

NORTH POLK COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

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Independent Auditor's Report

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated June 25, 2010, on our consideration of North Polk 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 14 and 43 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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

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

June 25, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Polk 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 \$9,315,704 in fiscal 2008 to \$9,618,508 in fiscal 2009, while General Fund expenditures increased from \$8,978,609 in fiscal 2008 to \$9,899,631 in fiscal 2009. The District's General Fund balance decreased from \$1,857,890 in fiscal 2008 to \$1,576,767 in fiscal 2009, a 15.13% increase.
- The increase in General Fund revenues was attributable to an increase in property tax and federal grant revenue in fiscal 2009. The increase in expenditures was due primarily to increases in negotiated salary and benefits plus the additional salary, benefits, and other related costs associated with serving seventy two additional students. One reason the General Fund balance decreased is because the 2009 negotiated salary and benefits settlement accounted for approximately 80% of the District's increase in General Fund revenue; as a result, the District funded a portion of the current year additional costs for new staff and materials required to serve additional students from the carryover fund balance.

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 Polk 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 Polk 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 Polk Community School District acts solely as an agent or custodian for the benefit of those outside of District government.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.
- Other Supplementary Information provides detailed information about the non-major funds.

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

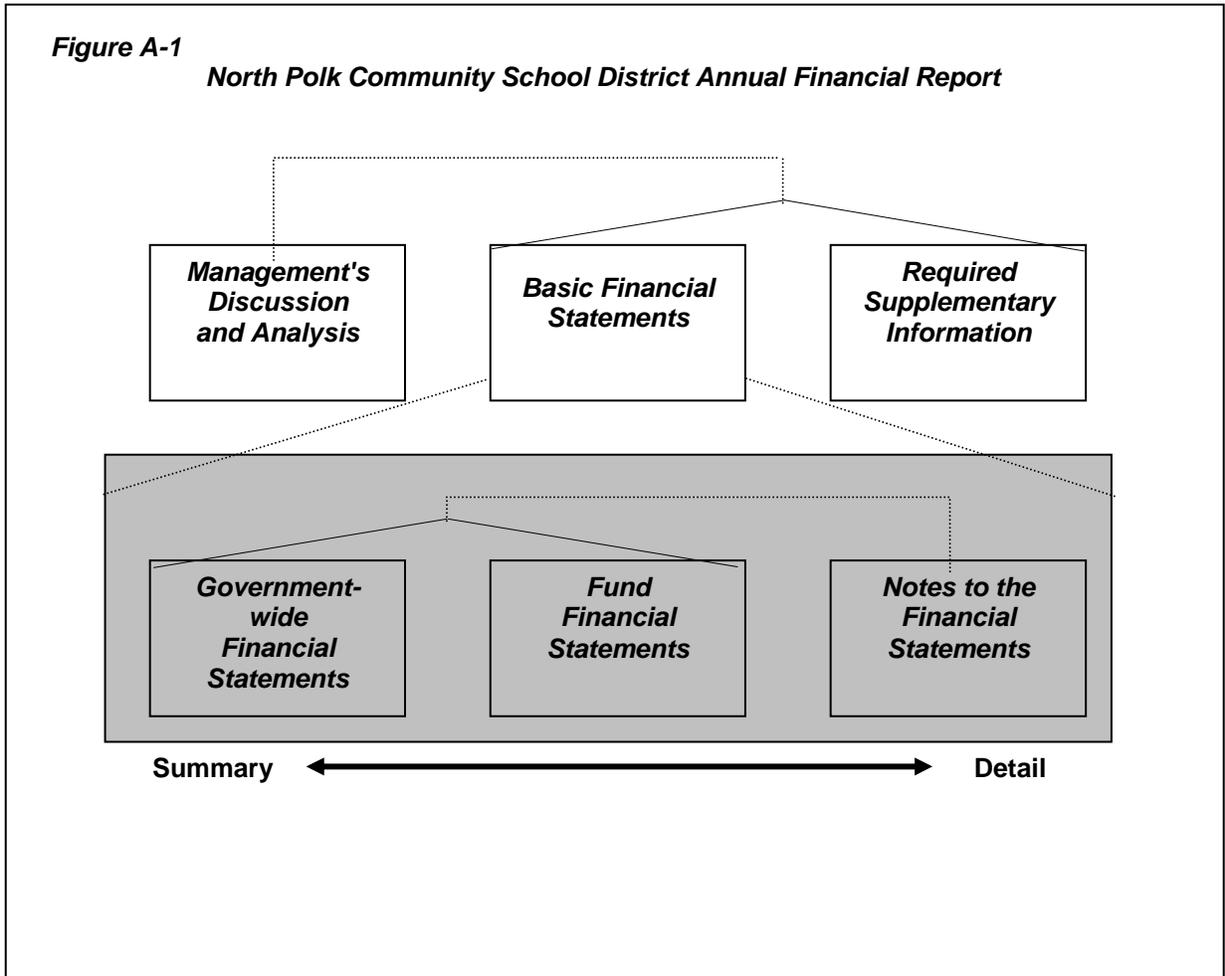


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

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

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

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

Fund Financial Statements

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

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

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 Fund, Debt Service Fund and Capital Projects Fund.

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

- 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 proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Employee Flex Benefit Fund – The District accounts for pre-tax contributions by employees for medical and dependent care benefits in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain monies on behalf of other entities.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

	Condensed Statement of Net Assets						Percentage Change
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	%
Current and other assets	10,890,366	9,850,026	7,831	50,713	10,898,197	9,900,809	10.1
Capital assets	10,014,046	9,601,166	34,404	19,992	10,048,450	9,621,088	4.4
Total assets	20,904,412	19,451,192	42,235	70,705	20,946,647	19,521,897	7.3
Long-term liabilities	3,423,146	4,389,063	0	0	3,423,146	4,389,063	-22.0
Other liabilities	5,518,304	4,248,899	12,840	6,296	5,531,144	4,255,195	30.0
Total liabilities	8,941,450	8,637,962	12,840	6,296	8,954,290	8,644,258	3.6
Net Assets:							
Invested in capital assets, net of related debt	6,962,594	5,736,897	34,404	19,922	6,996,998	5,756,819	21.5
Restricted	3,150,544	2,959,265	0	0	3,150,544	2,959,265	6.5
Unrestricted	1,849,824	2,117,068	(5,009)	44,487	1,844,815	2,161,555	-14.7
TOTAL NET ASSETS	5,000,368	10,813,230	(5,009)	64,409	4,995,359	10,877,639	10.2

The District's combined total net assets increased by 10.25%, or approximately \$1,114,718, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land,

infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$191,279 or 6.5% over the prior year. The increase was primarily a result of sales tax revenues that were collected, but not spent in fiscal year 2009.

Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) decreased by \$316,740, or 14.7%.

