

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

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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, 2008, 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, 2008, 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 12, 2009, 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, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 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, 2007, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, 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 12, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,180,566 in fiscal 2007 to \$5,066,562 in fiscal 2008, while General Fund expenditures decreased from \$5,319,260 in fiscal 2007 to \$5,311,328 in fiscal 2008. The District's General Fund balance decreased from \$409,717 in fiscal 2007 to \$161,833 in fiscal 2008, a 60% decrease.
- The decrease in General Fund revenues was attributable to a decrease in property tax and federal grant revenue in fiscal 2008.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report North Iowa Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which 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-1
North Iowa GASB 34 Community School District Annual Financial Report

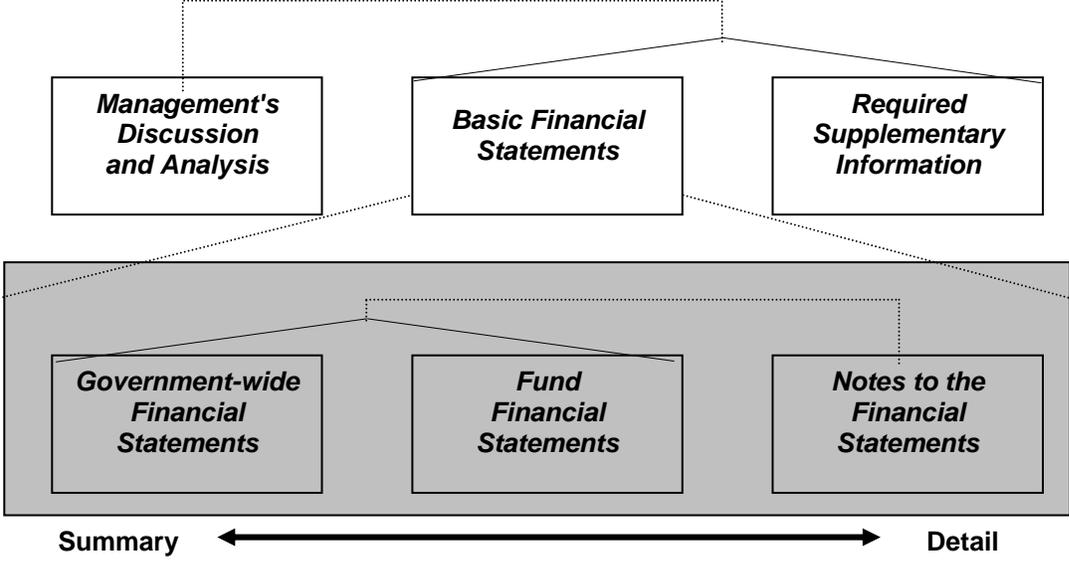


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- 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 Fund, the School Nutrition Fund and FFA Projects.

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 Funds.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2007-2008
	Governmental Activities		Business-type Activities		Total School District		
	2007	2008	2007	2008	2007	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,618,469	5,684,802	68,028	65,307	5,686,497	5,750,109	1.1
Capital assets	4,845,691	4,680,405	22,127	19,194	4,867,818	4,699,599	3.4
Total assets	10,464,160	10,365,207	90,155	84,501	10,554,315	10,449,708	.9
Long-term liabilities	2,667,912	2,597,527	0	0	2,667,912	2,597,527	2.6
Other liabilities	4,701,975	4,671,129	2,581	6,607	4,704,556	4,677,736	.5
Total liabilities	7,369,887	7,268,656	2,581	6,607	7,372,468	7,275,263	1.3
Net Assets:							
Invested in capital assets, net of related debt	2,185,691	2,165,405	22,127	19,194	2,207,818	2,184,599	(1%)
Restricted	283,672	551,243	0	0	283,672	551,243	94%
Unrestricted	624,910	379,903	65,447	58,700	690,357	438,603	(36%)
TOTAL NET ASSETS	3,094,273	3,096,551	87,574	77,894	3,181,847	3,174,445	(.2)

The District's combined total net assets decreased by about .2%, or approximately \$7,400, 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 \$267,000 or 94% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy and Capital Projects Funds.

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 \$251,754, or 36%. 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, 2008 and 2007.

Figure A-4

	Change in Net Assets						Percentage Change 2007-2008
	Governmental Activities		Business-type Activities		Total School District		
	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	
Revenues							
Program Revenues:							
Charges for services	370,770	454,755	150,798	156,938	521,568	611,693	(14.7)
Operating grants & contributions	657,580	623,718	115,481	112,469	773,061	736,187	5.0
Capital grants & contributions	30,358	4,517	0	0	30,358	4,517	5.7
General Revenues:							
Property taxes	2,287,782	2,277,365	0	0	2,287,782	2,277,365	.4
Income Surtax	305,661	276,296	0	0	305,661	276,296	10.6
Local option sales tax	317,244	350,029	0	0	317,244	350,029	(9.3)
Unrestricted state grants	1,959,910	1,991,811	0	0	1,959,910	1,991,811	(1.6)
Unrestricted investment earnings	126,449	102,381	216	0	126,665	102,381	23.7
Other revenue	11,980	22,726	0	0	11,980	22,726	(47.3)
Total Revenues	6,067,734	6,103,598	266,495	269,407	6,334,229	6,373,005	(.5)
Expenses:							
Instruction	3,666,052	3,641,482	0	0	3,666,052	3,641,482	.6
Support services	1,824,464	1,853,640	0	0	1,824,464	1,853,640	(1.5)
Non-instructional programs	40,063	37,260	279,829	263,999	319,892	301,259	6.1
Other expenditures	531,223	552,543	0	0	531,223	552,543	(3.8)
Total expenses	6,061,802	6,084,925	279,829	263,999	6,341,631	6,348,924	(.1)
Change in net assets before transfers	5,932	18,673	(13,334)	5,408	(7,402)	24,081	
Transfers	(3,654)	0	3,654	0	0	0	
CHANGE IN NET ASSETS	2,278	18,673	(9,680)	5,408	(7,402)	24,081	
Net assets beginning of year	3,094,273	3,075,600	87,574	82,166	3,181,847	3,157,766	.7
Net assets end of year	3,096,551	3,094,273	77,894	87,574	3,174,445	3,181,847	(.2)

