

NORTH LINN COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Net Assets	J	27
Statement of Changes in Net Assets	K	28
Notes to Financial Statements		29-40
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of Funding Progress for the Retiree Health Plan		44
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	47
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	48
Combining Statement of Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	4	49
Combining Statement of Changes in Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	5	50
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	6	51
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	7	52
Schedule of Federal Awards	8	53
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		54-55
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance		56-57
Schedule of Findings and Questioned Costs		58-62

North Linn Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Douglas Winn	President	2011
Elizabeth Benesch	Vice President	2009
Dan Buenz	Board Member	2011
Brad Winn	Board Member	2011
Maureen McEvoy	Board Member	2009
Debra Zumbach	Board Member	2009
Mark Waring	Board Member	2009
Board of Education (After September 2009 Election)		
Douglas Winn	President	2011
Maureen McEvoy	Vice President	2013
Dan Buenz	Board Member	2011
Brad Winn	Board Member	2011
Debra Zumbach	Board Member	2013
James Meisheid	Board Member	2013
Mark Waring	Board Member	2013
School Officials		
Larry Boer	Superintendent	2010
Marge Holub	Business Manager/ District Secretary	2010
Gruhn Law Firm	Attorney	2010

North Linn Community School District

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the North Linn Community School District, Troy Mills, Iowa as of and for the year ended June 30, 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 the North Linn Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2011 on our consideration of the North Linn Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

Members American Institute & Iowa Society of Certified Public Accountants

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise North Linn Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2009 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 8, 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.


NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,755,897 in fiscal 2009 to \$6,903,800 in fiscal 2010, while General Fund expenditures increased from \$6,641,375 in fiscal 2009 to \$6,869,149 in fiscal 2010. This resulted in an increase in the District's General Fund balance from \$547,600 in fiscal 2009 to a balance of \$582,251 in fiscal 2010, a 6.33% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in federal sources in fiscal 2010 due to funds received from the American Reinvestment and Recovery Act. The increase in expenditures was due primarily to increases in salaries and benefits as well as increases in expenses funded by grants received by the District for fiscal 2010.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 6.54% for fiscal year 2009 to 5.81% for fiscal year 2010. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

