

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

June 30, 2010

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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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Iowa Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2011 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 40 through 42 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 six years ended June 30, 2009, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

February 14, 2011

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,335,127 in fiscal 2009 to \$4,989,746 in fiscal 2010, while General Fund expenditures decreased from \$5,427,590 in fiscal 2009 to \$5,209,348 in fiscal 2010. The District's General Fund balance decreased from \$66,700 in fiscal 2009 to -\$152,676 in fiscal 2010, a -328.9 % decrease.
- General Fund revenues decreased as a result in a 10% across the board cut in state foundation aid along with declining enrollment numbers. The decrease in expenditures was due primarily to a decrease in the number of contracted teaches on staff along with early retirements lowering the district higher salary scaled employees. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2010. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of 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

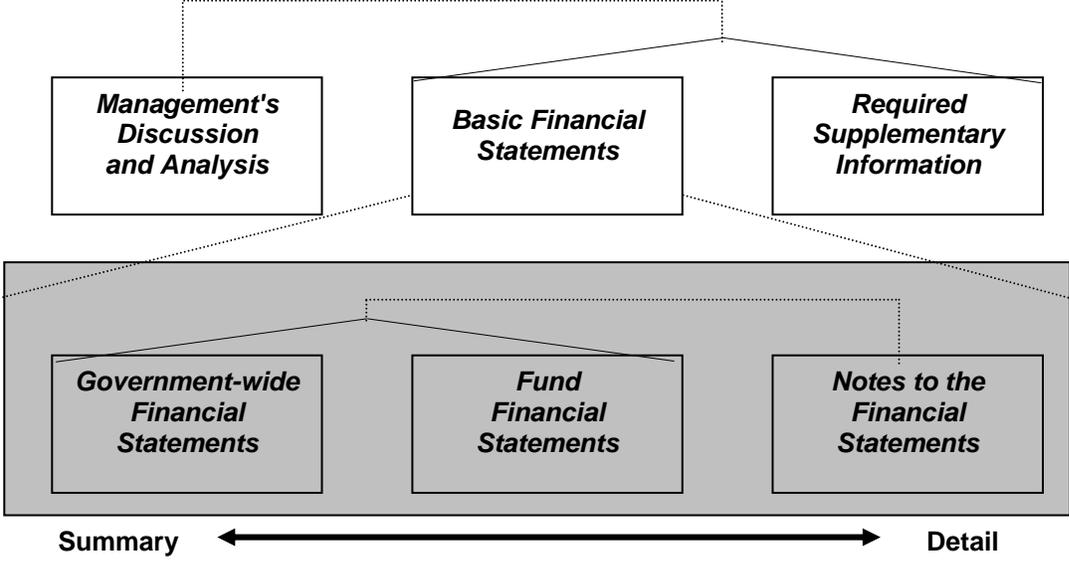


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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.

- 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, 2010 compared to June 30, 2009.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2009-2010 %
	Governmental Activities		Business-type Activities		Total School District		
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,656,030	4,942,064	57,494	73,763	5,713,524	5,015,827	(12.2%)
Capital assets	4,513,514	4,434,984	16,468	16,568	4,529,982	4,451,552	(1.7%)
Total assets	10,169,544	9,377,048	73,962	90,331	10,243,506	9,467,379	(7.6%)
Long-term liabilities	2,490,480	2,310,487	0	0	2,490,480	2,310,487	(7.2%)
Other liabilities	4,470,767	3,660,437	3,805	8,001	4,474,572	3,668,438	(18.0%)
Total liabilities	6,961,247	5,970,924	3,805	8,001	6,965,052	5,978,925	(14.2%)
Net Assets:							
Invested in capital assets, net of related debt	2,153,514	2,239,984	16,468	16,568	2,169,982	2,256,552	4.0%
Restricted	852,151	1,153,456	0	0	852,151	1,153,456	35.4%
Unrestricted	202,632	12,684	53,689	65,762	256,321	78,446	(69.4%)
TOTAL NET ASSETS	3,208,297	3,406,124	70,157	82,330	3,278,454	3,488,454	6.4%

The District's combined total net assets increased by over 6%, or approximately \$210,000, 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 \$300,000 or 35% over the prior year. The increase was primarily a result of increased revenue from Federal Sources in categorical funding and increased funding from the Statewide School Infrastructure Sale and Services Tax.

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 \$175,000 or 69%. 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, 2010 and 2009.