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

Figure A-4

	Change in Net Assets						Percentage Change 2008-2009 %
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	
Revenues							
Program Revenues:							
Charges for services	778,861	801,037	363,730	342,555	1,142,591	1,143,592	.7
Operating grants & contributions	1,372,063	1,147,979	91,583	87,481	1,463,646	1,235,460	24.6
Capital grants & contributions	51,988	45,458	0	0	51,988	45,458	n/a
General Revenues:							
Property taxes	4,024,809	3,690,890	0	0	4,024,809	3,690,890	13.5
Income Surtax	362,149	327,685	0	0	362,149	327,685	1.4
Local option sales tax	1,103,004	1,079,936	0	0	1,103,004	1,079,936	2.7
Unrestricted state grants	4,477,258	4,612,899	0	0	4,477,258	4,612,899	14.3
Unrestricted investment earnings	112,024	183,084	455	1,403	112,479	184,487	-8.8
Other revenue	106,276	28,637	0	0	106,276	28,637	146.3
Total Revenues	12,388,432	11,917,605	455,768	431,439	12,844,200	12,349,044	12.2
Expenses:							
Instruction	6,806,242	6,213,784	0	0	6,806,242	6,213,784	5.1
Support services	3,549,194	3,085,088	0	0	3,549,194	3,085,088	11.3
Non-instructional programs	6,934		488,539	463,290	495,473	463,290	12.3
Other expenditures	807,812	790,061	0	0	807,812	790,061	7.9
Total expenses	11,170,182	790,061	488,539	463,260	11,658,721	10,552,223	7.4
CHANGE IN NET ASSETS	1,218,250	1,828,672	(32,771)	(31,851)	1,185,479	1,796,821	52.2
Net assets beginning of year	10,813,230	8,984,558	64,409	96,260	10,877,639	9,080,818	14.9
Downward adjustment to beginning balances	(68,518)	0	(2,243)	0	(70,761)	0	
Net assets end of year	10,744,712	10,813,230	62,166	64,409	10,806,878	10,877,639	19.8

Property tax and unrestricted state grants account for 79.3% of the general revenue. The District's expenses primarily relate to instruction and support services, which account for 88.8% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 4.01% increase in revenues and a 10.49% increase in expenses. Property tax revenues increased \$333,919 to fund increases in expenses. The increase in expenses relates to the additional cost of negotiated salaries and benefits and the cost of new staff and materials required to serve additional students.

Governmental Activities

Revenues for governmental activities were \$12,388,432 and net expenses were \$11,170,182. Revenues exceeded net expenses in the governmental funds by \$1,218,250.

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

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2009	2008	Percent Change 2008-2009	2009	2008	Percent Change 2008-2009
	\$	\$	%	\$	\$	%
Instruction	6,806,242	6,213,784	9.5	5,056,654	4,643,027	8.9
Support Services	3,549,194	3,085,088	15.0	3,527,864	3,072,007	14.8
Non-instructional Programs	6,934	0	0.0	6,934	0	0.0
Other Expenses	807,812	790,061	2.2	375,818	379,425	-1.0
TOTAL	11,170,182	10,088,933	10.7	8,967,270	8,094,459	10.8

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$778,861. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,424,051.
- The net cost of governmental activities was financed with \$5,489,962 in property and local other taxes, \$4,477,258 in unrestricted state grants, and \$218,300 in other unrestricted sources.

Business Type Activities

Revenues for business type activities were \$455,768 and expenses were \$488,539. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The District is reviewing a process to control the Business Type Activity deficit in the future.

INDIVIDUAL FUND ANALYSIS

As previously noted, the North Polk 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 a combined fund balance of \$5,037,209, 4.08% below last year's fund balance of \$5,251,698.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$1,857,890 to \$1,576,767, due in part to increases in salary and employee benefit expenses for current employees and additional costs related to providing instructional programs to the District's increasing student population.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$157,015 in fiscal 2008 to \$46,681 in fiscal 2009. The decrease is a result of planned capital acquisition and improvement expenditures.
- The Capital Projects Fund balance increased from \$2,791,279 in fiscal year 2008 to \$2,884,032 in fiscal year 2009. The increase is a result of excess local option sales and services tax collection during the year. The fund balance is reserved for future revenue bond payments and for future construction, capital asset acquisitions, or for building/grounds repairs and improvements.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$64,409 in fiscal year 2008 to \$29,395 in fiscal year 2009, representing a decrease of approximately 53%. This decrease was primarily due to increases in food costs.

BUDGETARY HIGHLIGHTS

The District's receipts were approximately \$662,033 less than budgeted receipts, a variance of 5.0%.

Total expenditures were 88% of the budgeted expenditures. It is the District's practice to budget General Fund expenditures at the maximum authorized spending authority. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

The certified budget was exceeded in the Other Expenditures functional category due in part to the payment of capital lease debt payments and construction projects not provided for in the original budget.

A summary of the reconciling differences between the District's Unspent Authorized Budget, General Fund Balance, and Cash Reserve Balance is presented in Figure A-6.

Figure A-6

	Change in Unspent Authorized Budget, General Fund Balance, and Cash Reserve Balance		
	Unspent Authorized Budget	General Fund Balance	Cash Reserve (Sources (Uses))
Property Taxes			
Uniform Levy	1,192,808	2,485,166	
Additional Levy	1,154,287		
Utility Replacement Adjustment	(2,077)		
Instructional Support	138,643		
SBRC Allowable Growth:			
Enrollment Increase	414,286		
Special Ed Deficit – FY 09	0		
Cash Reserve Levies:			
Special Ed Deficit – FY 07		49,449	
Other		375,551	
Subtotal Property Taxes	<u>2,897,947</u>	<u>2,910,166</u>	<u>12,219</u>
State Aid	4,896,003	4,896,003	
ARRA Ed Fiscal Stabilization	88,179	88,179	
1.5% Across-the-Board Cut		(70,396)	
AEA Juvenile Home Support		(26,427)	
State Aid Reduction		(88,179)	
Special Ed Deficit		11,144	
Inst Support State Aid	<u>43,769</u>	<u>43,112</u>	
Subtotal Property Taxes	<u>5,027,951</u>	<u>4,853,436</u>	<u>(174,515)</u>
2009 Instructional Support Income Surtax	292,524		
2008 Instructional Support Income Surtax received in FY 2009		<u>344,083</u>	
Subtotal Instruction Support Income Surtax	<u>292,524</u>	<u>344,083</u>	<u>51,559</u>
Total Miscellaneous Income	1,510,823	1,510,823	-
Total Expenditures	<u>(9,877,520)</u>	<u>(9,877,520)</u>	-
Total Increase (Decrease)	(148,275)	(259,012)	(110,737)
Balance at July 1, 2009	<u>1,542,971</u>	<u>1,835,779</u>	<u>292,808</u>
Ending Balance June 30, 2009	<u><u>1,394,696</u></u>	<u><u>1,576,767</u></u>	<u><u>182,071</u></u>

The District's cash reserve balance decreased from \$292,808 in fiscal year 2008 to \$182,071 in fiscal year 2009. Actual state aid received was \$173,858 less than the amount appropriated, due primarily to a 1.5% across-the-board cut in January 2009 and the payment of additional authorized funding in support of the state's juvenile home facilities. The District received approximately \$375,000 in cash reserve property tax revenues, levied to fund previous years' requests for SBRC allowable growth, state aid shortfalls, and to provide for adequate cash flow reserves.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested approximately \$10 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. This represents a net increase of 4.3% from the previous year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements.

