

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

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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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2010 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 five years ended June 30, 2008, (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

March 12, 2010

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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,066,562 in fiscal 2008 to \$5,335,127 in fiscal 2009, while General Fund expenditures increased from \$5,311,328 in fiscal 2008 to \$5,427,590 in fiscal 2009. The District's General Fund balance decreased from \$161,833 in fiscal 2008 to \$66,700 in fiscal 2009, a 59% decrease.
- The increase in General Fund revenues was attributable to an increase in property tax and federal grant revenue in fiscal 2009. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

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 Community School District Annual Financial Report

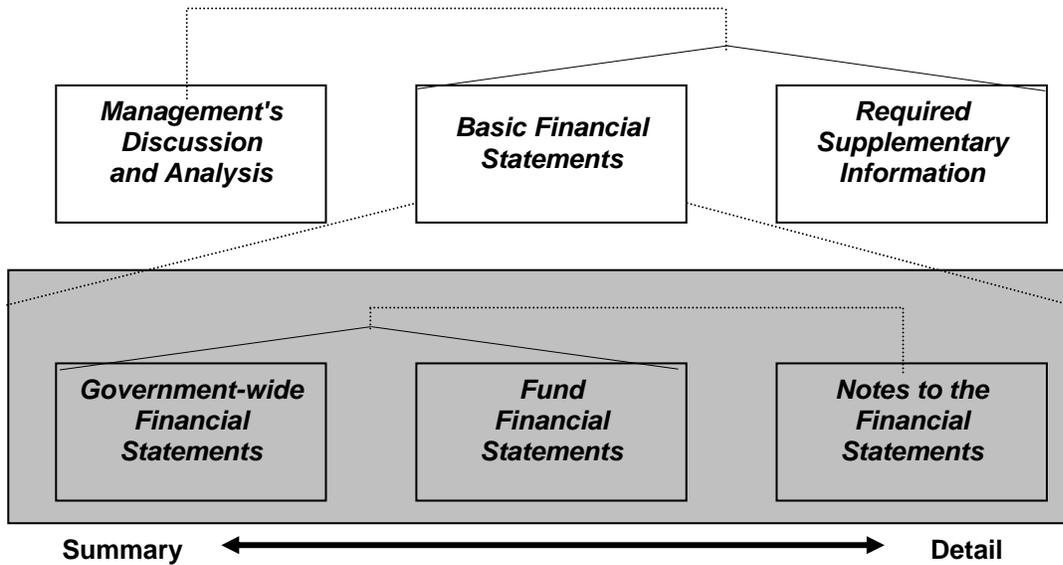


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 is included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, 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, 2009 compared to June 30, 2008.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2008	2009	2008	2009	2008	2009	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,684,802	5,656,030	65,307	57,494	5,750,109	5,713,524	(.6%)
Capital assets	4,680,405	4,513,514	19,194	16,468	4,699,599	4,529,982	(3.6%)
Total assets	10,365,207	10,169,544	84,501	73,962	10,449,708	10,243,506	(2.0%)
Long-term liabilities	2,597,527	2,490,480	0	0	2,597,527	2,490,480	(4.3%)
Other liabilities	4,671,129	4,470,767	6,607	3,805	4,677,736	4,474,572	(4.3%)
Total liabilities	7,268,656	6,961,247	6,607	3,805	7,275,263	6,965,052	(4.3%)
Net Assets:							
Invested in capital assets, net of related debt	2,165,405	2,153,514	19,194	16,468	2,184,599	2,169,982	(0.7%)
Restricted	551,243	852,151	0	0	551,243	852,151	54.6%
Unrestricted	379,903	202,632	58,700	53,689	438,603	256,321	(41.6%)
TOTAL NET ASSETS	3,096,551	3,208,297	77,894	70,157	3,174,445	3,278,454	(3.3%)

The District's combined total net assets decreased by nearly 3.3%, or approximately \$104,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$300,908 or 55% 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 \$182,282, or 41.6%. 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, 2009 and 2008.

Figure A-4

	Change in Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	
Revenues							
Program Revenues:							
Charges for services	370,770	326,226	150,798	147,615	521,568	473,841	(9.2%)
Operating grants & contributions	657,580	801,021	115,481	125,983	773,061	927,004	(19.9%)
Capital grants & contributions	30,358	456	0	0	30,358	456	(98.5%)
General Revenues:							
Property taxes	2,287,782	2,536,627	0	0	2,287,782	2,536,627	10.9%
Income Surtax	305,661	344,852	0	0	305,661	344,852	12.8%
Statewide sales tax	317,244	348,156	0	0	317,244	348,156	9.7%
Unrestricted state grants	1,959,910	1,851,855	0	0	1,959,910	1,851,855	(5.5%)
Unrestricted investment earnings	126,449	54,873	216	249	126,665	55,122	(56.5%)
ARRA Stabilization	0	46,377	0	0	0	46,377	100%
Other revenue	11,980	12,601	0	0	11,980	12,601	5.2%
Total Revenues	6,067,734	6,323,044	266,495	273,847	6,334,229	6,596,891	4.1%
Expenses:							
Instruction	3,666,052	3,793,248	0	0	3,666,052	3,793,248	3.5%
Support services	1,824,464	1,821,593	0	0	1,824,464	1,821,593	(.2%)
Non-instructional programs	40,063	40,516	279,829	284,254	319,892	324,770	1.5%
Other expenditures	531,223	553,271	0	0	531,223	553,271	4.1%
Total expenses	6,061,802	6,208,628	279,829	284,254	6,341,631	6,492,882	2.4%
Change in net assets before transfers	5,932	114,416	-13,334	-10,407	-7,402	104,009	150.5%
Transfers	-3,654	-2,670	3,654	2,670	0	0	0
CHANGE IN NET ASSETS	2,278	111,746	-9,680	-7,737	-7,402	104,009	150.5%
Net assets beginning of year	3,094,273	3,096,551	87,574	77,894	3,181,847	3,174,445	(.2%)
Net assets end of year	3,096,551	3,208,297	77,894	70,157	3,174,445	3,278,454	3.3%