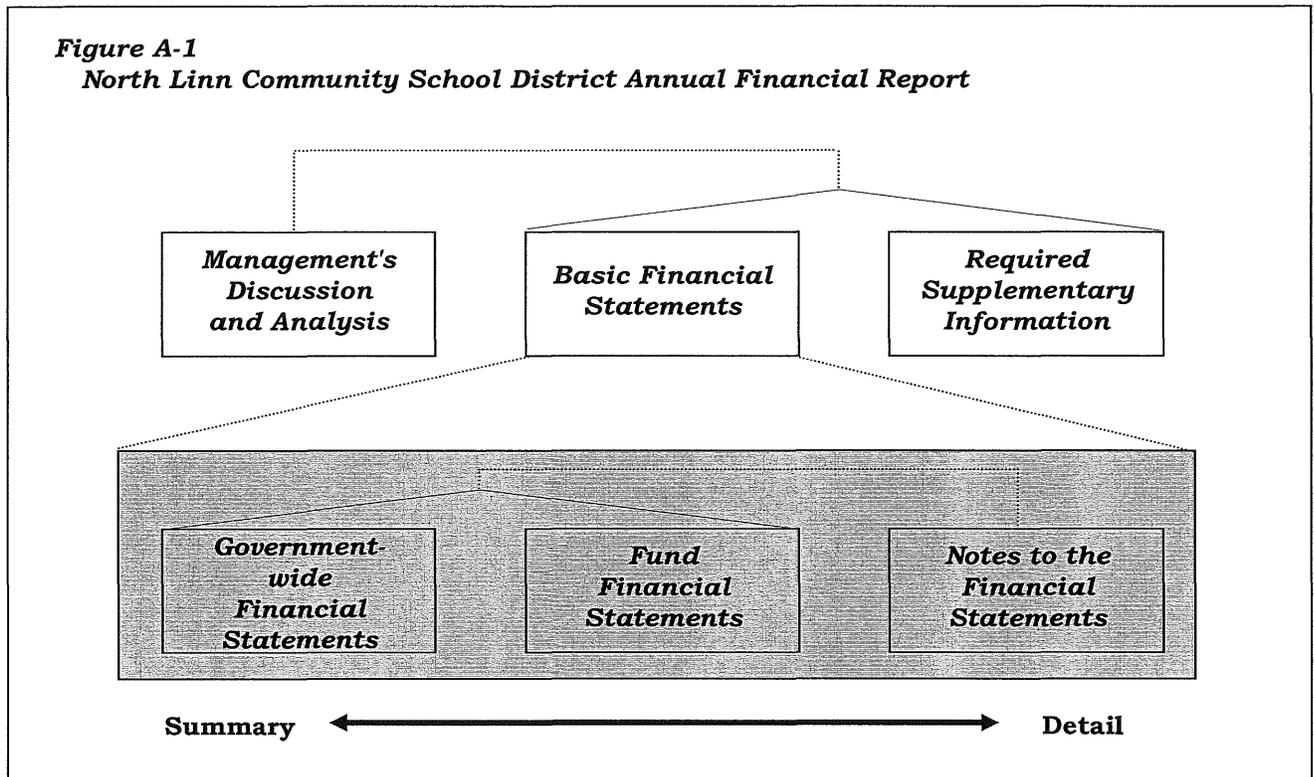


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 5,537,916	6,695,657	68,700	60,344	5,606,616	6,756,001	-17.01%
Capital assets	3,820,153	3,938,541	31,431	25,116	3,851,584	3,963,657	-2.83%
Total assets	9,358,069	10,634,198	100,131	85,460	9,458,200	10,719,658	-11.77%
Long-term obligations	2,033,904	2,244,867	0	0	2,033,904	2,244,867	-9.40%
Other liabilities	3,388,621	4,851,206	46,706	30,373	3,435,327	4,881,579	-29.63%
Total liabilities	5,422,525	7,096,073	46,706	30,373	5,469,231	7,126,446	-23.25%
Net assets:							
Invested in capital assets, net of related debt	1,920,153	1,783,541	31,431	25,116	1,951,584	1,808,657	7.90%
Restricted	1,458,356	1,103,537	0	0	1,458,356	1,103,537	32.15%
Unrestricted	557,035	651,047	21,994	29,971	579,029	681,018	-14.98%
Total net assets	\$ 3,935,544	3,538,125	53,425	55,087	3,988,969	3,593,212	11.01%

The District's combined net assets increased by 11.01%, or \$395,757, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$354,819, or 32.15% over the prior year. The increase in restricted net assets can be attributed to the increase in carryover balances for state categorical funding as compared to the previous year. Increases in carryover fund balance for the Capital Projects Fund and the Management Levy Fund also led to the increase in restricted net assets.

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 \$101,989, or 14.98%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 500,583	494,657	199,460	222,500	700,043	717,157	-2.39%
Operating grants and contributions and restricted interest	1,775,414	955,031	128,468	121,010	1,903,882	1,076,041	76.93%
Capital grants and contributions and restricted interest	253	0	0	0	253	0	100.00%
General revenues:							
Property tax	2,348,243	2,266,502	0	0	2,348,243	2,266,502	3.61%
Income surtax	238,481	255,999	0	0	238,481	255,999	-6.84%
Statewide sales, services and use tax	725,968	632,436	0	0	725,968	632,436	14.79%
Unrestricted state grants	2,437,376	3,263,097	0	0	2,437,376	3,263,097	-25.30%
Other	79,151	148,164	29,026	710	108,177	148,874	-27.34%
Transfers	(2,295)	0	2,295	0	0	0	-100.00%
Total revenues and transfers	8,103,174	8,015,886	359,249	344,220	8,462,423	8,360,106	1.22%
Program expenses:							
Governmental activities:							
Instructional	4,983,840	4,750,991	0	0	4,983,840	4,750,991	4.90%
Support services	2,128,768	2,044,684	515	298	2,129,283	2,044,982	4.12%
Non-instructional programs	0	477	360,396	363,897	360,396	364,374	-1.09%
Other expenses	593,147	639,384	0	0	593,147	639,384	-7.23%
Total expenses	7,705,755	7,435,536	360,911	364,195	8,066,666	7,799,731	3.42%
Change in net assets	397,419	580,350	(1,662)	(19,975)	395,757	560,375	-29.38%
Beginning net assets	3,538,125	2,957,775	55,087	75,062	3,593,212	3,032,837	18.48%
Ending net assets	\$ 3,935,544	3,538,125	53,425	55,087	3,988,969	3,593,212	11.01%

Property tax, income surtax and statewide sales, services and use tax and unrestricted state grants account for 70.96% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 91.28% of the revenue from business type activities.

The District's total revenues were approximately \$8.46 million of which approximately \$8.10 million was for governmental activities and approximately \$0.36 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.22% increase in revenues and a 3.42% increase in expenses. Property tax increased \$81,741 and statewide sales, services and use tax increased \$93,532 to fund increases in expenditures. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$8,103,174 and expenses were \$7,705,755. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2010 as compared to the year ended June 30, 2009.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 4,983,840	4,750,991	4.90%	3,006,402	3,565,283	-15.68%
Support services	2,128,768	2,044,684	4.11%	2,121,067	2,044,684	3.74%
Non-instructional	0	477	100.00%	0	477	100.00%
Other expenses	593,147	639,384	-7.23%	302,036	375,404	-19.54%
Totals	\$ 7,705,755	7,435,536	3.63%	5,429,505	5,985,848	-9.29%

- The cost financed by users of the District's programs was \$500,583.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,775,667.
- The net cost of governmental activities was financed with \$2,348,243 in property tax, \$238,481 in income surtax, \$725,968 in statewide sales, services and use tax, \$2,437,376 in unrestricted state grants, \$30,178 in interest income and \$48,973 in other revenues.

Business type Activities

Revenues of the District's business type activities were \$359,249 and expenses were \$360,911. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,940,971, above last year's ending fund balances of a \$1,635,227. The primary reason for the increase in governmental fund balance can be attributed to the increase in fund balance of the Capital Projects Fund.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Increases in federal grant revenues lent to the rise in fund revenues. The increase in revenues was more than enough to offset the increase in fund expenditures during the year to ensure the improvement of the General Fund.
- The Capital Projects Fund balance increased from \$635,565 in fiscal 2009 to \$947,332 in fiscal 2010. The increase in fund balance is mainly a result of increased revenues and decreased expenditures as compared to the previous year.

Proprietary Fund Highlights

The Proprietary Funds net assets decreased from \$55,087 at June 30, 2009 to \$53,425 at June 30, 2010, representing a decrease of 3.02%.