Figure A-4

	Change in Net Assets						Percentage Change 2009-2010 %
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	326,226	367,999	147,615	159,122	473,841	527,121	11.23%
Operating grants & contributions	801,021	1,032,527	125,983	123,978	927,004	1,156,505	24.76%
Capital grants & contributions	456	25,000	0	0	456	25,000	5,382.46%
General Revenues:							
Property taxes	2,536,627	2,724,508	0	0	2,536,627	2,724,508	7.41%
Income Surtax	344,852	363,211	0	0	344,852	363,211	5.32%
Local option sales tax	348,156	332,052	0	0	348,156	332,052	-4.63
Unrestricted state grants	1,851,855	1,264,765	0	0	1,851,855	1,264,765	-31.70%
Unrestricted investment earnings	54,873	13,612	249	53	55,122	13,665	-75.21%
Other revenue	58,978	-27,524	0	0	58,978	-27,524	-146.67%
Total Revenues	6,323,044	6,096,150	273,847	283,153	6,596,891	6,379,303	-3.30%
Expenses:							
Instruction	3,793,248	3,517,584	0	0	3,793,248	3,517,584	-7.28%
Support services	1,821,593	1,748,029	0	0	1,821,593	1,748,029	-4.04%
Non-instructional programs	40,516	41,641	284,254	274,063	324,770	315,704	-2.77%
Other expenditures	553,271	587,986	0	0	553,271	587,986	6.27%
Total expenses	6,208,628	5,895,240	284,254	274,063	6,492,882	6,169,303	-4.93%
Change in net assets before transfers	114,416	200,910	-10,407	9,090	104,009	210,000	101.91%
Transfers	-2,670	-3,083	2,670	3,083	0	0	0.00%
CHANGE IN NET ASSETS	111,746	197,827	-7,737	12,173	104,009	210,000	101.91%
Net assets beginning of year	3,096,551	3,208,297	77,894	70,157	3,174,445	3,278,454	3.28%
Net assets end of year	3,208,297	3,406,124	70,157	82,330	3,278,454	3,488,454	6.41%

In fiscal year 2010 property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 3.3% decrease in revenues and a 4.93% decrease in expenses. Property tax increased 187,881 to offset the decrease in state funding due to declining enrollment and a 10% mid-year across-the-board cut. The decreases in expenses related to early retirements of experienced faculty and reduction to staff.

Governmental Activities

Revenues for governmental activities were \$6,096,150 and expenses were \$5,895,240. 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		
	2009	2010	Percent Change 2009-2010	2009	2010	Percent Change 2009-2010
	\$	\$	%	\$	\$	%
Instruction	3,793,248	3,517,584	-7.28%	2,865,899	2,343,106	-18.24%
Support Services	1,821,593	1,748,029	-4.04%	1,821,112	1,747,646	-4.03%
Non-instructional Programs	40,516	41,641	2.78%	40,516	41,641	2.78%
Other Expenses	553,271	587,986	6.27%	353,398	337,321	-4.55%
TOTAL	6,208,628	5,895,240	-5.05%	5,080,925	4,469,714	-12.03

For the year ended June 30, 2010

- The cost financed by users of the District's programs was \$367,999. 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 \$1,057,527.
- The net cost of governmental activities was financed with \$3,419,771 in property and local other taxes and \$1,264,765 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$283,153 and expenses were \$274,063. The District's business type activities include the School Nutrition Fund and FFA Projects Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income and fund raising revenue (fruit sales).

During the year ended June 30, 2009, the District increased meal prices by nearly 6%. 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 \$997,960 just above last year's ending fund balances of \$938,438. However, the primary reason for the increase in combined fund balances in fiscal 2010 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 2011.

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 slowed the decline of the fund despite a 10% mid-year cut to State Funding declining enrollment.
- The General Fund balance decreased from \$66,700 to \$-152,676, 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 increase from \$64,335 in fiscal year 2009 to \$139,333 in fiscal 2010. The district continues to slowly build the balance of this account in order to sustain retirement benefits to veteran employees and the ability to pay for unemployment benefits.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$214,343 in fiscal 2009 to \$241,393 in fiscal 2010. 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 \$541,914 in fiscal 2009 to \$708,511 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 increased from \$70,157 at June 30, 2009 to \$82,330 at June 30, 2010, representing an increase of approximately 17%. For fiscal 2010, the District increased meal prices, resulting in the increase in net assets. The District also revamped its school lunch program to provide students with the option of salad and/or pasta bars at lunch with little additional cost to the program. This change resulted in an increase in meals served and a related increase in revenue and 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 expenditures associated with the instruction function area while decreasing the support services functional area for a total budget increase of zero.

The District's receipts were \$994,324 less than budgeted receipts, a variance of 15%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$4,451,552 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1.73% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$208,018.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$131,528 at June 30, 2010 compared to \$8,196 reported at June 30, 2009. The increase resulted in the south front steps of the 1922 building not being completed as previously planned.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2009-2010 %
	Activities		Activities		School District		
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Land	11,000	11,000	0	0	11,000	11,000	0.00%
Art	52,000	52,000	0	0	52,000	52,000	0.00%
Construction in progress	8,196	131,528	0	0	8,196	131,528	1504.78%
Buildings	4,127,675	3,937,458	0	0	4,127,675	3,937,458	-4.61%
Improvements	163,186	151,283	0	0	163,186	151,283	-7.29%
Intangible assets	0	18,413			0	18,413	0.00%
Equipment & furniture	151,457	133,302	16,468	16,568	167,925	149,870	-10.55%
TOTAL	4,513,514	4,434,984	16,468	16,568	4,529,982	4,451,552	-1.73%

Long-Term Debt

At June 30, 2010 the District had \$2,195,000 in general obligation, revenue and other long-term debt outstanding. This represents an decrease of approximately 7% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2009-2010 %
	2009	2010	
	\$	\$	
General obligation bonds	2,360,000	2,195,000	-6.99%
Employee Settlement	16,641	11,386	-31.58%
Termination benefits	113,839	89,219	-21.63%
Net OPEB liability	0	14,882	-
	2,490,480	2,310,487	-7.28%