In fiscal year 2009 property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 4.1% increase in revenues and a 2.4% increase in expenses. Property tax increased \$248,845 to fund increases in expenses. The increases in expenses related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$6,323,044 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.

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2008 \$	2009 \$	Change 2008-2009	2008 \$	2009 \$	Change 2008-2009
Instruction	3,666,052	3,793,248	127,196	2,831,615	2,865,899	34,284
Support Services	1,824,464	1,821,593	-2,871	1,823,022	1,821,112	-1,910
Non-instructional Programs	40,063	40,516	453	40,063	40,516	453
Other Expenses	531,223	553,271	22,048	308,394	353,398	45,004
TOTAL	6,061,802	6,208,628	146,826	5,003,094	5,080,925	77,831

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$326,226. 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 \$801,477.
- The net cost of governmental activities was financed with \$3,229,635 in property and local other taxes and \$1,851,855 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$273,847 and expenses were \$284,254. The District's business type activities include the School Nutrition Fund and FFA Projects Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income, and fund raising revenue (fruit sales).

During the year ended June 30, 2009, the District increased meal prices by 6.4%. This increase resulted in increased revenue to the School Nutrition Fund that the District can use to maintain inflation to food service items.

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 \$938,463, well above last year's ending fund balances of \$731,633. However, the primary reason for the increase in combined fund balances in fiscal 2009 is due to increase revenues from property and local taxes while funds were not expended from the local taxes being held over for special projects in 2010.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more

than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.

- The General Fund balance decreased from \$161,833 to \$66,700, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Management fund balance increased from \$42,063 in fiscal 2008 to \$64,335 in fiscal 2009. The district continues to slowly build the balance of this account in order to sustain retirement benefits to veteran employees..
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from 140,925 in fiscal 2008 to \$214,343 in fiscal 2009. The monies in this fund must be used for building and site repairs and construction and equipment purchases.
- The Capital Projects Fund balance increased from \$340,038 in fiscal 2008 to \$541,914 in fiscal 2009. The monies in this fund are used for equipment purchases and building renovations and improvements.

Proprietary Fund Highlights

The proprietary fund consists of the School Nutrition Fund and FFA Projects. Net assets decreased from \$77,894 at June 30, 2008 to \$70,157 at June 30, 2009, representing a decrease of approximately 10%. For fiscal 2009, the District increased meal prices, but this was not enough to compensate for loss of income due to declining student numbers. Declining state funding and increased expenditures also attributed to the decline in net assets. The FFA Project fund remained constant.

BUDGETARY HIGHLIGHTS

Over the course of the year, North Iowa Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with the non-instructional support services expenditures requiring an increase of 35,000 and the budget for instructional serviced decreased. The total expenditure budget stayed the same.

The District's receipts were \$344,806 less than budgeted receipts, a variance of 5%. The most significant difference was a cut to state aid payments authorized by the governor after budgets were certified.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and non-instructional functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$4,529,982, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 3.6% 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 \$221,061.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$8,196 at June 30, 2009 compared to \$39,740 reported at June 30, 2008. This significant decrease resulted from the chemistry room renovation being completed with only minor work remaining on the special education room renovation project remaining.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2008-2009
	Activities		Activities		School District		
	2008	2009	2008	2009	2008	2009	
	\$	\$	\$	\$	\$	\$	
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	39,740	8,196	0	0	39,740	8,196	(79.4%)
Buildings	4,196,068	4,127,675	0	0	4,196,068	4,127,675	(1.6%)
Improvements	175,089	163,186	0	0	175,089	163,186	(6.8%)
Equipment & furniture	206,508	151,457	19,194	16,468	225,702	167,925	(25.6%)
TOTAL	4,680,405	4,513,514	19,194	16,468	4,699,599	4,529,982	(3.6%)

Long-Term Debt

At June 30, 2009 the District had \$2,490,480 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 4% 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.

The District also had several early retirement offered and accepted as a means to save expenditures in the general fund. These retirement are the reason for the nearly 573% increase to the termination benefits (See Figure A-7)

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2008-2009
	2008	2009	
	\$	\$	
General obligation bonds	2,515,000	2,360,000	(6.2%)
Employee Settlement	65,605	16,641	(74.6%)
Termination Benefits	16,922	113,839	572.7%
	<u>2,597,527</u>	<u>2,490,480</u>	<u>(4.1%)</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:

- Winnebago/Kossuth Counties have advised the District that, due the recent completion of property revaluation assessments, the District's total taxable valuation will increase 7 percent for property tax collected in fiscal 2010.