Property tax and unrestricted state grants account for 67.1% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 86.5% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,607,734 and expenses were \$6,061,802. 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 \$	2008 \$	Change 2007-2008	2007 \$	2008 \$	Change 2007-2008
Instruction	3,641,482	3,666,052	24,570	2,763,842	2,831,615	67,773
Support Services	1,853,640	1,824,464	(29,176)	1,851,092	1,823,022	(28,070)
Non-instructional Programs	37,260	40,063	2,803	37,260	40,063	2,803
Other Expenses	552,543	531,223	(21,320)	349,741	308,394	(41,347)
TOTAL	6,084,925	6,061,802	(23,123)	5,001,935	5,003,094	1,159

- The cost financed by users of the District's programs was \$370,770. 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 \$687,938.
- The net cost of governmental activities was financed with \$2,910,687 in property and local other taxes and \$1,959,910 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$266,495 and expenses were \$279,829. 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 and investment income and fruit sales.

INDIVIDUAL FUND ANALYSIS

As previously noted, 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 \$731,633, well above last year's ending fund balances of \$671,626. However, the primary reason for the increase in combined fund balances in fiscal 2006 is due to approximately \$1 million of unexpended general obligation bond proceeds received in fiscal 2006.

Governmental Fund Highlights

- The General Fund balance decreased from \$409,717 to \$161,833. General Fund revenues decreased by \$114,000 while expenditures remained steady. The District used carry over fund balance to meet its financial obligations during the year.
- Management Fund revenues exceeded expenditures by \$39,865 during the year. The fund was under budgeted during the 2006-2007 school year in an attempt to hold down the local property tax rate. During 2007-2008 the district desired to recoup some of the negative balance yet not overburden the taxpayers with a single year huge increase.
- The Physical Plant and Equipment Levy (PEEL) Fund balance increased from of \$70,059 in fiscal 2007 to \$70,866 in fiscal 2008. While revenues remained approximately the same, the District substantially reduced spending from the PEEL Fund. The carryover balance will be used for future capital improvements and equipment purchases.

- The Capital Projects Fund (LOSST) Fund balance increased from \$137,971 on June 30, 2007, to \$234,067 at June 30, 2008. The monies in this fund are used for equipment purchases and building renovations and improvements.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$76,861 at June 30, 2007 to \$65,717 at June 30, 2008, representing an decrease of approximately 14%. For fiscal 2008, 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

Over the course of the year, North Iowa Community School District amended its annual budget one time. The budgets for instruction, support services and non-instructional programs increased and the budget for other expenditures decreased. The total expenditure budget stayed the same.

The District's actual revenues were \$86,491 more than budgeted receipts, a variance of 1%.

The certified budget was exceeded in the non-instructional programs and other expenditures functional areas due to the timing of expenditures incurred at year-end without sufficient time to amend the certified budget for a second time.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$4,699,599 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3.4% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$217,459.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$39,740 at June 30, 2008 compared to \$0 reported at June 30, 2007. This increase was the result of chemistry room renovations.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2007-2008
	2007	2008	2007	2008	2007	2008	
Land	11,000	11,000	0	0	11,000	11,000	0
Art	52,000	52,000	0	0	52,000	52,000	0
Construction in progress	0	39,740	0	0	0	39,740	
Buildings	4,339,850	4,196,068	0	0	4,339,850	4,196,068	3.3%
Improvements	186,992	175,089	0	0	186,992	175,089	6.3%
Equipment & Furniture	255,849	206,508	22,127	19,194	277,976	225,702	18.8%
TOTAL	4,845,691	4,680,405	22,127	19,194	4,867,818	4,699,599	3.4%

Long-Term Debt

At June 30, 2008 the District had \$2,597,527 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 2.6% 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**

	<u>Total School District</u>		<u>Percentage</u>
	<u>2007</u>	<u>2008</u>	<u>Change</u>
			<u>2007-2008</u>
	\$	\$	
General Obligation Bonds	2,660,000	2,515,000	(5.4%)
Termination Benefits	7,912	16,922	114%
Employee Settlement	0	65,605	
	<u>2,667,912</u>	<u>2,597,527</u>	<u>(2.6%)</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 has had two consecutive years of severe declining enrollment. The trend toward declining enrollment, as predicted by the Iowa Department of Education, will continue over the next two school years before leveling off. Declining enrollments does not reduce the number of miles traveled for rural routes nor co-curricular activities. It also does not allow us to lower temperatures dramatically in classrooms or student activity spaces. With skyrocketing fuel prices during the 2006-2007 and 2007-2008 school years the general fund was greatly impacted because of the geographic size of our district (ninth largest in the state). The drain on the general fund impacts the availability of funds for textbooks, technology, materials, salaries, and benefits.
- Heating costs during the 2007-2008 fiscal year were unpredictable and put additional pressure on the general fund.
- Shipping cost for purchased items skyrocketed during the school year and caused for overextension of predicted budgets.
- The world-wide economic downturn in agriculture and rising fuel prices were major contributing factors leading to several families with younger children opting to move closer to their town of employment despite the cheaper rent in our school district.
- As the veteran staff of the North Iowa Community School District begins to retire, the district will face a challenge to hire highly qualified faculty, especially in shortage areas such as science, math, and vocational offerings. The district will need to be more aggressive in offering signing incentives to secure adequate applicants for such positions. To counter the enrollment declines the District must week options to reduce staff and faculty of the next three fiscal years. The desired direction for reduction of staff is through attrition which may be stimulated through the use of a one-time early retirement policy.

