

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

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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, 2007, 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 at June 30, 2007, 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 February 8, 2008, 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 13 and 38 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, 2006, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary 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

February 8, 2008

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,079,912 in fiscal 2006 to \$5,180,566 in fiscal 2007, while General Fund expenditures increased from \$5,222,066 in fiscal 2006 to \$5,319,260 in fiscal 2007. The District's General Fund balance decreased from \$548,231 in fiscal 2006 to \$409,717 in fiscal 2007, a 25% decrease.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2007. 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 2007. 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 the 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 funds.

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

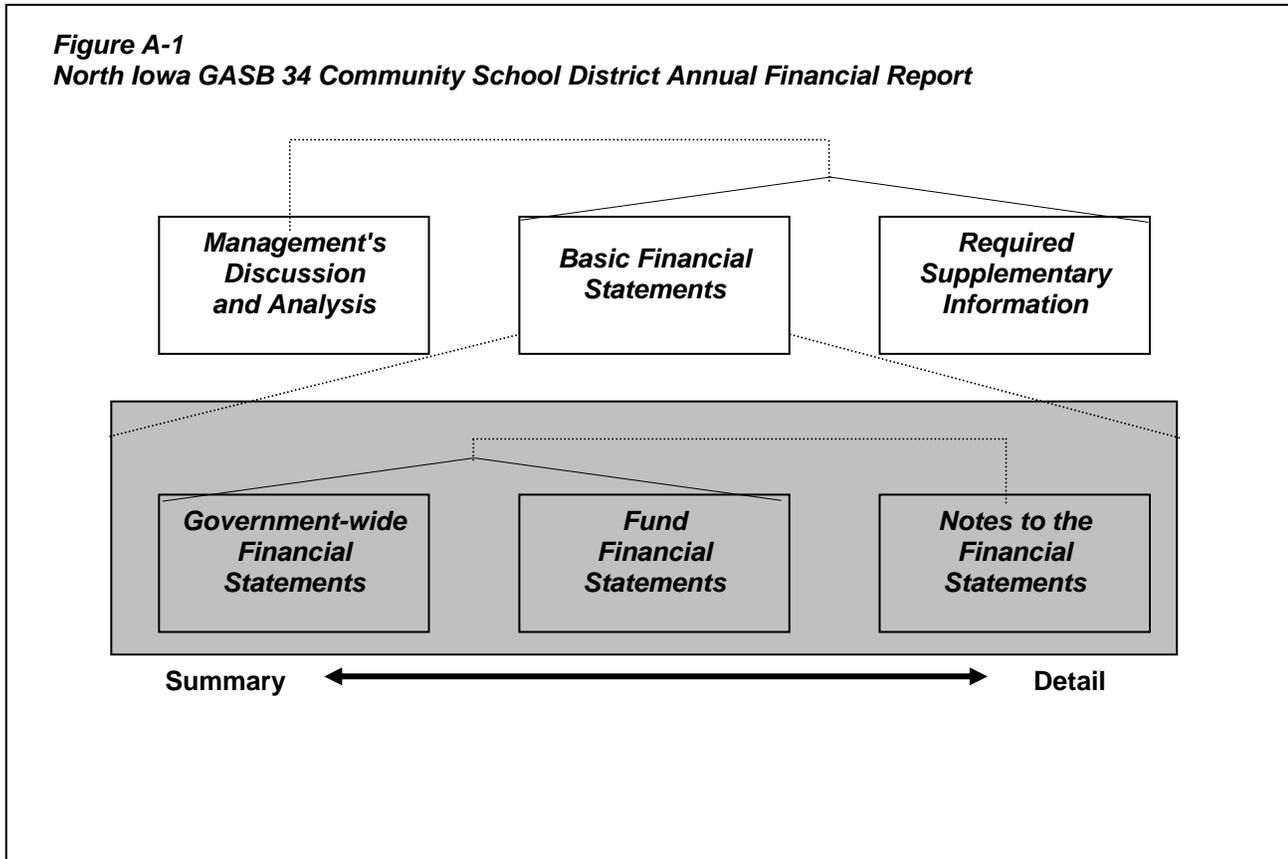


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the FFA Projects Fund. The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include 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 federal and/or state grants on behalf of other entities.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2006-2007
	Governmental Activities		Business-type Activities		Total School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,618,469	4,971,568	68,028	60,373	5,686,497	5,031,941	13%
Capital assets	4,845,691	4,893,073	22,127	24,559	4,867,818	4,917,632	-1%
<b>Total assets</b>	<b>10,464,160</b>	<b>9,864,641</b>	<b>90,155</b>	<b>84,932</b>	<b>10,554,315</b>	<b>9,949,573</b>	<b>6%</b>
Long-term liabilities	2,667,912	2,803,499	0	0	2,667,912	2,803,499	-4.8%
Other liabilities	4,701,975	3,985,542	2,581	2,766	4,704,556	3,988,308	17%
<b>Total liabilities</b>	<b>7,369,887</b>	<b>6,789,041</b>	<b>2,581</b>	<b>2,766</b>	<b>7,372,468</b>	<b>6,791,807</b>	<b>8.5%</b>
Net Assets:							
Invested in capital assets, net of related debt	2,185,691	2,093,073	22,127	24,559	2,207,818	2,117,632	4.2%
Restricted	283,672	229,356	0	0	283,672	229,356	23.6%
Unrestricted	624,910	753,171	65,447	57,607	690,357	810,778	-14.8%
<b>TOTAL NET ASSETS</b>	<b>3,094,273</b>	<b>3,075,600</b>	<b>87,574</b>	<b>82,166</b>	<b>3,181,847</b>	<b>3,157,766</b>	<b>.7%</b>

The District's combined net assets increased by .7%, or approximately \$24,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$54,316 or 23.6% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$120,000, or 14.8%. 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, 2007 and 2006.