- School financing is highly dependent upon student enrollment. The District's October 2009 enrollment decreased by 26 students. This drop in enrollment will decrease the District's funding for fiscal year 2011.
- Although the District has experienced declining enrollment for the past eight years, the District expects to see these declining number level off within the next 3 years.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be replaced during fiscal 2010 at a cost of nearly \$75,000. To pay for this bus, the District will use a combination of resources from the General Fund and the Physical Plant and Equipment Levy Fund.
- The District has evaluated the condition of its facilities and determined, due to energy efficiency, window replacement in the 1922 building could significantly reduce heating costs. To pay for these renovations, the District will use resources from the Capital Projects fund over a 2 to 3 years period.
- The world-wide economic downturn in unemployment along with rising cost were major contributing factors leading to several families with younger children opting to move closer to their town of employment despite the cheaper housing options available in our district.
- State funding continues to be a high concern for all school district state-wide. Potential cuts to expected funding will significantly decrease cash available in the declining general fund.

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 Sara Meinders, District Secretary/Treasurer and Business Manager, North Iowa Community School District, 111 3rd Ave NW, P.O. Box 510, Buffalo Center, Iowa, 50424.

BASIC FINANCIAL STATEMENTS

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	1,152,984	-	1,152,984
Other	1,253,756	54,675	1,308,431
Receivables:			
Property tax:			
Delinquent	30,899	-	30,899
Succeeding year	2,723,020	-	2,723,020
Accounts	-	235	235
Accrued interest ISCAP	11,370	-	11,370
Due from other governments	484,001	1,159	485,160
Inventories	-	1,425	1,425
Capital assets, net of accumulated depreciation	4,513,514	16,468	4,529,982
Total assets	10,169,544	73,962	10,243,506
Liabilities			
Warrants issued in excess of bank balance	42,873	-	42,873
Accounts payable	107,118	57	107,175
Salaries and benefits payable	426,199	-	426,199
Accrued interest payable	9,236	-	9,236
Deferred revenue:			
Succeeding year property tax	2,723,020	-	2,723,020
Other	-	3,748	3,748
ISCAP warrants payable	1,137,000	-	1,137,000
ISCAP accrued interest payable	8,971	-	8,971
ISCAP premium payable	16,350	-	16,350
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	165,000	-	165,000
Termination benefits	95,584	-	95,584
Employment settlement	5,255	-	5,255
Portion due after one year:			
General obligation bonds payable	2,195,000	-	2,195,000
Termination benefits	18,255	-	18,255
Employment settlement	11,386	-	11,386
Total liabilities	6,961,247	3,805	6,965,052
Net assets			
Invested in capital assets, net of related debt	2,153,514	16,468	2,169,982
Restricted for:			
Categorical funding	50,634	-	50,634
Physical plant and equipment levy	214,343	-	214,343
Other special revenue purposes	45,260	-	45,260
Sales tax capital projects	541,914	-	541,914
Unrestricted	202,632	53,689	256,321
Total net assets	3,208,297	70,157	3,278,454

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

Functions/Programs	<u>Program Revenue</u>		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
	\$	\$	\$
Governmental activities:			
Instruction:			
Regular	2,493,555	129,698	475,258
Special	668,822	65,489	44,512
Other	630,871	130,558	81,834
	<u>3,793,248</u>	<u>325,745</u>	<u>601,604</u>
Support services:			
Student	167,604	-	-
Instructional staff	129,243	-	-
Administration	714,342	-	-
Operation and maintenance of plant	536,352	81	-
Transportation	274,052	400	-
	<u>1,821,593</u>	<u>481</u>	<u>-</u>
Non-instructional programs	40,516	-	-
Other expenditures:			
Facilities acquisition	78,726	-	-
Long-term debt interest	117,844	-	-
AEA flowthrough	199,417	-	199,417
Depreciation (unallocated)*	157,284	-	-
	<u>553,271</u>	<u>-</u>	<u>199,417</u>
Total governmental activities	<u>6,208,628</u>	<u>326,226</u>	<u>801,021</u>
Business type activities:			
Non-instructional programs:			
Food service operations	245,766	107,382	125,983
FFA projects	38,488	40,233	-
Total business-type activities	<u>284,254</u>	<u>147,615</u>	<u>125,983</u>
Total	<u>6,492,882</u>	<u>473,841</u>	<u>927,004</u>
General Revenues:			
Property taxes levied for:			
General purposes			
Debt service			
Capital outlay			
Income surtax			
Statewide sales and services tax			
Unrestricted state grants			
ARRA stabilization			
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.

s <u>Net (Expense) Revenue and Changes in Net</u>			
Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
\$	\$	\$	\$
-	(1,888,599)	-	(1,888,599)
-	(558,821)	-	(558,821)
-	(418,479)	-	(418,479)
-	(2,865,899)	-	(2,865,899)
-	(167,604)	-	(167,604)
-	(129,243)	-	(129,243)
-	(714,342)	-	(714,342)
-	(536,271)	-	(536,271)
-	(273,652)	-	(273,652)
-	(1,821,112)	-	(1,821,112)
-	(40,516)	-	(40,516)
456	(78,270)	-	(78,270)
-	(117,844)	-	(117,844)
-	-	-	-
-	(157,284)	-	(157,284)
456	(353,398)	-	(353,398)
456	(5,080,925)	-	(5,080,925)
-	-	(12,401)	(12,401)
-	-	1,745	1,745
-	-	(10,656)	(10,656)
456	(5,080,925)	(10,656)	(5,091,581)
	2,189,513	-	2,189,513
	273,450	-	273,450
	73,664	-	73,664
	344,852	-	344,852
	348,156	-	348,156
	1,851,855	-	1,851,855
	46,377	249	46,626
	54,873	-	54,873
	12,601	-	12,601
	5,195,341	249	5,195,590
	(2,670)	2,670	-
	5,192,671	2,919	5,195,590
	111,746	(7,737)	104,009
	3,096,551	77,894	3,174,445
	3,208,297	70,157	3,278,454