The largest change in capital asset activity during the year occurred in the buildings category. This increase resulted from the completion of a construction project at West Elementary School.

Figure A-7

	Capital Assets (net of depreciation)						Percentage Change 2008-2009 %
	Governmental Activities		Business type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Land	411,634	411,634	0	0	411,634	411,634	0.0
Construction in progress	0	1,008,854	0	0	0	1,008,854	-100.0
Buildings	8,718,971	7,562,584	0	0	8,718,971	7,562,584	15.3
Improvements	103,546	31,769	0	0	103,546	31,769	225.9
Equipment & furniture	779,895	586,325	34,404	19,922	814,299	606,247	34.3
TOTAL	10,014,046	9,601,166	34,404	19,922	10,048,450	9,621,088	4.4

Long-Term Debt

At June 30, 2009 the District had \$3,423,146 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 22% from last year. (See Figure A-8) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

In April 2003 the District issued \$3,160,000 of general obligation refunding bonds with interest rates ranging between 1.20% and 3.20%. The District issued the bonds to advance refund \$3,125,000 of the outstanding 1994 general obligation bonds with interest rates of 4.25% to 5.00%. The District reduced the outstanding principal on the general obligation refunding bonds by \$335,000 during the 2008/2009 school year.

During fiscal year 2001 local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure to Central Elementary in Alleman and West Elementary in Polk City. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The District reduced the outstanding principal on the local option sales and services tax revenue bonds by \$575,000 during the 2008/2009 school year.

During fiscal year 2008 the District issued \$1,140,000 of capital loan notes to finance renovations at West Elementary. These notes will be repaid with proceeds from the physical plant and equipment property tax levy. The District paid \$110,000 of principal on the notes during the year.

Figure A-8

Outstanding Long-Term Debt Obligations			
	Total School District		Percentage
	2009	2008	Change
	\$	\$	%
General Obligation Bonds	1,460,000	1,795,000	-18.7
Sales Tax Revenue Bonds	605,000	1,180,000	-48.7
Capital Loan Notes	920,000	1,030,000	-10.7
Capital Leases	66,452	64,131	3.6
Early Retirement	334,867	306,220	9.4
Compensated Absences	36,827	13,712	168.6
	<u>3,423,146</u>	<u>4,389,063</u>	<u>-22.0</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT’S FUTURE

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

- Enrollment increased by sixty additional students between the 2008 and 2009 certified enrollment date. The District expects the increased enrollment trend to continue as the metro area population growth moves into District boundaries. An additional property tax levy will provide the primary source for funding SBRC approved allowable growth for enrollment increases. In addition, a major construction project is expected to commence within the next two years.
- Approximately \$495,000 of American Recovery and Reinvestment Act funds were used to backfill the legislature’s underfunding of state aid for the 2009-10 fiscal year. In November of 2009, an additional 10% across-the-board cut was authorized by Governor Culver.
- The District will use resources from the Physical Plant and Equipment Levy to fund the purchase of additional technology hardware and transportation vehicles, including the purchase of one bus.
- The District will negotiate a new contract agreement with the North Polk Education Association during 2009/2010. Settlements in excess of “new money” or allowable growth in state funding will have an adverse effect on the District’s General Fund budget and related fund balance.

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 Deborah Schroeder, Board Secretary/Treasurer and Business Manager, North Polk Community School District, 313 NE 141st Avenue, Alleman, Iowa, 50007.

BASIC FINANCIAL STATEMENTS

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	1,026,999	-	1,026,999
Other	4,948,470	9,521	4,957,991
Receivables:			
Property tax:			
Delinquent	55,932	-	55,932
Succeeding year	4,192,986	-	4,192,986
Accounts	33,102	3,726	36,828
Accrued interest:			
ISCAP	9,499	-	9,499
Other	2,201	-	2,201
Due from other governments	559,320	-	559,320
Internal balances	17,145	(17,145)	-
Inventories	-	11,729	11,729
Prepaid expenses	44,712	-	44,712
Capital assets, net of accumulated depreciation	10,014,046	34,404	10,048,450
Total assets	20,904,412	42,235	20,946,647
Liabilities			
Accounts payable	49,126	-	49,126
Salaries and benefits payable	89,388	2,557	91,945
Accrued interest payable	13,418	-	13,418
Deferred revenue:			
Succeeding year property tax	4,192,986	-	4,192,986
Other	134,435	10,283	144,718
ISCAP warrants payable	1,014,000	-	1,014,000
ISCAP accrued interest payable	13,335	-	13,335
ISCAP premium	11,063	-	11,063
Deposits payable	553	-	553

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	345,000	-	345,000
Revenue bonds payable	605,000	-	605,000
Capital loan notes	115,000	-	115,000
Capital leases	43,262	-	43,262
Termination benefits	65,889	-	65,889
Compensated absences	36,827	-	36,827
Portion due after one year:			
General obligation bonds payable	1,115,000	-	1,115,000
Capital loan notes	805,000	-	805,000
Capital leases	23,190	-	23,190
Termination benefits	268,978	-	268,978
Total liabilities	8,941,450	12,840	8,954,290
Net assets			
Invested in capital assets, net of related debt	6,962,594	34,404	6,996,998
Restricted for:			
Categorical funding	32,037	-	32,037
Physical plant and equipment levy	46,681	-	46,681
Other special revenue purposes	118,594	-	118,594
Sales tax capital projects	2,276,267	-	2,276,267
Debt service	676,965	-	676,965
Unrestricted	1,849,824	(5,009)	1,844,815
Total net assets	11,962,962	29,395	11,992,357

