

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

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Independent Auditor's Report

To the Board of Education of
North Iowa 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 Iowa Community School District, Buffalo Center, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Iowa Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2005, on our consideration of North Iowa Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Iowa 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, 2004, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

November 1, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The North Iowa 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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Voters of Winnebago County authorized a one-cent local option sales tax for the period July 1, 2004 through June 30, 2005. Those funds will be designated by the school board each year to two general areas; a) property tax relief, b) infrastructure issues as identified in the ballot question. For the 2004-2005 school year the funds were allocated to meet the following list of infrastructure issues (the list is not all inclusive): a) middle school remodeling and air conditioning, b) auditorium renovation, c) general upkeep and remodeling of classrooms throughout the district.
- General Fund revenues increased from \$4,676,522 in fiscal 2004 to \$4,924,117 in fiscal 2005, while General Fund expenditures increased from \$4,761,650 in fiscal 2004 to \$5,195,176 in fiscal 2005. The District's General Fund balance decreased from \$959,203 in fiscal 2004 to \$689,092 in fiscal 2005, a 28% decrease.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2005. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the North Iowa 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 Iowa 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 the North Iowa Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

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

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

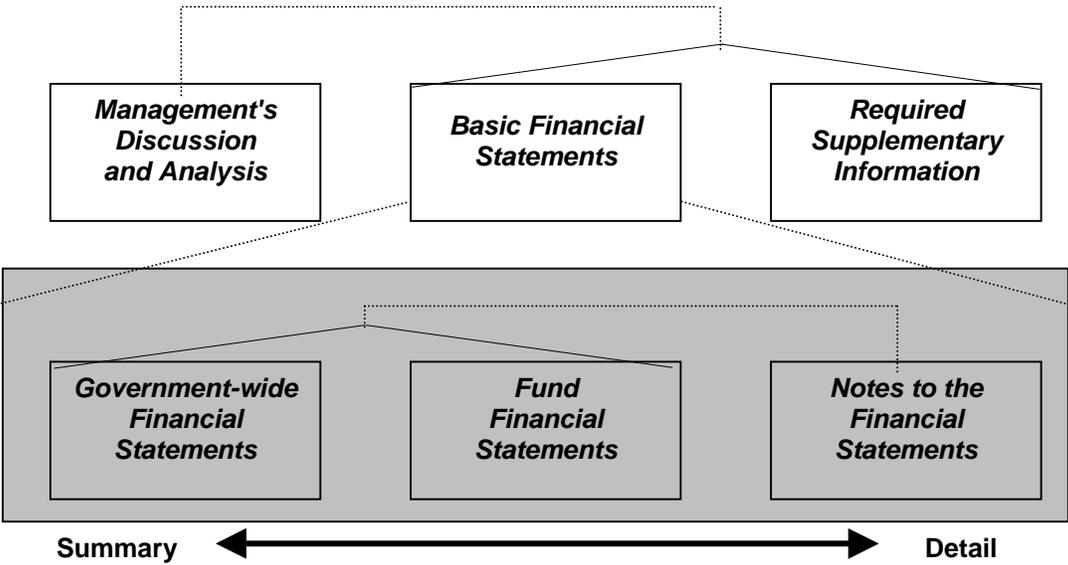


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net assets are an indicator of whether financial position is improving or deteriorating. To assess

the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

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

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

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

- 1) *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 two Enterprise Funds, the School Nutrition Fund and the FFA Projects Fund.
- 2) The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.
- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations – for scholarships for individual students in this fund.
 - Agency Funds – These are funds through which the District administers and accounts for certain assets held by the District as an agent for others.

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

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

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

Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004. As explained in note 12 to the financial statements, 2004 capital assets have been restated.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005	2004 Restated	2005	2004	2005	2004 Restated	
	\$	\$	\$	\$	\$	\$	%
Current and other assets	5,166,166	5,646,131	61,423	40,460	5,227,589	5,686,591	-8.1
Capital assets	4,657,181	4,559,589	19,453	22,091	4,676,634	4,581,680	2.1
Total assets	9,823,347	10,205,720	80,876	62,551	9,904,223	10,268,271	-3.5
Long-term liabilities	2,930,000	3,055,000	0	0	2,930,000	3,055,000	-4.1
Other liabilities	3,872,175	4,271,415	2,832	3,576	3,875,007	4,274,991	-9.4
Total liabilities	6,802,175	7,326,415	2,832	3,576	6,805,007	7,329,991	-7.2
Net Assets:							
Invested in capital assets, net of related debt	1,727,181	1,504,589	19,453	22,091	1,746,634	1,526,680	14.4
Restricted	425,542	205,108	0	0	425,542	205,108	107.5
Unrestricted	868,449	1,169,608	58,591	36,884	927,040	1,206,492	-23.2
TOTAL NET ASSETS	3,021,172	2,879,305	78,044	58,975	3,099,216	2,938,280	5.5

The District's combined net assets increased by approximately 5.5%, or \$160,936 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$220,434 or approximately 107.5% over the prior year. The increase was primarily a result of physical plant and equipment property tax revenues and sales tax revenues that were not spent during the year and must be used for future capital improvements and equipment purchases.

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 \$279,452 or approximately 23%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

Figure A-4

	Change in Net Assets						Percentage Change 2004-2005 %
	Governmental Activities		Business-type Activities		Total School District		
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	
Revenues							
Program Revenues:							
Charges for services	363,707	329,631	147,822	141,854	511,529	471,485	8.5
Operating grants & contributions	574,024	533,328	110,403	103,128	684,427	636,456	7.5
Capital grants & contributions	46,155	0	0	0	46,155	0	0
General Revenues:							
Property taxes	2,202,756	2,212,208	0	0	2,202,756	2,212,208	-4
Income Surtax	277,537	245,752	0	0	277,537	245,752	12.9
Local option sales tax	287,962	26,082	0	0	287,962	26,082	1004.1
Unrestricted state grants	1,960,274	1,835,396	0	0	1,960,274	1,835,396	6.8
Unrestricted investment earnings	47,688	29,593	0	0	47,688	29,593	61.1
Other revenue	138,454	23,676	0	0	138,454	23,676	484.8
Total Revenues	5,898,557	5,235,666	258,225	244,982	6,156,782	5,480,648	12.3
Expenses:							
Instruction	3,306,609	3,233,014	0	0	3,306,609	3,233,014	2.3
Support services	1,753,197	1,601,739	0	0	1,753,197	1,601,739	9.5
Non-instructional programs	18,117	14,605	239,156	227,651	257,273	242,256	6.2
Other expenditures	678,767	623,144	0	0	678,767	623,144	8.9
Total expenses	5,756,690	5,472,502	239,156	227,651	5,995,846	5,700,153	5.2
CHANGE IN NET ASSETS	141,867	(236,836)	19,069	17,331	160,936	(219,505)	

Property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 84% of the total expenses.