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Assets			
Cash and pooled investments:			
ISCAP	1,152,984	-	1,152,984
Other	428,447	825,309	1,253,756
Receivables:			
Property tax:			
Delinquent	24,459	6,440	30,899
Succeeding year	2,093,253	629,767	2,723,020
Accrued interest - ISCAP	11,370	-	11,370
Due from other governments	421,023	62,978	484,001
	<u>4,131,536</u>	<u>1,524,494</u>	<u>5,656,030</u>
Total assets			
	<u>4,131,536</u>	<u>1,524,494</u>	<u>5,656,030</u>
Liabilities and Fund Balances			
Liabilities:			
Warrants issued in excess of bank balance	42,873	-	42,873
Accounts payable	84,154	22,964	107,118
Salaries and benefits payable	426,199	-	426,199
ISCAP warrants payable	1,137,000	-	1,137,000
ISCAP accrued interest payable	8,971	-	8,971
ISCAP premium payable	16,350	-	16,350
Deferred revenue:			
Succeeding year property tax	2,093,253	629,767	2,723,020
Income surtax	256,036	-	256,036
Total liabilities	<u>4,064,836</u>	<u>652,731</u>	<u>4,717,567</u>
Fund balances:			
Reserved for:			
Categorical funding	50,634	-	50,634
Debt service	-	5,911	5,911
Unreserved reported in:			
General fund	16,066	-	16,066
Special revenue funds	-	323,938	323,938
Capital projects funds	-	541,914	541,914
Total fund balances	<u>66,700</u>	<u>871,763</u>	<u>938,463</u>
	<u>4,131,536</u>	<u>1,524,494</u>	<u>5,656,030</u>
Total liabilities and fund balances			
	<u>4,131,536</u>	<u>1,524,494</u>	<u>5,656,030</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

	\$
Total fund balances of governmental funds (Exhibit C)	938,463
<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.	4,513,514
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	256,036
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.	(9,236)
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>(2,490,480)</u>
Net assets of governmental activities (Exhibit A)	<u><u>3,208,297</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	2,352,204	886,138	3,238,342
Tuition	153,744	-	153,744
Other	103,108	137,304	240,412
State sources	2,442,899	316	2,443,215
Federal sources	283,172	-	283,172
Total revenues	<u>5,335,127</u>	<u>1,023,758</u>	<u>6,358,885</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,400,007	85,059	2,485,066
Special	668,822	-	668,822
Other	508,843	119,612	628,455
	<u>3,577,672</u>	<u>204,671</u>	<u>3,782,343</u>
Support services:			
Student	167,604	-	167,604
Instructional staff	126,313	-	126,313
Administration	577,593	83,361	660,954
Operation and maintenance of plant	525,322	6,232	531,554
Transportation	243,069	-	243,069
	<u>1,639,901</u>	<u>89,593</u>	<u>1,729,494</u>
Non-instructional programs	<u>10,600</u>	<u>29,916</u>	<u>40,516</u>
Other expenditures:			
Facilities acquisition	-	124,170	124,170
Long-term debt:			
Principal	-	155,000	155,000
Interest and fiscal charges	-	118,445	118,445
AEA flowthrough	199,417	-	199,417
	<u>199,417</u>	<u>397,615</u>	<u>597,032</u>
Total expenditures	<u>5,427,590</u>	<u>721,795</u>	<u>6,149,385</u>
Excess (deficiency) of revenues over (under) expenditures	(92,463)	301,963	209,500
Other financing sources (uses):			
Operating transfers out	(2,670)	-	(2,670)
Net change in fund balances	(95,133)	301,963	206,830
Fund balances beginning of year	161,833	569,800	731,633
Fund balances end of year	<u>66,700</u>	<u>871,763</u>	<u>938,463</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		206,830
<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	51,444	
Depreciation expense	<u>(218,335)</u>	(166,891)
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.		(35,841)
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.		155,000
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.		601
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	(96,917)	
Employment settlement	<u>48,964</u>	<u>(47,953)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>111,746</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2009