- The district has been very generous in their financial settlements with the local teacher's union and support staff employees. Administrative salary increases have been a fraction of the certified staff increases and well below regional levels of compensation. The District leadership is in the process of developing strategies to address the delicate balance between paying for services appropriately according to the impact the position has on student achievement and at the same time remaining fiscally responsive to the district's financial standing.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Larry Hill, Superintendent, North Iowa Community School District, 111 3rd Ave. N.W., P. O. Box 510, Buffalo Center, Iowa, 50424.

BASIC FINANCIAL STATEMENTS

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	1,457,301	-	1,457,301
Other	1,156,503	60,109	1,216,612
Receivables:			
Property tax:			
Delinquent	56,267	-	56,267
Succeeding year	2,534,571	-	2,534,571
Accounts	-	246	246
Accrued interest ISCAP	18,024	-	18,024
Due from other governments	462,136	-	462,136
Inventories	-	4,952	4,952
Capital assets, net of accumulated depreciation	4,680,405	19,194	4,699,599
Total assets	10,365,207	84,501	10,449,708
Liabilities			
Warrants issued in excess of bank balance	62,619	-	62,619
Accounts payable	122,137	282	122,419
Salaries and benefits payable	464,640	301	464,941
Accrued interest payable	9,837	-	9,837
Deferred revenue:			
Succeeding year property tax	2,534,571	-	2,534,571
Other	-	6,024	6,024
ISCAP warrants payable	1,449,000	-	1,449,000
ISCAP accrued interest payable	11,850	-	11,850
ISCAP premium payable	16,475	-	16,475
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	155,000	-	155,000
Termination benefits	16,922	-	16,922
Employment settlement	49,036	-	49,036
Portion due after one year:			
General obligation bonds payable	2,360,000	-	2,360,000
Employment settlement	16,569	-	16,569
Total liabilities	7,268,656	6,607	7,275,263
Net assets			
Invested in capital assets, net of related debt	2,165,405	19,194	2,184,599
Restricted for:			
State categorical aid	29,253	-	29,253
Physical plant and equipment levy	140,925	-	140,925
Other special revenue purposes	41,027	-	41,027
Local option sales tax capital projects	340,038	-	340,038
Unrestricted	379,903	58,700	438,603
Total net assets	3,096,551	77,894	3,174,445

See notes to financial statements.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

Functions/Programs	<u>Program Revenues</u>			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,328,899	141,747	350,514	-
Special	694,825	78,261	31,249	-
Other	642,328	150,051	82,615	-
	<u>3,666,052</u>	<u>370,059</u>	<u>464,378</u>	<u>-</u>
Support services:				
Student	134,662	-	-	-
Instructional staff	148,802	-	-	-
Administration	708,902	-	-	-
Operation and maintenance of plant	496,374	711	-	-
Transportation	335,724	-	731	-
	<u>1,824,464</u>	<u>711</u>	<u>731</u>	<u>-</u>
Non-instructional programs	40,063	-	-	-
Other expenditures:				
Facilities acquisition	58,449	-	-	30,358
Long-term debt interest	124,618	-	-	-
AEA flowthrough	192,471	-	192,471	-
Depreciation (unallocated)*	155,685	-	-	-
	<u>531,223</u>	<u>-</u>	<u>192,471</u>	<u>30,358</u>
Total governmental activities	<u>6,061,802</u>	<u>370,770</u>	<u>657,580</u>	<u>30,358</u>
Business type activities:				
Non-instructional programs:				
Food service operations	237,125	106,630	115,481	-
FFA projects	42,704	44,168	-	-
Total business-type activities	<u>279,829</u>	<u>150,798</u>	<u>115,481</u>	<u>-</u>
Total	<u>6,341,631</u>	<u>521,568</u>	<u>773,061</u>	<u>30,358</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

