaries and benefits payable	2,924
Increase in unearned revenue	1,634
Net cash used in operating activities	\$ (104,322)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$18,600.

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2009

	Private Purpose Trust	
	Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 16,552	114
LIABILITIES		
Due to other groups	0	114
NET ASSETS		
Reserved for scholarships	\$ 16,552	0

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest income	\$ 581
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	2,300
Change in net assets	(1,719)
Net assets beginning of year	18,271
Net assets end of year	\$ 16,552

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

The North Linn Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and 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 Walker, Troy Mills and Coggon, Iowa, and the predominate agricultural territory in Benton, Buchanan, Delaware and Linn 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 Linn 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 Linn Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

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

The District reports the following major governmental fund:

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

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

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

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require

income earned to be used to benefit individuals through scholarship awards.

The Agency 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 resource measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from 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 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 nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	4-12 years

Salaries and Benefits Payable - Payroll and related expenditures corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

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

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

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

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

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

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

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; 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 no investments.

(3) **Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 316,563</u>

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

(4) **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa 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:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2008-09B	1/21/2009	1/21/2010	\$ 796,076	7,363	786,000	10,336
2009-10A	6/25/2009	6/23/2010	873,617	108	860,000	295
Total			<u>\$ 1,669,693</u>	<u>7,471</u>	<u>1,646,000</u>	<u>10,631</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no advance activity during the year ended June 30, 2009.

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 30,487	0	0	30,487
Total capital assets not being depreciated	<u>30,487</u>	<u>0</u>	<u>0</u>	<u>30,487</u>
Capital assets being depreciated:				
Buildings	5,906,395	0	0	5,906,395
Land improvements	519,364	24,385	0	543,749
Machinery and equipment	1,409,105	124,557	9,275	1,524,387
Total capital assets being depreciated	<u>7,834,864</u>	<u>148,942</u>	<u>9,275</u>	<u>7,974,531</u>
Less accumulated depreciation for:				
Buildings	2,304,356	110,794	0	2,415,150
Land improvements	361,832	19,418	0	381,250
Machinery and equipment	1,200,855	78,497	9,275	1,270,077
Total accumulated depreciation	<u>3,867,043</u>	<u>208,709</u>	<u>9,275</u>	<u>4,066,477</u>
Total capital assets being depreciated, net	<u>3,967,821</u>	<u>(59,767)</u>	<u>0</u>	<u>3,908,054</u>
Governmental activities capital assets, net	<u>\$ 3,998,308</u>	<u>(59,767)</u>	<u>0</u>	<u>3,938,541</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 80,269	5,264	0	85,533
Less accumulated depreciation	54,262	6,155	0	60,417
Business type activities capital assets, net	<u>\$ 26,007</u>	<u>(891)</u>	<u>0</u>	<u>25,116</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 15,751
Other	3,752
Support services:	
Administration	1,400
Operation and maintenance of plant	7,259
Transportation	50,337
	<u>78,499</u>
Unallocated depreciation	<u>130,210</u>
Total governmental activities depreciation expense	<u>\$ 208,709</u>
Business type activities:	
Food service operations	<u>\$ 6,155</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,395,000	0	240,000	2,155,000	255,000
Early retirement	172,976	0	83,109	89,867	55,763
Total	\$ 2,567,976	0	323,109	2,244,867	310,763

General Obligation Bonds Payable

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	3.85 %	\$ 255,000	73,180	328,180
2011	3.75	260,000	65,275	325,275
2012	3.85	270,000	56,955	326,955
2013	3.75	280,000	48,180	328,180
2014	3.85	290,000	38,800	328,800
2015	3.75	300,000	28,940	328,940
2016	3.75	310,000	18,440	328,440
2017	3.75	190,000	7,125	197,125
Total		\$ 2,155,000	336,895	2,491,895

Early Retirement

The District offers a voluntary early retirement plan to its licensed employees, administrators and board secretary. This voluntary early retirement plan is offered annually at the Board's discretion. Eligible employees must have been at least age fifty-five and have completed twenty years of consecutive service to the District. Employees must have completed an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to one-third of the employee's contracted teaching salary. Contracted extra-curricular salary, Phase II, Phase III, and Teacher Quality payments are excluded from the salary schedule for determining the employee's contracted salary. In addition to the cash payment, the retiree will receive \$400 per month deposited into a Health Reimbursement Account to be used for eligible medical expenses as defined by IRS Code 213. Employees will receive early retirement benefits in two payments the year following separation from the District. Early retirement benefits paid during the year ended June 30, 2009 totaled \$83,109.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by

State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$257,164, \$232,649, and \$215,307 respectively, equal to the required contributions for each year.