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	54,675
Accounts receivable	235
Due from other governments	1,159
Inventories	1,425
Capital assets, net of accumulated depreciation	<u>16,468</u>
Total assets	<u>73,962</u>
Liabilities	
Accounts payable	57
Deferred revenue	<u>3,748</u>
Total liabilities	<u>3,805</u>
Net assets	
Invested in capital assets	16,468
Unrestricted	<u>53,689</u>
Total net assets	<u><u>70,157</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>147,615</u>
Operating expenses:	
Non-instructional programs:	
Salaries	88,458
Benefits	13,601
Purchased services	2,162
Supplies	177,307
Depreciation	<u>2,726</u>
Total operating expenses	<u>284,254</u>
Operating gain (loss)	<u>(136,639)</u>
Non-operating revenues:	
State sources	2,821
Federal sources	123,162
Interest income	249
Total non-operating revenues	<u>126,232</u>
Gain (loss) before transfers	(10,407)
Transfers in	<u>2,670</u>
Change in net assets	(7,737)
Net assets beginning of year	<u>77,894</u>
Net assets end of year	<u><u>70,157</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	105,117
Cash received from other services	40,233
Cash payments to employees for services	(102,360)
Cash payments to suppliers for goods or services	(155,145)
Net cash used by operating activities	<u>(112,155)</u>
Cash flows from non-capital financing activities:	
Transfer from General Fund	2,670
State grants received	2,821
Federal grants received	100,981
Net cash provided by non-capital financing activities	<u>106,472</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>249</u>
Net increase (decrease) in cash and cash equivalents	(5,434)
Cash and cash equivalents at beginning of year	<u>60,109</u>
Cash and cash equivalents at end of year	<u><u>54,675</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(136,639)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	21,022
Depreciation	2,726
Decrease (increase) in inventories	3,527
Decrease (increase) in accounts receivable	11
(Decrease) increase in accounts payable	(282)
(Decrease) increase in salaries and benefits payable	(301)
(Decrease) increase in deferred revenue	(2,276)
Net cash used by operating activities	<u><u>(112,212)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$21,021 of federal commodities.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	315,713
Liabilities	
Accounts payable	<u>1,000</u>
Net Assets	
Reserved for scholarships	<u><u>314,713</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trust Scholarship <u> </u> \$
Additions:	
Local sources:	
Gifts and contributions	12,010
Interest	<u>840</u>
Total additions	12,850
Deductions:	
Support services:	
Scholarships awarded	<u>26,025</u>
Change in net assets	(13,175)
Net assets beginning of year	<u>327,888</u>
Net assets end of year	<u><u>314,713</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008, through June 30, 2009, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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, 2009, expenditures in the instruction and non-instructional programs functions exceeded the amounts budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 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, 2009, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
	\$	
Bank of America Corp. Sub Notes Global	10,315	February 2010
Ford Motor Credit Bonds	16,417	November 2011
Westernbank Puerto Rico CD	30,203	July 2010
521 Shares General Electric Company Common Stock	6,110	N/A
62 Shares Mid Cap SPDR Trust Unit Series 1	6,536	April 2020
21 shares S P D R Trust Unit Series 1	1,930	January 2118

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	1,142,072

The investment 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	A-
Ford Motor Credit Bonds	CCC+
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, 2009 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor Enterprise Funds:		
School Nutrition Fund	General Fund	2,670

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, 2009, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2008-09A	06/26/08	06/25/09	-	5,034	-	-
2008-09B	01/21/09	01/21/10	678,590	6,277	670,000	7,310
2009-10A	06/25/09	06/23/10	474,394	59	467,000	9,040
Total			<u>1,152,984</u>	<u>11,370</u>	<u>1,137,000</u>	<u>16,350</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 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, 2009, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	145,000	145,000	-

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
	%	%
2008-09A	3.500	3.469
2008-09B	3.000	2.110
2009-10A	2.500	0.902

5. Capital Assets

Capital assets activity for the year ended June 30, 2009 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	8,196	39,740	8,196
Work of art	52,000	-	-	52,000
Land	11,000	-	-	11,000
Total capital assets not being depr.	<u>102,740</u>	<u>8,196</u>	<u>39,740</u>	<u>71,196</u>

Capital assets being depreciated:				
Buildings	7,029,673	76,988	-	7,106,661
Improvements other than buildings	449,131	-	-	449,131
Furniture and equipment	1,304,211	6,000	61,300	1,248,911
Total capital assets being deprec.	<u>8,783,015</u>	<u>82,988</u>	<u>61,300</u>	<u>8,804,703</u>
Less accumulated depreciation for:				
Buildings	2,833,605	145,381	-	2,978,986
Improvements other than buildings	274,042	11,903	-	285,945
Furniture and equipment	1,097,703	61,051	61,300	1,097,454
Total accumulated depreciation	<u>4,205,350</u>	<u>218,335</u>	<u>61,300</u>	<u>4,362,385</u>
Total capital assets being depreciated, net	<u>4,577,665</u>	<u>(135,347)</u>	<u>-</u>	<u>4,442,318</u>
Governmental activities capital assets, net	<u>4,680,405</u>	<u>(127,151)</u>	<u>39,740</u>	<u>4,513,514</u>
	Balance			Balance End
	Beginning of			of Year
	Year	Increases	Decreases	
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	87,277	-	-	87,277
Less accumulated depreciation	<u>68,083</u>	<u>2,726</u>	<u>-</u>	<u>70,809</u>
Business type activities capital assets, net	<u>19,194</u>	<u>(2,726)</u>	<u>-</u>	<u>16,468</u>
Depreciation expense was charged to the following functions:				\$
Governmental activities:				
Instruction:				
Regular				13,004
Other				2,416
Support services:				
Instructional staff services				2,930
Administration services				920
Operation and maintenance of plant services				4,798
Transportation				36,983
				<u>61,051</u>
Unallocated depreciation				<u>157,284</u>
Total depreciation expense – governmental activities				<u>218,335</u>
Business type activities:				
Food services				<u>2,726</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	2,515,000	-	155,000	2,360,000	165,000
Employee settlement	65,605	-	48,964	16,641	5,255
Termination benefits	16,922	113,839	16,922	113,839	95,584
Total	2,597,527	113,839	220,886	2,490,480	265,839

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal year 2009. 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 \$8,000 plus \$100 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 November 1, following retirement and the second payment will be made on or before April 1, following retirement.

