

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Central Community School District, Manly, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Central Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2011 on our consideration of North Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Central Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

March 8, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

General Fund revenues decreased from \$5,085,943 in fiscal 2009 to \$5,060,081 in fiscal 2010, while General Fund expenditures increased from \$5,602,545 fiscal 2009 to \$5,834,824 in fiscal 2010. The District's General Fund balance decreased from \$(534,989) in fiscal 2009 to \$(1,309,732) in fiscal 2010

- General Fund revenues decreased in total because of a 10% across the board cut in state foundation aid. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2010 and the district levied cash reserve was erased by the Governor's across the board cut of 10% also not enough staff reductions were made the prior year.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

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

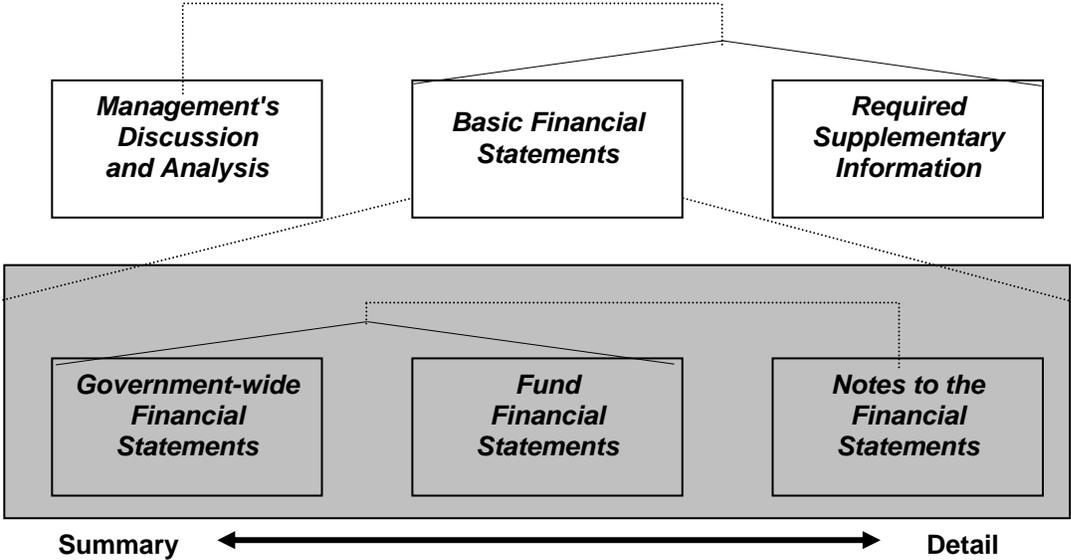


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for 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 District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District current has one internal service fund used to account for the District's employee flexible benefit plan.

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2009-2010 %
	Governmental Activities		Business-type Activities		Total School District		
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,294,059	3,526,417	44,674	37,635	4,338,733	3,564,052	-18%
Capital assets	4,917,303	4,700,914	8,358	50,099	4,925,661	4,751,013	-4%
Total assets	9,211,362	8,227,331	53,032	87,734	9,264,394	8,315,065	-10%
Long-term liabilities	2,496,000	2,172,340	0	1,523	2,496,000	2,173,863	-13%
Other liabilities	3,950,564	3,736,477	2,519	23,827	3,953,083	3,760,304	-5%
Total liabilities	6,446,564	5,908,817	2,519	25,350	6,449,083	5,934,167	-8%
Net Assets:							
Invested in capital assets, net of related debt	2,542,303	2,620,914	8,358	50,099	2,550,661	2,671,013	5%
Restricted	662,007	857,964	0	0	662,007	857,964	30%
Unrestricted	(439,512)	(1,160,364)	42,155	12,285	(397,357)	(1,148,079)	-189%
TOTAL NET ASSETS	2,764,798	2,318,514	50,513	62,384	2,815,311	2,380,898	-15%

The District's combined total net assets decreased approximately \$434,413, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$195,957 or 30% over the prior year. The increase was primarily a result of sales taxes that were collected in fiscal year 2010, but not spent.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$750,722, or 189%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2010 and 2009.

Figure A-4

	Change in Net Assets						Percentage Change 2009-2010 %
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	742,740	668,250	139,516	138,770	882,256	807,020	-9%
Operating grants & contributions	1,073,743	1,025,059	114,479	108,533	1,188,222	1,133,592	-5%
Capital grants & contributions	74,131	0	0	0	74,131	0	-100%
General Revenues:							
Property taxes	2,022,953	2,418,675	0	0	2,022,953	2,418,675	20%
Income Surtax	134,417	130,683	0	0	134,417	130,683	-3%
Local option sales tax	359,243	337,475	0	0	359,243	337,475	-6%
Unrestricted state grants	1,931,274	1,429,703	0	0	1,931,274	1,429,703	-26%
Unrestricted investment earnings	19,785	3,195	0	0	19,859	3,195	-84%
Other revenue	20,806	47,834	74	96	20,806	47,930	130%
Total Revenues	6,379,092	6,060,874	254,069	247,399	6,633,161	6,308,273	-5%
Expenses:							
Instruction	4,290,446	4,140,165	0	0	4,290,446	4,140,165	-4%
Support services	1,610,202	1,799,171	0	0	1,610,202	1,799,171	12%
Non-instructional programs	0	0	250,951	283,528	250,951	283,528	13%
Other expenditures	542,630	519,822	0	0	542,630	519,822	-4%
Total expenses	6,443,278	6,459,158	250,951	283,528	6,694,229	6,742,686	1%
Change in net assets before transfers	(64,186)	(398,284)	3,118	(36,129)	(61,088)	(434,413)	
Transfers	(2,883)	(48,000)	2,883	48,000	0	0	
CHANGE IN NET ASSETS	(67,069)	(446,284)	6,001	11,871	(61,088)	(434,413)	
Net assets beginning of year	2,831,867	2,764,798	44,512	50,513	2,876,379	2,815,311	-2
Net assets end of year	2,764,798	2,318,514	50,513	62,384	2,815,311	2,380,898	-15

In fiscal year 2010 property tax and unrestricted state grants account for 61% of the total revenue. The District's expenses primarily relate to instruction and support services.