Figure A-4

	Change in Net Assets						Percentage Change 2006-2007
	Governmental Activities		Business-type Activities		Total School District		
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	
Revenues							
Program Revenues:							
Charges for services	454,755	437,969	156,938	142,552	611,693	580,521	5.3%
Operating grants & contributions	623,718	578,796	112,469	112,017	736,187	690,813	6.5%
Capital grants & contributions	4,517	0	0	0	4,517	0	0
General Revenues:							
Property taxes	2,277,365	2,217,220	0	0	2,277,365	2,217,220	2.7%
Income Surtax	276,296	284,743	0	0	276,296	284,743	-2.9
Local option sales tax	350,029	310,540	0	0	350,029	310,540	12.7
Unrestricted state grants	1,991,811	2,024,185	0	0	1,991,811	2,024,185	-1.5
Unrestricted investment earnings	102,381	73,187	0	0	102,381	73,187	39.9%
Other revenue	22,726	23,434	0	0	22,726	23,434	3%
<b>Total Revenues</b>	<b>6,103,598</b>	<b>5,950,074</b>	<b>269,407</b>	<b>254,569</b>	<b>6,373,005</b>	<b>6,204,643</b>	<b>2.7%</b>
Expenses:							
Instruction	3,641,482	3,446,972	0	0	3,641,482	3,446,972	5.6%
Support services	1,853,640	1,814,951	0	0	1,853,640	1,814,951	2.1%
Non-instructional programs	37,260	40,010	263,999	252,035	301,259	292,045	3.1%
Other expenditures	552,543	592,125	0	0	552,543	592,125	-6.6%
<b>Total expenses</b>	<b>6,084,925</b>	<b>5,894,058</b>	<b>263,999</b>	<b>252,035</b>	<b>6,348,924</b>	<b>6,146,093</b>	<b>3.3%</b>
<b>Change in net assets before transfers</b>	<b>18,673</b>	<b>56,016</b>	<b>5,408</b>	<b>2,534</b>	<b>24,081</b>	<b>58,550</b>	<b>-58.8%</b>
Transfers	0	-1,588	0	1,588	0	0	0
<b>CHANGE IN NET ASSETS</b>	<b>18,673</b>	<b>54,428</b>	<b>5,408</b>	<b>4,122</b>	<b>24,081</b>	<b>58,550</b>	<b>-58.8%</b>
Net assets beginning of year	3,075,600	3,021,172	82,166	78,044	3,157,766	3,099,216	1.8%
Net assets end of year	3,094,273	3,075,600	87,574	82,166	3,181,847	3,157,766	.7%

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$6,103,598 and expenses were \$6,084,925. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

	Total Cost of Services			Net Cost of Services		
	2007 \$	2006 \$	Change 2006-2007	2007 \$	2006 \$	Change 2006-2007
Instruction	3,641,482	3,446,972	194,510	2,763,842	2,615,231	148,611
Support Services	1,853,640	1,814,951	38,689	1,851,092	1,814,724	36,368
Non-instructional Programs	37,260	40,010	-2,750	37,260	40,010	-2,750
Other Expenses	552,543	592,125	-39,582	349,741	407,328	-57,587
<b>TOTAL</b>	<b>6,084,925</b>	<b>5,894,058</b>	<b>190,867</b>	<b>5,001,935</b>	<b>4,877,293</b>	<b>124,642</b>

- The cost financed by users of the District's programs was \$454,755. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$623,718.
- The net cost of governmental activities was financed with \$2,903,690 in property and local other taxes and \$1,991,811 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$269,407 and expenses were \$263,999. 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 \$671.626, below last year's ending fund balances of \$752,363. Rising fixed costs have increased more rapidly than revenues. The district feels limited to increase fees too rapidly and yet those wages funded from such functions need to maintain a rate of increase comparable to all other area businesses.

**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 \$548,231 to \$408,717, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.

- Management Fund expenditures exceeded revenues by \$1,410 during the year. The management property tax levy was set prior to the announcement of several early retirements by faculty members. The fund was under budgeted during the 2005-2006 school year in an attempt to hold down the local property tax rate. During 2006-2007 the district desired to recoup some of the negative balance yet not overburden taxpayers with a single year huge increase.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$32,292 in fiscal 2006 to \$70,059 in fiscal 2007. While revenues remained approximately the same, the District substantially reduced spending from the PPEL Fund in order to improve the financial condition of the fund.
- The Capital Projects (LOSST) Fund balance increased from \$106,145 on June 30, 2006, to \$137,971 at June 30, 2007. The monies in this fund are used for equipment purchases and building construction and improvements.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$79,302 at June 30, 2006 to \$76,861 at June 30, 2007, representing a decrease of approximately 3%. For fiscal 2007, the District increased meal prices, but expenses increased more than revenues resulting in the decrease 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 actual revenues were \$425,970 more than budgeted revenues, a variance of 7%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Because budgeted revenues were low; budgeted expenditures were also low. This caused actual expenditures to exceed budgeted expenditures by \$332,281. The budget overage was spread between the instruction, non-instructional programs and other expenditures functional areas.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2007, the District had invested \$4.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1% 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 \$227,615.

During fiscal year 2007 the District completed the auditorium renovation project at a total cost of approximately \$200,000 and completed Middle School renovations costing \$55,000.