Transfers

Total general revenues and transfers

Change in net assets

Net assets beginning of year

Net assets end of year

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

<u>Net (Expense) Revenue and Changes in Net</u>		
<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
<u>Activities</u>	<u>Activities</u>	
<u>\$</u>	<u>\$</u>	<u>\$</u>
(1,836,638)	-	(1,836,638)
(585,315)	-	(585,315)
(409,662)	-	(409,662)
<u>(2,831,615)</u>	<u>-</u>	<u>(2,831,615)</u>
(134,662)	-	(134,662)
(148,802)	-	(148,802)
(708,902)	-	(708,902)
(495,663)	-	(495,663)
(334,993)	-	(334,993)
<u>(1,823,022)</u>	<u>-</u>	<u>(1,823,022)</u>
(40,063)	-	(40,063)
(28,091)	-	(28,091)
(124,618)	-	(124,618)
-	-	-
(155,685)	-	(155,685)
<u>(308,394)</u>	<u>-</u>	<u>(308,394)</u>
(5,003,094)	-	(5,003,094)
-	(15,014)	(15,014)
-	1,464	1,464
-	(13,550)	(13,550)
<u>(5,003,094)</u>	<u>(13,550)</u>	<u>(5,016,644)</u>
1,983,734	-	1,983,734
232,614	-	232,614
71,434	-	71,434
305,661	-	305,661
317,244	-	317,244
1,959,910	-	1,959,910
126,449	216	126,665
11,980	-	11,980
5,009,026	216	5,009,242
(3,654)	3,654	-
<u>5,005,372</u>	<u>3,870</u>	<u>5,009,242</u>
2,278	(9,680)	(7,402)
<u>3,094,273</u>	<u>87,574</u>	<u>3,181,847</u>
<u>3,096,551</u>	<u>77,894</u>	<u>3,174,445</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Assets			
Cash and pooled investments:			
ISCAP	1,457,301	-	1,457,301
Other	632,181	524,322	1,156,503
Receivables:			
Property tax:			
Delinquent	45,245	11,022	56,267
Succeeding year	1,996,772	537,799	2,534,571
Accrued interest - ISCAP	18,024	-	18,024
Due from other governments	358,700	103,436	462,136
Total assets	<u>4,508,223</u>	<u>1,176,579</u>	<u>5,684,802</u>
Liabilities and Fund Balances			
Liabilities:			
Warrants issued in excess of bank balance	62,619	-	62,619
Accounts payable	53,157	68,980	122,137
Salaries and benefits payable	464,640	-	464,640
ISCAP warrants payable	1,449,000	-	1,449,000
ISCAP accrued interest payable	11,850	-	11,850
ISCAP premium payable	16,475	-	16,475
Deferred revenue:			
Succeeding year property tax	1,996,772	537,799	2,534,571
Other	291,877	-	291,877
Total liabilities	<u>4,346,390</u>	<u>606,779</u>	<u>4,953,169</u>
Fund balances:			
Reserved for:			
State categorical aid	29,253	-	29,253
Debt service	-	5,747	5,747
Unreserved reported in:			
General fund	132,580	-	132,580
Special revenue funds	-	224,015	224,015
Capital projects funds	-	340,038	340,038
Total fund balances	<u>161,833</u>	<u>569,800</u>	<u>731,633</u>
Total liabilities and fund balances	<u>4,508,223</u>	<u>1,176,579</u>	<u>5,684,802</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

	\$
Total fund balances of governmental funds (Exhibit C)	731,633
<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.	4,680,405
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	291,877
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.	(9,837)
Long-term liabilities, such as bonds payable, employment settlements 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>(2,597,527)</u>
Net assets of governmental activities (Exhibit A)	<u><u>3,096,551</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	2,124,195	754,614	2,878,809
Tuition	182,149	-	182,149
Other	170,158	161,714	331,872
State sources	2,470,844	22,706	2,493,550
Federal sources	119,216	25,000	144,216
Total revenues	<u>5,066,562</u>	<u>964,034</u>	<u>6,030,596</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,228,659	19,964	2,248,623
Special	694,825	-	694,825
Other	495,899	144,013	639,912
	<u>3,419,383</u>	<u>163,977</u>	<u>3,583,360</u>
Support services:			
Student	134,662	-	134,662
Instructional staff	145,872	-	145,872
Administration	616,356	91,626	707,982
Operation and maintenance of plant	487,907	3,934	491,841
Transportation	302,843	-	302,843
	<u>1,687,640</u>	<u>95,560</u>	<u>1,783,200</u>
Non-instructional programs	11,834	28,229	40,063
Other expenditures:			
Facilities acquisition	-	98,189	98,189
Long-term debt:			
Principal	-	145,000	145,000
Interest and fiscal charges	-	125,188	125,188
AEA flowthrough	192,471	-	192,471
	<u>192,471</u>	<u>368,377</u>	<u>560,848</u>
Total expenditures	<u>5,311,328</u>	<u>656,143</u>	<u>5,967,471</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(244,766)</u>	<u>307,891</u>	<u>63,125</u>
Other financing sources (uses):			
Sales of materials and equipment	536	-	536
Operating transfers in	-	32,000	32,000
Operating transfers out	(3,654)	(32,000)	(35,654)
Total other financing sources (uses)	<u>(3,118)</u>	<u>-</u>	<u>(3,118)</u>
Net change in fund balances	(247,884)	307,891	60,007
Fund balances beginning of year	409,717	261,909	671,626
Fund balances end of year	<u>161,833</u>	<u>569,800</u>	<u>731,633</u>

See notes to financial statements.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		60,007
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Expenditures for capital assets	49,240	
Depreciation expense	<u>(214,526)</u>	(165,286)
Income surtaxes and other revenues not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		36,602
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.		145,000
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.		570
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	(9,010)	
Employment settlement	<u>(65,605)</u>	<u>(74,615)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>2,278</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2008