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 County has advised the District that the District's total taxable valuation will increase 5 percent for property tax collected in fiscal 2011.
- School financing is highly dependent upon student enrollment. The District's October 2010 enrollment decreased by sixteen students. This drop in enrollment will decrease the District's funding for fiscal year 2012.
- Although the District has experienced declining enrollment for the past nine years, the District expects to see these declining numbers 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 2011 at a cost of nearly \$75,000. To pay for this bus, the District will use the Physical Plant and Equipment Levy Fund. A bus was not purchase in 2009-2010 as reported in the 2009 Audit Report.
- 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. Upgrades to the 1922 buildings heating, ventilating and air conditioning systems will also be made. To pay for these renovations, the District will use resources from the Physical Plant and Equipment Levy Fund and the Capital Projects fund over the next two fiscal years. A contract has been awarded in the amount of \$550,371.00 to Wagner Construction Company, Austin, MN for these renovations and will occur during the summer of 2011.
- 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. The IPERS contribution rates have significantly risen in the past 3 years from 6.65% in 09-10, to 6.95% in 10-11, to 8.07% in 11-12. This increase will have a significant impact on expenditures and salaries in the upcoming years.
- State funding continues to be a high concern for all school district's state-wide. Potential cuts to expected funding will significantly decrease cash available in the declining general fund.
- The District voted to close the middle school building located in Thompson prior to the 10-11 school year and house all students in one building located in the Buffalo Center building. By closing the building and relocating the students, the District hopes to significantly lower expenditures by eliminating positions and cutting back on building maintenance and heating/cooling costs.

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, 1113rd Ave NW, Buffalo Center, Iowa, 50424.

BASIC FINANCIAL STATEMENTS

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,271,683	68,142	1,339,825
Receivables:			
Property tax:			
Delinquent	28,454	-	28,454
Succeeding year	3,130,170	-	3,130,170
Accounts	52,391	150	52,541
Due from other governments	459,366	-	459,366
Inventories	-	5,471	5,471
Capital assets, net of accumulated depreciation	4,434,984	16,568	4,451,552
Total assets	9,377,048	90,331	9,467,379
Liabilities			
Accounts payable	79,665	675	80,340
Salaries and benefits payable	435,370	-	435,370
Accrued interest payable	8,597	-	8,597
Deferred revenue:			
Succeeding year property tax	3,130,170	-	3,130,170
Other	6,635	7,326	13,961
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	175,000	-	175,000
Termination benefits	77,464	-	77,464
Employment settlement	5,255	-	5,255
Portion due after one year:			
General obligation bonds payable	2,020,000	-	2,020,000
Termination benefits	11,755	-	11,755
Employment settlement	6,131	-	6,131
Net OPEB liability	14,882	-	14,882
Total liabilities	5,970,924	8,001	5,978,925
Net assets			
Invested in capital assets, net of related debt	2,239,984	16,568	2,256,552
Restricted for:			
Categorical funding	109,668	-	109,668
Management levy	38,728	-	38,728
Physical plant and equipment levy	241,393	-	241,393
Other special revenue purposes	55,156	-	55,156
Sales tax capital projects	708,511	-	708,511
Unrestricted	12,684	65,762	78,446
Total net assets	3,406,124	82,330	3,488,454

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,259,719	166,617	615,118	-
Special	637,016	76,628	85,543	-
Other	620,849	124,754	105,818	-
	<u>3,517,584</u>	<u>367,999</u>	<u>806,479</u>	<u>-</u>
Support services:				
Student	143,726	-	-	-
Instructional staff	164,221	-	-	-
Administration	695,118	-	-	-
Operation and maintenance of plant	485,647	-	-	-
Transportation	259,317	-	383	-
	<u>1,748,029</u>	<u>-</u>	<u>383</u>	<u>-</u>
Non-instructional programs	<u>41,641</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	95,612	-	-	25,000
Long-term debt interest	110,598	-	112	-
AEA flowthrough	225,553	-	225,553	-
Depreciation (unallocated)*	156,223	-	-	-
	<u>587,986</u>	<u>-</u>	<u>225,665</u>	<u>25,000</u>
Total governmental activities	<u>5,895,240</u>	<u>367,999</u>	<u>1,032,527</u>	<u>25,000</u>
Business type activities:				
Non-instructional programs:				
Food service operations	229,114	116,100	123,978	-
FFA projects	44,949	43,022	-	-
Total business-type activities	<u>274,063</u>	<u>159,122</u>	<u>123,978</u>	<u>-</u>
Total	<u>6,169,303</u>	<u>527,121</u>	<u>1,156,505</u>	<u>25,000</u>

General Revenues:

Property taxes levied for:
General purposes
Debt service
Capital outlay
Income surtax
Statewide sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Other
Capital asset impairment
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.