**Figure A-6**

**Capital Assets (net of depreciation)**

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2006-2007
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Land	11,000	11,000	0	0	11,000	11,000	0.0%
Work of art	52,000	52,000			52,000	52,000	0.0%
Construction in progress	0	101,196	0	0	0	101,196	-100.0%
Buildings	4,339,850	4,226,991	0	0	4,339,850	4,226,991	2.7%
Improvements	186,992	198,895	0	0	186,992	198,895	-6.0%
Equipment & Furniture	255,849	302,991	22,127	24,559	277,976	327,550	-15.1%
<b>TOTAL</b>	<b>4,845,691</b>	<b>4,893,073</b>	<b>22,127</b>	<b>24,559</b>	<b>4,867,818</b>	<b>4,917,632</b>	<b>-1.0%</b>

**Long-Term Debt**

At June 30, 2007, the District had \$2,667,912 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 4.8% 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 Change 2006-2007
	2007	2006	
	\$	\$	
General Obligation Bonds	2,660,000	2,800,000	-5%
Early Retirement	7,912	3,499	126.1%
	<u>2,667,912</u>	<u>2,803,499</u>	<u>-4.8%</u>

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- The North Iowa Community School District is the state's ninth largest district geographically. The financial constraints placed on a district so large geographically impacts the budget for fuel, repairs to transportation equipment, replacement costs, and depreciation of each aspect of the transportation fleet.
- Heating costs have been unpredictable and have risen 200 percent over the last four years. Heating costs have been difficult to estimate.
- Declining enrollment has impacted the revenue side of the district's financial position. The 8% reduction in student enrollment in two years was distributed evenly over the K-12 program and as a result few staff reductions were possible to combat the loss in revenue.

- The loss of the budget guarantee impacted the district at a more rapid rate due to the two years of rapid decrease in enrollment.
- The one-time GAAP adjustment skewed the perception of revenues for one year. This anomaly is misleading on the surface to the general public.
- The veteran staff at the North Iowa Community Schools has led to anticipated and deserved retirements yet the replacement of teachers in shortage areas has and will lead to “signing bonuses” becoming the norm rather than the exception.
- The district has been overly generous with the financial settlement with the local teacher’s union and support staff employees. The settlement has been well over a 4% increase while at the same time funding was declining.

### **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 3<sup>rd</sup> 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, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	1,693,551	-	1,693,551
Other	1,134,338	63,970	1,198,308
Receivables:			
Property tax:			
Delinquent	34,102	-	34,102
Succeeding year	2,262,888	-	2,262,888
Accounts	-	252	252
Accrued interest ISCAP	18,100	-	18,100
Due from other governments	475,490	-	475,490
Inventories	-	3,806	3,806
Capital assets, net of accumulated depreciation	4,845,691	22,127	4,867,818
<b>Total assets</b>	<b>10,464,160</b>	<b>90,155</b>	<b>10,554,315</b>
<b>Liabilities</b>			
Warrants issued in excess of bank balance	158,643	-	158,643
Accounts payable	125,049	6	125,055
Salaries and benefits payable	424,203	-	424,203
Accrued interest payable	10,407	-	10,407
Deferred revenue:			
Succeeding year property tax	2,262,888	-	2,262,888
Other	-	2,575	2,575
ISCAP warrants payable	1,697,000	-	1,697,000
ISCAP accrued interest payable	14,516	-	14,516
ISCAP premium payable	9,269	-	9,269
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	145,000	-	145,000
Termination benefits	7,912	-	7,912
Portion due after one year:			
General obligation bonds payable	2,515,000	-	2,515,000
<b>Total liabilities</b>	<b>7,369,887</b>	<b>2,581</b>	<b>7,372,468</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,185,691	22,127	2,207,818
Restricted for:			
State categorical aid	34,368	-	34,368
Physical plant and equipment levy	70,059	-	70,059
Other special revenue purposes	40,507	-	40,507
Debt service	767	-	767
Local option sales tax capital projects	137,971	-	137,971
Unrestricted	624,910	65,447	690,357
<b>Total net assets</b>	<b>3,094,273</b>	<b>87,574</b>	<b>3,181,847</b>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

<b>Functions/Programs</b>	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Instruction:				
Regular	2,289,266	211,862	305,743	-
Special	738,855	79,506	31,851	-
Other	613,361	162,049	86,629	-
	<u>3,641,482</u>	<u>453,417</u>	<u>424,223</u>	<u>-</u>
Support services:				
Student	101,660	-	-	-
Instructional staff	142,412	-	-	-
Administration	697,675	-	-	-
Operation and maintenance of plant	579,955	1,298	-	-
Transportation	331,938	40	1,210	-
	<u>1,853,640</u>	<u>1,338</u>	<u>1,210</u>	<u>-</u>
Non-instructional programs	<u>37,260</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	77,600	-	-	4,517
Long-term debt interest	131,163	-	8,711	-
AEA flowthrough	189,574	-	189,574	-
Depreciation (unallocated)*	154,206	-	-	-
	<u>552,543</u>	<u>-</u>	<u>198,285</u>	<u>4,517</u>
Total governmental activities	<u>6,084,925</u>	<u>454,755</u>	<u>623,718</u>	<u>4,517</u>
<b>Business type activities:</b>				
Non-instructional programs:				
Food service operations	227,826	112,916	112,469	-
FFA projects	36,173	44,022	-	-
Total business-type activities	<u>263,999</u>	<u>156,938</u>	<u>112,469</u>	<u>-</u>
Total	<u>6,348,924</u>	<u>611,693</u>	<u>736,187</u>	<u>4,517</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
Net assets end of year