At June 30, 2009, the District has obligations to 10 participants with a total liability of \$113,839.

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of March, 2001			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	4.70	205,000	77,080	282,080
2015-2019	4.70	1,160,000	233,590	1,393,590
2020	4.70	275,000	12,925	287,925
		2,360,000	718,782	3,078,782

7. Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and

2007 were \$213,598, \$198,695 and \$167,728 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 \$199,417 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Subsequent Event

In July 2009 the District awarded a \$127,000 contract for building entry stairs and sidewalk replacement.

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, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,632,498	147,864	3,780,362	4,058,548	4,058,548	(278,186)
State sources	2,443,215	2,821	2,446,036	2,667,790	2,667,790	(221,754)
Federal sources	283,172	123,162	406,334	251,200	251,200	155,134
Total revenues	<u>6,358,885</u>	<u>273,847</u>	<u>6,632,732</u>	<u>6,977,538</u>	<u>6,977,538</u>	<u>(344,806)</u>
Expenditures/Expenses:						
Instruction	3,782,343	-	3,782,343	3,774,360	3,739,360	(42,983)
Support services	1,729,494	-	1,729,494	2,034,110	2,034,110	304,616
Non-instructional programs	40,516	284,254	324,770	235,800	270,800	(53,970)
Other expenditures	597,032	-	597,032	772,170	772,170	175,138
Total expenditures/expenses	<u>6,149,385</u>	<u>284,254</u>	<u>6,433,639</u>	<u>6,816,440</u>	<u>6,816,440</u>	<u>382,801</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	209,500	(10,407)	199,093	161,098	161,098	37,995
Other financing sources (uses) net	<u>(2,670)</u>	<u>2,670</u>	<u>-</u>	<u>35,583</u>	<u>35,583</u>	<u>(35,583)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	206,830	(7,737)	199,093	196,681	196,681	2,412
Balance beginning of year	<u>731,633</u>	<u>77,894</u>	<u>809,527</u>	<u>304,170</u>	<u>304,170</u>	<u>505,357</u>
Balance end of year	<u><u>938,463</u></u>	<u><u>70,157</u></u>	<u><u>1,008,620</u></u>	<u><u>500,851</u></u>	<u><u>500,851</u></u>	<u><u>507,769</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 non-instructional programs functional areas and decreased expenditures in the instruction functional area for a total budget increase of zero.

During the year ended June 30, 2009, expenditures in the instruction and non-instructional programs functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

	Special Revenue Funds							Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Public Education and Recreation Levy	District Support Trust	Capital Projects	Debt Service	
Assets	\$	\$	\$	\$	\$	\$	\$	\$
Cash and pooled investments	62,375	45,915	213,458	-	804	500,079	2,678	825,309
Receivables:								
Property tax:								
Delinquent	1,960	-	885	362	-	-	3,233	6,440
Succeeding year	245,000	-	77,843	30,686	-	-	276,238	629,767
Due from other governments	-	-	-	-	-	62,978	-	62,978
Total assets	309,335	45,915	292,186	31,048	804	563,057	282,149	1,524,494
Liabilities & Fund Balances								
Liabilities:								
Accounts payable	-	1,821	-	-	-	21,143	-	22,964
Deferred revenue:								
Succeeding year property tax	245,000	-	77,843	30,686	-	-	276,238	629,767
Total liabilities	245,000	1,821	77,843	30,686	-	21,143	276,238	652,731
Fund balances:								
Reserved for debt service	-	-	-	-	-	-	5,911	5,911
Unreserved reported in:								
Special revenue funds	64,335	44,094	214,343	362	804	-	-	323,938
Capital projects funds	-	-	-	-	-	541,914	-	541,914
Total fund balances	64,335	44,094	214,343	362	804	541,914	5,911	871,763
Total liabilities and fund balances	309,335	45,915	292,186	31,048	804	563,057	282,149	1,524,494

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

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	161,297	-	73,664	29,571	-	348,156	273,450	886,138
Other	12,601	124,247	456	-	-	-	-	137,304
State sources	96	-	43	18	-	-	159	316
Total revenues	<u>173,994</u>	<u>124,247</u>	<u>74,163</u>	<u>29,589</u>	<u>-</u>	<u>348,156</u>	<u>273,609</u>	<u>1,023,758</u>
Expenditures:								
Current:								
Instruction:								
Regular	68,361	-	-	-	75	16,623	-	85,059
Other	-	119,612	-	-	-	-	-	119,612
Support services:								
Administration	83,361	-	-	-	-	-	-	83,361
Operation and maintenance of plant	-	-	-	-	-	6,232	-	6,232
Non-instructional programs	-	-	-	29,916	-	-	-	29,916
Other expenditures:								
Facilities acquisition	-	-	745	-	-	123,425	-	124,170
Long-term debt:								
Principal	-	-	-	-	-	-	155,000	155,000
Interest and fiscal charges	-	-	-	-	-	-	118,445	118,445
Total expenditures	<u>151,722</u>	<u>119,612</u>	<u>745</u>	<u>29,916</u>	<u>75</u>	<u>146,280</u>	<u>273,445</u>	<u>721,795</u>
Net change in fund balance	22,272	4,635	73,418	(327)	(75)	201,876	164	301,963
Fund balances beginning of year	<u>42,063</u>	<u>39,459</u>	<u>140,925</u>	<u>689</u>	<u>879</u>	<u>340,038</u>	<u>5,747</u>	<u>569,800</u>
Fund balances end of year	<u>64,335</u>	<u>44,094</u>	<u>214,343</u>	<u>362</u>	<u>804</u>	<u>541,914</u>	<u>5,911</u>	<u>871,763</u>