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	4,831,246	421,544	783,782	-
Special	854,390	26,565	145,779	-
Other	1,120,606	311,912	60,006	-
	<u>6,806,242</u>	<u>760,021</u>	<u>989,567</u>	<u>-</u>
Support services:				
Student	696,168	-	-	-
Instructional staff	276,838	-	-	-
Administration	1,008,022	-	-	-
Operation and maintenance of plant	1,066,484	8,025	-	-
Transportation	501,682	10,815	2,490	-
	<u>3,549,194</u>	<u>18,840</u>	<u>2,490</u>	<u>-</u>
Non-instructional programs	<u>6,934</u>	-	-	-
Other expenditures:				
Facilities acquisition	-	-	-	51,988
Long-term debt interest	147,940	-	2,050	-
AEA flowthrough	377,956	-	377,956	-
Depreciation (unallocated)*	281,916	-	-	-
	<u>807,812</u>	<u>-</u>	<u>380,006</u>	<u>51,988</u>
Total governmental activities	11,170,182	778,861	1,372,063	51,988
Business type activities:				
Non-instructional programs:				
Food service operations	488,539	363,730	91,583	-
Total	<u>11,658,721</u>	<u>1,142,591</u>	<u>1,463,646</u>	<u>51,988</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(3,625,920)	-	(3,625,920)
(682,046)	-	(682,046)
(748,688)	-	(748,688)
<u>(5,056,654)</u>	<u>-</u>	<u>(5,056,654)</u>
(696,168)	-	(696,168)
(276,838)	-	(276,838)
(1,008,022)	-	(1,008,022)
(1,058,459)	-	(1,058,459)
(488,377)	-	(488,377)
<u>(3,527,864)</u>	<u>-</u>	<u>(3,527,864)</u>
<u>(6,934)</u>	<u>-</u>	<u>(6,934)</u>
51,988	-	51,988
(145,890)	-	(145,890)
-	-	-
<u>(281,916)</u>	<u>-</u>	<u>(281,916)</u>
<u>(375,818)</u>	<u>-</u>	<u>(375,818)</u>
(8,967,270)	-	(8,967,270)
<u>-</u>	<u>(33,226)</u>	<u>(33,226)</u>
<u>(8,967,270)</u>	<u>(33,226)</u>	<u>(9,000,496)</u>
3,212,897	-	3,212,897
392,052	-	392,052
419,860	-	419,860
362,149	-	362,149
1,103,004	-	1,103,004
4,477,258	-	4,477,258
112,024	455	112,479
106,276	-	106,276
<u>10,185,520</u>	<u>455</u>	<u>10,185,975</u>
1,218,250	(32,771)	1,185,479
<u>10,744,712</u>	<u>62,166</u>	<u>10,806,878</u>
<u>11,962,962</u>	<u>29,395</u>	<u>11,992,357</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General Fund	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments:					
ISCAP	1,026,999	-	-	-	1,026,999
Other	2,055,582	2,369,524	-	523,364	4,948,470
Receivables:					
Property tax:					
Delinquent	40,366	-	5,900	9,666	55,932
Succeeding year	3,030,950	-	449,756	712,280	4,192,986
Accounts	28,173	-	-	4,929	33,102
Accrued interest - ISCAP	9,499	-	-	-	9,499
Accrued interest - other	-	2,201	-	-	2,201
Interfund receivable	17,145	382,045	303,206	664	703,060
Due from other governments	420,168	139,152	-	-	559,320
Prepaid expenses	44,712	-	-	-	44,712
Total assets	6,673,594	2,892,922	758,862	1,250,903	11,576,281
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	33,145	8,890	-	7,091	49,126
Salaries and benefits payable	89,388	-	-	-	89,388
Interfund payable	422,240	-	262,425	1,250	685,915
ISCAP warrants payable	1,014,000	-	-	-	1,014,000
ISCAP accrued interest payable	13,335	-	-	-	13,335
ISCAP premium	11,063	-	-	-	11,063
Deferred revenue:					
Succeeding year property tax	3,030,950	-	449,756	712,280	4,192,986
Income surtax	292,524	-	-	-	292,524
Other	190,182	-	-	-	190,182
Deposits payable	-	-	-	553	553
Total liabilities	5,096,827	8,890	712,181	721,174	6,539,072
Fund balances:					
Reserved for:					
Categorical funding	32,037	-	-	-	32,037
Reserved for debt service - revenue bonds	-	607,765	-	-	607,765
Reserved for debt service - general obligation bonds	-	-	-	82,618	82,618
Unreserved reported in:					
General fund	1,544,730	-	-	-	1,544,730
Special revenue funds	-	-	46,681	447,111	493,792
Capital projects funds	-	2,276,267	-	-	2,276,267
Total fund balances	1,576,767	2,884,032	46,681	529,729	5,037,209
Total liabilities and fund balances	6,673,594	2,892,922	758,862	1,250,903	11,576,281

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2009

\$

Total fund balances of governmental funds (Exhibit C)

5,037,209

***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.

10,014,046

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.

348,001

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.

(13,418)

Long-term liabilities, including bonds payable, capital loan notes payable, capital leases, compensated absences and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.

(3,423,146)**Net assets of governmental activities (Exhibit A)**11,962,692

NORTH POLK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	3,256,965	1,103,004	419,860	692,067	5,471,896
Tuition	385,067	-	-	-	385,067
Other	173,910	73,084	8,124	335,726	590,844
Intermediate sources	7,077	-	-	-	7,077
State sources	5,577,838	16,437	176	298	5,594,749
Federal sources	201,305	-	200	-	201,505
Total revenues	<u>9,602,162</u>	<u>1,192,525</u>	<u>428,360</u>	<u>1,028,091</u>	<u>12,251,138</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,641,908	38,757	-	79,183	4,759,848
Special	851,649	-	-	-	851,649
Other	802,450	-	-	331,203	1,133,653
	<u>6,296,007</u>	<u>38,757</u>	<u>-</u>	<u>410,386</u>	<u>6,745,150</u>
Support services:					
Student	567,272	-	-	13,692	580,964
Instructional staff	298,440	-	115,204	13,834	427,478
Administration	992,595	3,077	-	12,116	1,007,788
Operation and maintenance of plant	967,371	41,413	165,742	84,044	1,258,570
Transportation	377,741	-	131,705	26,258	535,704
	<u>3,203,419</u>	<u>44,490</u>	<u>412,651</u>	<u>149,944</u>	<u>3,810,504</u>
Non-instructional programs	<u>138</u>	<u>-</u>	<u>-</u>	<u>6,796</u>	<u>6,934</u>
Other expenditures:					
Facilities acquisition	-	389,270	53,546	-	442,816
Long-term debt:					
Principal	-	-	-	1,087,375	1,087,375
Interest and fiscal charges	-	-	-	151,701	151,701
AEA flowthrough	377,956	-	-	-	377,956
	<u>377,956</u>	<u>389,270</u>	<u>53,546</u>	<u>1,239,076</u>	<u>2,059,848</u>
Total expenditures	<u>9,877,520</u>	<u>472,517</u>	<u>466,197</u>	<u>1,806,202</u>	<u>12,622,436</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(275,358)</u>	<u>720,008</u>	<u>(37,837)</u>	<u>(778,111)</u>	<u>(371,298)</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Compensation for loss of fixed assets	15,893	-	70,767	-	86,660
Proceeds from capital lease	-	-	69,696	-	69,696
Sales of materials and equipment	453	-	-	-	453
Operating transfers in	-	-	9,823	850,038	859,861
Operating transfers out	-	(627,255)	(222,783)	(9,823)	(859,861)
Total other financing sources (uses)	<u>16,346</u>	<u>(627,255)</u>	<u>(72,497)</u>	<u>840,215</u>	<u>156,809</u>
Net change in fund balances	(259,012)	92,753	(110,334)	62,104	(214,489)
Fund balances beginning of year, as restated	<u>1,835,779</u>	<u>2,791,279</u>	<u>157,015</u>	<u>467,625</u>	<u>5,251,698</u>
Fund balances end of year	<u><u>1,576,767</u></u>	<u><u>2,884,032</u></u>	<u><u>46,681</u></u>	<u><u>529,729</u></u>	<u><u>5,037,209</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(214,489)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:</p>		
Expenditures for capital assets	889,230	
Depreciation expense	<u>(476,350)</u>	412,880
<p>Income surtaxes and other receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.</p>		
		50,181
<p>Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>		
		1,087,375
<p>Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		3,761
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:</p>		
Termination benefits	(28,647)	
Compensated absences	<u>(23,115)</u>	(51,762)
<p>Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.</p>		
		<u>(69,696)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>1,218,250</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2009