Net (Expense) Revenue and Changes in Net

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,477,984)	-	(1,477,984)
(474,845)	-	(474,845)
(390,277)	-	(390,277)
<u>(2,343,106)</u>	<u>-</u>	<u>(2,343,106)</u>
(143,726)	-	(143,726)
(164,221)	-	(164,221)
(695,118)	-	(695,118)
(485,647)	-	(485,647)
(258,934)	-	(258,934)
<u>(1,747,646)</u>	<u>-</u>	<u>(1,747,646)</u>
<u>(41,641)</u>	<u>-</u>	<u>(41,641)</u>
(70,612)	-	(70,612)
(110,486)	-	(110,486)
-	-	-
(156,223)	-	(156,223)
<u>(337,321)</u>	<u>-</u>	<u>(337,321)</u>
<u>(4,469,714)</u>	<u>-</u>	<u>(4,469,714)</u>
-	10,964	10,964
-	(1,927)	(1,927)
-	9,037	9,037
<u>(4,469,714)</u>	<u>9,037</u>	<u>(4,460,677)</u>
2,370,340	-	2,370,340
276,306	-	276,306
77,862	-	77,862
363,211	-	363,211
332,052	-	332,052
1,264,765	-	1,264,765
13,612	53	13,665
18,373	-	18,373
(45,897)	-	(45,897)
4,670,624	53	4,670,677
(3,083)	3,083	-
<u>4,667,541</u>	<u>3,136</u>	<u>4,670,677</u>
197,827	12,173	210,000
<u>3,208,297</u>	<u>70,157</u>	<u>3,278,454</u>
<u>3,406,124</u>	<u>82,330</u>	<u>3,488,454</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	213,752	612,976	444,955	1,271,683
Receivables:				
Property tax:				
Delinquent	22,016	-	6,438	28,454
Succeeding year	2,532,844	-	597,326	3,130,170
Accounts	27,620	24,771	-	52,391
Due from other governments	386,219	73,147	-	459,366
Total assets	3,182,451	710,894	1,048,719	4,942,064
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	68,827	2,383	8,455	79,665
Salaries and benefits payable	434,557	-	813	435,370
Deferred revenue:				
Succeeding year property tax	2,532,844	-	597,326	3,130,170
Income surtax	264,644	-	-	264,644
Other	34,255	-	-	34,255
Total liabilities	3,335,127	2,383	606,594	3,944,104
Fund balances:				
Reserved for:				
Categorical funding	109,668	-	-	109,668
Debt service	-	-	6,243	6,243
Unreserved reported in:				
General fund	(262,344)	-	-	(262,344)
Special revenue funds	-	-	435,882	435,882
Capital projects funds	-	708,511	-	708,511
Total fund balances	(152,676)	708,511	442,125	997,960
Total liabilities and fund balances	3,182,451	710,894	1,048,719	4,942,064

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

	\$
Total fund balances of governmental funds (Exhibit C)	997,960
<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.	4,434,984
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	292,264
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.	(8,597)
Long-term liabilities, such as bonds payable, employment settlements, termination benefits payable and other postemployment benefits payable are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,310,487)</u>
Net assets of governmental activities (Exhibit A)	<u><u>3,406,124</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,449,121	332,052	629,990	3,411,163
Tuition	182,284	-	-	182,284
Other	61,711	549	127,906	190,166
State sources	1,846,592	-	350	1,846,942
Federal sources	450,038	-	25,000	475,038
Total revenues	<u>4,989,746</u>	<u>332,601</u>	<u>783,246</u>	<u>6,105,593</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,214,029	5,500	98,646	2,318,175
Special	635,308	-	-	635,308
Other	511,172	-	106,285	617,457
	<u>3,360,509</u>	<u>5,500</u>	<u>204,931</u>	<u>3,570,940</u>
Support services:				
Student	143,238	-	-	143,238
Instructional staff	161,047	-	-	161,047
Administration	604,389	1,900	85,928	692,217
Operation and maintenance of plant	469,938	9,691	-	479,629
Transportation	233,793	-	-	233,793
	<u>1,612,405</u>	<u>11,591</u>	<u>85,928</u>	<u>1,709,924</u>
Non-instructional programs	<u>10,881</u>	<u>2,383</u>	<u>31,460</u>	<u>44,724</u>
Other expenditures:				
Facilities acquisition	-	146,530	72,414	218,944
Long-term debt:				
Principal	-	-	165,000	165,000
Interest and fiscal charges	-	-	111,237	111,237
AEA flowthrough	225,553	-	-	225,553
	<u>225,553</u>	<u>146,530</u>	<u>348,651</u>	<u>720,734</u>
Total expenditures	<u>5,209,348</u>	<u>166,004</u>	<u>670,970</u>	<u>6,046,322</u>
Excess (deficiency) of revenues over (under) expenditures	(219,602)	166,597	112,276	59,271
Other financing sources (uses):				
Compensation for loss of fixed assets	226	-	-	226
Net change in fund balances	(219,376)	166,597	112,276	59,497
Fund balances beginning of year	66,700	541,914	329,849	938,463
Fund balances end of year	<u>(152,676)</u>	<u>708,511</u>	<u>442,125</u>	<u>997,960</u>

See notes to financial statements.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		59,497
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital asset impairment exceeded capital outlay expenditures in the current year, as follows:		
Capital asset impairment	(45,897)	
Expenditures for capital assets	172,402	
Depreciation expense	<u>(205,035)</u>	(78,530)
Income surtaxes and other revenues not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		36,228
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.		
		165,000
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.		
		639
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	24,620	
Employment settlement	5,255	
Other postemployment benefits	<u>(14,882)</u>	<u>14,993</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>197,827</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2010