BUDGETARY HIGHLIGHTS

Over the course of the year, the North Linn Community School District amended its budget one time to reflect additional expenditures across all functions for a total of \$625,000.

The District's revenues were \$164,852 more than budgeted revenues, a variance of 1.99%. The most significant variance resulted from the District receiving more in federal source revenues than originally anticipated.

Initially, total disbursements were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget disbursements at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual disbursements for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures function due to the timing of expenditures at year end without sufficient time to amend the budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$3,851,584, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.83% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$208,124.

The original cost of the District's capital assets was \$8,181,057. Governmental funds account for \$8,084,373 with the remainder of \$96,684 in the Proprietary funds.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$279,426 at June 30, 2009, compared to \$228,098 reported at June 30, 2010. The main reason for the decrease in machinery and equipment is due to depreciation expense taken during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total Change
	Activities	Activities	Activities	Activities	School District	School District	
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 30,487	30,487	0	0	30,487	30,487	0.00%
Buildings	3,448,487	3,491,245	0	0	3,448,487	3,491,245	-1.22%
Land improvements	144,512	162,499	0	0	144,512	162,499	-11.07%
Machinery and equipment	196,667	254,310	31,431	25,116	228,098	279,426	-18.37%
Total	\$ 3,820,153	3,938,541	31,431	25,116	3,851,584	3,963,657	-2.83%

Long-Term Debt

At June 30, 2010, the District had \$2,033,904 in general obligation and other long-term debt outstanding. This represents a decrease of 9.40% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$1,900,000 at June 30, 2010.

The District had early retirement payable of \$81,792 at June 30, 2010.

At June 30, 2010, the District also had a net OPEB liability of \$52,112.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2010	2009	2009-10
General obligation bonds	\$ 1,900,000	2,155,000	-11.83%
Early retirement	81,792	89,867	-8.99%
Net OPEB liability	52,112	0	100.00%
Totals	<u>\$ 2,033,904</u>	<u>2,244,867</u>	<u>-9.40%</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:

- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase North Linn Community Schools' employer benefit costs significantly over the next few years.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

North Linn Community School District

BASIC FINANCIAL STATEMENTS

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments:	\$ 2,329,819	58,714	2,388,533
Receivables:			
Property tax:			
Delinquent	39,135	0	39,135
Succeeding year	2,626,147	0	2,626,147
Income surtax	213,764	0	213,764
Accounts	4,125	347	4,472
Due from other governments	324,926	0	324,926
Inventories	0	9,639	9,639
Capital assets, net of accumulated depreciation	3,820,153	31,431	3,851,584
TOTAL ASSETS	9,358,069	100,131	9,458,200
LIABILITIES			
Accounts payable	236,418	16,018	252,436
Salaries and benefits payable	520,616	25,521	546,137
Interest payable	5,440	0	5,440
Deferred revenue:			
Succeeding year property tax	2,626,147	0	2,626,147
Unearned revenue	0	5,167	5,167
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	260,000	0	260,000
Early retirement payable	43,326	0	43,326
Portion due after one year:			
General obligation bonds payable	1,640,000	0	1,640,000
Early retirement payable	38,466	0	38,466
Net OPEB liability	52,112	0	52,112
TOTAL LIABILITIES	5,422,525	46,706	5,469,231
NET ASSETS			
Invested in capital assets, net of related debt	1,920,153	31,431	1,951,584
Restricted for:			
Debt service	557	0	557
Categorical funding	181,428	0	181,428
Management levy	114,827	0	114,827
Physical plant and equipment levy	89,110	0	89,110
Capital projects	947,332	0	947,332
Other special revenue purposes	125,102	0	125,102
Unrestricted	557,035	21,994	579,029
TOTAL NET ASSETS	\$ 3,935,544	53,425	3,988,969

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Expenses	Operating Services	Grants, and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,248,214	216,975	821,479	0	(2,209,760)	0	(2,209,760)
Special	776,459	104,566	184,867	0	(487,026)	0	(487,026)
Other	959,167	178,787	470,764	0	(309,616)	0	(309,616)
	<u>4,983,840</u>	<u>500,328</u>	<u>1,477,110</u>	<u>0</u>	<u>(3,006,402)</u>	<u>0</u>	<u>(3,006,402)</u>
Support services:							
Student	205,391	0	290	0	(205,101)	0	(205,101)
Instructional staff	292,861	0	7,156	0	(285,705)	0	(285,705)
Administration	694,126	0	0	0	(694,126)	0	(694,126)
Operation and maintenance							
of plant	597,054	0	0	0	(597,054)	0	(597,054)
Transportation	339,336	255	0	0	(339,081)	0	(339,081)
	<u>2,128,768</u>	<u>255</u>	<u>7,446</u>	<u>0</u>	<u>(2,121,067)</u>	<u>0</u>	<u>(2,121,067)</u>
Other expenditures:							
Facilities acquisitions	97,006	0	0	253	(96,753)	0	(96,753)
Long-term debt interest	72,922	0	0	0	(72,922)	0	(72,922)
AEA flowthrough	290,858	0	290,858	0	0	0	0
Depreciation(unallocated)*	132,361	0	0	0	(132,361)	0	(132,361)
	<u>593,147</u>	<u>0</u>	<u>290,858</u>	<u>253</u>	<u>(302,036)</u>	<u>0</u>	<u>(302,036)</u>
Total governmental activities	<u>7,705,755</u>	<u>500,583</u>	<u>1,775,414</u>	<u>253</u>	<u>(5,429,505)</u>	<u>0</u>	<u>(5,429,505)</u>
Business Type activities:							
Support services:							
Administration	515	0	0	0	0	(515)	(515)
Non-instructional programs:							
Nutrition services	360,396	199,460	128,468	0	0	(32,468)	(32,468)
Total business type activities	<u>360,911</u>	<u>199,460</u>	<u>128,468</u>	<u>0</u>	<u>0</u>	<u>(32,983)</u>	<u>(32,983)</u>
Total	<u>\$ 8,066,666</u>	<u>700,043</u>	<u>1,903,882</u>	<u>253</u>	<u>(5,429,505)</u>	<u>(32,983)</u>	<u>(5,462,488)</u>
General Revenues & Transfers:							
Property tax levied for:							
General purposes				\$ 2,265,604	0	2,265,604	
Debt service				31,944	0	31,944	
Capital outlay				50,695	0	50,695	
Income surtax				238,481	0	238,481	
Statewide sales, services and use tax				725,968	0	725,968	
Unrestricted state grants				2,437,376	0	2,437,376	
Unrestricted investment earnings				30,178	363	30,541	
Other				48,973	28,663	77,636	
Transfers				(2,295)	2,295	0	
Total general revenues & transfers				<u>5,826,924</u>	<u>31,321</u>	<u>5,858,245</u>	
Changes in net assets				397,419	(1,662)	395,757	
Net assets beginning of year				<u>3,538,125</u>	<u>55,087</u>	<u>3,593,212</u>	
Net assets end of year				<u>\$ 3,935,544</u>	<u>53,425</u>	<u>3,988,969</u>	