As shown in figure A-4, the District as a whole experienced a 5% decrease in revenues and a 1% increase in expenses. Property tax increased \$395,722 to fund increases in expenses and fund cash reserve. The increases in expenses related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$6,060,874 and expenses were \$6,459,158.

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

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2009	2010	Percent Change 2009-2010	2009	2010	Percent Change 2009-2010
	\$	\$	%	\$	\$	%
Instruction	4,290,446	4,140,165	-4%	2,674,700	2,673,573	0%
Support Services	1,610,202	1,799,171	12%	1,605,518	1,796,135	12%
Other Expenses	542,630	519,822	-4%	272,446	296,141	9%
TOTAL	6,443,278	6,459,158	0%	4,552,664	4,765,849	5%

For the year ended June 30, 2010

- The cost financed by users of the District's programs was \$668,250. 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 \$1,025,059.
- The net cost of governmental activities was financed with \$2,886,833 in property and local other taxes and \$1,429,713 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$247,399 and expenses were \$283,528. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, North Central 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 \$(296,013), well below last year's ending fund balances of \$227,775. The primary reason for the decrease in combined fund balances in fiscal 2010 is due to the district spending more than it received.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. During fiscal year 2010 total General Fund revenues decreased 1% while total General Fund expenditures increased 4%.
- The General Fund balance decreased from \$(534,989) to \$(1,309,732) due in part to the negotiated salary and benefits settlement, and the reduction in state aid and existing expenditure commitments of the District.
- The Capital Projects Fund balance increased. The District ended fiscal 2009 with a balance of \$265,893. Fiscal 2010 ended with a balance of \$516,844. This fund derives its revenue from state sales taxes. This fund must be used for equipment purchases, site and building repairs and construction and bond payments.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$50,513 at June 30, 2009 to \$62,384 at June 30, 2010, representing an increase of approximately 23%. The goal of the School Nutrition Fund is to break even or to show a small profit to be used for future kitchen equipment purchases.

BUDGETARY HIGHLIGHTS

The District's receipts were \$342,858 less than budgeted receipts, a variance of 5%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

The certified budget was exceeded in the instruction, support services and non-instructional programs functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$4.75 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 4% from last year. More detailed information about the District's capital assets is presented in Note 7 to the financial statements. Depreciation expense for the year was \$249,028.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2009-2010 %
	Activities		Activities		School District		
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Land	45,500	45,500	0	0	45,500	45,500	0%
Buildings	4,062,015	3,912,702	0	0	4,062,015	3,912,702	-4%
Improvements	473,403	448,268	0	0	473,403	448,268	-5%
Equipment & furniture	336,385	294,444	8,358	50,099	344,743	344,543	0%
TOTAL	4,917,303	4,700,914	8,358	50,099	4,925,661	4,751,013	-4%

Long-Term Debt

At June 30, 2010 the District had \$2,173,863 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 13% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 8 to the financial statements.

**Figure A-7
Outstanding Long-Term Obligations**

	Total School District		Percentage Change
	2009	2010	2009-2010
	\$	\$	%
General obligation bonds	1,980,000	1,750,000	-12%
Revenue bonds	395,000	330,000	-16%
Early retirement	121,000	73,460	-39%
Net OPEB liability	0	20,403	0%
	<u>2,496,000</u>	<u>2,173,863</u>	<u>-13%</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:

- Worth County has advised the District that, due to the addition of two new industrial sites and the recent completion of property revaluation assessments, the District's total taxable valuation will increase 5 percent for property tax collected in fiscal 2011.
- School financing is highly dependent upon student enrollment. The District's October 2010 enrollment decreased by 21 students. This drop in enrollment will decrease the District's funding for fiscal year 2012.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be replaced during fiscal 2011 at a cost of \$75,000. To pay for these buses, the District will use a combination of resources from the General Fund and the Physical Plant and Equipment Levy Fund.
- The district is currently in year four of a whole grade sharing agreement and has reduced administration and is sharing a Superintendent with the other district. Utilizing the services between the two district's to help the economics of the district has been a priority of the board.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Amy Yezek, District Board Secretary/Treasurer PO Box 190, Manly, IA 50456.

BASIC FINANCIAL STATEMENTS

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	321,927	23,136	345,063
Cash with fiscal agent	135,314	-	135,314
Receivables:			
Property tax:			
Delinquent	50,209	-	50,209
Succeeding year	2,527,691	-	2,527,691
Accounts	8,882	-	8,882
Due from other governments	470,639	-	470,639
Inventories	-	14,499	14,499
Unamortized bond issue costs	11,755	-	11,755
Capital assets, net of accumulated depreciation	4,700,914	50,099	4,751,013
	<u>8,227,331</u>	<u>87,734</u>	<u>8,315,065</u>
Liabilities			
Accounts payable	169,218	-	169,218
Salaries and benefits payable	442,071	21,486	463,557
Anticipatory warrant payable	500,000	-	500,000
Accrued interest payable	18,121	-	18,121
Deferred revenue:			
Succeeding year property tax	2,527,691	-	2,527,691
Other	79,376	2,341	81,717
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	240,000	-	240,000
Revenue bonds payable	70,000	-	70,000
Termination benefits	23,297	-	23,297
Portion due after one year:			
General obligation bonds payable	1,510,000	-	1,510,000
Revenue bonds payable	260,000	-	260,000
Termination benefits	50,163	-	50,163
Net OPEB liability	18,880	1,523	20,403
	<u>5,908,817</u>	<u>25,350</u>	<u>5,934,167</u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	2,620,914	50,099	2,671,013
Restricted for:			
Categorical funding	1,500	-	1,500
Management levy	174,259	-	174,259
Physical plant and equipment levy	26,638	-	26,638
Other special revenue purposes	22,374	-	22,374
Sales tax capital projects	381,530	-	381,530
Debt service	251,663	-	251,663
Unrestricted	<u>(1,160,364)</u>	<u>12,285</u>	<u>(1,148,079)</u>
	<u>2,318,514</u>	<u>62,384</u>	<u>2,380,898</u>
Total net assets			