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	68,142
Accounts receivable	150
Inventories	5,471
Capital assets, net of accumulated depreciation	<u>16,568</u>
Total assets	<u>90,331</u>
Liabilities	
Accounts payable	675
Deferred revenue	<u>7,326</u>
Total liabilities	<u>8,001</u>
Net assets	
Invested in capital assets	16,568
Unrestricted	<u>65,762</u>
Total net assets	<u><u>82,330</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>159,122</u>
Operating expenses:	
Salaries	88,939
Benefits	12,873
Purchased services	267
Supplies	169,001
Depreciation	2,983
Total operating expenses	<u>274,063</u>
Operating gain (loss)	<u>(114,941)</u>
Non-operating revenues:	
State sources	2,519
Federal sources	121,459
Interest income	53
Total non-operating revenues	<u>124,031</u>
Gain (loss) before capital contributions	9,090
Capital contributions	<u>3,083</u>
Change in net assets	12,173
Net assets beginning of year	<u>70,157</u>
Net assets end of year	<u><u>82,330</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	115,501
Cash received from other services	43,022
Cash payments to employees for services	(101,812)
Cash payments to suppliers for goods or services	<u>(155,239)</u>
Net cash used by operating activities	<u>(98,528)</u>
Cash flows from non-capital financing activities:	
State grants received	2,519
Federal grants received	<u>109,423</u>
Net cash provided by non-capital financing activities	<u>111,942</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>53</u>
Net increase (decrease) in cash and cash equivalents	13,467
Cash and cash equivalents at beginning of year	<u>54,675</u>
Cash and cash equivalents at end of year	<u><u>68,142</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(114,941)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	17,457
Depreciation	2,983
Decrease (increase) in inventories	(4,046)
Decrease (increase) in accounts receivable	503
(Decrease) increase in accounts payable	200
(Decrease) increase in deferred revenue	<u>(684)</u>
Net cash used by operating activities	<u><u>(98,528)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$17,457 of federal commodities.

During the year ended June 30, 2010, the School Nutrition Fund received \$3,083 of equipment that was purchased by another fund.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2010

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	320,440
Liabilities	
	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>320,440</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2010

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	13,192
Interest	<u>21,049</u>
Total additions	34,241
Deductions:	
Support services:	
Scholarships awarded	<u>28,514</u>
Change in net assets	5,727
Net assets beginning of year	<u>314,713</u>
Net assets end of year	<u><u>320,440</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

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 funds:

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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009, through June 30, 2010, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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
Intangibles	25,000
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
Intangibles	3-10 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, 2010, expenditures did not exceed the amounts budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2010, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
	\$	
Bank of America Corp. Subordinated Note	14,046	March 2017
Ford Motor Credit Notes	10,349	October 2011
Ford Motor Credit Company LLC Senior Note	39,850	April 2015
535 Shares General Electric Company Common Stock	7,713	N/A
62 Shares Mid Cap SPDR Trust Unit Series 1	8,128	April 2020
21 shares SPDR Trust Unit Series 1	2,168	January 2118

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	1,024,290

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. Subordinated Note	A-
Ford Motor Credit Notes	B-
Ford Motor Credit Company LLC Senior Note	B-
Iowa School Joint Investment Trust	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 93% of the District's total investments.

3. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. N.A. is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co., NA prime rate plus 50 basis points with a minimum interest rate of 4.50% A summary of the District's ISCAP activity for the year ended June 30, 2010, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
			\$	\$	\$	\$
2009-10A	6/25/09	6/23/10	-	-	-	-
2009-10B	2/1/10	1/21/11	-	-	-	-
			-	-	-	-

During the year ended June 30, 2010, the District paid \$6,389 of interest on the ISCAP warrants.

4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	8,196	123,332	-	131,528
Work of art	52,000	-	-	52,000
Land	11,000	-	-	11,000
Total capital assets not being depr.	<u>71,196</u>	<u>123,332</u>	<u>-</u>	<u>194,528</u>
Capital assets being depreciated:				
Buildings	7,106,661	-	500,634	6,606,027
Improvements other than buildings	449,131	-	-	449,131
Intangible assets	-	27,620	-	27,620
Furniture and equipment	1,248,911	21,450	-	1,270,361
Total capital assets being deprec.	<u>8,804,703</u>	<u>49,070</u>	<u>500,634</u>	<u>8,353,139</u>
Less accumulated depreciation for:				
Buildings	2,978,986	144,320	454,737	2,668,569
Improvements other than buildings	285,945	11,903	-	297,848
Intangible assets	-	9,207	-	9,207
Furniture and equipment	1,097,454	39,605	-	1,137,059
Total accumulated depreciation	<u>4,362,385</u>	<u>205,035</u>	<u>454,737</u>	<u>4,112,683</u>
Total capital assets being depreciated, net	<u>4,442,318</u>	<u>(155,965)</u>	<u>45,897</u>	<u>4,240,456</u>
Governmental activities capital assets, net	<u>4,513,514</u>	<u>(32,633)</u>	<u>45,897</u>	<u>4,434,984</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	87,277	3,083	-	90,360
Less accumulated depreciation	<u>70,809</u>	<u>2,983</u>	-	<u>73,792</u>
Business type activities capital assets, net	<u>16,468</u>	<u>100</u>	-	<u>16,568</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	12,195
Other	2,416
Support services:	
Instructional staff services	2,930
Administration services	1,193
Operation and maintenance of plant services	4,798
Transportation	<u>25,280</u>
	48,812
Unallocated depreciation	<u>156,223</u>
Total depreciation expense – governmental activities	<u>205,035</u>
Business type activities:	
Food services	<u>2,983</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	2,360,000	-	165,000	2,195,000	175,000
Employee settlement	16,641	-	5,255	11,386	5,255
Termination benefits	113,839	65,709	90,329	89,219	77,464
Net OPEB liability	<u>-</u>	<u>14,882</u>	<u>-</u>	<u>14,882</u>	<u>-</u>
Total	<u>2,490,480</u>	<u>80,591</u>	<u>260,584</u>	<u>2,310,487</u>	<u>257,719</u>

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal years 2010 and 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-five 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, 2010, the District has obligations to seven participants with a total liability of \$89,219. Early retirement benefits paid during the year totaled \$90,329.