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

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 1,092,433	193,215	826,303	217,868	2,329,819
Receivables:					
Property tax:					
Delinquent	34,327	3,404	0	1,404	39,135
Succeeding year	2,329,690	175,000	0	121,457	2,626,147
Income surtax	213,764	0	0	0	213,764
Accounts	890	0	0	3,235	4,125
Due from other governments	197,250	0	127,676	0	324,926
TOTAL ASSETS	\$ 3,868,354	371,619	953,979	343,964	5,537,916
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 222,201	0	6,647	7,570	236,418
Salaries and benefits payable	520,448	0	0	168	520,616
Deferred revenue:					
Succeeding year property tax	2,329,690	175,000	0	121,457	2,626,147
Income surtax	213,764	0	0	0	213,764
Total liabilities	3,286,103	175,000	6,647	129,195	3,596,945
Fund balances:					
Reserved for:					
Debt service	0	0	0	557	557
Categorical funding	181,428	0	0	0	181,428
Unreserved fund balance	400,823	196,619	947,332	214,212	1,758,986
Total fund balances	582,251	196,619	947,332	214,769	1,940,971
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,868,354	371,619	953,979	343,964	5,537,916

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total fund balances of governmental funds (page 20)	\$	1,940,971
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		3,820,153
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		213,764
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.		(5,440)
Long-term liabilities, including general obligation bonds payable, early retirement payable 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.		(2,033,904)
		<hr style="width: 100%;"/>
Net assets of governmental activities (page 18)	\$	<u><u>3,935,544</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,301,264	204,379	725,968	82,639	3,314,250
Tuition	297,250	0	0	0	297,250
Other	202,791	14,326	4,295	171,404	392,816
State sources	3,499,627	153	0	63	3,499,843
Federal sources	602,868	0	0	0	602,868
Total revenues	<u>6,903,800</u>	<u>218,858</u>	<u>730,263</u>	<u>254,106</u>	<u>8,107,027</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	3,167,332	55,739	0	0	3,223,071
Special	776,459	0	0	0	776,459
Other	774,647	0	0	180,769	955,416
	<u>4,718,438</u>	<u>55,739</u>	<u>0</u>	<u>180,769</u>	<u>4,954,946</u>
Support services:					
Student	205,391	0	0	0	205,391
Instructional staff	205,512	0	87,349	0	292,861
Administration	664,399	2,791	0	0	667,190
Operation and maintenance of plant	496,033	105,989	0	0	602,022
Transportation	288,518	0	0	0	288,518
	<u>1,859,853</u>	<u>108,780</u>	<u>87,349</u>	<u>0</u>	<u>2,055,982</u>
Other expenditures:					
Facilities acquisitions	0	0	35,695	135,222	170,917
Long-term debt:					
Principal	0	0	0	255,000	255,000
Interest and fiscal charges	0	0	0	73,580	73,580
AEA flowthrough	290,858	0	0	0	290,858
	<u>290,858</u>	<u>0</u>	<u>35,695</u>	<u>463,802</u>	<u>790,355</u>
Total expenditures	<u>6,869,149</u>	<u>164,519</u>	<u>123,044</u>	<u>644,571</u>	<u>7,801,283</u>
Excess(Deficiency) of revenues over(under) expenditures	34,651	54,339	607,219	(390,465)	305,744
Other financing sources(uses):					
Transfer in	0	0	0	295,452	295,452
Transfer out	0	0	(295,452)	0	(295,452)
Total other financing sources(uses)	<u>0</u>	<u>0</u>	<u>(295,452)</u>	<u>295,452</u>	<u>0</u>
Net change in fund balances	34,651	54,339	311,767	(95,013)	305,744
Fund balance beginning of year	547,600	142,280	635,565	309,782	1,635,227
Fund balance end of year	<u>\$ 582,251</u>	<u>196,619</u>	<u>947,332</u>	<u>214,769</u>	<u>1,940,971</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds (page 22)	\$	305,744
 Amounts reported for governmental activities in the statement of activities are different because:		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	\$ 83,350	
Depreciation expense	<u>(201,738)</u>	(118,388)
 Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets		
		255,000
 Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		
		(1,558)
 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.		
		658
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Early retirement	\$ 8,075	
Other postemployment benefits	<u>(52,112)</u>	<u>(44,037)</u>
 Changes in net assets of governmental activities (page 19)	 \$	 <u><u>397,419</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 58,714
Accounts receivable	347
Inventories	9,639
Capital assets, net of accumulated depreciation	<u>31,431</u>
TOTAL ASSETS	<u>100,131</u>
LIABILITIES	
Accounts payable	16,018
Salaries and benefits payable	25,521
Unearned revenue	<u>5,167</u>
TOTAL LIABILITIES	<u>46,706</u>
NET ASSETS	
Invested in capital assets	31,431
Unrestricted	<u>21,994</u>
TOTAL NET ASSETS	<u>\$ 53,425</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2010