(8) Risk Management

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

(9) 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 \$263,980 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.

(10) Other Post-employment Benefits (OPEB)

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

(11) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

Project	Amount
Professional development	\$ 3,055
Beginning teacher mentoring	1,048
Market factor incentives	3,274
Four-year old, preschool state aid	88,515
Professional development for model core curriculum	9,885
Total reserved for categorical funding	<u>\$ 105,777</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,703,713	223,210	3,926,923	3,667,122	3,667,122	259,801
Intermediate sources	0	0	0	577,000	577,000	(577,000)
State sources	4,009,063	3,852	4,012,915	3,708,481	3,708,481	304,434
Federal sources	209,065	117,158	326,223	243,000	243,000	83,223
Total revenues	<u>7,921,841</u>	<u>344,220</u>	<u>8,266,061</u>	<u>8,195,603</u>	<u>8,195,603</u>	<u>70,458</u>
Expenditures/Expenses:						
Instruction	4,802,118	0	4,802,118	5,546,276	5,546,276	744,158
Support services	2,122,724	298	2,123,022	2,581,291	2,581,291	458,269
Non-instructional programs	477	363,897	364,374	398,534	398,534	34,160
Other expenditures	774,159	0	774,159	1,138,225	1,138,225	364,066
Total expenditures/expenses	<u>7,699,478</u>	<u>364,195</u>	<u>8,063,673</u>	<u>9,664,326</u>	<u>9,664,326</u>	<u>1,600,653</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	222,363	(19,975)	202,388	(1,468,723)	(1,468,723)	1,671,111
Other financing sources, net	100	0	100	4,000	4,000	(3,900)
Excess(deficiency) of revenues over(under) expenditures/expenses	222,463	(19,975)	202,488	(1,464,723)	(1,464,723)	1,667,211
Balance beginning of year	1,412,764	75,062	1,487,826	1,483,939	1,483,939	3,887
Balance end of year	<u>\$ 1,635,227</u>	<u>55,087</u>	<u>1,690,314</u>	<u>19,216</u>	<u>19,216</u>	<u>1,671,098</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN 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 comparison for the General Fund and each major Special Revenue Fund.

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

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

OTHER SUPPLEMENTARY INFORMATION

NORTH LINN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant & Equipment Levy	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 137,804	142,542	178,729	459,075	507,123	966,198
Receivables:						
Property tax:						
Delinquent	4,476	0	2,103	6,579	0	6,579
Succeeding year	205,000	0	84,615	289,615	0	289,615
Accounts	0	1,429	0	1,429	0	1,429
Due from other governments	0	0	0	0	132,560	132,560
TOTAL ASSETS	\$ 347,280	143,971	265,447	756,698	639,683	1,396,381
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 0	7,125	7,037	14,162	4,118	18,280
Salaries and benefits payable	0	859	0	859	0	859
Deferred revenue:						
Succeeding year property tax	205,000	0	84,615	289,615	0	289,615
Total liabilities	205,000	7,984	91,652	304,636	4,118	308,754
Fund balances:						
Unreserved fund balances	142,280	135,987	173,795	452,062	635,565	1,087,627
Total fund balances	142,280	135,987	173,795	452,062	635,565	1,087,627
TOTAL LIABILITIES AND FUND BALANCES	\$ 347,280	143,971	265,447	756,698	639,683	1,396,381