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of March, 2001			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	4.70	210,000	67,445	277,445
2016-2020	4.70	1,225,000	179,070	1,404,070
		<u>2,195,000</u>	<u>607,945</u>	<u>2,802,945</u>

6. Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District’s contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$214,341, \$213,598 and \$198,695 respectively, equal to the required contributions for each year.

7. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 95 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Mercer. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	33,165
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>33,165</u>
Contributions made	<u>18,283</u>
Increase in net OPEB obligation	14,882
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>14,882</u>

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

For the year ended June 30, 2010, the District contributed \$18,283 to the medical plan. Plan members eligible for benefits contributed \$37,025, or 67% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$		\$
June 30, 2010	33,165	55%	14,882

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$370,519, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$370,519. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,321,000, and the ratio of the UAAL to covered payroll was 16%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes

to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 group annuity table projected to 2000. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized over 30 years.

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 \$225,553 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Gifted and Talented	
Returning dropout and dropout prevention program	64,947
Teacher salary supplement	26,868
Core curriculum	12,032
Educator quality, professional development	264
Mentoring	5,557
	<u>109,6688</u>

11. Construction Commitment

The District has entered into a \$128,639 contract totaling for exterior entry stairs and sidewalk. As of June 30, 2010 costs of \$113,322 had been incurred against the contract. The balance remaining at June 30, 2010 will be paid as work on the project progresses.

12. Subsequent Event

In August, 2010 the District approved a \$545,700 contract for window replacement and HVAC upgrades.

13. Lease Commitment

The District entered into a contract to lease copy machines. The payments the District will make over the next five years are as follows:

<u>Year Ended June 30</u>	<u>Lease Payment</u>
2011	\$ 15,720
2012	15,720
2013	15,720
2014	15,720
2015	3,930

14. Deficit Fund Balances

At June 30, 2010 the District had a deficit General Fund unreserved fund balance of \$262,344.

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, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
				\$	\$	
Revenues:						
Local sources	3,783,613	159,175	3,942,788	4,232,589	4,232,589	(289,801)
State sources	1,846,942	2,519	1,849,461	2,899,581	2,899,581	(1,050,120)
Federal sources	475,038	121,459	596,497	250,900	250,900	345,597
Total revenues	<u>6,105,593</u>	<u>283,153</u>	<u>6,388,746</u>	<u>7,383,070</u>	<u>7,383,070</u>	<u>(994,324)</u>
Expenditures/Expenses:						
Instruction	3,570,940	44,949	3,615,889	3,915,500	4,065,500	449,611
Support services	1,709,924	-	1,709,924	2,329,240	2,179,240	469,316
Non-instructional programs	44,724	229,114	273,838	291,700	291,700	17,862
Other expenditures	720,734	-	720,734	844,337	844,337	123,603
Total expenditures/expenses	<u>6,046,322</u>	<u>274,063</u>	<u>6,320,385</u>	<u>7,380,777</u>	<u>7,380,777</u>	<u>1,060,392</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	59,271	9,090	68,361	2,293	2,293	66,068
Other financing sources (uses) net	<u>226</u>	<u>3,083</u>	<u>3,309</u>	<u>1,100</u>	<u>1,100</u>	<u>2,209</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	59,497	12,173	71,670	3,393	3,393	68,277
Balance beginning of year	<u>938,463</u>	<u>70,157</u>	<u>1,008,620</u>	<u>770,012</u>	<u>770,012</u>	<u>238,608</u>
Balance end of year	<u><u>997,960</u></u>	<u><u>82,330</u></u>	<u><u>1,080,290</u></u>	<u><u>773,405</u></u>	<u><u>773,405</u></u>	<u><u>306,885</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting 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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District adopted one budget amendment during the year that increased budgeted expenditures in the instruction functional area and decreased expenditures in the support services functional area for a total budget increase of zero.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	370,519	370,519	0.0%	2,321,000	16.0%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