Governmental Activities

Governmental Activity revenues increased over \$660,000 between fiscal years 2005 and 2004. \$262,000 of the increase is attributable to the 1% school local option sales tax that took effect July 1, 2004 in Winnebago County, \$125,000 is the result of increased state aid and \$132,000 was derived from insurance claims and construction sales tax refunds.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2005 \$	Total Cost of Services 2004 \$	Net Cost of Services 2005 \$	Net Cost of Services 2004 \$
Instruction	3,306,609	3,233,014	2,552,716	2,558,819
Support Services	1,753,197	1,601,739	1,751,320	1,599,364
Non-instructional Programs	18,117	14,605	18,117	14,605
Other Expenses	678,767	623,144	450,651	436,755

TOTAL	<u>5,756,690</u>	<u>5,472,502</u>	<u>4,772,804</u>	<u>4,609,543</u>
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- The cost financed by users of the District's programs was \$363,707. These revenues include tuition charged to other schools and proceeds from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$574,024.
- The net cost of governmental activities was financed with \$2,202,756 in property taxes, \$277,537 in income surtaxes, \$287,982 in sales taxes and \$1,960,274 in unrestricted state grants

Business Type Activities

Revenues for business type activities were \$258,225 and expenses were \$239,156. The District's business type activities include the School Nutrition Fund and FFA Projects Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and fruit sales.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,055,404, below last year's ending fund balances of \$1,143,461.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$959,203 to \$689,092, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PEEL) Fund balance increased from \$18,570 in fiscal 2004 to \$97,635 in fiscal 2005. While revenues remained approximately the same, the District substantially reduced spending from the PEEL Fund in order to reduce the prior year deficit and improve the financial condition of the fund. The balance in this fund must be used for capital improvements and equipment purchases.
- The Capital Projects Fund balance increased from \$18,648 at June 30, 2004 to \$197,536 at June 30, 2005. The increase is the result of increased sales tax revenues. The balance in this fund must be used for capital improvements and equipment purchases.
- Management Fund revenues exceeded expenditures by \$66,355 during the year. The management property tax levy was decreased for fiscal year 2005 so that prior year carryover balances would be used.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$51,089 at June 30, 2004 to \$74,934 at June 30, 2005, representing an increase of approximately 47%. For fiscal 2005, the District increased meal prices, resulting in the increase in net assets. The District participates in the Iowa Educators Consortium for food purchases and there have been no major equipment purchases.

BUDGETARY HIGHLIGHTS

The District's receipts were \$55,208 less than budgeted receipts, a variance of 1%. The most significant variance resulted from the District receiving less in state aid than originally anticipated. Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$4.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 2% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$235,284.

During fiscal year 2005 the District spent \$153,000 to remodel the middle school locker room, replaced bleachers in the Buffalo Center gymnasium for \$56,000 and purchased a bus for \$48,500. The District also acquired a bronze sculpture, "Love of Learning." The sculpture was financed with \$22,000 of donations and \$30,000 of District funds.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2004-2005
	Activities		Activities		School District		
	2005	2004 Restated	2005	2004	2005	2004 Restated	
	\$	\$	\$	\$	\$	\$	
Land	11,000	11,000	0	0	11,000	11,000	0%
Work of Art	52,000	0	0	0	52,000	0	0%
Buildings	4,154,551	4,098,299	0	0	4,154,551	4,098,299	1%
Improvements	210,789	222,701	0	0	210,798	222,701	(5%)
Equipment & Furniture	228,832	227,589	19,453	22,091	248,285	249,680	(1%)
TOTAL	4,657,181	4,559,589	19,453	22,091	4,676,634	4,581,680	2%

Long-Term Debt

At June 30, 2005, the District had \$2,930,000 in general obligation debt outstanding. This represents a decrease of approximately 4.1% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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

	Total School District		Percentage
	2005	2004	Change
	\$	\$	2004-2005
General Obligation Bonds	<u>2,930,000</u>	<u>3,055,000</u>	<u>-4.1</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT’S FUTURE

The North Iowa Community School District is no different from any other rural school district. Declining enrollments, aging population, loss of small family farms and business, and a fiscally hostile legislature are all factors that stress rural districts. The District is well aware of the natural loss of revenue caused by large graduating classes and small entering kindergarten classes. The North Iowa Community School has positioned itself to remain healthy in the future. The District’s solid cash balance and unspent balance allow the district to meet unanticipated financial stressors that are out of the power of the administration and elected school officials to control. The main focus of all expenditures set forth by the district will remain focused toward greater student achievement. As part of that focus facilities, curriculum, and personnel will be vital to meeting that goal. The district will retire a core of veteran teachers and support staff members over the next few years and realizes the impact that will have on the payroll side of the financial ledger. The district is also concerned about maintaining a high quality staff and is working to maintain a very high base salary and attractive benefits in an attempt to attract the best and brightest candidates to our district. Local economic development will help the district maintain a low tax levy rate yet utility and health insurance costs will cause tension in the District’s attempt to maintain fiscal health. The dramatic increase in fuel prices and heating costs was not anticipated when the budget was certified in April, 2005, yet the positive cash position of the district has allowed it to absorb the unexpected increase without impacting the quality of education provided to students.

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 Larry Hill, Superintendent, North Iowa Community School District, 111 3rd Ave. N.W., P. O. Box 510, Buffalo Center, Iowa, 50424.