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 199,460
Miscellaneous	28,663
TOTAL OPERATING REVENUES	228,123
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	515
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	145,956
Benefits	20,905
Services	2,980
Supplies	182,619
Depreciation	6,386
	358,846
TOTAL OPERATING EXPENSES	359,361
OPERATING LOSS	(131,238)
NON-OPERATING REVENUES (EXPENSES):	
Loss on disposal	(1,550)
State sources	3,566
Federal sources	124,902
Interest income	363
TOTAL NON-OPERATING REVENUES (EXPENSES)	127,281
Change in net assets before other financing sources	(3,957)
Other financing sources:	
Capital contribution	2,295
	2,295
Change in net assets	(1,662)
Net assets beginning of year	55,087
Net assets end of year	\$ 53,425

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 199,317
Cash received from miscellaneous operating activities	28,663
Cash payments to employees for services	(166,265)
Cash payments to suppliers for goods or services	(159,586)
Net cash used in operating activities	(97,871)
Cash flows from non-capital financing activities:	
State grants received	3,566
Federal grants received	104,407
Net cash provided by non-capital financing activities	107,973
Cash flows from capital financing activities:	
Acquisition of capital assets	(11,956)
Cash flows from investing activities:	
Interest on investments	363
Net decrease in cash and cash equivalents	(1,491)
Cash and cash equivalents at beginning of year	60,205
Cash and cash equivalents at end of year	\$ 58,714
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (131,238)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	20,495
Depreciation	6,386
Increase in inventories	(9,639)
Increase in accounts payable	15,672
Increase in accounts receivable	(208)
Increase in salaries and benefits payable	596
Increase in unearned revenue	65
Net cash used in operating activities	\$ (97,871)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$20,495.

During the year ended June 30, 2010, the Nutrition Fund received \$2,295 in contributed capital from the Physical Plant and Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Private Purpose Trust</u>	<u>Agency</u>
	<u>Scholarship</u>	
ASSETS		
Cash and pooled investments	<u>\$ 14,521</u>	<u>114</u>
LIABILITIES		
Due to other groups	<u>0</u>	<u>114</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 14,521</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest income	\$ 269
	269
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	2,300
	2,300
Change in net assets	(2,031)
Net assets beginning of year	16,552
Net assets end of year	\$ 14,521

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

The North Linn Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Walker, Troy Mills and Coggon, Iowa, and the predominate agricultural territory in Benton, Buchanan, Delaware and Linn Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental fund:

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

The Management Levy Fund is used to account for the District's early retirement benefits, workmen's comprehensive claims, and payments for the District's property insurance.

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, machinery 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Intangibles	2 + years
Machinery and equipment	4-12 years

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

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

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures in the other expenditures function exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits 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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2010, the District had no investments.

(3) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 295,452

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

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. 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 the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the 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%. The District had no ISCAP activity during the year ended June 30, 2010.

During the year ended June 30, 2010, the District paid \$10,750 of interest on the ISCAP warrants.

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 85,533	14,251	3,100	96,684
Less accumulated depreciation	60,417	6,386	1,550	65,253
Business type activities capital assets, net	\$ 25,116	7,865	1,550	31,431

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 30,487	0	0	30,487
Total capital assets not being depreciated	<u>30,487</u>	<u>0</u>	<u>0</u>	<u>30,487</u>
Capital assets being depreciated:				
Buildings	5,906,395	71,616	0	5,978,011
Land improvements	543,749	0	0	543,749
Machinery and equipment	1,524,387	11,734	3,995	1,532,126
Total capital assets being depreciated	<u>7,974,531</u>	<u>83,350</u>	<u>3,995</u>	<u>8,053,886</u>
Less accumulated depreciation for:				
Buildings	2,415,150	114,374	0	2,529,524
Land improvements	381,250	17,987	0	399,237
Machinery and equipment	1,270,077	69,377	3,995	1,335,459
Total accumulated depreciation	<u>4,066,477</u>	<u>201,738</u>	<u>3,995</u>	<u>4,264,220</u>
Total capital assets being depreciated, net	<u>3,908,054</u>	<u>(118,388)</u>	<u>0</u>	<u>3,789,666</u>
Governmental activities capital assets, net	<u>\$ 3,938,541</u>	<u>(118,388)</u>	<u>0</u>	<u>3,820,153</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 6,176
Other		3,751
Support services:		
Administration		2,347
Operation and maintenance of plant		6,766
Transportation		50,337
		<u>69,377</u>
Unallocated depreciation		132,361
Total governmental activities depreciation expense		<u>\$ 201,738</u>
Business type activities:		
Food service operations		<u>\$ 6,386</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 2,155,000	0	255,000	1,900,000	260,000
Early retirement	89,867	47,664	55,739	81,792	43,326
Net OPEB liability	0	52,112	0	52,112	0
Total	<u>\$ 2,244,867</u>	<u>99,776</u>	<u>310,739</u>	<u>2,033,904</u>	<u>303,326</u>