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	60,109
Accounts receivable	246
Inventories	4,952
Capital assets, net of accumulated depreciation	<u>19,194</u>
Total assets	<u>84,501</u>
Liabilities	
Accounts payable	282
Salaries and benefits payable	301
Deferred revenue	<u>6,024</u>
Total liabilities	<u>6,607</u>
Net assets	
Invested in capital assets, net of related debt	19,194
Unrestricted	<u>58,700</u>
Total net assets	<u><u>77,894</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>150,798</u>
Operating expenses:	
Non-instructional programs:	
Salaries	89,654
Benefits	14,555
Purchased services	3,586
Supplies	169,101
Depreciation	<u>2,933</u>
Total operating expenses	<u>279,829</u>
Operating gain (loss)	<u>(129,031)</u>
Non-operating revenues:	
State sources	3,033
Federal sources	112,448
Interest income	<u>216</u>
Total non-operating revenues	<u>115,697</u>
Gain (loss) before transfers	(13,334)
Transfers in	<u>3,654</u>
Change in net assets	(9,680)
Net assets beginning of year	<u>87,574</u>
Net assets end of year	<u><u>77,894</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2008

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	108,281
Cash received from other services	44,168
Cash payments to employees for services	(103,908)
Cash payments to suppliers for goods or services	<u>(157,028)</u>
Net cash used by operating activities	<u>(108,487)</u>
Cash flows from non-capital financing activities:	
Transfer from General Fund	3,654
State grants received	3,033
Federal grants received	<u>97,723</u>
Net cash provided by non-capital financing activities	<u>104,410</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>216</u>
Net increase (decrease) in cash and cash equivalents	(3,861)
Cash and cash equivalents at beginning of year	<u>63,970</u>
Cash and cash equivalents at end of year	<u><u>60,109</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(129,031)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	16,529
Depreciation	2,933
Decrease (increase) in inventories	(1,146)
Decrease (increase) in accounts receivable	6
(Decrease) increase in accounts payable	276
(Decrease) increase in salaries and benefits payable	301
(Decrease) increase in deferred revenue	<u>1,645</u>
Net cash used by operating activities	<u><u>(108,487)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008 the District received \$16,529 of federal commodities.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2008

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	327,888
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>327,888</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2008

	Private Purpose Trust Scholarship <u> </u> \$
Additions:	
Local sources:	
Gifts and contributions	10,193
Interest	<u>12,557</u>
Total additions	<u>22,750</u>
Deductions:	
Support services:	
Scholarships awarded	<u>18,700</u>
Change in net assets	4,050
Net assets beginning of year	<u>323,838</u>
Net assets end of year	<u><u>327,888</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

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 attributable to the acquisition, construction, or improvement of those assets.

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

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

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

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

The District reports the following major governmental 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 instructional, support and other costs.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007, through June 30, 2008, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

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, 2008, expenditures in the 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, 2008 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, 2008, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
	\$	
Bank of America Corp. Sub Notes Global	10,529	February 2010
Ford Motor Credit Bonds	15,697	November 2011
General Motors Accept. Smart Note	19,352	November 2008
483 Shares General Electric Company Common Stock	12,895	N/A
61 Shares Mid Cap SPDR Trust Unit Series 1	9,091	April 2020
21 shares S P D R Trust Unit Series 1	2,688	January 2118

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	1,078,326

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	AA-
Ford Motor Credit Bonds	B
General Motors Accept. Smart Note	B
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 94% of the District's total investments.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 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	32,000
Nonmajor Enterprise Funds: School Nutrition Fund	General Fund	3,654

The transfer from the Capital Projects Fund moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The transfer from the General Fund to the School Nutrition is for Nutrition Fund insurance benefits paid by the General Fund.

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, 2008, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2007-08A	06/27/07	06/27/08	-	7,161	-	-
2007-08B	01/23/08	01/23/09	712,279	10,580	710,000	11,567
2008-09A	06/26/08	06/25/09	745,022	283	739,000	283
Total			<u>1,457,301</u>	<u>18,024</u>	<u>1,449,000</u>	<u>11,850</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	30,000	30,000	-

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
	%	%
2007-08A	4.500	5.455
2007-08B	3.750	3.451
2008-09A	3.500	3.469

5. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	-	39,740	-	39,740
Work of art	52,000	-	-	52,000
Land	11,000	-	-	11,000
Total capital assets not being depr.	<u>63,000</u>	<u>39,740</u>	<u>-</u>	<u>102,740</u>
Capital assets being depreciated:				
Buildings	7,029,673	-	-	7,029,673
Improvements other than buildings	449,131	-	-	449,131
Furniture and equipment	1,294,711	9,500	-	1,304,211
Total capital assets being deprec.	<u>8,773,515</u>	<u>9,500</u>	<u>-</u>	<u>8,783,015</u>
Less accumulated depreciation for:				
Buildings	2,689,823	143,782	-	2,833,605
Improvements other than buildings	262,139	11,903	-	274,042
Furniture and equipment	1,038,862	58,841	-	1,097,703
Total accumulated depreciation	<u>3,990,824</u>	<u>214,526</u>	<u>-</u>	<u>4,205,350</u>
Total capital assets being depreciated, net	<u>4,782,691</u>	<u>(205,026)</u>	<u>-</u>	<u>4,577,665</u>
Governmental activities capital assets, net	<u>4,845,691</u>	<u>(165,286)</u>	<u>-</u>	<u>4,680,405</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	87,277	-	-	87,277
Less accumulated depreciation	<u>65,150</u>	<u>2,933</u>	<u>-</u>	<u>68,083</u>
Business type activities capital assets, net	<u>22,127</u>	<u>(2,933)</u>	<u>-</u>	<u>19,194</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	5,661
Other	2,416
Support services:	
Instructional staff services	2,930
Administration services	920
Operation and maintenance of plant services	4,533
Transportation	42,381
	58,841
Unallocated depreciation	155,685
Total depreciation expense – governmental activities	214,526
Business type activities:	
Food services	2,933

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	2,660,000	-	145,000	2,515,000	155,000
Employee settlement	-	65,605	-	65,605	49,036
Termination benefits	7,912	16,922	7,912	16,922	16,922
	2,667,912	82,527	152,912	2,597,527	220,958
Total	2,667,912	82,527	152,912	2,597,527	220,958

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-six 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. The board of directors must approve implementation of the policy by January 1, each year.