BASIC FINANCIAL STATEMENTS

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	900,293	-	900,293
Other	1,459,560	57,372	1,516,932
Receivables:			
Property tax:			
Delinquent	24,509	-	24,509
Succeeding year	2,220,052	-	2,220,052
Accounts	65,500	322	65,822
Accrued interest ISCAP	6,207	-	6,207
Due from other governments	490,045	-	490,045
Inventories	-	3,729	3,729
Capital assets, net of accumulated depreciation	4,657,181	19,453	4,676,634
Total assets	9,823,347	80,876	9,904,223
Liabilities			
Warrants issued in excess of bank balance	561,484	-	561,484
Accounts payable	138,521	-	138,521
Salaries and benefits payable	28,363	-	28,363
Accrued interest payable	11,445	-	11,445
Deferred revenue:			
Succeeding year property tax	2,220,052	-	2,220,052
Other	-	2,832	2,832
ISCAP warrants payable	897,000	-	897,000
ISCAP accrued interest payable	6,572	-	6,572
ISCAP premium payable	8,738	-	8,738
Long-term liabilities			
Portion due within one year:			
General obligation bonds payable	130,000	-	130,000
Portion due after one year:			
General obligation bonds payable	2,800,000	-	2,800,000
Total liabilities	6,802,175	2,832	6,805,007
Net assets			
Invested in capital assets, net of related debt	1,727,181	19,453	1,746,634
Restricted for:			
Iowa early intervention block grant	39,835	-	39,835
Management levy	48,725	-	48,725
Physical plant and equipment levy	97,635	-	97,635
Other special revenue purposes	41,811	-	41,811
Local option sales tax capital projects	197,536	-	197,536
Unrestricted	868,449	58,591	927,040
Total net assets	3,021,172	78,044	3,099,216

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	1,936,929	184,763	219,885	-
Special instruction	947,562	59,201	163,536	-
Other instruction	422,118	119,390	7,118	-
	<u>3,306,609</u>	<u>363,354</u>	<u>390,539</u>	<u>-</u>
Support services:				
Student services	125,241	-	1,292	-
Instructional staff services	237,920	-	-	-
Administration services	595,178	-	-	-
Operation and maintenance of plant services	509,059	353	-	-
Transportation services	285,799	-	232	-
	<u>1,753,197</u>	<u>353</u>	<u>1,524</u>	<u>-</u>
Non-instructional programs	<u>18,117</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	214,453	-	-	46,155
Long-term debt interest	143,070	-	-	-
AEA flowthrough	181,961	-	181,961	-
Depreciation (unallocated)*	139,283	-	-	-
	<u>678,767</u>	<u>-</u>	<u>181,961</u>	<u>46,155</u>
Total governmental activities	<u>5,756,690</u>	<u>363,707</u>	<u>574,024</u>	<u>46,155</u>
Business type activities:				
Non-instructional programs:				
Food service operations	199,078	112,520	110,403	-
FFA projects	40,078	35,302	-	-
Total business-type activities	<u>239,156</u>	<u>147,822</u>	<u>110,403</u>	<u>-</u>
Total	<u>5,995,846</u>	<u>511,529</u>	<u>684,427</u>	<u>46,155</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

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

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(1,532,281)	-	(1,532,281)
(724,825)	-	(724,825)
(295,610)	-	(295,610)
<u>(2,552,716)</u>	<u>-</u>	<u>(2,552,716)</u>
(123,949)	-	(123,949)
(237,920)	-	(237,920)
(595,178)	-	(595,178)
(508,706)	-	(508,706)
(285,567)	-	(285,567)
<u>(1,751,320)</u>	<u>-</u>	<u>(1,751,320)</u>
(18,117)	-	(18,117)
(168,298)	-	(168,298)
(143,070)	-	(143,070)
-	-	-
<u>(139,283)</u>	<u>-</u>	<u>(139,283)</u>
<u>(450,651)</u>	<u>-</u>	<u>(450,651)</u>
<u>(4,772,804)</u>	<u>-</u>	<u>(4,772,804)</u>
-	23,845	23,845
-	<u>(4,776)</u>	<u>(4,776)</u>
-	<u>19,069</u>	<u>19,069</u>
<u>(4,772,804)</u>	<u>19,069</u>	<u>(4,753,735)</u>
1,865,969	-	1,865,969
259,581	-	259,581
77,206	-	77,206
277,537	-	277,537
287,962	-	287,962
1,960,274	-	1,960,274
47,688	-	47,688
138,454	-	138,454
<u>4,914,671</u>	<u>-</u>	<u>4,914,671</u>
141,867	19,069	160,936
<u>2,879,305</u>	<u>58,975</u>	<u>2,938,280</u>
<u>3,021,172</u>	<u>78,044</u>	<u>3,099,216</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2005

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Assets			
Cash and pooled investments:			
ISCAP	900,293		900,293
Other	1,204,409	255,151	1,459,560
Receivables:			
Property tax:			
Delinquent	20,446	4,063	24,509
Succeeding year	1,820,717	399,335	2,220,052
Accounts		65,500	65,500
Accrued interest - ISCAP	6,207	-	6,207
Accrued interest - other	-	-	-
Interfund receivable	-	5,000	5,000
Due from other governments	394,531	95,514	490,045
	<u>4,346,603</u>	<u>824,563</u>	<u>5,171,166</u>
Liabilities and Fund Balances			
Liabilities:			
Warrants issued in excess of bank balance	524,516	36,968	561,484
Accounts payable	116,573	21,948	138,521
Salaries and benefits payable	28,363	-	28,363
Interfund payable	5,000	-	5,000
ISCAP warrants payable	897,000	-	897,000
ISCAP accrued interest payable	6,572	-	6,572
ISCAP premium payable	8,738	-	8,738
Deferred revenue:			
Succeeding year property tax	1,820,717	399,335	2,220,052
Other	250,032	-	250,032
Total liabilities	<u>3,657,511</u>	<u>458,251</u>	<u>4,115,762</u>
Fund balances:			
Reserved for:			
Iowa early intervention block grant	39,835		39,835
Unreserved reported in:			
General fund	649,257		649,257
Debt service funds	-	(19,395)	(19,395)
Special revenue funds	-	188,171	188,171
Capital projects funds	-	197,536	197,536
Total fund balances	<u>689,092</u>	<u>366,312</u>	<u>1,055,404</u>
Total liabilities and fund balances	<u>4,346,603</u>	<u>824,563</u>	<u>5,171,166</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