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

Net (Expense) Revenue and Changes in Net

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,771,661)	-	(1,771,661)
(627,498)	-	(627,498)
(364,683)	-	(364,683)
<u>(2,763,842)</u>	<u>-</u>	<u>(2,763,842)</u>
(101,660)	-	(101,660)
(142,412)	-	(142,412)
(697,675)	-	(697,675)
(578,657)	-	(578,657)
(330,688)	-	(330,688)
<u>(1,851,092)</u>	<u>-</u>	<u>(1,851,092)</u>
(37,260)	-	(37,260)
(73,083)	-	(73,083)
(122,452)	-	(122,452)
-	-	-
<u>(154,206)</u>	<u>-</u>	<u>(154,206)</u>
<u>(349,741)</u>	<u>-</u>	<u>(349,741)</u>
<u>(5,001,935)</u>	<u>-</u>	<u>(5,001,935)</u>
-	(2,441)	(2,441)
-	7,849	7,849
-	5,408	5,408
<u>(5,001,935)</u>	<u>5,408</u>	<u>(4,996,527)</u>
2,034,744	-	2,034,744
163,137	-	163,137
79,484	-	79,484
276,296	-	276,296
350,029	-	350,029
1,991,811	-	1,991,811
102,381	-	102,381
22,726	-	22,726
<u>5,020,608</u>	<u>-</u>	<u>5,020,608</u>
18,673	5,408	24,081
<u>3,075,600</u>	<u>82,166</u>	<u>3,157,766</u>
<u>3,094,273</u>	<u>87,574</u>	<u>3,181,847</u>

## NORTH IOWA COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2007

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments:			
ISCAP	1,693,551	-	1,693,551
Other	912,409	221,929	1,134,338
Receivables:			
Property tax:			
Delinquent	28,997	5,105	34,102
Succeeding year	1,807,984	454,904	2,262,888
Accrued interest - ISCAP	18,100	-	18,100
Due from other governments	386,955	88,535	475,490
<b>Total assets</b>	<u>4,847,996</u>	<u>770,473</u>	<u>5,618,469</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Warrants issued in excess of bank balance	158,643	-	158,643
Accounts payable	71,389	53,660	125,049
Salaries and benefits payable	424,203	-	424,203
ISCAP warrants payable	1,697,000	-	1,697,000
ISCAP accrued interest payable	14,516	-	14,516
ISCAP premium payable	9,269	-	9,269
Deferred revenue:			
Succeeding year property tax	1,807,984	454,904	2,262,888
Other	255,275	-	255,275
Total liabilities	<u>4,438,279</u>	<u>508,564</u>	<u>4,946,843</u>
Fund balances:			
Reserved for:			
State categorical aid	34,368	-	34,368
Debt service	-	11,174	11,174
Unreserved reported in:			
General fund	375,349	-	375,349
Special revenue funds	-	112,764	112,764
Capital projects funds	-	137,971	137,971
Total fund balances	<u>409,717</u>	<u>261,909</u>	<u>671,626</u>
<b>Total liabilities and fund balances</b>	<u>4,847,996</u>	<u>770,473</u>	<u>5,618,469</u>

## NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	671,626
<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.	4,845,691
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	255,275
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.	(10,407)
Long-term liabilities, such as bonds payable and termination benefits payable are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,667,912)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>3,094,273</u></u>

## NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund \$	Nonmajor Governmental Funds \$	Total \$
Revenues:			
Local sources:			
Local tax	2,192,672	661,603	2,854,275
Tuition	256,213	-	256,213
Other	125,087	212,449	337,536
State sources	2,440,623	38,969	2,479,592
Federal sources	165,971	-	165,971
Total revenues	<u>5,180,566</u>	<u>913,021</u>	<u>6,093,587</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,211,614	70,062	2,281,676
Special	738,855	-	738,855
Other	470,893	157,202	628,095
	<u>3,421,362</u>	<u>227,264</u>	<u>3,648,626</u>
Support services:			
Student	101,660	-	101,660
Instructional staff	139,482	-	139,482
Administration	612,107	84,648	696,755
Operation and maintenance of plant	567,222	13,160	580,382
Transportation	277,501	-	277,501
	<u>1,697,972</u>	<u>97,808</u>	<u>1,795,780</u>
Non-instructional programs	<u>10,352</u>	<u>26,908</u>	<u>37,260</u>
Other expenditures:			
Facilities acquisition	-	231,566	231,566
Long-term debt:			
Principal	-	140,000	140,000
Interest and fiscal charges	-	131,698	131,698
AEA flowthrough	189,574	-	189,574
	<u>189,574</u>	<u>503,264</u>	<u>692,838</u>
Total expenditures	<u>5,319,260</u>	<u>855,244</u>	<u>6,174,504</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(138,694)</u>	<u>57,777</u>	<u>(80,917)</u>
Other financing sources (uses):			
Sales of materials and equipment	180	-	180
Operating transfers in	-	101,200	101,200
Operating transfers out	-	(101,200)	(101,200)
Total other financing sources (uses)	<u>180</u>	<u>-</u>	<u>180</u>
Net change in fund balances	<u>(138,514)</u>	<u>57,777</u>	<u>(80,737)</u>
Fund balances beginning of year	<u>548,231</u>	<u>204,132</u>	<u>752,363</u>
Fund balances end of year	<u><u>409,717</u></u>	<u><u>261,909</u></u>	<u><u>671,626</u></u>

## 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, 2007

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(80,737)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Loss on trade-in	(839)	
Expenditures for capital assets	177,902	
Depreciation expense	<u>(224,445)</u>	(47,382)
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.		10,670
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.		140,000
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.		535
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits		<u>(4,413)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>18,673</u></u>

## NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2007

	Nonmajor Enterprise Funds
	<u>          </u> \$
<b>Assets</b>	
Cash and cash equivalents	63,970
Accounts receivable	252
Inventories	3,806
Capital assets, net of accumulated depreciation	<u>22,127</u>
<b>Total assets</b>	<u>90,155</u>
<b>Liabilities</b>	
Accounts payable	6
Deferred revenue	<u>2,575</u>
<b>Total liabilities</b>	<u>2,581</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	22,127
Unrestricted	<u>65,447</u>
<b>Total net assets</b>	<u><u>87,574</u></u>

## NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>156,938</u>
Operating expenses:	
Non-instructional programs:	
Salaries	84,873
Benefits	12,150
Purchased services	1,291
Supplies	162,515
Depreciation	<u>3,170</u>
	<u>263,999</u>
Operating gain (loss)	<u>(107,061)</u>
Non-operating revenues:	
State sources	3,148
Federal sources	<u>109,321</u>
Total non-operating revenues	<u>112,469</u>
Change in net assets	5,408
Net assets beginning of year	<u>82,166</u>
Net assets end of year	<u><u>87,574</u></u>

## NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2007

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	112,824
Cash received from other services	44,022
Cash payments to employees for services	(97,023)
Cash payments to suppliers for goods or services	<u>(147,754)</u>
Net cash used by operating activities	<u>(87,931)</u>
Cash flows from non-capital financing activities:	
Loan repaid to General Fund	(3,653)
State grants received	3,148
Federal grants received	102,997
Net cash provided by non-capital financing activities	<u>102,492</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(738)</u>
Cash flows from investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	13,823
Cash and cash equivalents at beginning of year	<u>50,147</u>
Cash and cash equivalents at end of year	<u><u>63,970</u></u>
<b>Reconciliation of operating gain (loss) to net cash used</b>	
<b>operating activities:</b>	
Operating gain (loss)	(107,061)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	15,547
Depreciation	3,170
Decrease (increase) in inventories	499
Decrease (increase) in accounts receivable	99
(Decrease) increase in accounts payable	6
(Decrease) increase in deferred revenue	<u>(191)</u>
Net cash used in operating activities	<u><u>(87,931)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2007 the District received \$15,547 of federal commodities.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2007

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	323,838
<b>Liabilities</b>	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	<u><u>323,838</u></u>

## NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2007

	Private Purpose Trust Scholarship \$
Additions:	
Local sources:	
Gifts and contributions	74,922
Interest	<u>24,027</u>
Total additions	98,949
Deductions:	
Support services:	
Scholarships awarded	<u>45,700</u>
Change in net assets	53,249
Net assets beginning of year	<u>270,589</u>
Net assets end of year	<u><u>323,838</u></u>

# NORTH IOWA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2007

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

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

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

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instruction, 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

#### D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006, through June 30, 2007, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

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.

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

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

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

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

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

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

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the instruction, non-instructional programs and other expenditures functions exceeded the amounts budgeted.

## 2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 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, 2007, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
	\$	
Bank of America Corp. Sub Notes Global	10,438	February 2010
Ford Motor Credit Bonds	18,750	November 2011
General Motors Accept. Smart Note	19,796	November 2008
471 Shares General Electric Company Common Stock	18,261	N/A
Mid Cap SPDR Trust Unit Series 1	7,849	April 2020
S P D R Trust Unit Series 1	3,060	January 2018

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	910,654

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	Aa2
Ford Motor Credit Bonds	B1
General Motors Accept. Smart Note	Ba1
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 92% of the District's total investments.

### 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor Governmental Funds: Debt Service Fund	Nonmajor Governmental Funds: Capital Projects Fund	101,200

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

#### 4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2006-07B	01/26/07	01/25/08	789,981	17,830	792,000	14,293
2007-08A	06/27/07	06/27/08	903,570	270	905,000	223
Total			1,693,551	18,100	1,697,000	14,516

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, 2007, 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
	%	%
2006-07A	4.500	5.676
2006-07B	4.250	5.315
2007-08A	4.500	5.455

## 5. Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	101,196	-	101,196	-
Work of art	52,000	-	-	52,000
Land	11,000	-	-	11,000
Total capital assets not being depr.	<u>164,196</u>	<u>-</u>	<u>101,196</u>	<u>63,000</u>
Capital assets being depreciated:				
Buildings	6,774,511	255,162	-	7,029,673
Improvements other than buildings	449,131	-	-	449,131
Furniture and equipment	1,274,974	26,937	7,200	1,294,711
Total capital assets being deprec.	<u>8,498,616</u>	<u>282,099</u>	<u>7,200</u>	<u>8,773,515</u>
Less accumulated depreciation for:				
Buildings	2,547,520	142,303	-	2,689,823
Improvements other than buildings	250,236	11,903	-	262,139
Furniture and equipment	971,983	70,239	3,360	1,038,862
Total accumulated depreciation	<u>3,769,739</u>	<u>224,445</u>	<u>3,360</u>	<u>3,990,824</u>
Total capital assets being depreciated, net	<u>4,728,877</u>	<u>57,654</u>	<u>3,840</u>	<u>4,782,691</u>
Governmental activities capital assets, net	<u>4,893,073</u>	<u>57,654</u>	<u>105,036</u>	<u>4,845,691</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	86,539	738	-	87,277
Less accumulated depreciation	<u>61,980</u>	<u>3,170</u>	<u>-</u>	<u>65,150</u>
Business type activities capital assets, net	<u>24,559</u>	<u>(2,432)</u>	<u>-</u>	<u>22,127</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	5,027
Other	2,416
Support services:	
Instructional staff services	2,930
Administration services	920
Operation and maintenance of plant services	4,509
Transportation	54,437
	<u>70,239</u>
Unallocated depreciation	<u>154,206</u>
Total depreciation expense – governmental activities	<u>224,445</u>
Business type activities:	
Food services	<u>3,170</u>

## 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	2,800,000	-	140,000	2,660,000	145,000
Termination benefits	3,499	7,912	3,499	7,912	7,912
Total	<u>2,803,499</u>	<u>7,912</u>	<u>143,499</u>	<u>2,667,912</u>	<u>152,912</u>

### Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least twenty-two years of full-time service to the District and must have reached the age of fifty-eight on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and no more than five employees per year will be granted benefits under the policy. The board of directors must approve implementation of the policy by January 1, each year.

Early retirement benefits are equal to \$2,000 plus \$50 for each year of service to the school.