Early retirement benefits are equal to \$2,500 plus \$50 for each year of service to the school. Benefits also include the payment of \$20 per day for unused sick leave.

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, 2008, the District has obligations to three participants with a total liability of \$16,922.

General Obligation Bonds Payable

Details of the District's June 30, 2008 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>
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	4.70	195,000	86,245	281,245
2014-2018	4.70	1,110,000	285,760	1,395,760
2019-2020	4.70	<u>530,000</u>	<u>37,835</u>	<u>567,835</u>
		<u>2,515,000</u>	<u>836,827</u>	<u>3,351,827</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 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$198,695, \$167,728 and \$182,815 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 \$192,471 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Construction Commitment

The District has entered into a \$64,575 contract for science room renovations. As of June 30, 2008 costs of \$36,740 had been incurred against the contract. The balance remaining at June 30, 2008 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,392,830	151,014	3,543,844	3,495,034	3,495,034	48,810
State sources	2,493,550	3,033	2,496,583	2,489,216	2,489,216	7,367
Federal sources	144,216	112,448	256,664	226,350	226,350	30,314
Total revenues	<u>6,030,596</u>	<u>266,495</u>	<u>6,297,091</u>	<u>6,210,600</u>	<u>6,210,600</u>	<u>86,491</u>
Expenditures/Expenses:						
Instruction	3,583,360	-	3,583,360	3,479,100	3,651,100	67,740
Support services	1,783,200	-	1,783,200	1,799,865	1,799,865	16,665
Non-instructional programs	40,063	279,829	319,892	232,767	250,767	(69,125)
Other expenditures	560,848	-	560,848	701,005	511,005	(49,843)
Total expenditures/expenses	<u>5,967,471</u>	<u>279,829</u>	<u>6,247,300</u>	<u>6,212,737</u>	<u>6,212,737</u>	<u>(34,563)</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	63,125	(13,334)	49,791	(2,137)	(2,137)	51,928
Other financing sources (uses) net	<u>(3,118)</u>	<u>3,654</u>	<u>536</u>	<u>3,500</u>	<u>3,500</u>	<u>(2,964)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	60,007	(9,680)	50,327	1,363	1,363	48,964
Balance beginning of year	<u>671,626</u>	<u>87,574</u>	<u>759,200</u>	<u>599,261</u>	<u>599,261</u>	<u>159,939</u>
Balance end of year	<u><u>731,633</u></u>	<u><u>77,894</u></u>	<u><u>809,527</u></u>	<u><u>600,624</u></u>	<u><u>600,624</u></u>	<u><u>208,903</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

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 adopted one budget amendment during the year that increased budgeted expenditures in the instruction and non-instructional programs functional areas and decreased expenditures in the other expenditures functional area for a total budget increase of zero.

During the year ended June 30, 2008, expenditures in the 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, 2008

Special Revenue Funds

Assets	Management	Student	Physical	Public	District	Capital	Debt	Total
	Levy	Activity	Plant and	Education	Support	Projects	Service	
	\$	\$	\$	\$	\$	\$	\$	\$
Cash and pooled investments	38,897	46,303	116,770	11,456	879	309,753	264	524,322
Receivables:								
Property tax:								
Delinquent	3,166	-	1,684	689	-	-	5,483	11,022
Succeeding year	160,000	-	74,810	29,544	-	-	273,445	537,799
Due from other governments	-	-	25,000	-	-	78,436	-	103,436
Total assets	202,063	46,303	218,264	41,689	879	388,189	279,192	1,176,579
Liabilities & Fund Balances								
Liabilities:								
Accounts payable	-	6,844	2,529	11,456	-	48,151	-	68,980
Deferred revenue:								
Succeeding year property tax	160,000	-	74,810	29,544	-	-	273,445	537,799
Total liabilities	160,000	6,844	77,339	41,000	-	48,151	273,445	606,779
Fund balances:								
Reserved for debt service	-	-	-	-	-	-	5,747	5,747
Unreserved reported in:								
Special revenue funds	42,063	39,459	140,925	689	879	-	-	224,015
Capital projects funds	-	-	-	-	-	340,038	-	340,038
Total fund balances	42,063	39,459	140,925	689	879	340,038	5,747	569,800
Total liabilities and fund balances	202,063	46,303	218,264	41,689	879	388,189	279,192	1,176,579