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,808,901	410,987	633,044	-
Special	864,323	136,250	80,086	-
Other	466,941	120,154	86,071	-
	<u>4,140,165</u>	<u>667,391</u>	<u>799,201</u>	<u>-</u>
Support services:				
Student	64,673	-	-	-
Instructional staff	167,220	-	-	-
Administration	733,005	-	-	-
Operation and maintenance of plant	513,969	859	-	-
Transportation	320,304	-	2,177	-
	<u>1,799,171</u>	<u>859</u>	<u>2,177</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	25,352	-	-	-
Long-term debt interest	92,842	-	3,288	-
AEA flowthrough	220,393	-	220,393	-
Depreciation (unallocated)*	181,235	-	-	-
	<u>519,822</u>	<u>-</u>	<u>223,681</u>	<u>-</u>
Total governmental activities	6,459,158	668,250	1,025,059	-
Business type activities:				
Non-instructional programs:				
Food service operations	283,528	138,770	108,533	-
Total	<u>6,742,686</u>	<u>807,020</u>	<u>1,133,592</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,764,870)	-	(1,764,870)
(647,987)	-	(647,987)
(260,716)	-	(260,716)
<u>(2,673,573)</u>	<u>-</u>	<u>(2,673,573)</u>
(64,673)	-	(64,673)
(167,220)	-	(167,220)
(733,005)	-	(733,005)
(513,110)	-	(513,110)
(318,127)	-	(318,127)
<u>(1,796,135)</u>	<u>-</u>	<u>(1,796,135)</u>
(25,352)	-	(25,352)
(89,554)	-	(89,554)
-	-	-
<u>(181,235)</u>	<u>-</u>	<u>(181,235)</u>
<u>(296,141)</u>	<u>-</u>	<u>(296,141)</u>
(4,765,849)	-	(4,765,849)
-	(36,225)	(36,225)
<u>(4,765,849)</u>	<u>(36,225)</u>	<u>(4,802,074)</u>
2,146,785	-	2,146,785
210,907	-	210,907
60,983	-	60,983
130,683	-	130,683
337,475	-	337,475
1,429,703	-	1,429,703
3,195	96	3,291
47,834	-	47,834
4,367,565	96	4,367,661
(48,000)	48,000	-
<u>4,319,565</u>	<u>48,096</u>	<u>4,367,661</u>
(446,284)	11,871	(434,413)
<u>2,764,798</u>	<u>50,513</u>	<u>2,815,311</u>
<u>2,318,514</u>	<u>62,384</u>	<u>2,380,898</u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Debt Service	Capital Projects Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	-	289,218	-	31,068	320,286
Cash with fiscal agent	-	-	135,314	-	135,314
Receivables:					
Property tax:					
Delinquent	41,736	3,951	-	4,522	50,209
Succeeding year	2,094,289	210,675	-	222,727	2,527,691
Accounts	8,882	-	-	-	8,882
Interfund receivable	143,827	-	274,036	241,932	659,795
Due from other governments	363,145	-	107,494	-	470,639
Total assets	2,651,879	503,844	516,844	500,249	4,172,816
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	164,786	-	-	2,791	167,577
Salaries and benefits payable	442,071	-	-	-	442,071
Interfund payable	501,096	158,699	-	-	659,795
Anticipatory warrant payable	500,000	-	-	-	500,000
Deferred revenue:					
Succeeding year property tax	2,094,289	210,675	-	222,727	2,527,691
Income surtax	125,935	-	-	-	125,935
Other	133,434	-	-	-	133,434
Total liabilities	3,961,611	369,374	-	225,518	4,556,503
Fund balances:					
Reserved for:					
Categorical funding	1,500	-	-	-	1,500
Debt service	-	134,470	135,314	-	269,784
Unreserved reported in:					
General fund	(1,311,232)	-	-	-	(1,311,232)
Special revenue funds	-	-	-	274,731	274,731
Capital projects funds	-	-	381,530	-	381,530
Total fund balances	(1,309,732)	134,470	516,844	274,731	(383,687)
Total liabilities and fund balances	2,651,879	503,844	516,844	500,249	4,172,816

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

\$

Total fund balances of governmental funds (Exhibit C)	(383,687)
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***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,700,914
--	-----------

Bond issue costs are expensed when incurred for the fund financial statements, but are capitalized and expensed over the life of the bonds for the Statement of Net Assets.	11,755
---	--------

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	179,993
---	---------

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.	(18,121)
--	----------

Long-term liabilities, including general obligation and revenue bonds payable, termination benefits and other postemployment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,172,340)</u>
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Net assets of governmental activities (Exhibit A)	<u><u>2,318,514</u></u>
--	-------------------------