Early retirement benefits will be paid in two equal installments. The first payment will be made on or before August 1, following retirement and the second payment will be made on or before February 1, following retirement.

At June 30, 2007, the District has obligations to two participants with a total liability of \$7,912.

## General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Bond Issue of March, 2001</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
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	4.70	175,000	103,165	278,165
2012	4.70	185,000	94,940	279,940
2013-2017	4.70	1,060,000	332,580	1,392,580
2018-2020	4.70	<u>775,000</u>	<u>74,260</u>	<u>849,260</u>
		<u>2,660,000</u>	<u>958,615</u>	<u>3,618,615</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, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$167,728, \$182,815 and \$174,607 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 \$189,574 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,448,024	156,938	3,604,962	3,305,565	3,305,565	299,397
State sources	2,479,592	3,148	2,482,740	2,425,569	2,425,569	57,171
Federal sources	165,971	109,321	275,292	205,890	205,890	69,402
Total revenues	<u>6,093,587</u>	<u>269,407</u>	<u>6,362,994</u>	<u>5,937,024</u>	<u>5,937,024</u>	<u>425,970</u>
Expenditures:						
Instruction	3,648,626	-	3,648,626	3,529,650	3,529,650	(118,976)
Support services	1,795,780	-	1,795,780	1,814,450	1,814,450	18,670
Non-instructional programs	37,260	263,999	301,259	235,490	235,490	(65,769)
Other expenditures	692,838	-	692,838	526,632	526,632	(166,206)
Total expenditures	<u>6,174,504</u>	<u>263,999</u>	<u>6,438,503</u>	<u>6,106,222</u>	<u>6,106,222</u>	<u>(332,281)</u>
Excess (deficiency) of revenues over (under) expenditures	(80,917)	5,408	(75,509)	(169,198)	(169,198)	93,689
Other financing sources (uses) net	<u>180</u>	<u>-</u>	<u>180</u>	<u>900</u>	<u>900</u>	<u>(720)</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	(80,737)	5,408	(75,329)	(168,298)	(168,298)	92,969
Balance beginning of year	<u>752,363</u>	<u>82,166</u>	<u>834,529</u>	<u>751,564</u>	<u>751,564</u>	<u>82,965</u>
Balance end of year	<u><u>671,626</u></u>	<u><u>87,574</u></u>	<u><u>759,200</u></u>	<u><u>583,266</u></u>	<u><u>583,266</u></u>	<u><u>175,934</u></u>

## NORTH IOWA COMMUNITY SCHOOL DISTRICT

### Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides 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.

During the year ended June 30, 2007, expenditures in the instruction, non-instructional programs and other expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

## NORTH IOWA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2007

## Special Revenue Funds

Assets	Management	Student	Physical	Public	District	Capital	Debt	Total
	Levy	Activity	Plant and	Education	Support	Projects	Service	
	\$	\$	\$	\$	\$	\$	\$	\$
Cash and pooled investments	992	42,276	108,132	11,781	142	49,887	8,719	221,929
Receivables:								
Property tax:								
Delinquent	1,206	-	1,029	415	-	-	2,455	5,105
Succeeding year	126,500	-	70,689	27,527	-	-	230,188	454,904
Due from other governments	-	-	-	-	-	88,535	-	88,535
<b>Total assets</b>	<b>128,698</b>	<b>42,276</b>	<b>179,850</b>	<b>39,723</b>	<b>142</b>	<b>138,422</b>	<b>241,362</b>	<b>770,473</b>
<b>Liabilities &amp; Fund Balances</b>								
Liabilities:								
Accounts payable	-	2,979	39,102	11,128	-	451	-	53,660
Deferred revenue:								
Succeeding year property tax	126,500	-	70,689	27,527	-	-	230,188	454,904
Total liabilities	126,500	2,979	109,791	38,655	-	451	230,188	508,564
Fund balances:								
Reserved for debt service	-	-	-	-	-	-	11,174	11,174
Unreserved reported in:								
Special revenue funds	2,198	39,297	70,059	1,068	142	-	-	112,764
Capital projects funds	-	-	-	-	-	137,971	-	137,971
Total fund balances	2,198	39,297	70,059	1,068	142	137,971	11,174	261,909
<b>Total liabilities and fund balances</b>	<b>128,698</b>	<b>42,276</b>	<b>179,850</b>	<b>39,723</b>	<b>142</b>	<b>138,422</b>	<b>241,362</b>	<b>770,473</b>

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, 2007

## Special Revenue Funds

	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Public Education and Recreation Levy	District Support Trust Funds	Capital Projects	Debt Service	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	80,104	-	79,484	27,594	-	311,284	163,137	661,603
Other	10,110	156,836	10,739	-	1,994	24,059	8,711	212,449
State sources	53	-	45	18	-	38,745	108	38,969
Total revenues	90,267	156,836	90,268	27,612	1,994	374,088	171,956	913,021
Expenditures:								
Current:								
Instruction:								
Regular	7,029	-	12,169	-	14,196	36,668	-	70,062
Other	-	157,202	-	-	-	-	-	157,202
Support services:								
Administration	84,648	-	-	-	-	-	-	84,648
Operation and maintenance of plant	-	-	-	-	-	13,160	-	13,160
Non-instructional programs	-	-	-	26,908	-	-	-	26,908
Other expenditures:								
Facilities acquisition	-	-	40,332	-	-	191,234	-	231,566
Long-term debt:								
Principal	-	-	-	-	-	-	140,000	140,000
Interest and fiscal charges	-	-	-	-	-	-	131,698	131,698
Total expenditures	91,677	157,202	52,501	26,908	14,196	241,062	271,698	855,244
Excess (deficiency) of revenues over (under) expenditures	(1,410)	(366)	37,767	704	(12,202)	133,026	(99,742)	57,777
Other financing sources (uses):								
Operating transfers in	-	-	-	-	-	-	101,200	101,200
Operating transfers out	-	-	-	-	-	(101,200)	-	(101,200)
Total other financing sources (uses)	-	-	-	-	-	(101,200)	101,200	-
Net change in fund balance	(1,410)	(366)	37,767	704	(12,202)	31,826	1,458	57,777
Fund balances beginning of year	3,608	39,663	32,292	364	12,344	106,145	9,716	204,132
Fund balances end of year	2,198	39,297	70,059	1,068	142	137,971	11,174	261,909

See accompanying independent auditor's report.