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, 2008

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	127,901	-	71,434	27,831	-	294,834	232,614	754,614
Other	11,444	144,175	5,358	-	737	-	-	161,714
State sources	85	-	45	19	-	22,410	147	22,706
Federal sources	-	-	25,000	-	-	-	-	25,000
Total revenues	<u>139,430</u>	<u>144,175</u>	<u>101,837</u>	<u>27,850</u>	<u>737</u>	<u>317,244</u>	<u>232,761</u>	<u>964,034</u>
Expenditures:								
Current:								
Instruction:								
Regular	7,939	-	3,441	-	-	8,584	-	19,964
Other	-	144,013	-	-	-	-	-	144,013
Support services:								
Administration	91,626	-	-	-	-	-	-	91,626
Operation and maintenance of plant	-	-	-	-	-	3,934	-	3,934
Non-instructional programs	-	-	-	28,229	-	-	-	28,229
Other expenditures:								
Facilities acquisition	-	-	27,530	-	-	70,659	-	98,189
Long-term debt:								
Principal	-	-	-	-	-	-	145,000	145,000
Interest and fiscal charges	-	-	-	-	-	-	125,188	125,188
Total expenditures	<u>99,565</u>	<u>144,013</u>	<u>30,971</u>	<u>28,229</u>	<u>-</u>	<u>83,177</u>	<u>270,188</u>	<u>656,143</u>
Excess (deficiency) of revenues over (under) expenditures	<u>39,865</u>	<u>162</u>	<u>70,866</u>	<u>(379)</u>	<u>737</u>	<u>234,067</u>	<u>(37,427)</u>	<u>307,891</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

Other financing sources (uses):								
Operating transfers in	-	-	-	-	-	-	32,000	32,000
Operating transfers out	-	-	-	-	-	(32,000)	-	(32,000)
Total other financing sources (uses)	-	-	-	-	-	(32,000)	32,000	-
Net change in fund balance	39,865	162	70,866	(379)	737	202,067	(5,427)	307,891
Fund balances beginning of year	2,198	39,297	70,059	1,068	142	137,971	11,174	261,909
Fund balances end of year	42,063	39,459	140,925	689	879	340,038	5,747	569,800

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2008

	Enterprise Funds		
	Nutrition		Total
	Fund	FFA Project	
	\$	\$	\$
Assets			
Cash and cash equivalents	47,932	12,177	60,109
Accounts receivable	246	-	246
Inventories	4,952	-	4,952
Capital assets, net of accumulated depreciation	19,194	-	19,194
Total assets	<u>72,324</u>	<u>12,177</u>	<u>84,501</u>
Liabilities			
Accounts payable	282	-	282
Salaries and benefits payable	301	-	301
Deferred revenue	6,024	-	6,024
Total liabilities	<u>6,607</u>	<u>-</u>	<u>6,607</u>
Net assets			
Invested in capital assets, net of related debt	19,194	-	19,194
Unrestricted	46,523	12,177	58,700
Total net assets	<u>65,717</u>	<u>12,177</u>	<u>77,894</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Enterprise Funds		
	Nutrition		Total
	Fund	FFA Project	
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	106,630	44,168	150,798
Operating expenses:			
Non-instructional programs:			
Salaries	89,654	-	89,654
Benefits	14,555	-	14,555
Purchased services	3,069	517	3,586
Supplies	126,914	42,187	169,101
Depreciation	2,933	-	2,933
	237,125	42,704	279,829
Operating gain (loss)	(130,495)	1,464	(129,031)
Non-operating revenues:			
State sources	3,033	-	3,033
Federal sources	112,448	-	112,448
Interest income	216	-	216
Total non-operating revenues	115,697	-	115,697
Gain (loss) before transfers	(14,798)	1,464	(13,334)
Transfers in	3,654	-	3,654
Change in net assets	(11,144)	1,464	(9,680)
Net assets beginning of year	76,861	10,713	87,574
Net assets end of year	65,717	12,177	77,894

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2008

	Enterprise Funds		
	Nutrition Fund	FFA Project	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	108,281	-	108,281
Cash received from other services	-	44,168	44,168
Cash payments to employees for services	(103,908)	-	(103,908)
Cash payments to suppliers for goods or services	(114,324)	(42,704)	(157,028)
Net cash used by operating activities	<u>(109,951)</u>	<u>1,464</u>	<u>(108,487)</u>
Cash flows from non-capital financing activities:			
Transfer from General Fund	3,654	-	3,654
State grants received	3,033	-	3,033
Federal grants received	97,723	-	97,723
Net cash provided by non-capital financing activities	<u>104,410</u>	<u>-</u>	<u>104,410</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>216</u>	<u>-</u>	<u>216</u>
Net increase (decrease) in cash and cash equivalents	(5,325)	1,464	(3,861)
Cash and cash equivalents at beginning of year	<u>53,257</u>	<u>10,713</u>	<u>63,970</u>
Cash and cash equivalents at end of year	<u><u>47,932</u></u>	<u><u>12,177</u></u>	<u><u>60,109</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(130,495)	1,464	(129,031)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	16,529	-	16,529
Depreciation	2,933	-	2,933
Decrease (increase) in inventories	(1,146)	-	(1,146)
Decrease (increase) in accounts receivable	6	-	6
(Decrease) increase in accounts payable	276	-	276
(Decrease) increase in salaries and benefits payable	301	-	301
(Decrease) increase in deferred revenue	1,645	-	1,645
Net cash used by operating activities	<u>(109,951)</u>	<u>1,464</u>	<u>(108,487)</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End
	Beginning of Year				of Year
	\$	\$	\$	\$	\$
Towel fee	100	-	-	-	100
Activity tickets	(18,680)	28,730	7,136	(3,925)	(1,011)
Interest	(327)	559	-	188	420
Drama	1,231	4,954	7,008	1,823	1,000
Speech	611	191	1,874	1,822	750
Vocal music	400	237	635	98	100
Instrumental music	493	545	1,083	146	101
Band fund raiser	6,022	-	4,942	-	1,080
Annual	3,747	4,950	6,228	(470)	1,999
Boys basketball	1,400	12,152	10,530	(1,622)	1,400
Football	1,747	13,131	11,708	(1,471)	1,699
Baseball	3,192	4,158	7,021	933	1,262
Boys track	1,000	2,811	5,508	2,696	999
Boys golf	500	-	215	115	400
Wrestling	1,400	1,531	1,797	(684)	450
Girls basketball	1,400	11,037	6,891	(4,146)	1,400
Volleyball	1,400	5,734	4,762	(1,172)	1,200
Girls softball	2,333	515	3,132	1,459	1,175
Girls track	1,000	4,490	4,320	(170)	1,000
Girls golf	500	-	251	151	400
Spanish club	50	1,584	100	-	1,534
Cheerleading	3,517	2,427	1,302	(2,142)	2,500
FCCLA	300	2,081	1,566	(515)	300
Student council	848	4,520	4,410	-	958
Honor society	200	541	629	-	112
Tournament all sport fund	1,810	3,658	3,711	-	1,757
Class of 2008	2,286	235	2,514	(7)	-
Class of 2009	965	7,271	6,958	-	1,278
Class of 2010	798	200	-	-	998
8th grade moved to 9th	700	-	-	(700)	-
Class of 2011	-	190	-	700	890
Class of 2012	330	150	-	-	480
Class of 2013	370	175	-	-	545
Class of 2014	175	170	-	-	345
Class of 2015	-	155	-	-	155
Quiz bowl	300	-	120	-	180
MS student council	1,258	4,455	4,356	-	1,357
MS music club	7,996	15,643	19,343	-	4,296
MS annual	1,685	1,400	1,365	(720)	1,000
MS officials	2,500	250	2,455	2,205	2,500
MS field trips	550	258	924	416	300
MS football	750	559	1,043	434	700