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,073,626	210,907	337,475	261,301	2,883,309
Tuition	415,265	-	-	-	415,265
Other	157,707	3,288	117	130,123	291,235
Intermediate sources	100	-	-	-	100
State sources	1,978,250	-	-	-	1,978,250
Federal sources	435,133	-	-	-	435,133
Total revenues	<u>5,060,081</u>	<u>214,195</u>	<u>337,592</u>	<u>391,424</u>	<u>6,003,292</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,769,748	-	-	133,015	2,902,763
Special	860,060	-	-	-	860,060
Other	349,740	-	-	113,806	463,546
	<u>3,979,548</u>	<u>-</u>	<u>-</u>	<u>246,821</u>	<u>4,226,369</u>
Support services:					
Student	57,060	-	-	7,613	64,673
Instructional staff	165,311	-	-	-	165,311
Administration	727,730	-	-	797	728,527
Operation and maintenance of plant	419,792	-	-	-	419,792
Transportation	264,990	-	-	8,128	273,118
	<u>1,634,883</u>	<u>-</u>	<u>-</u>	<u>16,538</u>	<u>1,651,421</u>
Other expenditures:					
Facilities acquisition	-	-	7,621	30,731	38,352
Long-term debt:					
Principal	-	295,000	-	-	295,000
Interest and fiscal charges	-	95,545	-	-	95,545
AEA flowthrough	220,393	-	-	-	220,393
	<u>220,393</u>	<u>390,545</u>	<u>7,621</u>	<u>30,731</u>	<u>649,290</u>
Total expenditures	<u>5,834,824</u>	<u>390,545</u>	<u>7,621</u>	<u>294,090</u>	<u>6,527,080</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(774,743)</u>	<u>(176,350)</u>	<u>329,971</u>	<u>97,334</u>	<u>(523,788)</u>
Other financing sources (uses):					
Operating transfers in	-	79,020	-	-	79,020
Operating transfers out	-	-	(79,020)	-	(79,020)
Total other financing sources (uses)	<u>-</u>	<u>79,020</u>	<u>(79,020)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(774,743)</u>	<u>(97,330)</u>	<u>250,951</u>	<u>97,334</u>	<u>(523,788)</u>
Fund balances beginning of year	<u>(534,989)</u>	<u>231,800</u>	<u>265,893</u>	<u>265,071</u>	<u>227,775</u>
Fund balances end of year	<u>(1,309,732)</u>	<u>134,470</u>	<u>516,844</u>	<u>362,405</u>	<u>(296,013)</u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(611,462)
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Expenditures for capital assets	26,380	
Depreciation expense	<u>(242,769)</u>	(216,389)
 Income surtaxes and other revenues 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.		
		57,582
 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.		
		295,000
 Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		2,703
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	47,540	
Other postemployment benefits	<u>(18,880)</u>	28,660
 Bond issue costs are expensed when incurred for the fund financial statements, but are capitalized and expensed over the life of the bonds for the Statement of Net Assets.		
		(1,960)
 An internal service fund is used by the District's management to charge the costs of the sick leave program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		
		<u>(418)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>(446,284)</u></u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2010

	Enterprise Fund	Governmental Activities - Internal Service Fund
	Nonmajor School Nutrition	
	\$	\$
Assets		
Cash and cash equivalents	23,136	1,641
Inventories	14,499	-
Capital assets, net of accumulated depreciation	50,099	-
	<u>87,734</u>	<u>1,641</u>
Total assets		
Liabilities		
Accounts payable	-	1,641
Salaries and benefits payable	21,486	-
Deferred revenue	2,341	-
Net OPEB liability	1,523	-
	<u>25,350</u>	<u>1,641</u>
Total liabilities		
Net assets		
Invested in capital assets	50,099	-
Unrestricted	12,285	-
	<u>62,384</u>	<u>-</u>
Total net assets		

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Enterprise Fund <u>Nonmajor School Nutrition</u> \$	Governmental Activities - Internal Service Fund <u> </u> \$
Operating revenues:		
Local sources:		
Charges for service	138,770	17,288
Operating expenses:		
Non-instructional programs:		
Salaries	95,735	-
Benefits	45,539	17,706
Purchased services	1,099	-
Supplies	134,896	-
Depreciation	6,259	-
Total operating expenses	<u>283,528</u>	<u>17,706</u>
Operating gain (loss)	<u>(144,758)</u>	<u>(418)</u>
Non-operating revenues:		
State sources	2,325	-
Federal sources	106,208	-
Interest income	96	-
Total non-operating revenues	<u>108,629</u>	<u>-</u>
Gain (loss) before contributions	(36,129)	(418)
Capital contributions	<u>48,000</u>	<u>-</u>
Net income	11,871	(418)
Net assets beginning of year	<u>50,513</u>	<u>418</u>
Net assets end of year	<u><u>62,384</u></u>	<u><u>-</u></u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	Enterprise Fund <u>Nonmajor School Nutrition</u> \$	Governmental Activities - Internal Service Fund <u> </u> \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	138,889	-
Cash received from sales of services to other funds	-	17,288
Cash payments to employees for services	(118,265)	(23,932)
Cash payments to suppliers for goods or services	(114,489)	-
Net cash used by operating activities	<u>(93,865)</u>	<u>(6,644)</u>
Cash flows from non-capital financing activities:		
State grants received	2,325	-
Federal grants received	87,989	-
Net cash provided by non-capital financing activities	<u>90,314</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>96</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(3,455)	(6,644)
Cash and cash equivalents at beginning of year	<u>26,591</u>	<u>8,285</u>
Cash and cash equivalents at end of year	<u>23,136</u>	<u>1,641</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	(144,758)	(418)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	18,219	-
Depreciation	6,259	-
Decrease (increase) in inventories	3,287	-
Decrease (increase) in accounts receivable	297	-
(Decrease) increase in accounts payable	-	(6,226)
(Decrease) increase in salaries and benefits payable	21,486	-
(Decrease) increase in deferred revenue	(178)	-
(Decrease) increase in other postemployment benefits	1,523	-
Net cash used by operating activities	<u>(93,865)</u>	<u>(6,644)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$18,219 of federal commodities.