General Obligation Bonds Payable

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	3.75 %	\$ 260,000	65,275	325,275
2012	3.85	270,000	56,955	326,955
2013	3.75	280,000	48,180	328,180
2014	3.85	290,000	38,800	328,800
2015	3.75	300,000	28,940	328,940
2016	3.75	310,000	18,440	328,440
2017	3.75	190,000	7,125	197,125
Total		<u>\$ 1,900,000</u>	<u>263,715</u>	<u>2,163,715</u>

Early Retirement

The District offers a voluntary early retirement plan to its licensed employees, administrators and board secretary. This voluntary early retirement plan is offered annually at the Board's discretion. Eligible employees must have been at least age fifty-five and have completed twenty years of consecutive service to the District. Employees must have completed an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to one-third of the employee's contracted teaching salary. Contracted extra-curricular salary, Phase II, Phase III, and Teacher Quality payments are excluded from the salary schedule for determining the employee's contracted salary. In addition to the cash payment, the retiree will receive \$400 per month deposited into a Health Reimbursement Account to be used for eligible medical expenses as defined by IRS Code 213. Employees will receive early retirement benefits in two payments the year following separation from the District. Early retirement benefits paid during the year ended June 30, 2010 totaled \$55,739.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% 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 contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$272,022, \$257,164, and \$232,649 respectively, equal to the required contributions for each year.

(8) **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/prescription drug and dental benefits for retirees and their spouses. There are 78 active and 7 retired members in the plan. Employees must be age 59 or older at retirement and have twenty or more years of continuous service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by 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 of the District (ARC), 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 June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 148,000
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>148,000</u>
Contributions made	<u>(158,000)</u>
Increase in net OPEB obligation	(10,000)
Net OPEB obligation - beginning of year	<u>0</u>
Net OPEB obligation - end of year	<u>\$ (10,000)</u>

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

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:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 148,000	106.76%	\$ (10,000)

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 \$1.576 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.576 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3,429,162, and the ratio of the UAAL to the covered payroll was 28.7%. 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 healthcare 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 the 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 that are 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 July 1, 2009 actuarial valuation date, the actuarial cost method was used. The actuarial assumptions include 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, applied on a gender-specific basis. Annual retirement assumptions were developed using tables contained in the 2006 Society of Actuaries Study.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$290,858 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.

(11) Budget Overexpenditure

During the year ended June 30, 2010, District expenditures in the other expenditures functional area exceeded budgeted amounts.

(12) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

Project	Amount
Teacher salary supplement	\$ 37,336
Beginning teacher mentoring	2,170
Market factor incentives	3,273
Four-year old, preschool state aid	118,473
Professional development for model core curriculum	20,176
Total	<u>\$ 181,428</u>

REQUIRED SUPPLEMENTARY INFORMATION

NORTH LINN COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,004,316	228,486	4,232,802	3,792,938	3,792,938	439,864
State sources	3,499,843	3,566	3,503,409	4,251,191	4,251,191	(747,782)
Federal sources	602,868	124,902	727,770	255,000	255,000	472,770
Total revenues	<u>8,107,027</u>	<u>356,954</u>	<u>8,463,981</u>	<u>8,299,129</u>	<u>8,299,129</u>	<u>164,852</u>
Expenditures/Expenses:						
Instruction	4,954,946	0	4,954,946	5,007,850	5,257,850	302,904
Support services	2,055,982	515	2,056,497	2,394,160	2,594,160	537,663
Non-instructional programs	0	358,846	358,846	365,000	485,000	126,154
Other expenditures	790,355	0	790,355	700,380	755,380	(34,975)
Total expenditures/expenses	<u>7,801,283</u>	<u>359,361</u>	<u>8,160,644</u>	<u>8,467,390</u>	<u>9,092,390</u>	<u>931,746</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	305,744	(2,407)	303,337	(168,261)	(793,261)	1,096,598
Other financing sources, net	0	745	745	0	0	745
Excess(deficiency) of revenues over(under) expenditures/expenses	305,744	(1,662)	304,082	(168,261)	(793,261)	1,097,343
Balance beginning of year	1,635,227	55,087	1,690,314	1,192,375	1,192,375	497,939
Balance end of year	<u>\$ 1,940,971</u>	<u>53,425</u>	<u>1,994,396</u>	<u>1,024,114</u>	<u>399,114</u>	<u>1,595,282</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$625,000.