	Nonmajor School Nutrition Fund
	<u>\$</u>
Assets	
Cash and cash equivalents	9,521
Accounts receivable	3,726
Inventories	11,729
Capital assets, net of accumulated depreciation	<u>34,404</u>
Total assets	<u>59,380</u>
Liabilities	
Salaries and benefits payable	2,557
Interfund payable	17,145
Deferred revenue	<u>10,283</u>
Total liabilities	<u>29,985</u>
Net assets	
Invested in capital assets	34,404
Unrestricted	<u>(5,009)</u>
Total net assets	<u><u>29,395</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Nonmajor School Nutrition Fund
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>363,730</u>
Operating expenses:	
Non-instructional programs:	
Salaries	168,399
Benefits	28,731
Purchased services	5,776
Supplies	273,530
Depreciation	10,815
Total operating expenses	<u>487,251</u>
Operating gain (loss)	<u>(123,521)</u>
Non-operating revenues (expenses):	
State sources	5,213
Federal sources	86,370
Interest income	455
Loss on disposal of equipment	(1,288)
Total non-operating revenues (expenses)	<u>90,750</u>
Net income	(32,771)
Net assets beginning of year	<u>62,166</u>
Net assets end of year	<u><u>29,395</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	Nonmajor School Nutrition Fund
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	363,991
Cash payments to employees for services	(194,573)
Cash payments to suppliers for goods or services	(264,656)
Net cash used by operating activities	<u>(95,238)</u>
Cash flows from non-capital financing activities:	
Loan from General Fund	17,145
State grants received	5,213
Federal grants received	73,997
Net cash provided by non-capital financing activities	<u>96,355</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(26,584)</u>
Cash flows from investing activities:	
Interest on investments	<u>455</u>
Net increase (decrease) in cash and cash equivalents	(25,012)
Cash and cash equivalents at beginning of year	<u>34,533</u>
Cash and cash equivalents at end of year	<u><u>9,521</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(123,521)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	12,372
Depreciation	10,815
Decrease (increase) in inventories	2,278
Decrease (increase) in accounts receivable	(3,726)
(Decrease) increase in salaries and benefits payable	2,557
(Decrease) increase in deferred revenue	3,987
Net cash used by operating activities	<u><u>(95,238)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$12,372 of federal commodities.

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

	Employee Flex Benefit Trust <u> </u> \$	Private Purpose Trust Scholarship <u> </u> \$	Agency <u> </u> \$
Assets			
Cash and pooled investments	-	3,914	-
Accounts receivable	4,455	-	-
Other accounts receivable	-	-	1,921
	<u>4,455</u>	<u>3,914</u>	<u>1,921</u>
Total Assets	<u>4,455</u>	<u>3,914</u>	<u>1,921</u>
Liabilities			
Bank overdraft	3,506	-	542
Other payables	-	-	1,379
	<u>3,506</u>	<u>-</u>	<u>1,921</u>
Total Liabilities	<u>3,506</u>	<u>-</u>	<u>1,921</u>
Net Assets			
Reserved for scholarships	-	3,914	-
Reserved for employee flex benefits	949	-	-
	<u>949</u>	<u>3,914</u>	<u>-</u>
Total Net Assets	<u>949</u>	<u>3,914</u>	<u>-</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	Employee Flex Benefit Trust <u> </u> \$	Private Purpose Trust Scholarship <u> </u> \$
Additions:		
Local sources:		
Employee flex contributions	137,063	-
Gifts and contributions	-	140
Interest	-	76
Total additions	<u>137,063</u>	<u>216</u>
Deductions:		
Support services:		
Employee flex benefits paid	145,894	-
Scholarships awarded	-	1,550
Total deductions	<u>145,894</u>	<u>1,550</u>
Change in net assets	(8,831)	(1,334)
Net assets beginning of year, as restated	<u>9,780</u>	<u>5,248</u>
Net assets end of year	<u><u>949</u></u>	<u><u>3,914</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

1. Summary of Significant Accounting Policies

North Polk Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Alleman and Polk City Iowa and the predominately agricultural territory in a portion of Polk, Story and Boone 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 Polk 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 Polk Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The Physical Plant and Equipment Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the physical plant and equipment property tax levy.

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

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 District's employee flex benefit plan is also classified as a fiduciary fund.

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	2,000
Improvements other than buildings	2,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation hours for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General fund.

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

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

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

E. Budgeting and Budgetary Control

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

2. **Cash and Pooled Investments**

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

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

At June 30, 2009, the District had the following investments:

	<u>Fair Value</u>
	\$
Goldman Sachs Financial Square Treasury Obligations Fund	607,765

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

	<u>Amortized Cost</u>
	\$
Direct Government Obligations Portfolio	2,225,932

The Iowa Schools Joint Investment Trust investment is valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk: The investments in the Iowa Schools Joint Investment Trust and Goldman Sachs Financial Square Treasury Obligations Fund were rated Aaa by Moody's Investors Service.

3. Interfund Receivables and Payables

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
Physical Plant and Equipment Levy	General	301,956
Capital Projects	General	119,620
Nonmajor Debt Service	General	664
General	Nonmajor School Nutrition	17,145
Capital Projects	Physical Plant and Equipment Levy	262,425
Physical Plant and Equipment Levy	Nonmajor Management	1,250

The above balances correct receipts and disbursements that were included in the wrong funds, but reclassified at year-end.

4. Interfund Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor Debt Service	Physical Plant and Equipment Levy	222,783
Nonmajor Debt Service	Capital Projects Fund	627,255
Physical Plant and Equipment Levy	Nonmajor Funds Student Activity	9,823

These transfers moved revenues from the funds statutorily required to collect the resources to the fund statutorily required to expend the resources.