During the year ended June 30, 2010, the School Nutrition Fund received \$48,000 of equipment that was purchased by other funds.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2010

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	19,225
Liabilities	
Accounts payable	<u>716</u>
Net Assets	
Reserved for scholarships	<u><u>18,509</u></u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2010

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	377
Deductions:	
Support services:	
Scholarships awarded	<u>2,216</u>
Change in net assets	(1,839)
Net assets beginning of year	<u>20,348</u>
Net assets end of year	<u><u>18,509</u></u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the

current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	1,000
Improvements other than buildings	1,000
Intangibles	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-25 years
Intangibles	3-10 years
Furniture and equipment	3-15 years

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

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

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures in the instruction, support services and non-instructional programs functions exceeded the amount budgeted. The District also exceeded its General Fund unspent authorized budget.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 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, 2010, the District had the following investment:

	Amortized Cost
	<u>\$</u>
Iowa School Joint Investment Trust	135,314

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

Credit risk: The investment in the Iowa School Joint Investment Trust was rated Aaa by Moody's Investors Service.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
Nonmajor Management Fund	General Fund	202,276
Capital Projects Fund	General Fund	274,036
Nonmajor PPEL Fund	General Fund	24,784
General Fund	Debt Service Fund	143,827
Nonmajor Management Fund	Debt Service Fund	14,872

The loans to the General Fund are for cash flow. The payable from the Debt Service Fund to the General and Management Funds is the result of receipts being deposited in the wrong bank account.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	79,020

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

5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co., NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
			\$	\$	\$	\$
2008-09B	1/21/09	1/21/10	210,519	-	210,519	-
2009-10A	6/25/09	6/23/10	-	713,088	713,088	-
2009-10B	2/1/10	1/21/11	-	451,068	451,068	-
			<u>210,519</u>	<u>1,164,156</u>	<u>1,374,675</u>	<u>-</u>

During the year ended June 30, 2010, the District paid \$11,331 of interest on the ISCAP warrants.

6. Anticipatory Warrants

In June 2010 the District borrowed \$500,000 at 5% from a local bank. The balance is due in July 2010.

7. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	45,500	-	-	45,500
Capital assets being depreciated:				
Buildings	6,368,630	-	-	6,368,630
Improvements other than buildings	737,862	6,787	-	744,649
Furniture and equipment	775,033	19,593	-	794,626
Total capital assets being deprec.	<u>7,881,525</u>	<u>26,380</u>	<u>-</u>	<u>7,907,905</u>
Less accumulated depreciation for:				
Buildings	2,306,615	149,313	-	2,455,928
Improvements other than buildings	264,459	31,922	-	296,381
Furniture and equipment	438,648	61,534	-	500,182
Total accumulated depreciation	<u>3,009,722</u>	<u>242,769</u>	<u>-</u>	<u>3,252,491</u>

Total capital assets being depreciated, net	4,871,803	(216,389)	-	4,655,414
Governmental activities capital assets, net	<u>4,917,303</u>	<u>(216,389)</u>	<u>-</u>	<u>4,700,914</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	31,007	48,000	-	79,007
Less accumulated depreciation	<u>22,649</u>	<u>6,259</u>	<u>-</u>	<u>28,908</u>
Business type activities capital assets, net	<u>8,358</u>	<u>41,741</u>	<u>-</u>	<u>50,099</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	4,895
Other	3,090
Support services:	
Instructional staff support	1,300
Administration	387
Operation and maintenance of plant services	4,676
Transportation	<u>47,186</u>
	61,534
Unallocated depreciation	<u>181,235</u>
Total depreciation expense – governmental activities	<u>242,769</u>
Business type activities:	
Food services	<u>6,259</u>

8. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	1,980,000	-	230,000	1,750,000	240,000
Revenue bonds	395,000	-	65,000	330,000	70,000
Termination benefits	121,000	73,460	121,000	73,460	23,297
Net OPEB	<u>-</u>	<u>18,880</u>	<u>-</u>	<u>18,880</u>	<u>-</u>
Total	<u>2,496,000</u>	<u>92,340</u>	<u>416,000</u>	<u>2,172,340</u>	<u>333,297</u>

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Business type activities:					
Net OPEB liability	-	1,523	-	1,523	-

Termination Benefits

The District approved a voluntary early retirement plan for employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-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 are equal to 50% of the employee's placement on the salary schedule for their last year of employment up to a maximum of \$25,000. Early retirement cash benefits will be paid over a three year period. For 2010 retirees, the District will also pay 50% of the health insurance premium for five years.

At June 30, 2010, the District has obligations to two participants with a total liability of \$73,460. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$121,000.

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Refunding Bond Issue April 29, 2004			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	4.0	240,000	70,175	310,175
2012	4.5	245,000	60,575	305,575
2013	4.5	255,000	49,550	304,550
2014	4.0	270,000	38,075	308,075
2015	3.60	280,000	27,275	307,275
2016-2017	3.7-3.8	460,000	23,845	483,845
		<u>1,750,000</u>	<u>269,495</u>	<u>2,019,495</u>

Revenue Bonds Payable

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of September 2005			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	3.7	70,000	11,555	81,555
2012	3.8	70,000	8,930	78,930
2013	4.0	75,000	6,100	81,100
2014	4.0	75,000	3,100	78,100
2015	4.0	40,000	800	40,800
		<u>330,000</u>	<u>30,485</u>	<u>360,485</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$585,000 of bonds issued in September 2005. The bonds were issued for the purpose of financing a portion of the costs of school renovations. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues and received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require nearly 25 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$360,485. For the current year, principal of \$65,000 and interest of \$14,020 were paid on the bonds and total statewide sales and services tax revenues were \$337,475.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- \$58,500 of the proceeds from the bond issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monthly transfers, equal to 1/12 of the next principal payment plus 1/6 of the next interest payment, are to go from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. The sinking account is part of the Capital Projects Fund.

9. 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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$180,997, \$195,517 and \$144,817 respectively, equal to the required contributions for each year.

10. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 83 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Mercer. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	37,847
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>37,847</u>
Contributions made	<u>17,444</u>
Increase in net OPEB obligation	20,403
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>20,403</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$17,444 to the medical plan. Plan members eligible for benefits contributed \$64,717, or 79% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
June 30, 2010	37,847	46%	20,403

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$273,453, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$273,453. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,328,000, and the ratio of the UAAL to covered payroll was 11.7%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 group annuity mortality table projected to 2000. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized over 30 years.