Assets	Special Revenue Funds						Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Public Education and Recreation Levy	District Support Trust	Debt Service	
	\$	\$	\$	\$	\$	\$	\$
Cash and pooled investments	137,598	56,486	246,592	14	804	3,461	444,955
Receivables:							
Property tax:							
Delinquent	2,548	-	786	322	-	2,782	6,438
Succeeding year	200,000	-	85,741	33,020	-	278,565	597,326
Total assets	<u>340,146</u>	<u>56,486</u>	<u>333,119</u>	<u>33,356</u>	<u>804</u>	<u>284,808</u>	<u>1,048,719</u>
Liabilities & Fund Balances							
Liabilities:							
Accounts payable	-	2,470	5,985	-	-	-	8,455
Salaries and benefits payable	813	-	-	-	-	-	813
Deferred revenue:							
Succeeding year property tax	200,000	-	85,741	33,020	-	278,565	597,326
Total liabilities	<u>200,813</u>	<u>2,470</u>	<u>91,726</u>	<u>33,020</u>	<u>-</u>	<u>278,565</u>	<u>606,594</u>
Fund balances:							
Reserved for debt service	-	-	-	-	-	6,243	6,243
Unreserved reported in:							
Special revenue funds	139,333	54,016	241,393	336	804	-	435,882
Total fund balances	<u>139,333</u>	<u>54,016</u>	<u>241,393</u>	<u>336</u>	<u>804</u>	<u>6,243</u>	<u>442,125</u>
Total liabilities and fund balances	<u>340,146</u>	<u>56,486</u>	<u>333,119</u>	<u>33,356</u>	<u>804</u>	<u>284,808</u>	<u>1,048,719</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Special Revenue Funds						Total
	Management	Student	Physical	Public	District	Debt	
	Levy	Activity	Plant and	Education	Support	Service	
	Fund	Equipment	and	Trust			
		Levy	Recreation	Funds			
			Levy				
	\$	\$	\$	\$	\$	\$	
Revenues:							
Local sources:							
Local tax	245,120	-	77,862	30,702	-	276,306	629,990
Other	11,313	116,207	260	14	-	112	127,906
State sources	139	-	42	18	-	151	350
Federal sources	-	-	25,000	-	-	-	25,000
Total revenues	<u>256,572</u>	<u>116,207</u>	<u>103,164</u>	<u>30,734</u>	<u>-</u>	<u>276,569</u>	<u>783,246</u>
Expenditures:							
Current:							
Instruction:							
Regular	95,646	-	3,000	-	-	-	98,646
Other	-	106,285	-	-	-	-	106,285
Support services:							
Administration	85,928	-	-	-	-	-	85,928
Non-instructional programs	-	-	700	30,760	-	-	31,460
Other expenditures:							
Facilities acquisition	-	-	72,414	-	-	-	72,414
Long-term debt:							
Principal	-	-	-	-	-	165,000	165,000
Interest and fiscal charges	-	-	-	-	-	111,237	111,237
Total expenditures	<u>181,574</u>	<u>106,285</u>	<u>76,114</u>	<u>30,760</u>	<u>-</u>	<u>276,237</u>	<u>670,970</u>
Net change in fund balance	74,998	9,922	27,050	(26)	-	332	112,276
Fund balances beginning of year	64,335	44,094	214,343	362	804	5,911	329,849
Fund balances end of year	<u>139,333</u>	<u>54,016</u>	<u>241,393</u>	<u>336</u>	<u>804</u>	<u>6,243</u>	<u>442,125</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2010

	Enterprise Funds		
	Nutrition		Total
	Fund	FFA Project	
	\$	\$	\$
Assets			
Cash and cash equivalents	55,672	12,470	68,142
Accounts receivable	150	-	150
Inventories	5,471	-	5,471
Capital assets, net of accumulated depreciation	16,568	-	16,568
Total assets	<u>77,861</u>	<u>12,470</u>	<u>90,331</u>
Liabilities			
Accounts payable	200	475	675
Deferred revenue	7,326	-	7,326
Total liabilities	<u>7,526</u>	<u>475</u>	<u>8,001</u>
Net assets			
Invested in capital assets	16,568	-	16,568
Unrestricted	53,767	11,995	65,762
Total net assets	<u>70,335</u>	<u>11,995</u>	<u>82,330</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Enterprise Funds		
	Nutrition		Total
	Fund	FFA Project	
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	116,100	43,022	159,122
Operating expenses:			
Salaries	88,939	-	88,939
Benefits	12,873	-	12,873
Purchased services	267	-	267
Supplies	124,052	44,949	169,001
Depreciation	2,983	-	2,983
Total operating expenses	229,114	44,949	274,063
Operating gain (loss)	(113,014)	(1,927)	(114,941)
Non-operating revenues:			
State sources	2,519	-	2,519
Federal sources	121,459	-	121,459
Interest income	53	-	53
Total non-operating revenues	124,031	-	124,031
Gain (loss) before capital contributions	11,017	(1,927)	9,090
Capital contributions	3,083	-	3,083
Change in net assets	14,100	(1,927)	12,173
Net assets beginning of year	56,235	13,922	70,157
Net assets end of year	70,335	11,995	82,330