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds						Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical	Total	Capital Projects	Debt Service	
			Plant & Equipment Levy	Revenue Funds			
REVENUES:							
Local sources:							
Local tax	\$ 211,323	0	99,290	310,613	632,436	0	943,049
Other	13,552	202,664	1,043	217,259	5,492	0	222,751
State sources	166	0	78	244	0	0	244
TOTAL REVENUES	225,041	202,664	100,411	528,116	637,928	0	1,166,044
EXPENDITURES:							
Current:							
Instruction:							
Regular	84,491	0	0	84,491	0	0	84,491
Other	0	180,097	0	180,097	0	0	180,097
Support services:							
Instructional staff	0	0	0	0	74,566	0	74,566
Administration	2,579	0	0	2,579	0	0	2,579
Operation and maintenance of plant	105,957	0	0	105,957	0	0	105,957
Student transportation	0	0	0	0	99,757	0	99,757
Non-instructional programs:							
Food service operation	477	0	0	477	0	0	477
Other expenditures:							
Facilities acquisition	0	0	62,674	62,674	126,725	0	189,399
Long-term debt:							
Principal	0	0	0	0	0	240,000	240,000
Interest and fiscal charges	0	0	0	0	0	80,780	80,780
TOTAL EXPENDITURES	193,504	180,097	62,674	436,275	301,048	320,780	1,058,103
Excess(Deficiency) of revenues over(under) expenditures	31,537	22,567	37,737	91,841	336,880	(320,780)	107,941
Other financing sources(uses):							
Transfer in	0	0	0	0	0	316,563	316,563
Transfer out	0	0	0	0	(316,563)	0	(316,563)
Total other financing sources(uses)	0	0	0	0	(316,563)	316,563	0
Change in fund balance	31,537	22,567	37,737	91,841	20,317	(4,217)	107,941
Fund balance beginning of year	110,743	113,420	136,058	360,221	615,248	4,217	979,686
Fund balance end of year	\$ 142,280	135,987	173,795	452,062	635,565	0	1,087,627

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Track	\$ 267	4,929	5,160	36
Golf	641	60	701	0
Boys Basketball	4,923	5,340	2,926	7,337
Football	3,947	12,883	7,521	9,309
Baseball	1,417	1,960	3,377	0
Wrestling	5,407	18,591	9,584	14,414
Girls Basketball	4,775	5,512	4,530	5,757
Volleyball	2,133	3,018	2,297	2,854
Softball	944	4,240	5,131	53
Class of 2007	1,258	0	1,258	0
Class of 2008	0	248	248	0
Class of 2009	2,881	429	3,310	0
Class of 2010	0	19,071	16,356	2,715
Speech	0	5,314	3,752	1,562
Vocal Music	2,205	20,357	20,556	2,006
Instrumental Music	(62)	3,437	1,373	2,002
Entrepreneurship	517	22	0	539
Publication	11,620	8,872	7,444	13,048
Cheerleaders	1,019	2,245	3,264	0
Pom Pom Squad	30	0	0	30
Peer Groups	71	2	0	73
National Honor Society	1,891	834	140	2,585
HS Student Council	13,925	3,566	1,974	15,517
FFA	11,759	51,329	48,247	14,841
FCCLA	447	437	687	197
Weight Room	4,848	5,194	0	10,042
MS Student Council	29,616	16,596	19,612	26,600
FBLA	0	2,478	1,742	736
JH Society	608	1,038	578	1,068
Now Interest	6,108	0	3,840	2,268
Recycling Program - Coggon	225	0	225	0
Milk Machine	0	4,662	4,264	398
Total	\$ 113,420	202,664	180,097	135,987

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2009

	Private Purpose Trust - Scholarship Fund			
	Mills Scholarship	McKinley Scholarship	Kinley Scholarship	Total
ASSETS				
Cash and pooled investments	\$ 728	5,568	10,256	16,552
LIABILITIES				
	\$ 0	0	0	0
NET ASSETS				
Reserved for scholarships	\$ 728	5,568	10,256	16,552

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust - Scholarship Fund			
	Mills Scholarship	McKinley Scholarship	Kinley Scholarship	Total
ADDITIONS:				
Local sources:				
Interest income	\$ 24	180	377	581
DEDUCTIONS:				
Instruction:				
Regular:				
Scholarships awarded	100	200	2,000	2,300
Changes in net assets	(76)	(20)	(1,623)	(1,719)
Net assets beginning of year	804	5,588	11,879	18,271
Net assets end of year	\$ 728	5,568	10,256	16,552