5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest

earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2008-09B	1/21/09	1/21/10	<u>1,026,999</u>	<u>9,499</u>	<u>1,014,000</u>	<u>13,335</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2008-09B	3.000	2.110

6. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	1,008,854	-	1,008,854	-
Land	411,634	-	-	411,634
Total capital assets not being depr.	<u>1,420,488</u>	<u>-</u>	<u>1,008,854</u>	<u>411,634</u>
Capital assets being depreciated:				
Buildings	11,691,582	1,430,724	-	13,122,306
Improvements other than buildings	45,000	79,356	-	124,356
Furniture and equipment	2,424,837	388,004	-	2,812,841
Total capital assets being deprec.	<u>14,161,419</u>	<u>1,898,084</u>	<u>-</u>	<u>16,059,503</u>

Less accumulated depreciation for:				
Buildings	4,128,998	274,337	-	4,403,335
Improvements other than buildings	13,231	7,579	-	20,810
Furniture and equipment	<u>1,838,512</u>	<u>194,434</u>	-	<u>2,032,946</u>
Total accumulated depreciation	<u>5,980,741</u>	<u>476,350</u>	-	<u>6,457,091</u>

Total capital assets being depreciated, net	<u>8,180,678</u>	<u>1,421,734</u>	-	<u>9,602,412</u>
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Governmental activities capital assets, net	<u>9,601,166</u>	<u>1,421,734</u>	<u>1,008,854</u>	<u>10,014,046</u>
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	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	92,270	26,584	9,826	109,028
Less accumulated depreciation	<u>72,348</u>	<u>10,815</u>	<u>8,539</u>	<u>74,624</u>
Business type activities capital assets, net	<u>19,922</u>	<u>15,769</u>	<u>1,287</u>	<u>34,404</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	42,751
Special	4,986
Other	2,333
Support services:	
Instructional support	18,161
Operation and maintenance of plant services	32,393
Transportation	<u>93,810</u>
	194,434
Unallocated depreciation	<u>281,916</u>
Total depreciation expense – governmental activities	<u>476,350</u>
Business type activities:	
Food services	<u>10,815</u>

7. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	1,795,000	-	335,000	1,460,000	345,000
Sales tax revenue bonds	1,180,000	-	575,000	605,000	605,000
Capital loan notes	1,030,000	-	110,000	920,000	115,000
Capital leases	64,131	69,696	67,375	66,452	43,262
Termination benefits	306,220	98,952	70,305	334,867	65,889
Compensated absences	13,712	36,827	13,712	36,827	36,827
Total	4,389,063	205,475	1,171,392	3,423,146	1,210,978

Termination Benefits

The District offers a voluntary early retirement incentive to its employees. Eligible employees must have completed at least ten years of continuous service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits consist of a cash benefit of \$10,000 or 30% of salary, which ever is least. The District will also provide health insurance coverage at the current single rate until the retiree is Medicare eligible.

Early retirement cash benefits will be paid in two equal installments beginning in October following the start of retirement. The second payment will be paid the following October.

At June 30, 2009, the District has obligations to thirteen participants with a total liability of \$334,867. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$70,305.

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of April, 2003			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	2.95	345,000	44,588	389,588
2011	2.95	360,000	34,410	394,410
2012	3.10	370,000	23,790	393,790
2013	3.20	385,000	12,320	397,320
		<u>1,460,000</u>	<u>115,108</u>	<u>1,575,108</u>

Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue of May 2001			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2010	4.35	605,000	26,318	631,318

The District has pledged future local option (statewide) sales and services tax revenues to repay the \$4,500,000 bonds issued in May 2001. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2010. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 60 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$631,318. For the current year total principal and interest paid on the bonds was \$625,756 and total statewide sales and services tax revenues were \$1,103,004.

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

- The bonds will only be redeemed from the future earnings of the local option sales tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- \$450,000 of the proceeds from the bond issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the local option sales and services tax shall be placed in a sinking fund with a trustee. Money in the sinking account shall be used to pay the interest and principal on the bonds. Surplus monies in the sinking fund may be transferred to the capital projects fund to be used for any lawful purpose. The sinking fund is part of the District's Capital Projects Fund.

Capital Loan Notes

The District issued \$1,140,000 of capital loan notes during the year ended June 30, 2008. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy. Details of the capital loan notes are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2010	4.05	115,000	37,842	152,842
2011	4.05	120,000	33,184	153,184
2012	4.15	125,000	28,324	153,324
2013	4.15	130,000	23,136	153,136
2014	4.10	135,000	17,742	152,742
2015-2016	4.125-4.150	<u>295,000</u>	<u>18,432</u>	<u>313,432</u>
		<u>920,000</u>	<u>158,660</u>	<u>1,078,660</u>

During the year ended June 30, 2009 the District made principal and interest payments totaling \$152,242 under the note agreements.

Capital Leases

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

	<u>Year Ending June 30,</u>	<u>Amount</u>
		\$
	2010	48,404
	2011	<u>24,972</u>
Minimum Lease Payments		73,376
Less Amount Representing Interest		<u>6,924</u>
Present Value of Minimum Lease Payments		<u><u>66,452</u></u>

8. Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$394,759, \$348,785 and \$301,564 respectively, equal to the required contributions for each year.

9. Risk Management

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

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$377,956 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Lease Commitment

The District entered into a five-year operating lease for copy machines during fiscal years 2007 and 2008. The payments the District will make over the next four years are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Lease Payment</u>
	\$
2010	24,552
2011	24,552
2012	14,286
2013	1,675

The District paid \$24,552 in rent payments during the year.

12. Restatement of Beginning Balances

The beginning General Fund balance was reduced by \$22,111 because prior year receivables and payables were misstated and a portion was reclassified as a fiduciary fund. The beginning fund balance of the Nonmajor Management Fund was reduced \$46,407 because prior year cash was overstated.

The beginning Governmental Activities net assets balance was reduced by \$68,518 for the two items explained above.

The June 30, 2008 net assets balance of \$2,243 in the Enterprise Vending Fund was reclassified as an Agency Fund as of July 1, 2009. This also reduced the beginning net assets in the business-type activities by \$2,243.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH POLK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule 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 Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	6,447,807	364,185	6,811,992	7,335,245	7,335,245	(523,253)
Intermediate sources	7,077	-	7,077	15,000	15,000	(7,923)
State sources	5,594,749	5,213	5,599,962	5,795,694	5,795,694	(195,732)
Federal sources	201,505	86,370	287,875	223,000	223,000	64,875
Total revenues	<u>12,251,138</u>	<u>455,768</u>	<u>12,706,906</u>	<u>13,368,939</u>	<u>13,368,939</u>	<u>(662,033)</u>
Expenditures/Expenses:						
Instruction	6,745,150	-	6,745,150	8,246,037	8,246,037	1,500,887
Support services	3,810,504	-	3,810,504	4,384,394	4,384,394	573,890
Non-instructional programs	6,934	488,539	495,473	528,874	528,874	33,401
Other expenditures	2,059,848	-	2,059,848	1,773,332	1,773,332	(286,516)
Total expenditures/expenses	<u>12,622,436</u>	<u>488,539</u>	<u>13,110,975</u>	<u>14,932,637</u>	<u>14,932,637</u>	<u>1,821,662</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(371,298)	(32,771)	(404,069)	(1,563,698)	(1,563,698)	1,159,629
Other financing sources (uses) net	<u>156,809</u>	<u>-</u>	<u>156,809</u>	<u>-</u>	<u>-</u>	<u>156,809</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(214,489)	(32,771)	(247,260)	(1,563,698)	(1,563,698)	1,316,438
Balance beginning of year	<u>5,251,698</u>	<u>62,166</u>	<u>5,313,864</u>	<u>4,973,027</u>	<u>4,973,027</u>	<u>340,837</u>
Balance end of year	<u><u>5,037,209</u></u>	<u><u>29,395</u></u>	<u><u>5,066,604</u></u>	<u><u>3,409,329</u></u>	<u><u>3,409,329</u></u>	<u><u>1,657,275</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