11. Risk Management

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

12. 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 \$220,393 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

13. Lease Commitment

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

<u>Year Ended</u> <u>June 30</u>	<u>Lease Payment</u>
	\$
2011	24,216
2012	24,216
2013	2,018

14. Deficit Fund Balances

At June 30, 2010 the District had a General Fund deficit unreserved fund balance of \$1,311,232.

15. School Merger

The voters of the North Central Community School District and the Nora Springs Community School District have approved a school merger to be effective July 1, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,589,809	138,866	3,728,675	3,668,649	3,668,649	60,026
Intermediate sources	100	-	100	-	-	100
State sources	1,978,250	2,325	1,980,575	2,672,900	2,672,900	(692,325)
Federal sources	435,133	106,208	541,341	252,000	252,000	289,341
Total revenues	<u>6,003,292</u>	<u>247,399</u>	<u>6,250,691</u>	<u>6,593,549</u>	<u>6,593,549</u>	<u>(342,858)</u>
Expenditures/Expenses:						
Instruction	4,226,369	-	4,226,369	3,755,000	3,755,000	(471,369)
Support services	1,739,095	-	1,739,095	1,369,800	1,369,800	(369,295)
Non-instructional programs	-	283,528	283,528	275,000	275,000	(8,528)
Other expenditures	649,290	-	649,290	987,660	987,660	338,370
Total expenditures/expenses	<u>6,614,754</u>	<u>283,528</u>	<u>6,898,282</u>	<u>6,387,460</u>	<u>6,387,460</u>	<u>(510,822)</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(611,462)	(36,129)	(647,591)	206,089	206,089	(853,680)
Other financing sources (uses) net	<u>-</u>	<u>48,000</u>	<u>48,000</u>	<u>87,000</u>	<u>87,000</u>	<u>(39,000)</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	(611,462)	11,871	(599,591)	293,089	293,089	(892,680)
Balance beginning of year	<u>227,775</u>	<u>50,513</u>	<u>278,288</u>	<u>789,863</u>	<u>789,863</u>	<u>(511,575)</u>
Balance end of year	<u>(383,687)</u>	<u>62,384</u>	<u>(321,303)</u>	<u>1,082,952</u>	<u>1,082,952</u>	<u>(1,404,255)</u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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

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

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

During the year ended June 30, 2010, expenditures in the instruction, support services and non-instructional programs functions exceeded the amounts budgeted. The District also exceeded its General Fund unspent authorized budget.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a) \$</u>	<u>Actuarial Accrued Liability (AAL) (b) \$</u>	<u>Unfunded AAL (UAAL) (b-a) \$</u>	<u>Funded Ratio (a/b) %</u>	<u>Covered Payroll (c) \$</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c) %</u>
2009	July 1, 2009	-	273,453	273,453	0.0%	2,328,000	11.7%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

Assets	Special Revenue Funds			Total \$
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	
	\$	\$	\$	
Cash and pooled investments	7,563	22,374	1,131	31,068
Receivables:				
Property tax:				
Delinquent	3,368	-	1,154	4,522
Succeeding year	160,000	-	62,727	222,727
Interfund receivable	217,148	-	24,784	241,932
Total assets	388,079	22,374	89,796	500,249
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	2,360	-	431	2,791
Deferred revenue:				
Succeeding year property tax	160,000	-	62,727	222,727
Total liabilities	162,360	-	63,158	225,518
Fund balances:				
Unreserved reported in:				
Special revenue funds	225,719	22,374	26,638	274,731
Total liabilities and fund balances	388,079	22,374	89,796	500,249

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	Levy	\$
Revenues:				
Local sources:				
Local tax	200,318	-	60,983	261,301
Other	9,754	120,262	107	130,123
Total revenues	<u>210,072</u>	<u>120,262</u>	<u>61,090</u>	<u>391,424</u>
Expenditures:				
Current:				
Instruction:				
Regular	133,015	-	-	133,015
Other	-	113,806	-	113,806
Support services:				
Student	7,613	-	-	7,613
Administration	797	-	-	797
Operation and maintenance of plant	63,458	-	24,216	87,674
Transportation	8,128	-	-	8,128
Other expenditures:				
Facilities acquisition	-	-	30,731	30,731
Total expenditures	<u>213,011</u>	<u>113,806</u>	<u>54,947</u>	<u>381,764</u>
Net change in fund balances	(2,939)	6,456	6,143	9,660
Fund balances beginning of year	<u>228,658</u>	<u>15,918</u>	<u>20,495</u>	<u>265,071</u>
Fund balances end of year	<u><u>225,719</u></u>	<u><u>22,374</u></u>	<u><u>26,638</u></u>	<u><u>274,731</u></u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
Boys basketball	578	2,804	1,879	-	1,503
Football	3,118	13,296	7,326	(2,761)	6,327
Baseball	(79)	3,038	7,248	515	(3,774)
Boys track	1,000	5,363	3,774	(48)	2,541
Boys golf	96	22	370	-	(252)
Coop wrestling	786	5,452	4,315	(649)	1,274
JH wrestling	579	-	337	538	780
Volleyball	657	17,787	16,213	-	2,231
Softball	752	2,639	4,963	(419)	(1,991)
Girls track	(815)	1,149	2,721	-	(2,387)
Girls golf	945	-	345	-	600
Girls basketball	995	3,690	2,676	(48)	1,961
Athletic fundraiser	(13,315)	11,101	3,527	-	(5,741)
Cross country	114	3,794	3,233	-	675
MS athletics	-	1,083	2,520	(55)	(1,492)
Football fundraising	-	4,943	6,379	2,761	1,325
French club	101	-	-	-	101
Honor society	6	-	82	-	(76)
Pep club	235	-	-	-	235
Student council	1,923	12,098	10,963	239	3,297
TAG/FPS	4,366	-	1,052	(34)	3,280
Drama & speech	201	367	220	(127)	221
Dance team	154	3,878	5,401	-	(1,369)
Elementary activities	1,703	-	-	-	1,703
Art activities	1,563	441	1,065	-	939
Cheerleading	224	4,730	5,421	-	(467)
Trap shooting	362	3,180	2,949	-	593
Middle school	157	-	55	55	157
Senior class	35	762	783	-	14
Junior class	4,397	5,032	3,836	33	5,626
Sophomore class	149	589	555	-	183
Freshman class	846	600	600	-	846
Interest	113	108	72	-	149
Magazine JH	2,673	-	-	-	2,673
Magazine elementary	1,597	-	-	-	1,597
Vocal music	(44)	3,908	3,173	-	691
Show choir	67	-	-	-	67
Choir robes	559	-	-	-	559
Instrumental music	825	774	1,022	-	577
Band uniforms	2,308	-	-	-	2,308
Jazz band	3	-	-	-	3
Elementary music	709	-	-	-	709
Yearbook	(4,925)	7,634	8,731	-	(6,022)
District football	200	-	-	-	200
Total	15,918	120,262	113,806	-	22,374