## NORTH IOWA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2007

	Enterprise Funds		
	Nutrition		Total
	Fund	FFA Project	
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	53,257	10,713	63,970
Accounts receivable	252	-	252
Inventories	3,806	-	3,806
Capital assets, net of accumulated depreciation	22,127	-	22,127
<b>Total assets</b>	<u>79,442</u>	<u>10,713</u>	<u>90,155</u>
<b>Liabilities</b>			
Accounts payable	6	-	6
Deferred revenue	2,575	-	2,575
<b>Total liabilities</b>	<u>2,581</u>	<u>-</u>	<u>2,581</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	22,127	-	22,127
Unrestricted	54,734	10,713	65,447
<b>Total net assets</b>	<u><u>76,861</u></u>	<u><u>10,713</u></u>	<u><u>87,574</u></u>

## NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Enterprise Funds		
	Nutrition		Total
	Fund	FFA Project	
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	112,916	44,022	156,938
Operating expenses:			
Non-instructional programs:			
Salaries	84,873	-	84,873
Benefits	12,150	-	12,150
Purchased services	1,291	-	1,291
Supplies	126,342	36,173	162,515
Depreciation	3,170	-	3,170
	227,826	36,173	263,999
Operating gain (loss)	(114,910)	7,849	(107,061)
Non-operating revenues:			
State sources	3,148	-	3,148
Federal sources	109,321	-	109,321
Total non-operating revenues	112,469	-	112,469
Change in net assets	(2,441)	7,849	5,408
Net assets beginning of year	79,302	2,864	82,166
Net assets end of year	76,861	10,713	87,574

## NORTH IOWA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2007

	Enterprise Funds		
	Nutrition		Total
	Fund	FFA Project	
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	112,824	-	112,824
Cash received from other services	-	44,022	44,022
Cash payments to employees for services	(97,023)	-	(97,023)
Cash payments to suppliers for goods or services	(111,581)	(36,173)	(147,754)
Net cash used by operating activities	<u>(95,780)</u>	<u>7,849</u>	<u>(87,931)</u>
Cash flows from non-capital financing activities:			
Loans from (repayment to) General Fund	(3,653)	-	(3,653)
State grants received	3,148	-	3,148
Federal grants received	102,997	-	102,997
Net cash provided by non-capital financing activities	<u>102,492</u>	<u>-</u>	<u>102,492</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	<u>(738)</u>	<u>-</u>	<u>(738)</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	5,974	7,849	13,823
Cash and cash equivalents at beginning of year	<u>47,283</u>	<u>2,864</u>	<u>50,147</u>
Cash and cash equivalents at end of year	<u><u>53,257</u></u>	<u><u>10,713</u></u>	<u><u>63,970</u></u>
<b>Reconciliation of operating gain (loss) to net cash used</b>			
<b>operating activities:</b>			
Operating gain (loss)	(114,910)	7,849	(107,061)
Adjustments to reconcile operating gain (loss)			
to net cash used by operating activities:			
Commodities used	15,547	-	15,547
Depreciation	3,170	-	3,170
Decrease (increase) in inventories	499	-	499
Decrease (increase) in accounts receivable	99	-	99
(Decrease) increase in accounts payable	6	-	6
(Decrease) increase in deferred revenue	(191)	-	(191)
Net cash used in operating activities	<u><u>(95,780)</u></u>	<u><u>7,849</u></u>	<u><u>(87,931)</u></u>

## NORTH IOWA COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End
	Beginning of Year				of Year
	\$	\$	\$	\$	\$
Towel fee	100	-	-	-	100
Activity tickets	170	15,072	7,955	(25,967)	(18,680)
Interest	100	612	-	(1,039)	(327)
Drama	1,410	6,753	8,290	1,358	1,231
Speech	500	5	1,477	1,583	611
Vocal music	200	28,475	19,206	(9,069)	400
Instrumental music	500	1,574	2,276	695	493
Band fund raiser	3,105	5,515	2,598	-	6,022
Annual	1,000	6,667	5,799	1,879	3,747
Boys basketball	1,400	9,932	11,183	1,251	1,400
Football	1,800	6,202	7,041	786	1,747
Baseball	1,400	7,487	9,615	3,920	3,192
Boys track	1,000	2,179	3,007	828	1,000
Boys golf	600	34	267	133	500
Wrestling	1,400	937	3,780	2,843	1,400
Girls basketball	1,400	5,204	3,048	(2,156)	1,400
Volleyball	1,400	7,591	7,042	(549)	1,400
Girls softball	1,400	2,090	4,100	2,943	2,333
Girls track	1,000	3,357	3,793	436	1,000
Girls golf	600	-	232	132	500
Spanish club	349	667	1,016	50	50
Cheerleading	2,029	3,403	1,935	20	3,517
FCCLA	300	2,378	3,694	1,316	300
Student council	500	4,847	3,948	(551)	848
Honor society	191	810	831	30	200
Tournament all sport fund	1,000	1,711	1,643	742	1,810
Graduated 04-05	-	22	-	(22)	-
Class of 2007	2,184	190	1,850	(524)	-
Class of 2008	895	10,902	9,521	10	2,286
Class of 2009	775	190	-	-	965
Class of 2010	635	165	6	4	798
Class of 2011	550	150	-	-	700
Class of 2012	215	115	-	-	330
Class of 2013	185	185	-	-	370
Class of 2014	-	175	-	-	175
Class of 2015	-	5	-	(5)	-
Quiz bowl	300	-	155	155	300
MS student council	1,000	3,729	2,062	(1,409)	1,258
MS music club	587	14,308	17,368	10,469	7,996
MS annual	1,483	1,557	1,355	-	1,685
MS officials	2,500	216	2,130	1,914	2,500

See accompanying independent auditor's report.