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

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

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

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

OTHER SUPPLEMENTARY INFORMATION

NORTH POLK COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds			Total
	Management	Student	Debt	
	Levy	Activity	Service	
	\$	\$	\$	\$
Cash and pooled investments	321,233	125,685	76,446	523,364
Receivables:				
Property tax:				
Delinquent	4,158	-	5,508	9,666
Succeeding year	320,001	-	392,279	712,280
Accounts	4,929	-	-	4,929
Interfund receivable	-	-	664	664
Total assets	650,321	125,685	474,897	1,250,903
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	7,091	-	7,091
Interfund payables	1,250	-	-	1,250
Deferred revenue:				
Succeeding year property tax	320,001	-	392,279	712,280
Deposits payable	553	-	-	553
Total liabilities	<u>321,804</u>	<u>7,091</u>	<u>392,279</u>	<u>721,174</u>
Fund balances:				
Reserved for debt service - general obligation bonds	-	-	82,618	82,618
Unreserved reported in:				
Special revenue funds	<u>328,517</u>	<u>118,594</u>	<u>-</u>	<u>447,111</u>
Total fund balances	<u>328,517</u>	<u>118,594</u>	<u>82,618</u>	<u>529,729</u>
Total liabilities and fund balances	650,321	125,685	474,897	1,250,903

NORTH POLK 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
	Management	Student	Debt	
	Levy	Activity	Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	300,015	-	392,052	692,067
Other	22,473	311,203	2,050	335,726
State sources	134	-	164	298
Total revenues	<u>322,622</u>	<u>311,203</u>	<u>394,266</u>	<u>1,028,091</u>
Expenditures:				
Current:				
Instruction:				
Regular	79,183	-	-	79,183
Other	-	331,203	-	331,203
Support services:				
Student	13,692	-	-	13,692
Instructional staff	13,834	-	-	13,834
Administration	12,116	-	-	12,116
Operation and maintenance of plant	84,044	-	-	84,044
Transportation	26,258	-	-	26,258
Non-instructional programs	6,796	-	-	6,796
Other expenditures:				
Long-term debt:				
Principal	-	-	1,087,375	1,087,375
Interest and fiscal charges	-	-	151,701	151,701
Total expenditures	<u>235,923</u>	<u>331,203</u>	<u>1,239,076</u>	<u>1,806,202</u>
Excess (deficiency) of revenues over (under) expenditures	<u>86,699</u>	<u>(20,000)</u>	<u>(844,810)</u>	<u>(778,111)</u>
Other financing sources (uses):				
Operating transfers in	-	-	850,038	850,038
Operating transfers out	-	(9,823)	-	(9,823)
Total other financing sources (uses)	<u>-</u>	<u>(9,823)</u>	<u>850,038</u>	<u>840,215</u>
Net change in fund balances	86,699	(29,823)	5,228	62,104
Fund balances beginning of year, as restated	<u>241,818</u>	<u>148,417</u>	<u>77,390</u>	<u>467,625</u>
Fund balances end of year	<u><u>328,517</u></u>	<u><u>118,594</u></u>	<u><u>82,618</u></u>	<u><u>529,729</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Athletics					
All sports	17,355	35,288	52,923	3,133	2,853
Weight lifting	3,818	-	3,877	1,500	1,441
Athletic concessions	1,065	9,895	10,127	1,490	2,323
Cross country	380	2,780	3,464	-	(304)
Cheerleading	2,080	4,116	8,274	-	(2,078)
Senior moms	66	-	-	-	66
Boys tennis	-	1,376	1,723	(308)	(655)
Boys basketball	-	17,028	11,665	(474)	4,889
Football	14,591	30,503	38,567	-	6,527
Soccer	-	6,193	5,728	(191)	274
Baseball	5,177	25,928	28,402	-	2,703
Boys track	682	2,931	2,151	-	1,462
Wrestling	6,104	7,547	6,055	-	7,596
Girls basketball	1,496	8,773	10,818	-	(549)
Volleyball	5,383	7,397	6,706	(1,179)	4,895
Girls tennis	3,503	3,944	3,844	-	3,603
Softball	4,314	21,527	22,906	-	2,935
Girls track	2,511	7,054	8,764	-	801
	<u>68,525</u>	<u>192,280</u>	<u>225,994</u>	<u>3,971</u>	<u>38,782</u>
Activities					
Misc. activity	732	-	-	(510)	222
Interest on investments	12,410	2,773	363	(1,500)	13,320
Elementary academic excellence	1,117	-	-	-	1,117
Camp Hantesa	671	3,186	3,461	-	396
Yearbook	-	14,505	10,617	(2,043)	1,845
Elementary yearbook	1,621	4,047	4,996	-	672
National Honor Society	804	1,951	2,404	-	351
Student council	4,825	2,686	4,036	-	3,475
Student council - character counts	25	-	-	-	25
Key club	(48)	9,260	2,990	510	6,732
Drama	2,174	1,017	345	-	2,846
Speech	1,398	-	-	(1,398)	-
Musical	-	-	675	1,068	393
Dance	1,738	2,524	2,291	-	1,971
Flags	1,793	3,078	2,510	-	2,361
FFA	5,614	28,474	32,892	-	1,196
Horticulture	1,813	1,143	2,396	-	560
Tag/mock trial	21	-	8	-	13
National Art Honor Society	261	78	-	-	339

NORTH POLK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Hoiac fine arts fest	-	-	-	(98)	(98)
Spanish club	415	1,104	989	-	530
Class of 2008	4,405	-	4,393	-	12
Class of 2009	7,092	26,120	31,734	-	1,478
Class of 2010	14,169	2,242	2,228	-	14,183
Class of 2011	7,338	2,946	505	-	9,779
Class of 2012	6,900	1,619	17	-	8,502
Class of 2013	2,175	5,148	2,420	-	4,903
Class of 2014	-	4,612	2,420	-	2,192
Junior-Senior high academic excellence	429	410	342	-	497
	<u>79,892</u>	<u>118,923</u>	<u>115,032</u>	<u>(3,971)</u>	<u>79,812</u>
Total	<u><u>148,417</u></u>	<u><u>311,203</u></u>	<u><u>341,026</u></u>	<u><u>-</u></u>	<u><u>118,594</u></u>