See accompanying independent auditor's report.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2009

	Enterprise Funds		
	Nutrition		Total
	Fund	FFA Project	
	\$	\$	\$
Assets			
Cash and cash equivalents	40,696	13,979	54,675
Accounts receivable	235	-	235
Due from other governments	1,159	-	1,159
Inventories	1,425	-	1,425
Capital assets, net of accumulated depreciation	16,468	-	16,468
Total assets	59,983	13,979	73,962
Liabilities			
Accounts payable	-	57	57
Deferred revenue	3,748	-	3,748
Total liabilities	3,748	57	3,805
Net assets			
Invested in capital assets	16,468	-	16,468
Unrestricted	39,767	13,922	53,689
Total net assets	56,235	13,922	70,157

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Enterprise Funds		
	Nutrition		Total
	Fund	FFA Project	
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	107,382	40,233	147,615
Operating expenses:			
Non-instructional programs:			
Salaries	88,458	-	88,458
Benefits	13,601	-	13,601
Purchased services	2,162	-	2,162
Supplies	138,819	38,488	177,307
Depreciation	2,726	-	2,726
Total operating expenses	245,766	38,488	284,254
Operating gain (loss)	(138,384)	1,745	(136,639)
Non-operating revenues:			
State sources	2,821	-	2,821
Federal sources	123,162	-	123,162
Interest income	249	-	249
Total non-operating revenues	126,232	-	126,232
Gain (loss) before transfers	(12,152)	1,745	(10,407)
Transfers in	2,670	-	2,670
Change in net assets	(9,482)	1,745	(7,737)
Net assets beginning of year	65,717	12,177	77,894
Net assets end of year	56,235	13,922	70,157

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2009

	Enterprise Funds		
	Nutrition		Total
	Fund	FFA Project	
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	105,117	-	105,117
Cash received from other services	-	40,233	40,233
Cash payments to employees for services	(102,360)	-	(102,360)
Cash payments to suppliers for goods or services	(116,714)	(38,431)	(155,145)
Net cash (used) provided by operating activities	<u>(113,957)</u>	<u>1,802</u>	<u>(112,155)</u>
Cash flows from non-capital financing activities:			
Transfer from General Fund	2,670	-	2,670
State grants received	2,821	-	2,821
Federal grants received	100,981	-	100,981
Net cash provided by non-capital financing activities	<u>106,472</u>	<u>-</u>	<u>106,472</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>249</u>	<u>-</u>	<u>249</u>
Net increase (decrease) in cash and cash equivalents	(7,236)	1,802	(5,434)
Cash and cash equivalents at beginning of year	<u>47,932</u>	<u>12,177</u>	<u>60,109</u>
Cash and cash equivalents at end of year	<u>40,696</u>	<u>13,979</u>	<u>54,675</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(138,384)	1,745	(136,639)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	21,022	-	21,022
Depreciation	2,726	-	2,726
Decrease (increase) in inventories	3,527	-	3,527
Decrease (increase) in accounts receivable	11	-	11
(Decrease) increase in accounts payable	(282)	-	(282)
(Decrease) increase in salaries and benefits payable	(301)	-	(301)
(Decrease) increase in deferred revenue	(2,276)	-	(2,276)
Net cash (used) provided by operating activities	<u>(113,957)</u>	<u>1,745</u>	<u>(112,212)</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Shop and voc. ag. resale	-	-	-	(127)	(127)
Towel fee	100	-	-	-	100
Activity tickets	(1,011)	29,966	6,551	(22,401)	3
Interest	420	214	-	(628)	6
Drama	1,000	5,242	6,648	1,406	1,000
Speech	750	-	1,187	1,237	800
Vocal music	100	-	216	166	50
Instrumental music	101	321	1,814	1,449	57
Band fund raiser	1,080	4,060	1,520	-	3,620
Annual	1,999	7,679	8,538	859	1,999
Boys basketball	1,400	5,553	5,159	(393)	1,401
Football	1,699	8,560	7,285	25	2,999
Baseball	1,262	4,126	7,207	3,547	1,728
Boys track	999	1,370	1,996	526	899
Boys golf	400	-	120	70	350
Wrestling	450	-	105	(95)	250
Girls basketball	1,400	5,395	3,921	(1,475)	1,399
Volleyball	1,200	6,580	5,690	(1,090)	1,000
Girls softball	1,175	2,094	5,645	3,435	1,059
Girls track	1,000	3,545	3,598	(47)	900
Girls golf	400	210	495	235	350
Spanish club	1,534	293	1,865	138	100
Cheerleading	2,500	2,435	1,488	-	3,447
FCCLA	300	1,321	1,392	-	229
Student council	958	4,295	4,262	-	991
Honor society	112	711	801	-	22
Tournament all sport fund	1,757	2,716	4,164	691	1,000
Class of 2008	-	160	-	(160)	-
Class of 2009	1,278	715	4,817	2,824	-
Class of 2010	998	8,351	5,211	(2,811)	1,327
Class of 2011	890	185	239	-	836
Class of 2016	480	10	-	(480)	10
Class of 2012	-	180	32	480	628
Class of 2013	545	170	-	-	715
Class of 2014	345	170	-	-	515
Class of 2015	155	155	-	-	310
Quiz bowl	180	-	40	(40)	100
MS student council	1,357	5,158	6,131	-	384
MS music club	4,296	8,887	7,743	-	5,440
MS annual	1,000	1,344	1,380	-	964
MS officials	2,500	104	2,550	2,496	2,550