	\$
Total fund balances of governmental funds (Exhibit C)	1,055,404
<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.	4,657,181
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	250,032
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(11,445)
Long-term liabilities, such as bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,930,000)</u>
Net assets of governmental activities (Exhibit A)	<u><u>3,021,172</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	2,099,349	662,059	2,761,408
Tuition	206,412	-	206,412
Other	84,312	204,832	289,144
State sources	2,323,077	254	2,323,331
Federal sources	210,967	-	210,967
Total revenues	<u>4,924,117</u>	<u>867,145</u>	<u>5,791,262</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	1,931,643	9,746	1,941,389
Special instruction	1,100,194	-	1,100,194
Other instruction	296,401	123,301	419,702
	<u>3,328,238</u>	<u>133,047</u>	<u>3,461,285</u>
Support services:			
Student services	125,241	-	125,241
Instructional staff services	196,184	-	196,184
Administration services	513,697	79,057	592,754
Operation and maintenance of plant services	549,257	-	549,257
Transportation services	282,481	-	282,481
	<u>1,666,860</u>	<u>79,057</u>	<u>1,745,917</u>
Non-instructional programs	<u>18,117</u>	<u>-</u>	<u>18,117</u>
Other expenditures:			
Facilities acquisition	-	269,932	269,932
Long-term debt:			
Principal	-	125,000	125,000
Interest and fiscal charges	-	143,555	143,555
AEA flowthrough	181,961	-	181,961
	<u>181,961</u>	<u>538,487</u>	<u>720,448</u>
Total expenditures	<u>5,195,176</u>	<u>750,591</u>	<u>5,945,767</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(271,059)</u>	<u>116,554</u>	<u>(154,505)</u>
Other financing sources (uses):			
Compensation for loss of fixed assets	-	65,500	65,500
Sales of materials and equipment	948	-	948
Total other financing sources (uses)	<u>948</u>	<u>65,500</u>	<u>66,448</u>
Net change in fund balances	(270,111)	182,054	(88,057)
Fund balances beginning of year	959,203	184,258	1,143,461
Fund balances end of year	<u>689,092</u>	<u>366,312</u>	<u>1,055,404</u>

See notes to financial statements.

NORTH IOWA 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, 2005

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(88,057)

**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 not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and donations of capital assets to the school exceeded depreciation expense in the year as follows:

Donations of capital assets	34,000	
Expenditures for capital assets	296,241	
Depreciation expense	<u>(232,649)</u>	97,592

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.

6,847

Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

125,000

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

485**Changes in net assets of governmental activities (Exhibit B)**141,867

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2005

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	57,372
Accounts receivable	322
Inventories	3,729
Capital assets, net of accumulated depreciation	<u>19,453</u>
Total assets	80,876
Liabilities	
Deferred revenue	<u>2,832</u>
Net assets	
Invested in capital assets, net of related debt	19,453
Unrestricted	<u>58,591</u>
Total net assets	<u><u>78,044</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>147,822</u>
Operating expenses:	
Non-instructional programs:	
Salaries	70,893
Benefits	12,195
Purchased services	783
Supplies	152,647
Depreciation	<u>2,638</u>
	<u>239,156</u>
Operating gain (loss)	<u>(91,334)</u>
Non-operating revenue:	
State sources	3,357
Federal sources	<u>107,046</u>
Total non-operating revenue	<u>110,403</u>
Change in net assets	19,069
Net assets beginning of year	<u>58,975</u>
Net assets end of year	<u><u>78,044</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2005

	Nonmajor Enterprise Funds
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	111,803
Cash received from other services	35,302
Cash payments to employees for services	(83,088)
Cash payments to suppliers for goods or services	(138,841)
Net cash used by operating activities	<u>(74,824)</u>
Cash flows from non-capital financing activities:	
State grants received	3,357
Federal grants received	92,275
Net cash provided by non-capital financing activities	<u>95,632</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	20,808
Cash and cash equivalents at beginning of year	<u>36,564</u>
Cash and cash equivalents at end of year	<u><u>57,372</u></u>
Reconciliation of operating gain (loss) to net cash used	
operating activities:	
Operating gain (loss)	(91,334)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	14,771
Depreciation	2,638
Decrease (increase) in inventories	(130)
Decrease (increase) in accounts receivable	(25)
(Decrease) increase in accounts payable	(52)
(Decrease) increase in deferred revenue	(692)
Net cash used in operating activities	<u><u>(74,824)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005 the District received \$14,771 of federal commodities.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2005

	Private Purpose Trust Scholarship <u> </u> \$	<u> </u> Agency \$
Assets		
Cash and pooled investments	254,082	50,000
Liabilities		
Other payables	<u> </u> -	<u> </u> 50,000
Net Assets		
Reserved for scholarships	<u> </u> <u> </u> 254,082	<u> </u> <u> </u> -

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trust Scholarship <u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	23,803
Interest	<u>8,660</u>
Total additions	<u>32,463</u>
Deductions:	
Support services:	
Scholarships awarded	<u>26,600</u>
Change in net assets	5,863
Net assets beginning of year, as restated	<u>248,219</u>
Net assets end of year	<u><u>254,082</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

1. Summary of Significant Accounting Policies

North Iowa Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Buffalo Center, Thompson, Rake, and Lakota, Iowa and the predominately agricultural territory in a portion of Kossuth and Winnebago 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 Iowa 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 Iowa Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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 clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 expenditures, including instructional, support and other costs.

The District's proprietary funds include the Enterprise, School Nutrition Fund and the FFA Projects Fund. The School Nutrition Fund is used to account for the food service operations of the District and the FFA Projects Fund is used to account for the business type activities of the FFA.

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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 the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004, through June 30, 2005, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	30,000
Improvements other than buildings	30,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Furniture and equipment	3-15 years

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

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

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

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

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts 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, 2005, disbursements did not exceed the amounts budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2005, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
	\$	
Bank of America Corp. Sub Notes Global	11,437	February 2010
Ford Motor Credit Bonds	18,445	November 2011
General Motor Accept. Smart Note	19,173	November 2008
387 Shares General Electric Company Common Stock	12,545	

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	1,253,643

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

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk: The investments were rated by Moody's Investors Service as follows:

	<u>Moody's Rating</u>
Bank of America Corp. Sub Notes Global	Aaa
Ford Motor Credit Bonds	Baa
General Motor Accept. Smart Note	Baa
Iowa Schools Joint Investment Trust Diversified Portfolio	Aaa

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. More than 5% of the District's investments are in the Iowa Schools Joint Investment Trust. The District's investment in the Iowa Schools Joint Investment Trust is 95% of the District's total investments.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
Nonmajor Funds:		
Physical Plant and Equipment Levy Fund	General Fund	5,000

The interfund receivable/payable transaction occurred during fiscal year 2002. The balance should be repaid within the next year.