During the year ended June 30, 2010, expenditures in the other expenditures function exceeded budgeted amounts.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	\$ -	\$ 985,357	\$ 985,357	0.0%	\$ 3,429,162	28.7%

See Note 8 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 LINN COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue Funds			Debt Service	Total Other Nonmajor Governmental Funds
	Student Activity	Physical Plant & Equipment Levy	Total Special Revenue Funds		
ASSETS					
Cash and pooled investments	\$ 128,029	89,839	217,868	0	217,868
Receivables:					
Property tax:					
Delinquent	0	847	847	557	1,404
Succeeding year	0	52,781	52,781	68,676	121,457
Accounts	940	2,295	3,235	0	3,235
TOTAL ASSETS	\$ 128,969	145,762	274,731	69,233	343,964
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,699	3,871	7,570	0	7,570
Salaries and benefits payable	168	0	168	0	168
Deferred revenue:					
Succeeding year property tax	0	52,781	52,781	68,676	121,457
Total liabilities	3,867	56,652	60,519	68,676	129,195
Fund balances:					
Reserved for debt service	0	0	0	557	557
Unreserved	125,102	89,110	214,212	0	214,212
Total fund balances	125,102	89,110	214,212	557	214,769
TOTAL LIABILITIES AND FUND BALANCES	\$ 128,969	145,762	274,731	69,233	343,964

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

	Special Revenue Funds			Debt Service	Total
	Physical Plant & Equipment Levy	Total Special Revenue Funds	Other Nonmajor Governmental Funds		
REVENUES:					
Local sources:					
Local tax	\$ 0	50,695	50,695	31,944	82,639
Other	169,581	107	169,688	1,716	171,404
State sources	0	38	38	25	63
TOTAL REVENUES	169,581	50,840	220,421	33,685	254,106
EXPENDITURES:					
Current:					
Instruction:					
Other	180,466	303	180,769	0	180,769
Support services:					
Other expenditures:					
Facilities acquisition	0	135,222	135,222	0	135,222
Long-term debt:					
Principal	0	0	0	255,000	255,000
Interest and fiscal charges	0	0	0	73,580	73,580
TOTAL EXPENDITURES	180,466	135,525	315,991	328,580	644,571
Excess(Deficiency) of revenues over(under) expenditures	(10,885)	(84,685)	(95,570)	(294,895)	(390,465)
Other financing sources:					
Transfer in	0	0	0	295,452	295,452
Change in fund balance	(10,885)	(84,685)	(95,570)	557	(95,013)
Fund balance beginning of year	135,987	173,795	309,782	0	309,782
Fund balance end of year	\$ 125,102	89,110	214,212	557	214,769

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Track	\$ 36	4,447	4,483	0
Golf	0	848	740	108
Boys Basketball	7,337	4,618	5,152	6,803
Football	9,309	10,025	13,519	5,815
Baseball	0	4,300	3,839	461
Wrestling	14,414	11,313	12,311	13,416
Girls Basketball	5,757	4,665	3,186	7,236
Volleyball	2,854	3,511	2,458	3,907
Softball	53	4,522	3,888	687
Class of 2009	0	504	504	0
Class of 2010	2,715	0	2,715	0
Class of 2011	0	20,771	18,120	2,651
Speech	1,562	1,924	1,921	1,565
Vocal Music	2,006	2,765	3,904	867
Instrumental Music	2,002	1,276	1,996	1,282
Entrepreneurship	539	0	0	539
Publication	13,048	7,325	6,657	13,716
Cheerleaders	0	2,978	2,334	644
Pom Pom Squad	30	0	0	30
Peer Groups	73	0	72	1
National Honor Society	2,585	800	866	2,519
HS Student Council	15,517	4,543	4,831	15,229
FFA	14,841	43,001	43,745	14,097
FCCLA	197	841	592	446
Weight Room	10,042	1,254	0	11,296
MS Student Council	26,600	20,661	28,671	18,590
FBLA	736	4,996	4,389	1,343
JH Society	1,068	1,169	1,190	1,047
Now Interest	2,268	2,195	4,348	115
Milk Machine	398	4,329	4,035	692
Total	\$ 135,987	169,581	180,466	125,102

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2010

	Private Purpose Trust - Scholarship Fund			
	Mills Scholarship	McKinley Scholarship	Kinley Scholarship	Total
ASSETS				
Cash and pooled investments	\$ 647	5,514	8,360	14,521
LIABILITIES				
	\$ 0	0	0	0
NET ASSETS				
Reserved for scholarships	\$ 647	5,514	8,360	14,521

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust - Scholarship Fund			
	Mills Scholarship	McKinley Scholarship	Kinley Scholarship	Total
ADDITIONS:				
Local sources:				
Interest income	\$ 19	146	104	269
DEDUCTIONS:				
Instruction:				
Regular:				
Scholarships awarded	100	200	2,000	2,300
Changes in net assets	(81)	(54)	(1,896)	(2,031)
Net assets beginning of year	728	5,568	10,256	16,552
Net assets end of year	\$ 647	5,514	8,360	14,521

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2010

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 114	0	0	114
LIABILITIES				
Due to other groups	\$ 114	0	0	114