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	2,883,309	2,508,540	2,473,833	2,365,876	2,304,003	2,249,521	2,014,596
Tuition	415,265	363,207	214,465	156,443	90,901	100,997	106,440
Other	291,235	859,726	352,153	500,049	322,076	234,162	154,584
Intermediate sources	100	484	-	-	-	-	-
State sources	1,978,250	2,478,174	2,726,728	2,414,994	2,295,666	2,252,353	1,952,442
Federal sources	435,133	143,936	146,979	142,773	134,455	133,733	130,051
Total revenues	<u>6,003,292</u>	<u>6,354,067</u>	<u>5,914,158</u>	<u>5,580,135</u>	<u>5,147,101</u>	<u>4,970,766</u>	<u>4,358,113</u>
Expenditures:							
Instruction:							
Regular	2,902,763	2,920,360	2,593,928	2,210,654	2,196,900	2,080,015	2,011,759
Special	860,060	725,250	597,299	552,262	504,024	485,229	467,646
Other	463,546	578,004	547,822	369,865	376,231	309,989	294,463
Support services:							
Student	64,673	51,725	79,709	50,415	53,783	51,978	59,364
Instructional staff	165,311	178,176	132,999	125,849	134,532	30,699	28,814
Administration	728,527	568,906	568,467	543,260	492,525	465,518	452,412
Operation and maintenance	507,466	454,170	480,921	443,827	407,516	380,568	341,097
Transportation	273,118	263,717	277,928	248,496	268,250	164,091	188,258
Other expenditures:							
Facilities acquisition	38,352	405,129	496,415	463,896	671,595	111,175	82,998
Long-term debt:							
Principal	295,000	290,000	285,000	2,575,000	165,000	155,000	145,000
Interest and other charges	95,545	102,258	111,802	260,971	238,238	247,656	163,925
AEA flowthrough	220,393	195,416	191,295	177,498	162,817	159,158	154,194
Total expenditures	<u>6,614,754</u>	<u>6,733,111</u>	<u>6,363,585</u>	<u>8,021,993</u>	<u>5,671,411</u>	<u>4,641,076</u>	<u>4,389,930</u>

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures \$</u>
Direct:			
U.S. Department of Education:			
Rural Education	84.358	S358A094397	42,876
Subtotal Direct			<u>42,876</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	22,209
National School Lunch Program (non-cash)	10.555	FY10	18,219
National School Lunch Program	10.555	FY10	65,780
			<u>106,208</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	51,575
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	28,550
			<u>80,125</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	FY10	1,390
Improving Teacher Quality State Grants	84.367	FY10	16,201
Grants for State Assessments and Related Activities	84.369	FY10	2,919
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	221,791
Area Education Agency #267:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY10	25,125
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	54,961
			<u>80,086</u>
Mason City Community School District:			
Career and Technical Education - Basic Grants to States	84.048	FY10	5,946
Subtotal Indirect			<u>514,666</u>
Total			<u><u>557,542</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of North Central Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Central Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 8, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Central Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Central Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 10-II-A, 10-II-B, 10-II-C, 10-II-D, 10-II-E and 10-II-F to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

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

March 8, 2011

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

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

Compliance

We have audited North Central Community School District's compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of North Central Community School District's major federal programs for the year ended June 30, 2010. North Central Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of North Central Community School District's management. Our responsibility is to express an opinion on North Central Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North Central Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on North Central Community School District's compliance with those requirements.

In our opinion, North Central Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of North Central Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered North Central Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of

expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Central Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 10-III-A and 10-III-B. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

North Central Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit North Central Community School District's responses and, accordingly, we express no opinion on the responses.

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

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

March 8, 2011

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements. No significant deficiencies were reported.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over the major programs were disclosed by the audit of the financial statements. No material weaknesses were reported.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
 - Special Education Cluster (IDEA):
 - CFDA Number 84.027 – Special Education – Grants to States
 - CFDA Number 84.391 – ARRA - Special Education Grants to States, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) North Central Community School District did not qualify as a low-risk auditee.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

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

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

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

Conclusion: Response accepted.

10-II-D Financial Reporting: During the audit, we identified material amounts of property tax revenues that were deposited in the wrong fund's bank account, ISCAP and bank loan transactions that were incorrectly recorded, bond payments that were not posted to the accounting records, loans between funds that were not recorded, cash balances that were incorrect, receivables that were not posted and a flex benefit bank account not included in the accounting records. Adjustments were subsequently made by the District to properly reclassify and include these amounts in the financial statements.

Recommendation: The District should implement procedures to ensure all revenues, expenditures, ISCAP transactions and loan transactions are posted to the correct funds and accounts. The District should also implement procedures to ensure that all receivables are posted at year-end. The District should discontinue writing manual checks; all checks should be written by the accounting software. All District bank accounts should be included in the accounting records.