4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2004-05A	6/30/04	6/30/05	-	104	-	-
2004-05B	1/28/05	1/27/06	443,277	6,005	442,000	6,485
2005-06A	6/30/05	6/30/06	457,016	98	455,000	87
Total			<u>900,293</u>	<u>6,207</u>	<u>897,000</u>	<u>6,572</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	-	-	-

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

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2004-05A	3.000	2.463
2004-05B	3.500	2.280
2005-06A	4.000	3.903

5. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Work of art	-	52,000	-	52,000
Land	11,000	-	-	11,000
Total capital assets not being depr.	<u>11,000</u>	<u>52,000</u>	<u>-</u>	<u>63,000</u>
Capital assets being depreciated:				
Buildings	6,384,098	183,632	-	6,567,730
Improvements other than buildings	449,131	-	-	449,131
Furniture and equipment	1,088,449	94,609	-	1,183,058
Total capital assets being deprec.	<u>7,921,678</u>	<u>278,241</u>	<u>-</u>	<u>8,199,919</u>
Less accumulated depreciation for:				
Buildings	2,285,799	127,380	-	2,413,179
Improvements other than buildings	226,430	11,903	-	238,333
Furniture and equipment	860,860	93,366	-	954,226
Total accumulated depreciation	<u>3,373,089</u>	<u>232,649</u>	<u>-</u>	<u>3,605,738</u>
Total capital assets being depreciated, net	<u>4,548,589</u>	<u>45,592</u>	<u>-</u>	<u>4,594,181</u>
Governmental activities capital Assets, net	<u>4,559,589</u>	<u>97,592</u>	<u>-</u>	<u>4,657,181</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	78,159	-	-	78,159
Less accumulated depreciation	<u>56,068</u>	<u>2,638</u>	<u>-</u>	<u>58,706</u>
Business type activities capital assets, net	<u>22,091</u>	<u>(2,638)</u>	<u>-</u>	<u>19,453</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	2,840
Other	2,416
Support Services:	
Instructional staff services	41,736
Administration services	2,424

Operation and maintenance of plant services	1,832
Transportation	42,118
	<u>93,366</u>
Unallocated depreciation	<u>139,283</u>
Total depreciation expense – governmental activities	<u>232,649</u>
Business type activities:	
Food services	<u>2,635</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	<u>3,055,000</u>	-	<u>125,000</u>	<u>2,930,000</u>	<u>130,000</u>

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of March, 2001			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2006	4.65	130,000	137,342	267,342
2007	4.65	140,000	131,298	271,298
2008	4.65	145,000	124,788	269,788
2009	4.65	155,000	118,045	273,045
2010	4.65	165,000	110,837	275,837
2011-2015	4.70	970,000	425,875	1,395,875
2016-2020	4.70	<u>1,225,000</u>	<u>179,070</u>	<u>1,404,070</u>
		<u>2,930,000</u>	<u>1,227,255</u>	<u>4,157,255</u>

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 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$174,607, \$168,335, and \$161,516 respectively, equal to the required contributions for each year.

8. Risk Management

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$181,961 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Construction Commitment

The District has entered into contracts totaling \$50,007 for repairs and remodeling. Work on the projects had not started as of June 30, 2005.

11. Deficit Fund Balances

At June 30, 2005 the District had a \$19,395 deficit fund balance in the Debt Service Fund.

12. Statement of Activities and Statement of Changes in Fiduciary Net Assets, Restatement of Beginning Net Assets

The beginning net assets for the Statement of Activities was decreased by \$293,000 for errors on the June 30, 2004 depreciation schedule.

The beginning net assets of the Fiduciary, Private Purpose Trust Funds was increased by \$126,644 for scholarship funds that are owned by the District, but were not part of the District's financial accounting system and were not included in prior year financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	3,193,092	147,105	3,340,197	3,306,393	3,306,393	33,804
Intermediate sources	-	-	-	500	500	(500)
State sources	2,323,331	3,357	2,326,688	2,390,211	2,390,211	(63,523)
Federal sources	154,415	107,046	261,461	286,450	286,450	(24,989)
Total receipts	<u>5,670,838</u>	<u>257,508</u>	<u>5,928,346</u>	<u>5,983,554</u>	<u>5,983,554</u>	<u>(55,208)</u>
Disbursements:						
Instruction	3,466,200	-	3,466,200	3,692,900	3,692,900	226,700
Support services	1,736,415	-	1,736,415	2,149,347	2,149,347	412,932
Non-instructional programs	18,633	236,700	255,333	260,305	260,305	4,972
Other expenditures	831,211	-	831,211	902,294	902,294	71,083
Total disbursements	<u>6,052,459</u>	<u>236,700</u>	<u>6,289,159</u>	<u>7,004,846</u>	<u>7,004,846</u>	<u>715,687</u>
Excess (deficiency) of receipts over (under) disbursements	(381,621)	20,808	(360,813)	(1,021,292)	(1,021,292)	660,479
Other financing sources (uses) net	<u>948</u>	<u>-</u>	<u>948</u>	<u>750</u>	<u>750</u>	<u>198</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	(380,673)	20,808	(359,865)	(1,020,542)	(1,020,542)	660,677
Balance beginning of year	<u>1,278,749</u>	<u>36,564</u>	<u>1,315,313</u>	<u>1,198,776</u>	<u>1,198,776</u>	<u>116,537</u>
Balance end of year	<u><u>898,076</u></u>	<u><u>57,372</u></u>	<u><u>955,448</u></u>	<u><u>178,234</u></u>	<u><u>178,234</u></u>	<u><u>777,214</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	5,670,838	120,424	5,791,262
Expenditures	6,052,459	(106,692)	5,945,767
Net	(381,621)	227,116	(154,505)
Other financing sources (uses) net	948	65,500	66,448
Beginning fund balances	1,278,749	(135,288)	1,143,461
Ending fund balances	898,076	157,328	1,055,404

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	257,508	717	258,225
Expenditures	236,700	2,456	239,156
Net	20,808	(1,739)	19,069
Beginning fund balances	35,564	23,411	58,975
Ending fund balances	56,372	21,672	78,044

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the [cash basis](#). [Encumbrances are not recognized on the cash basis budget](#) and appropriations lapse at year end.