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
MS field trips	300	95	626	730	499
MS softball	-	45	-	(45)	-
MS football	700	-	211	261	750
MS girls basketball	250	-	424	524	350
MS boys basketball	250	-	103	203	350
MS wrestling	200	-	35	185	350
MS volleyball	250	-	92	192	350
MS girls track	200	90	556	516	250
MS boys track	200	135	773	688	250
HS/MS uniforms	-	1,607	6,982	6,909	1,534
	<u>39,459</u>	<u>124,247</u>	<u>119,612</u>	<u>-</u>	<u>44,094</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	3,238,342	2,878,809	2,854,275	2,787,187	2,761,408	2,484,042
Tuition	153,744	182,149	256,213	243,246	206,412	162,449
Other	240,412	331,872	337,536	288,193	289,144	216,516
State sources	2,443,215	2,493,550	2,479,592	2,461,232	2,323,331	2,205,739
Federal sources	283,172	144,216	165,971	171,962	210,967	160,929
Total revenues	<u>6,358,885</u>	<u>6,030,596</u>	<u>6,093,587</u>	<u>5,951,820</u>	<u>5,791,262</u>	<u>5,229,675</u>
Expenditures:						
Instruction:						
Regular instruction	2,485,066	2,248,623	2,281,676	2,149,499	1,941,389	1,895,340
Special instruction	668,822	694,825	738,855	711,412	1,100,194	920,622
Other instruction	628,455	639,912	628,095	588,239	419,702	414,528
Support services:						
Student services	167,604	134,662	101,660	103,702	125,241	102,255
Instructional staff services	126,313	145,872	139,482	190,493	196,184	175,810
Administration services	660,954	707,982	696,755	617,282	592,754	559,716
Operation and maintenance	531,554	491,841	580,382	578,829	549,257	461,485
Transportation services	243,069	302,843	277,501	393,127	282,481	229,313
Non-instructional programs	40,516	40,063	37,260	40,010	18,117	14,605
Other expenditures:						
Facilities acquisition	124,170	98,189	231,566	432,351	269,932	343,461
Long-term debt:						
Principal	155,000	145,000	140,000	130,000	125,000	120,000
Interest and other charges	118,445	125,188	131,698	137,743	146,555	149,005
AEA flowthrough	199,417	192,471	189,574	184,267	181,961	186,389
Total expenditures	<u>6,149,385</u>	<u>5,967,471</u>	<u>6,174,504</u>	<u>6,256,954</u>	<u>5,948,767</u>	<u>5,572,529</u>

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Iowa Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 12, 2010. 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 09-I-A, 09-I-B and 09-I-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, 2009 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

March 12, 2010

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

09-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.

09-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.

09-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, 2009

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, 2009

Part II: Other Findings Related to Required Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009, exceeded the amounts budgeted in instruction and non-instructional programs 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.

09-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.

09-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.

09-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.

09-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.

09-II-F Board Minutes: We noted no transactions requiring board approval that had not been approved by the board except we noted one scholarship expenditure that was not on the list of bills approved by the board and that did not have supporting documentation.

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

The District should also review its procedures for preparing the lists of bills for board approval. Chapter 179.29 of the Code of Iowa provides that "the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage and printing, without prior Board approval. The Board may approve a resolution designating certain other disbursements that may be paid prior to a Board Meeting with the approval of the superintendent. The Board's written policy should comply with Chapter 279.30 of the Code of Iowa. Then, except as expressly permitted, no checks should be prepared for claims that have not been properly audited and allowed. Any payments made prior to board approval as allowed should be approved by the board at the next meeting.

District Response: The omission of this payment from the list of bills approved by the board was an over-site. We will be more diligent in the future.

Conclusion: Response accepted.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2009

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

09-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 2008, was overstated by four students. Also the District was unable to locate the lists of students used for the calculation of supplemental weighting on line 12.

Recommendation: The District should review its procedures for accumulating the data for the certified enrollment forms. All lists of students, related spread sheets, and copies of the certified enrollment forms should be kept together.

District Response: In October 2009 the Iowa Department of Education began a new electronic certified enrollment system that should eliminate matching errors between class lists and the number of students reported. We will keep the lists of students used for supplemental weighting with a copy of the certified enrollment forms.

Conclusion: Response accepted.

09-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.

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

09-II-J Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

09-II-K Statewide Sales and Services Tax: No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2009

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

	\$	\$
Beginning balance		-
Statewide sales and services tax revenue		348,156
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	123,425	
Equipment	<u>22,855</u>	<u>146,280</u>
Ending balance		<u>201,876</u>

09-II-K-L 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 \$5,266 for printer toner, \$135 for furniture refinishing, and \$1,244 for desks with a per unit cost of less than \$500. 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.

09-II-M Allocation of Interest: We noted that interest from a pooled bank account and pooled ISJIT account is not being allocated to the all funds having monies in the pooled accounts.

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

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

Conclusion: Response accepted.