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

Conclusion: Response accepted.

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

Recommendation: Bank reconciliations forms were completed monthly. However, the variances between the bank reconciliation forms and the cash balances in the financial statements were not investigated and resolved. The completion of this process would have prevented many of the errors described in comment 10-II-D.

District Response: Monthly bank reconciliations will be prepared.

Conclusion: Response accepted.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No matters were noted.

Internal Control Deficiencies:

CFDA Number 84.027: Special Education – Grants to States
CFDA Number 84.391: ARRA – Special Education Grants to States, Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Area Education Agency #267

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants,
Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

10-III-A Accounting for Expenditures: ARRA State Fiscal Stabilization and Special Education Cluster program expenditures were not posted directly to the federal expenditure accounts as the expenditures were incurred. Expenses were reclassified at year-end by journal entry.

Recommendation: The District should record federal expenditures to specific federal expenditure accounts as the expenditures are incurred.

District Response: We will revise our procedures for recording and documenting ARRA State Fiscal Stabilization and Special Education Cluster expenditures as incurred.

Conclusion: Response accepted.

10-III-B Reporting: Iowa schools must file quarterly financial reports for ARRA spending with the Iowa Department of Education. The expenditure reporting for the state aid and professional development portions of the ARRA – State Fiscal Stabilization Fund and for the ARRA – Special Education Grants to States program did not match the District's accounting records. Federal expenditures reported for the state aid portion were \$20,857 lower than the accounting records and expenditures reported for the instructional support portion were \$8,281 higher than the amounts reported in the financial statements. The expenditures reported for the ARRA – Special Education Grants to States program were \$13,740 higher than the amounts recorded in the financial statements. These errors occurred because the quarterly financial reports were not prepared from the District's accounting records and because expenditures were not posted directly to ARRA federal expenditure accounts as incurred.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part III: Findings and Questioned Costs For Federal Awards (continued):

Recommendation: The District should prepare federal financial reports from the accounting records.

District Response: We will use our accounting records to determine the amounts for federal financial reports.

Conclusion: Response accepted.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

10-IV-A Certified Budget: Expenditures for the year ended June 30, 2010, exceeded the amounts budgeted in the instruction, support services, and non-instructional programs functional areas. The District also exceeded its unspent authorized budget for the year ended June 30, 2010.

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. The District should contact the Iowa Department of Education and the School Budget Review committee to resolve the unspent authorized budget issue.

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded. We have contacted the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Conclusion: Response accepted.

10-IV-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.

10-IV-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.

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

10-IV-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.

10-IV-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

10-IV-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

10-IV-H Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

10-IV-I 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.

10-IV-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting (continued):

10-IV-K 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, 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.

10-IV-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance	\$	\$
		265,893
Statewide sales, services and use tax	337,475	
Interest revenue	117	337,592
Expenditures/transfers out:		
School infrastructure:		
Land improvements	7,621	
Equipment		
Debt service for school infrastructure:		
Revenue debt	79,020	86,641
Ending balance		<u>516,844</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting (continued):

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	\$	\$
Debt service Levy	.42930	79,020
Physical plant and equipment levy	1.40414	258,455

10-IV-M Financial Condition: The General Fund has a deficit unreserved fund balance of \$1,311,232 at June 30, 2010. The Student Activity Fund has several accounts with deficit balances at June 30, 2010.

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

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

Conclusion: Response accepted.

10-IV-N Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used to account for the District's extracurricular student activity program. We noted elementary music, TAG, and magazine accounts in the Student Activity Fund that may belong more appropriately in other funds.

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

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

Conclusion: Response accepted.

10-IV-O District Fees: Iowa allows schools to charge fees for textbooks, school supplies, eye and ear protective devices, summer school courses, drivers' education courses and discretionary transportation. We noted fees being charged for art and industrial arts. These fees do not appear to be allowable.

Recommendation: The District should review the fees charged to students.

District Response: We will review all of our fees to ensure that the District is in compliance.

Conclusion: Response accepted.

10-IV-P Interfund Loans: The Iowa Department of Education has issued a declaratory order covering interfund loans. The order states that all loans between funds must be approved by the board of directors, interest must be paid on the interfund loan and the loan must be repaid before October 1, after each year-end.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting (continued):

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

Recommendation: The District should follow the declaratory order with respect to the interfund loans to the General Fund.

District Response: We will follow the declaratory order.

Conclusion: Response accepted.

10-IV-Q Old outstanding checks: We noted that the District's bank reconciliations included approximately \$18,000 of old outstanding checks. Iowa Code Section 566 specifies that holders unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

Recommendation: The District should investigate the status of all old outstanding checks. Checks that were issued in error or in duplicate should be voided and removed from the list of outstanding checks. The District should search for the owners of all other outstanding checks, then, reissue new checks if the owners are found. If the owners can not be found, the District must file an unclaimed property report with and send the money to the Treasurer State of Iowa.

District Response: We will begin investigating the status of old outstanding checks and we will file an unclaimed property report with the Treasurer of Iowa if necessary.

Conclusion: Response accepted.

10-IV-R Bank Accounts: All public funds are the legal responsibility of the board, board secretary and board treasurer. All public funds have the same legal requirements for accounting, reporting, auditing and allowing, dual signatures, publishing and investing. Student Activity Funds are owned by the District. There are bank accounts for a Family Fund and Spanish Club that are not part of the District's accounting records. We also noted that Booster Clubs are using the school's name to have accounts with the Iowa Schools Joint Investment Trust.

Recommendation: The District should implement procedures to ensure compliance with statutory requirements for accounting and reporting public funds. All monies that belong to the District should be included in the District's accounting records and subject to the legal requirements for public funds. Money that does not belong to the District should not be invested using the District's name or the District's federal identification number.

District Response: The District will pursue the auditor's recommendation.

Conclusion: Response accepted.