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

OTHER SUPPLEMENTARY INFORMATION

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

Assets	Special Revenue Funds							Total
	Management	Student	Physical	Public	District	Capital	Debt	
	Levy	Activity	Plant and	Education	Support	Projects	Service	
		Equipment	and	Trust				
	\$	Fund	Levy	Recreation	\$	\$	\$	\$
				Levy				
Cash and pooled investments	48,613	31,262	43,490	12,832	11,188	102,022	5,744	255,151
Receivables:								
Property tax:								
Delinquent	112	-	746	305	-	-	2,900	4,063
Succeeding year	35,000	-	69,274	27,418	-	-	267,643	399,335
Accounts	-	-	65,500	-	-	-	-	65,500
Interfund receivable	-	-	5,000	-	-	-	-	5,000
Due from other governments	-	-	-	-	-	95,514	-	95,514
Total assets	83,725	31,262	184,010	40,555	11,188	197,536	276,287	824,563
Liabilities & Fund Balances								
Liabilities:								
Accounts payable	-	810	8,172	12,832	134	-	-	21,948
Excess of warrants issued over bank balance	-	-	8,929	-	-	-	28,039	36,968
Deferred revenue:								
Succeeding year property tax	35,000	-	69,274	27,418	-	-	267,643	399,335
Total liabilities	35,000	810	86,375	40,250	134	-	295,682	458,251
Fund balances:								
Unreserved reported in:								
Debt Service Fund	-	-	-	-	-	-	(19,395)	(19,395)
Special revenue funds	48,725	30,452	97,635	305	11,054	-	-	188,171
Capital projects funds	-	-	-	-	-	197,536	-	197,536
Total fund balances	48,725	30,452	97,635	305	11,054	197,536	(19,395)	366,312
Total liabilities and fund balances	83,725	31,262	184,010	40,555	11,188	197,536	276,287	824,563

See accompanying independent auditor's report.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Special Revenue Funds							Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Public Education and Recreation Levy	District Support Trust Funds	Capital Projects	Debt Service	
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	9,976	-	77,206	27,334	-	287,962	259,581	662,059
Other	2,719	119,700	12,155	-	3,822	66,436	-	204,832
State sources	7	-	47	19	-	-	181	254
Total revenues	<u>12,702</u>	<u>119,700</u>	<u>89,408</u>	<u>27,353</u>	<u>3,822</u>	<u>354,398</u>	<u>259,762</u>	<u>867,145</u>
Expenditures:								
Current:								
Instruction:								
Regular instruction	-	-	8,780	-	966	-	-	9,746
Other instruction	-	123,301	-	-	-	-	-	123,301
Support services:								
Administration services	79,057	-	-	-	-	-	-	79,057
Other expenditures:								
Facilities acquisition	-	-	67,063	27,359	-	175,510	-	269,932
Long-term debt:								
Principal	-	-	-	-	-	-	125,000	125,000
Interest and fiscal charges	-	-	-	-	-	-	143,555	143,555
Total expenditures	<u>79,057</u>	<u>123,301</u>	<u>75,843</u>	<u>27,359</u>	<u>966</u>	<u>175,510</u>	<u>268,555</u>	<u>750,591</u>
Excess (deficiency) of revenues over (under) expenditures	(66,355)	(3,601)	13,565	(6)	2,856	178,888	(8,793)	116,554
Other financing sources (uses):								
Compensation for loss of fixed assets	-	-	65,500	-	-	-	-	65,500
Net change in fund balance	(66,355)	(3,601)	79,065	(6)	2,856	178,888	(8,793)	182,054
Fund balances beginning of yea	<u>115,080</u>	<u>34,053</u>	<u>18,570</u>	<u>311</u>	<u>8,198</u>	<u>18,648</u>	<u>(10,602)</u>	<u>184,258</u>
Fund balances end of yea	<u>48,725</u>	<u>30,452</u>	<u>97,635</u>	<u>305</u>	<u>11,054</u>	<u>197,536</u>	<u>(19,395)</u>	<u>366,312</u>

See accompanying independent auditor's report.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2005

	Enterprise Funds		
	Nutrition Fund \$	FFA Project \$	Total \$
Assets			
Cash and cash equivalents	54,262	3,110	57,372
Accounts receivable	322	-	322
Inventories	3,729	-	3,729
Capital assets, net of accumulated depreciation	19,453	-	19,453
Total assets	77,766	3,110	80,876
Liabilities			
Deferred revenue	2,832	-	2,832
Net assets			
Invested in capital assets, net of related debt	19,453	-	19,453
Unrestricted	55,481	3,110	58,591
Total net assets	74,934	3,110	78,044

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds

Year ended June 30, 2005

	Enterprise Funds		
	Nutrition	FFA	Total
	Fund	Project	
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	112,520	35,302	147,822
Operating expenses:			
Non-instructional programs:			
Salaries	70,893	-	70,893
Benefits	12,195	-	12,195
Purchased services	783	-	783
Supplies	112,569	40,078	152,647
Depreciation	2,638	-	2,638
	<u>199,078</u>	<u>40,078</u>	<u>239,156</u>
Operating gain (loss)	<u>(86,558)</u>	<u>(4,776)</u>	<u>(91,334)</u>
Non-operating revenue:			
State sources	3,357	-	3,357
Federal sources	107,046	-	107,046
Total non-operating revenue	<u>110,403</u>	<u>-</u>	<u>110,403</u>
Change in net assets	23,845	(4,776)	19,069
Net assets beginning of year	<u>51,089</u>	<u>7,886</u>	<u>58,975</u>
Net assets end of year	<u><u>74,934</u></u>	<u><u>3,110</u></u>	<u><u>78,044</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2005