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 3,314,250	3,060,992	2,996,485	2,441,432	2,406,429	2,356,926	2,318,829
Tuition	297,250	286,111	294,485	289,849	292,486	237,936	198,987
Other	392,816	356,610	364,678	314,405	238,821	319,973	252,767
State sources	3,499,843	4,009,063	4,029,917	3,468,493	3,328,149	3,268,618	3,050,813
Federal sources	602,868	209,065	143,541	132,745	146,804	127,656	146,379
Total	\$ 8,107,027	7,921,841	7,829,106	6,646,924	6,412,689	6,311,109	5,967,775
Expenditures:							
Current:							
Instruction:							
Regular	\$ 3,223,071	3,138,219	3,007,751	2,840,464	2,791,580	2,461,292	2,534,032
Special	776,459	854,547	772,213	815,700	704,901	639,555	754,462
Other	955,416	809,352	744,696	597,184	425,199	641,595	475,431
Support services:							
Student	205,391	209,469	129,828	122,142	128,534	123,198	115,550
Instructional staff	292,861	275,602	250,903	206,936	199,810	232,046	186,579
Administration	667,190	679,165	665,138	681,308	606,137	549,813	541,624
Operation and maintenance of plant	602,022	588,438	602,917	595,059	601,239	592,889	506,464
Transportation	288,518	370,050	349,304	283,171	351,768	258,706	219,151
Non-instructional programs	0	477	0	0	0	0	0
Other expenditures:							
Facilities acquisitions	170,917	189,399	109,603	159,217	147,017	91,831	131,972
Long-term debt:							
Principal	255,000	240,000	235,000	225,000	225,000	215,000	195,000
Interest	73,580	80,780	87,830	94,580	101,330	107,780	124,574
AEA flow-through	290,858	263,980	253,961	231,745	219,341	217,479	214,176
Total	\$ 7,801,283	7,699,478	7,209,144	6,852,506	6,501,856	6,131,184	5,999,315

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	\$ 16,171
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	107,881 *
			<u>124,052</u>
STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	10.564	FY 10	<u>850</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3744-G	48,941
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	5,401
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	27,079
			<u>81,421</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	<u>1,866</u>
ADVANCED PLACEMENT PROGRAM	84.330	FY 10	<u>56</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 10	<u>33,056</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 10	<u>4,667</u>
STATE FISCAL STABILIZATION FUND (SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>332,034</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 10	37,663
SPECIAL EDUCATION GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 09	20,597
SPECIAL EDUCATION GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	82,386
			<u>140,646</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	<u>8,869</u>
DEPARTMENT OF HOMELAND SECURITY:			
IOWA DEPARTMENT OF PUBLIC DEFENSE:			
IOWA HOMELAND SECURITY AND EMERGENCY MANAGEMENT DIVISION:			
DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	FY 10	<u>253</u>
TOTAL			<u>\$ 727,770</u>

* - Includes \$20,495 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the North Linn Community School District and is presented in conformity with 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 Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Linn Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 11, 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 Linn Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of North Linn Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Linn Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 a material weakness.

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 misstatement 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 deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Linn Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not

express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part 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 Linn 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 Linn Community School District's responses and, accordingly, we express no opinion on them.

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2011

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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 Linn Community School District:

Compliance

We have audited the compliance of North Linn Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. North Linn 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 grant agreements applicable to each of its major federal programs is the responsibility of North Linn Community School District's management. Our responsibility is to express an opinion on North Linn 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 Linn 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 Linn Community School District's compliance with those requirements.

In our opinion, North Linn 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

The management of North Linn Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered North Linn Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order 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 Linn Community School District's internal control over compliance.

Members American Institute & Iowa Society of Certified Public Accountants

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

North Linn Community School District's responses to the 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 response and, accordingly, we express no opinion on them.

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2011

NORTH LINN 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) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were the following:
 - Cluster
 - CFDA Number 84.027 - Special Education - Grants to States(Part B)
 - CFDA Number 84.391 - Special Education - Grants to States(Part B), Recovery Act
 - Individual
 - CFDA Number 84.394 - State Fiscal Stabilization Fund (SFSF)
Education State Grants, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) North Linn Community School District did not qualify as a low-risk auditee.

NORTH LINN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-10 Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal control through the segregation of duties. We noted that the same individual performs the following duties: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information. A small staff makes it difficult to establish an ideal system of internal control, but the District has taken steps to segregate duties between current personnel.

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

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

Conclusion - Response accepted.

NORTH LINN 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 DEFICIENCY:

CFDA Number 84.027 - Special Education - Grants to States(Part B)
CFDA Number 84.391 - Special Education - Grants to States(Part B), Recovery Act
Federal Award Year: 2009 & 2010
Department of Education
Passed through the Iowa Department of Education

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

III-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits, bank reconciliations, posting of cash receipts to the cash receipts journal, and payroll and payroll records are all done by the same person.

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

Response - The District will review the policy and structure for possible adjustments in duties.

Conclusion - Response accepted.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010 exceeded the budgeted amount in the other expenditures program area.

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

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

IV-B-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-10 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jim Meisheid, Board Member Spouse owns Sherbon's Market	Supplies	\$489

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the spouse of the board member do not appear to represent a conflict of interest.

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-10 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-10 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-10 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.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$	14,825
Statewide sales, services and use tax revenue			725,968
Expenditures/transfers out:			
School Infrastructure			
Buildings	\$	35,695	
Equipment		87,349	
Debt service for school infrastructure			
General obligation bonds		295,452	418,496
			<hr/>
Ending Balance		\$	<u>322,297</u>

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010, the District reduced the following levies:

	<hr/> Per \$1,000 of Taxable Valuation <hr/>	<hr/> Property Tax Dollars <hr/>
Debt service levy	\$ 1.91046	\$ 295,452
Physical plant and equipment levy	1.34000	207,231
Total	<hr/> \$ 3.25046 <hr/>	<hr/> \$ 502,683 <hr/>

IV-M-10 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations that have been outstanding for over a year.

Recommendation - The District should determine if the outstanding checks should be reissued, voided or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the District must do so annually before November 1st as required by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Response - The District will determine whether outstanding checks should be reissued, voided or submitted to the State as unclaimed property and be handled appropriately.

Conclusion - Response accepted.