NORTH POLK

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2009

	Balance Beginning of Year, as Restated	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
Assets				
Cash	2,243	-	2,243	-
Other receivables	-	1,921	-	1,921
Total assets	<u>2,243</u>	<u>1,921</u>	<u>2,243</u>	<u>1,921</u>
Liabilities				
Bank overdraft	-	2,146	2,688	(542)
Other payables	-	-	1,379	(1,379)
Total liabilities	<u>-</u>	<u>2,146</u>	<u>4,067</u>	<u>(1,921)</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

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

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	5,471,896	5,063,894	4,579,249	4,439,507	3,887,528	3,662,930
Tuition	385,067	377,427	373,556	453,526	461,602	454,535
Other	590,844	682,738	644,800	528,220	388,150	337,436
Intermediate sources	7,077	-	11,188	-	-	-
State sources	5,594,749	5,613,106	4,807,369	4,384,723	3,889,212	3,767,570
Federal sources	201,505	122,121	116,978	120,573	115,493	134,184
Total revenues	12,251,138	11,859,286	10,533,140	9,926,549	8,741,985	8,356,655
Expenditures:						
Instruction:						
Regular instruction	4,759,848	4,064,653	4,094,113	3,863,762	3,553,496	3,270,362
Special instruction	851,649	1,114,651	874,811	586,063	575,500	635,666
Other instruction	1,133,653	1,033,253	911,227	855,463	571,095	543,787
Support services:						
Student services	580,964	366,617	318,675	334,752	321,212	314,519
Instructional staff services	427,478	281,882	222,144	192,359	194,186	166,126
Administration services	1,007,788	909,889	867,148	876,731	816,337	753,917
Operation and maintenance	1,258,570	1,093,517	1,003,448	839,188	648,104	643,084
Transportation services	535,704	586,689	441,554	398,838	401,656	336,161
Non-instructional programs	6,934	-	-	-	-	-
Other expenditures:						
Facilities acquisition	442,816	965,308	65,258	17,497	80,599	51,113
Long-term debt:						
Principal	1,087,375	1,044,152	895,700	860,451	800,144	555,000
Interest and other charges	151,701	180,526	169,461	198,610	225,299	257,537
AEA flowthrough	377,956	363,229	317,861	283,630	254,187	253,854
Total expenditures	12,622,436	12,004,366	10,181,400	9,307,344	8,441,815	7,781,126

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

To the Board of Education of
North Polk 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 Polk 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 June 25, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Polk 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 Polk Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Polk 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 Polk 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 Polk Community School District's financial statements that is more than inconsequential will not be prevented or detected by North Polk Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

North Polk Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and responses. While we have expressed our conclusions on the District's responses, we did not audit North Polk 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 Polk Community School District and other parties to whom North Polk Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

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

June 25, 2010

NORTH POLK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

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

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

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

Conclusion: Response accepted.

09-I-B Payroll Segregation of Duties: We noted that one person was responsible for setting up new employees, entering time worked, entering contract amounts, initiating the processing of the payroll, printing payroll checks and processing the direct deposit payroll. No one else reviewed payroll transactions at any point. During the audit we noted errors that should have been caught during a review process.

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should implement procedures to have an independent person review employee names, review contract amounts, and compare net payroll for each employee to the prior period payroll.

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

Conclusion: Response accepted.

09-I-C Check Signing: We noted that the District uses its computer software to print the signatures of the Board President and Board Secretary on checks, as the checks are printed by the computer. It is possible for one person to enter invoices or payroll data, issue the command to print checks and to receive the checks from the printer. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate another person to cosign checks when the Board President is not available.

NORTH POLK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

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

District Response: The District no longer uses electronic signatures. We will further review procedures that will allow timely and efficient processing of daily transactions, yet provide adequate controls over District assets.

Conclusion: Response accepted.

09-I-D Restatement of Beginning Fund Balances: The June 30, 2008 General Fund balance was reduced by \$22,111 for receivable and payables that were misstated and fiduciary fund balances that were reclassified and the Management Fund balance was reduced by \$46,407 for cash and receivables that were misstated. Also, the June 30, 2008 balance in the Enterprise Vending Fund was reclassified as an Agency Fund.

Recommendation: The District should implement procedures to review year-end balance sheets to ensure that all cash, receivables, payables and fund transactions are properly classified.

District Response: We have hired an experienced board secretary and have implemented procedures to review and accurately record all financial statement amount balances.

Conclusion: Response accepted.

09-I-E Bank Deposits: We noted that General Fund bank deposits were only being made once a month. Often weekly deposit slips were prepared, but they were all deposited in the bank account on the same day. We also noted that checks received were not listed individually on the deposit slips.

Recommendation: All cash and checks collected should be deposited daily. All checks received should be itemized on the deposit slip so that deposit slips can be reconciled to the receipts issued by the District.

District Response: We will change our deposit procedures.

Conclusion: Response accepted.

09-I-F Payroll Reporting: Quarterly payroll reporting is required for Iowa Unemployment and for IPERS. We could not reconcile the wages reported for Iowa Unemployment and IPERS to the payroll records. Some employee wages were not included in the quarterly reports.

Recommendation: The District should review fiscal year 2009 Iowa Unemployment and IPERS wages that were reported and file corrected returns.

District Response: The District recently completed a self-initiated review of IPERS reported wages. All required wage adjustments have been reported to IPERS. We will review and correct the Iowa Unemployment reports as necessary.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

NORTH POLK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

- 09-II-A Certified Budget: Expenditures for the year ended June 30, 2009, exceeded the amount budgeted in the other expenditures function.
- Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion: Response accepted.
- 09-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 09-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 09-II-D Business Transactions: We noted no business transactions between the District and District officials or employees.
- 09-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 09-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted. We did note that the minutes for 22 board meetings were not published and lists of board approved bills were not published for January, March, April, May, and June 2009.
- Recommendation: The Code of Iowa requires that proceedings of board meetings be submitted for publication within two weeks of the board meeting and that lists of approved bills be published monthly.
- District Response: We had new board secretaries during fiscal years 2008 and 2009 and the lapse in the required publications was an oversight. We will be more diligent in the future.
- Conclusion: Response accepted.
- 09-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 09-II-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

NORTH POLK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

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

09-II-I Certified Annual Report: The Certified Annual Report was not properly certified to the Iowa Department of Education by October 15, 2009.

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

District Response: The board secretary quit in September 2009 and a replacement was not hired until October 2009. Future Certified Annual Reports will be filed by the due date.

Conclusion: Response accepted.

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

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

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

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

Conclusion: Response accepted.

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

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

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

Beginning balance	\$	\$
		-
Statewide sales and services tax revenue		1,103,004
Expenditures/transfers out:		
School infrastructure:		
Land and land improvements	7,078	
Buildings and building improvements	115,669	
Equipment	56,233	
Debt service for school infrastructure:		
Revenue debt	<u>630,332</u>	<u>809,312</u>
Ending balance		<u><u>293,692</u></u>