	Enterprise Funds		
	Nutrition	FFA	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	111,803	-	111,803
Cash received from other services	-	35,302	35,302
Cash payments to employees for services	(83,088)	-	(83,088)
Cash payments to suppliers for goods or services	(98,711)	(40,130)	(138,841)
Net cash used by operating activities	<u>(69,996)</u>	<u>(4,828)</u>	<u>(74,824)</u>
Cash flows from non-capital financing activities:			
State grants received	3,357	-	3,357
Federal grants received	92,275	-	92,275
Net cash provided by non-capital financing activities	<u>95,632</u>	<u>-</u>	<u>95,632</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	25,636	(4,828)	20,808
Cash and cash equivalents at beginning of year	<u>28,626</u>	<u>7,938</u>	<u>36,564</u>
Cash and cash equivalents at end of year	<u><u>54,262</u></u>	<u><u>3,110</u></u>	<u><u>57,372</u></u>
Reconciliation of operating gain (loss) to net cash used			
operating activities:			
Operating gain (loss)	(86,558)	(4,776)	(91,334)
Adjustments to reconcile operating gain (loss)			
to net cash used by operating activities:			
Commodities used	14,771	-	14,771
Depreciation	2,638	-	2,638
Decrease (increase) in inventories	(130)	-	(130)
Decrease (increase) in accounts receivable	(25)	-	(25)
(Decrease) increase in accounts payable	-	(52)	(52)
(Decrease) increase in deferred revenue	(692)	-	(692)
Net cash used in operating activities	<u>(69,996)</u>	<u>(4,828)</u>	<u>(74,824)</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Shop and voc. ag. resale	-	16	50	34	-
Petty cash	275	-	25	25	275
Towel fee	-	2,044	-	(1,944)	100
Activity tickets	(8,734)	6,854	4,137	(16,035)	(22,052)
Interest	(2,177)	305	(7)	700	(1,165)
Drama	200	5,710	5,314	(396)	200
Speech	200	502	2,005	1,503	200
Vocal music	200	-	382	299	117
Instrumental music	200	4,468	5,725	1,257	200
Band fund raiser	627	6,587	4,631	-	2,583
Annual	-	4,998	8,257	3,259	-
Boys basketball	1,400	4,088	2,025	(2,063)	1,400
Football	1,800	9,880	5,463	(4,417)	1,800
Baseball	1,400	8,185	13,821	5,479	1,243
Boys track	1,000	-	1,764	1,764	1,000
Boys golf	650	-	350	300	600
Wrestling	1,400	775	3,455	2,680	1,400
Girls basketball	1,400	5,773	2,873	(2,900)	1,400
Volleyball	1,394	6,959	4,450	(2,503)	1,400
Girls softball	1,400	3,403	6,772	2,799	830
Girls track	1,000	1,283	1,725	442	1,000
Girls golf	650	-	136	136	650
Speech club	-	329	100	(229)	-
Spanish club	-	2,294	2,230	(64)	-
Cheerleading	1,983	4,848	4,895	45	1,981
FHA	486	1,733	999	-	1,220
Student council	500	3,958	4,584	626	500
Honor society	296	957	1,011	-	242
Tournament all sport fund	2,749	1,090	1,548	-	2,291
Class of 2005	1,429	160	1,088	(501)	-
Class of 2006	1,161	9,894	8,261	-	2,794
Class of 2007	843	205	-	-	1,048
Class of 2008	430	245	-	-	675
Class of 2009	445	170	-	-	615
Class of 2010	330	190	-	-	520
Class of 2011	175	185	-	-	360
Class of 2012	-	110	-	-	110
Class of 2013	-	5	-	(5)	-
Quiz bowl	300	-	205	205	300
MS student council	400	3,402	2,656	(396)	750
MS music club	11,715	13,415	8,451	-	16,679

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
MS NJHS	-	-	185	185	-
MS annual	1,366	1,455	1,335	-	1,486
MS officials	2,260	299	2,300	2,141	2,400
MS field trips	100	1,765	2,631	1,216	450
MS softball	400	-	5	5	400
MS football	600	-	484	484	600
MS girls basketball	250	25	262	237	250
MS boys basketball	250	-	308	308	250
MS wrestling	200	-	48	48	200
MS volleyball	200	582	724	192	250
MS girls track	200	270	686	416	200
MS boys track	200	200	510	310	200
HS/MS uniforms	500	84	4,442	4,358	500
	<u>34,053</u>	<u>119,700</u>	<u>123,301</u>	<u>-</u>	<u>30,452</u>
Total					

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2005

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
Assets				
Cash	50,000	-	-	50,000
Liabilities				
Due to other entities	50,000	-	-	50,000

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,761,408	2,484,042	2,482,015	2,488,669
Tuition	206,412	162,449	143,553	112,404
Other	289,144	216,516	283,602	406,818
Intermediate sources	-	-	-	375
State sources	2,323,331	2,205,739	2,097,791	2,110,285
Federal sources	210,967	160,929	904,432	126,405
Total revenues	<u>5,791,262</u>	<u>5,229,675</u>	<u>5,911,393</u>	<u>5,244,956</u>
Expenditures:				
Instruction:				
Regular instruction	1,941,389	1,895,340	1,892,812	1,883,064
Special instruction	1,100,194	920,622	836,600	848,554
Other instruction	419,702	414,528	379,004	362,725
Support services:				
Student services	125,241	102,255	103,952	114,131
Instructional staff services	196,184	175,810	150,686	190,036
Administration services	592,754	559,716	537,924	513,108
Operation and maintenance of plant services	549,257	461,485	485,674	373,901
Transportation services	282,481	229,313	225,850	240,338
Non-instructional programs	18,117	14,605	15,265	8,013
Other expenditures:				
Facilities acquisition	269,932	343,461	2,198,404	2,278,999
Long-term debt:				
Principal	125,000	120,000	115,000	110,000
Interest and other charges	146,555	149,005	154,295	193,058
AEA flowthrough	181,961	186,389	188,332	188,064
Total expenditures	<u>5,948,767</u>	<u>5,572,529</u>	<u>7,283,798</u>	<u>7,303,991</u>

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

To the Board of Education of
North Iowa 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 Iowa Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 1, 2005. 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 Iowa Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items 05-I-A, 05-I-B, 05-I-C, 05-I-D and 05-I-E are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of North Iowa Community School District and other parties to whom North Iowa Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

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

November 1, 2005

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year Ended June 30, 2005

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

05-I-B Completeness of Accounting Records: The District has four scholarship funds that are invested at three different locations. These scholarship funds are not part of the District's financial accounting and reporting system and the transactions have not been subjected to the control system the District has for all other financial transactions.

Recommendation: All District funds are the legal responsibility of the Board, Board Secretary and Board Treasurer. All public funds have the same legal requirements for accounting, reporting, auditing and allowing, dual signatures, publishing and investing. The investments and bank accounts for these scholarship funds should become part of the District's fund accounting system and should be subject to the same controls as all other District funds.

District Response: The scholarship accounts will be made part of the District's accounting system.

Conclusion: Response accepted.

05-I-C Federal and State Grants: The District receives various state and federal grants each year. Some of the grants are received annually and others are for only a year or two. However, all of these grants require that the District's accounting records track how each grant was spent and require that any grant expenditure reporting to state or federal officials match the District's accounting records. We noted that often the accounting department was unaware of certain grant expenditures.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year Ended June 30, 2005

Recommendation: Administrators and other employees responsible for grant administration and the accounting department must work together to ensure that all grant expenses are properly reported in the District's accounting records.