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN 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 and pooled investments	\$ 114	0	0	114
LIABILITIES				
Due to other groups	\$ 114	0	0	114

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 3,060,992	2,996,485	2,441,432	2,406,429	2,356,926	2,318,829
Tuition	286,111	294,485	289,849	292,486	237,936	198,987
Other	356,610	364,678	314,405	238,821	319,973	252,767
State sources	4,009,063	4,029,917	3,468,493	3,328,149	3,268,618	3,050,813
Federal sources	209,065	143,541	132,745	146,804	127,656	146,379
Total	\$ 7,921,841	7,829,106	6,646,924	6,412,689	6,311,109	5,967,775
Expenditures:						
Current:						
Instruction:						
Regular	\$ 3,138,219	3,007,751	2,840,464	2,791,580	2,461,292	2,534,032
Special	854,547	772,213	815,700	704,901	639,555	754,462
Other	809,352	744,696	597,184	425,199	641,595	475,431
Support services:						
Student	209,469	129,828	122,142	128,534	123,198	115,550
Instructional staff	275,602	250,903	206,936	199,810	232,046	186,579
Administration	679,165	665,138	681,308	606,137	549,813	541,624
Operation and maintenance of plant	588,438	602,917	595,059	601,239	592,889	506,464
Transportation	370,050	349,304	283,171	351,768	258,706	219,151
Non-instructional programs	477	0	0	0	0	0
Other expenditures:						
Facilities acquisitions	189,399	109,603	159,217	147,017	91,831	131,972
Long-term debt:						
Principal	240,000	235,000	225,000	225,000	215,000	195,000
Interest	80,780	87,830	94,580	101,330	107,780	124,574
AEA flow-through	263,980	253,961	231,745	219,341	217,479	214,176
Total	\$ 7,699,478	7,209,144	6,852,506	6,501,856	6,131,184	5,999,315

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Linn Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects North Linn 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 Linn Community School District's financial statements that is more than inconsequential will not be prevented or detected by North Linn Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the Basic Financial Statements 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 Linn Community School District's internal control.

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

Compliance and Other Matters

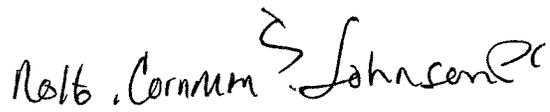
As part of obtaining reasonable assurance about whether North Linn Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have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

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 Linn 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 Linn 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 Linn Community School District and other parties to whom North Linn 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 Linn Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2010

NORTH LINN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal control through the segregation of duties. We noted that the same individual performs the following duties: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information. A small staff makes it difficult to establish an ideal system of internal control, but the District has taken steps to segregate duties between current personnel.

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

Response - We will review our procedures and implement changes to improve internal control as we deem necessary.

Conclusion - Response accepted.

I-B-09 Sponsor Procedures - We noted during our audit that some sponsors are not turning in collected receipts to the administration office for deposit in a timely manner. The breakdown of control procedures for the receipting process becomes apparent as the sponsor maintains the collected revenue. The holding of the undeposited funds by the sponsors provides a risk of loss due to possible theft, improper use or loss, as well as lack of reporting of the funds.

Recommendation - The district should take necessary steps to require all individuals to turn in collected money timely. The District should review its procedures to see that advertisements are collected in a timely manner.

Response - We will review our procedures and require activity sponsors to turn collected money into office secretaries to be deposited in a timely manner. We will also review the collection process so that advertisements are collected in a timely manner.

Conclusion - Response accepted.

NORTH LINN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-09 Certified Budget - District disbursements for the year ended June 30, 2009 did not exceed the amount budgeted.
- II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-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.
- II-D-09 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-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.
- II-J-09 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.
- II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales and service tax revenue			632,436
Expenditures/transfers out:			
School Infrastructure			
Equipment	\$	301,048	
Debt service for school infrastructure			
General obligation bonds		<u>316,563</u>	<u>617,611</u>
Ending Balance		\$	<u><u>14,825</u></u>

Levies reduced as a result of statewide sales and services tax received:

		<u>Per \$1000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$	2.14957	\$ 316,563