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, 2008

<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 girls basketball	250	-	251	251	250
MS boys basketball	250	-	127	127	250
MS wrestling	200	-	16	16	200
MS volleyball	250	-	357	357	250
MS girls track	245	663	1,133	425	200
MS boys track	245	326	808	437	200
HS/MS uniforms	1,000	1,539	5,484	2,945	-
	<u>39,297</u>	<u>144,175</u>	<u>144,013</u>	<u>-</u>	<u>39,459</u>
Total	<u>39,297</u>	<u>144,175</u>	<u>144,013</u>	<u>-</u>	<u>39,459</u>

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			
	2008	2007	2006	2005
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,878,809	2,854,275	2,787,187	2,761,408
Tuition	182,149	256,213	243,246	206,412
Other	331,872	337,536	288,193	289,144
State sources	2,493,550	2,479,592	2,461,232	2,323,331
Federal sources	144,216	165,971	171,962	210,967
	<u>6,030,596</u>	<u>6,093,587</u>	<u>5,951,820</u>	<u>5,791,262</u>
Expenditures:				
Instruction:				
Regular instruction	2,248,623	2,281,676	2,149,499	1,941,389
Special instruction	694,825	738,855	711,412	1,100,194
Other instruction	639,912	628,095	588,239	419,702
Support services:				
Student services	134,662	101,660	103,702	125,241
Instructional staff services	145,872	139,482	190,493	196,184
Administration services	707,982	696,755	617,282	592,754
Operation and maintenance of plant services	491,841	580,382	578,829	549,257
Transportation services	302,843	277,501	393,127	282,481
Non-instructional programs	40,063	37,260	40,010	18,117
Other expenditures:				
Facilities acquisition	98,189	231,566	432,351	269,932
Long-term debt:				
Principal	145,000	140,000	130,000	125,000
Interest and other charges	125,188	131,698	137,743	146,555
AEA flowthrough	192,471	189,574	184,267	181,961
	<u>5,967,471</u>	<u>6,174,504</u>	<u>6,256,954</u>	<u>5,948,767</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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 12, 2009. 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 08-I-A, 08-I-B and 08-01-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, 2008 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 12, 2009

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2008

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

08-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: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

08-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.

08-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, 2008

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, 2008

Part II: Other Findings Related to Statutory Reporting:

- 08-II-A Certified Budget: Expenditures for the year ended June 30, 2008, exceeded the amounts budgeted in the 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: We did amend our budget, but year-end expenditures were more than anticipated.
- Conclusion: Response accepted.
- 08-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.
- 08-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.
- 08-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 08-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.
- 08-II-F Board Minutes: We noted no transactions requiring board approval that had not been approved by the board.
- 08-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 2007, was overstated by fifteen students. Line 1 of the form included 15 open enrollment in students.
- Recommendation: The District should review its procedures for accumulating the data for the certified enrollment forms.
- District Response: We will review our procedures before filing future forms.
- Conclusion: Response accepted.
- 08-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.
- 08-II-I Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 08-II-J Home School Assistance Program Expenditures: We reviewed expenditures of State monies received for the home school assistance program. We noted \$49 of purchases that do not appear to be the type of supplies that would be used in public schools.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2008

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

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.

08-II-K Physical Plant and Equipment Levy Fund (PPEL): 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 \$38 for cell phone charges and \$1,093 for the purchase of three cell phones. These expenditures do not appear to be allowable from the PPEL Fund.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund and the General Fund should reimburse the PPEL Fund for the expenditures.

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

Conclusion: Response accepted.

08-II-L Allocation of Interest: We noted that interest from a pooled bank account is not being allocated to the all funds having monies in the pooled bank account.

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

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

Conclusion: Response accepted.