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

District Response: We will improve our financial reporting for grant expenditures.

Conclusion: Response accepted.

05-I-D Bank Reconciliations: One of the main internal controls over the cash balances reported in the accounting records is the preparation of a monthly reconciliation of the bank statements to the cash balances in the financial records. The cash balances in the computer financial accounting records were not reconciled to the bank monthly.

Recommendation: Bank reconciliations should be prepared monthly. Any variances between the bank reconciliation and the cash balances in the financial statements should be investigated and resolved.

District Response: Monthly bank reconciliations will be prepared.

Conclusion: Response accepted.

05-I-E School Expenditure Supporting Documentation and Board Approval: We noted the following items during our testing of District expenditures:

General Fund – We tested twenty-five General Fund payments. One payment, of \$1,386 was not approved by the board. Two credit card payments totaling \$804, were not supported by detailed invoices or receipts. We also noted electronic payments for insurance and payroll withholdings that were not on the lists of bills approved by the board of directors.

Capital Projects Fund – We tested nine expenditures. One payment of \$1,457 was not on the lists of bills approved by the board of directors.

Debt Service Fund – We noted that electronic payments for bond principal and interest were not on the lists of bills approved by the board of directors.

Recommendation: All District payments should be supported by detailed invoices, receipts, contracts or other documents prepared by or signed by entities outside of the District. These documents should specify exactly what the District is paying for and the amount to be paid.

The board should adopt a policy that specifies what types of items may be paid electronically and that specifies the controls that the District will use to ensure that procedures for electronic payments follow the requirements for all school payments that are set by Iowa law.

The District should also review its procedures for preparing the lists of bills for board approval. Chapter 179.29 of the Code of Iowa provides that "the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage, printing and the payment of salaries pursuant to the terms of a written contract without prior Board approval. The Board may approve a resolution designating certain other disbursements that may be paid prior to a Board Meeting with the approval of the Board President.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year Ended June 30, 2005

Except as expressly permitted, no checks should be prepared for claims that have not been properly audited and allowed. Any payments for bills and salaries made prior to board approval as allowed should be approved by the board at the next meeting.

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

District Response: We will obtain detailed supporting documentation for all District expenditures and all expenditures will be approved by the board of directors.

Conclusion: Response accepted.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

- 05-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- 05-II-B Certified Budget: Disbursements for the year ended June 30, 2005, did not exceed the amounts budgeted.
- 05-II-C Questionable Expenditures: No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 05-II-D Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 05-II-E Business Transactions: We noted no transactions between the District and District officials or employees.
- 05-II-F Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 05-II-G Board Minutes: Except as explained in comments 05-I-B and 05-I-E, we noted no transactions requiring board approval that had not been approved by the board.

The Code of Iowa required that minutes from all board meetings be published within 2 weeks from the date of the board meeting. We could not locate publications for five meetings held during the year.

The minutes should be signed after board approval by the board secretary and board president. We noted that the District's minutes were not signed.

Recommendation: All minutes should be published within the required time limit and the official minutes should be signed immediately after board approval.

District Response: We will revise our current procedures.

Conclusion: Response accepted.

- 05-II-H Certified Enrollment: The calculations for line 12, supplemental weighting, on the 2004 Certified Enrollment report, listed 180 periods for each class, when there were only 90 periods for each class. The calculations also included one open enrollment in student.

Recommendation: The District should review the requirements for supplemental weighting.

District Response: We will review the requirements before filing future forms

Conclusion: Response accepted.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year Ended June 30, 2005

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

05-II-I Deposits and Investments: In a previous year the District received a donation of cash from an estate that was to be used for scholarships. A local banker and principal were instructed, by the terms of the will, to invest this money. The money was invested in corporate bonds and a money market account.

The type of investments that a school may have is limited by the Code of Iowa and the District's investment policy. The Code of Iowa also requires a public funds custodial agreement with entities that are investing the District's monies. The District does not have a public funds custodial agreement with any one.

Recommendation: The District should consult with its attorney to determine if the District is in compliance with the Code of Iowa in regard to the types of investments being purchased and with regard to the requirements for public fund custodial agreements.

District Response: The Trust Fund monies were invested with the goal of maintaining low risk investments, with a reasonable rate of return. We will consult with our attorney to ensure that we are in compliance with the Code of Iowa as to the types of investments that a public school may have and about public fund custodial agreements.

Conclusion: Response accepted.

05-II-J Certified Annual Report: The Certified Annual Report was filed with the Department of Education after the due date. We noted no significant deficiencies in the amounts reported.

Recommendation: The Certified Annual Report should be filed with the Department of Education by September 15, each year.

District Response: Future CARs will be filed timely.

Conclusion: Response accepted.

05-II-K Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used to account for the District's extra-curricular student activities and student organizations. All revenues and expenditures must be posted to a specific student activity. We noted the District was using a petty cash account as a student activity and we noted expenditures for field trips and shop classes.

Recommendation: All Student Activity Funds should be reviewed and the Petty Cash Account should be eliminated. Only transactions for extra-curricular student activities should be recorded the Student Activity Fund.

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

Conclusion: Response accepted.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year Ended June 30, 2005

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

05-II-L Financial Condition: The District has a deficit fund balance in the Debt Service Fund of \$19,395 and the Student Activity Fund has two accounts with deficit balances at June 30, 2005.

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

District Response: We are working on ways to eliminate these deficits.

Conclusion: Response accepted.

05-II-M Public Hearing: The Code of Iowa requires that schools hold a public hearing for all capital improvements with a cost exceeding \$25,000. We noted that the Board approved a capital improvement without holding a public hearing.

Recommendation: The District should hold public hearings for all capital projects with cost in excess of \$25,000.

District Response: We will do this in the future.

Conclusion: Response accepted.

05-II-N Allocation of Interest: We noted that interest from a pooled bank account is not being allocated to the Management, Physical Plant and Equipment Levy, Capital Projects and Debt Service Funds.

Recommendation: The District should allocate interest revenue to each fund within a pooled bank account.

District Response: We will review our procedures and make any necessary adjustments.

Conclusion: Response accepted.

05-II-O Old Outstanding Checks: We noted that the District had approximately \$1,900 of old outstanding checks. Iowa Code Section 566 specifies that holders unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

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

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

Conclusion: Response accepted.