## NORTH IOWA COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

<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 field trips	550	210	748	538	550
MS softball	400	-	-	(400)	-
MS football	600	-	796	946	750
MS girls basketball	250	-	2	2	250
MS boys basketball	250	-	123	123	250
MS wrestling	200	-	-	-	200
MS volleyball	250	120	317	197	250
MS girls track	250	609	690	76	245
MS boys track	250	336	464	123	245
HS/MS uniforms	500	150	5,839	6,189	1,000
Total	<u>39,663</u>	<u>156,836</u>	<u>157,202</u>	<u>-</u>	<u>39,297</u>

## NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2007

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
<b>Assets</b>				
Cash	50,000	-	50,000	-
<b>Liabilities</b>				
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			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,854,275	2,787,187	2,761,408	2,484,042
Tuition	256,213	243,246	206,412	162,449
Other	337,536	288,193	289,144	216,516
State sources	2,479,592	2,461,232	2,323,331	2,205,739
Federal sources	165,971	171,962	210,967	160,929
Total revenues	<u>6,093,587</u>	<u>5,951,820</u>	<u>5,791,262</u>	<u>5,229,675</u>
Expenditures:				
Instruction:				
Regular instruction	2,281,676	2,149,499	1,941,389	1,895,340
Special instruction	738,855	711,412	1,100,194	920,622
Other instruction	628,095	588,239	419,702	414,528
Support services:				
Student services	101,660	103,702	125,241	102,255
Instructional staff services	139,482	190,493	196,184	175,810
Administration services	696,755	617,282	592,754	559,716
Operation and maintenance of plant services	580,382	578,829	549,257	461,485
Transportation services	277,501	393,127	282,481	229,313
Non-instructional programs	37,260	40,010	18,117	14,605
Other expenditures:				
Facilities acquisition	231,566	432,351	269,932	343,461
Long-term debt:				
Principal	140,000	130,000	125,000	120,000
Interest and other charges	131,698	137,743	146,555	149,005
AEA flowthrough	189,574	184,267	181,961	186,389
Total expenditures	<u>6,174,504</u>	<u>6,256,954</u>	<u>5,948,767</u>	<u>5,572,529</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, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 8, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of North Iowa Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Iowa Community School District's internal control over financial reporting.

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects North Iowa Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of North Iowa Community School District's financial statements that is more than inconsequential will not be prevented or detected by North Iowa Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 07-I-A, 07-I-B and 07-01-C 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 and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of North 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

February 8, 2008

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2007

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

07-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, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

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

Conclusion: Response accepted.

07-I-B 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.

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

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

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2007

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

07-II-A Certified Budget: Expenditures for the year ended June 30, 2007, exceeded the amounts budgeted in the instruction, non-instructional programs and other expenditures functions.

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

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

07-II-B 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.

07-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

07-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Jeff Heitland, board member, owner of Heitland Construction	Construction	25,910
Thomas Rygh, board member	Coach	1,512

The project with Heitland Construction was bid as allowed by the Code of Iowa.

Recommendation: Business with district officials is not a conflict of interest if bids are taken or total amount is less than \$2,500. Board members may be part-time temporary employees of the District if they are paid less that \$2,500 in any year. The District should always consult legal council before entering into transactions with board members.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

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

07-II-F Board Minutes: We noted no transactions requiring board approval that had not been approved by the board.

07-II-G Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education on Line 7 of the Certified Enrollment Certification Form for October 2006, was overstated by seven students. Line 1 of the form included 2 students that were counted twice and open enrollment out students included five students that attended a private school.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2007

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

Recommendation: The District should review its procedures for accumulating the data for the certified enrollment forms.

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

Conclusion: Response accepted.

07-II-H Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

07-II-I Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

07-II-J Home School Assistance Program Expenditures: We reviewed expenditures of State monies received for the home school assistance program. We noted one \$20 payment for school supplies that appears to be religious materials.

Recommendation: The District may purchase education supplies for the home school assistance program directly from the vendors. Any supplies purchased for the home school program must be the type of supplies that the District could purchase for use in the public school.

District Response: We will monitor the types of supplies that are purchased for the home school assistance program.

Conclusion: Response accepted.

07-II-K Deficit Balances: The Student Activity Fund, Activity Ticket account has an \$18,680 deficit balance at June 30, 2007.

Recommendation: The District should monitor this account and investigate alternatives to eliminate this deficit.

District Response: We are working on ways to eliminate this deficit.

Conclusion: Response accepted.

07-II-L Completeness of Accounting Records: We noted that fund raising activities for a class trip to Washington DC were being handled by parents, in an account that was not included in the District's accounting records.

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 District should consult with its attorney to determine if this is a school sponsored activity that should be included in the District's accounting records.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2007

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

District Response: We will consult with our attorney.

Conclusion: Response accepted.

07-II-M Physical Plant and Equipment Levy Fund: The Physical Plant and Equipment property tax levy may be used for building construction and repairs, grounds improvements and the purchase or lease of equipment with a per unit cost exceeding \$500. We noted that expenditures from this fund included a \$425 refrigerator.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund.

District Response: We will monitor future expenditures from this fund.

Conclusion: Response accepted.