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2010

	Enterprise Funds		
	Nutrition		Total
	Fund	FFA Project	
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	115,501	-	115,501
Cash received from other services	-	43,022	43,022
Cash payments to employees for services	(101,812)	-	(101,812)
Cash payments to suppliers for goods or services	(110,708)	(44,531)	(155,239)
Net cash (used) provided by operating activities	<u>(97,019)</u>	<u>(1,509)</u>	<u>(98,528)</u>
Cash flows from non-capital financing activities:			
State grants received	2,519	-	2,519
Federal grants received	109,423	-	109,423
Net cash provided by non-capital financing activities	<u>111,942</u>	<u>-</u>	<u>111,942</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>53</u>	<u>-</u>	<u>53</u>
Net increase (decrease) in cash and cash equivalents	14,976	(1,509)	13,467
Cash and cash equivalents at beginning of year	<u>40,696</u>	<u>13,979</u>	<u>54,675</u>
Cash and cash equivalents at end of year	<u><u>55,672</u></u>	<u><u>12,470</u></u>	<u><u>68,142</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(113,014)	(1,927)	(114,941)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	17,457	-	17,457
Depreciation	2,983	-	2,983
Decrease (increase) in inventories	(4,046)	-	(4,046)
Decrease (increase) in accounts receivable	85	418	503
(Decrease) increase in accounts payable	200	-	200
(Decrease) increase in deferred revenue	(684)	-	(684)
Net cash (used) provided by operating activities	<u>(97,019)</u>	<u>(1,509)</u>	<u>(98,528)</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<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	3	8,567	14,658	(748)	(6,836)
Interest	6	56	-	-	62
Drama	1,000	5,203	2,610	-	3,593
Speech	800	-	693	-	107
Vocal music	50	250	128	-	172
Instrumental music	57	598	1,381	3,795	3,069
Band fund raiser	3,620	-	-	(3,620)	-
Annual	1,999	9,672	6,065	(1,695)	3,911
Boys basketball	1,401	7,293	3,417	-	5,277
Football	2,999	13,244	9,463	-	6,780
Baseball	1,728	3,076	2,306	-	2,498
Boys track	899	1,311	1,907	-	303
Boys golf	350	318	490	-	178
Wrestling	250	-	-	-	250
Girls basketball	1,399	6,571	2,838	-	5,132
Volleyball	1,000	7,192	4,108	-	4,084
Girls softball	1,059	5,997	3,545	-	3,511
Girls track	900	4,418	4,714	-	604
Girls golf	350	250	422	-	178
Spanish club	100	-	-	-	100
Cheerleading	3,447	4,413	6,091	-	1,769
FCCLA	229	1,559	1,542	-	246
Student council	991	4,046	2,730	-	2,307
Honor society	22	434	271	-	185
Tournament all sport fund	1,000	5,888	5,578	(903)	407
Class of 2010	1,327	1,230	1,794	-	763
Class of 2011	836	7,971	7,140	-	1,667
Class of 2016	10	140	-	-	150
Class of 2012	628	170	-	-	798
Class of 2013	715	190	-	10	915
Class of 2014	515	160	923	893	645
Class of 2015	310	160	-	-	470
Quiz bowl	100	-	80	-	20
MS student council	384	4,144	2,233	-	2,295
MS music club	5,440	7,333	7,614	(176)	4,983
MS annual	964	1,372	620	-	1,716
MS officials	2,550	-	4,861	2,311	-
MS field trips	499	-	499	-	-
MS football	750	-	322	-	428

See accompanying independent auditor's report.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
MS girls basketball	350	-	110	-	240
MS boys basketball	350	-	112	-	238
MS wrestling	350	-	21	-	329
MS volleyball	350	404	525	-	229
MS girls track	250	594	840	6	10
MS boys track	250	135	306	-	79
HS/MS uniforms	1,534	1,848	3,328	-	54
	<u>44,094</u>	<u>116,207</u>	<u>106,285</u>	<u>-</u>	<u>54,016</u>
Total	<u>44,094</u>	<u>116,207</u>	<u>106,285</u>	<u>-</u>	<u>54,016</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	3,411,163	3,238,342	2,878,809	2,854,275	2,787,187	2,761,408	2,484,042
Tuition	182,284	153,744	182,149	256,213	243,246	206,412	162,449
Other	190,166	240,412	331,872	337,536	288,193	289,144	216,516
State sources	1,846,942	2,443,215	2,493,550	2,479,592	2,461,232	2,323,331	2,205,739
Federal sources	475,038	283,172	144,216	165,971	171,962	210,967	160,929
Total revenues	<u>6,105,593</u>	<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	2,318,175	2,485,066	2,248,623	2,281,676	2,149,499	1,941,389	1,895,340
Special instruction	635,308	668,822	694,825	738,855	711,412	1,100,194	920,622
Other instruction	617,457	628,455	639,912	628,095	588,239	419,702	414,528
Support services:							
Student services	143,238	167,604	134,662	101,660	103,702	125,241	102,255
Instructional staff services	161,047	126,313	145,872	139,482	190,493	196,184	175,810
Administration services	692,217	660,954	707,982	696,755	617,282	592,754	559,716
Operation and maintenance	479,629	531,554	491,841	580,382	578,829	549,257	461,485
Transportation services	233,793	243,069	302,843	277,501	393,127	282,481	229,313
Non-instructional programs	44,724	40,516	40,063	37,260	40,010	18,117	14,605
Other expenditures:							
Facilities acquisition	218,944	124,170	98,189	231,566	432,351	269,932	343,461
Long-term debt:							
Principal	165,000	155,000	145,000	140,000	130,000	125,000	120,000
Interest and other charges	111,237	118,445	125,188	131,698	137,743	146,555	149,005
AEA flowthrough	225,553	199,417	192,471	189,574	184,267	181,961	186,389
Total expenditures	<u>6,046,322</u>	<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>

NORTH IOWA COMMUNITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures \$</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	17,753
National School Lunch Program (non-cash)	10.555	FY10	17,457
National School Lunch Program	10.555	FY10	<u>85,906</u>
			<u>121,116</u>
 Team Nutrition Grant	 10.574	 FY10	 343
 U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	63,584
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	<u>34,952</u>
			<u>98,536</u>
 Safe and Drug Free Schools and Communities - State Grants	 84.186	 FY10	 1,585
Fund for the Improvement of Education	84.215	FY10	25,000
Improving Teacher Quality State Grants	84.367	FY10	24,581
Grants for State Assessments and Related Activities	84.369	FY10	3,302
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	232,636
 Area Education Agency #267:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY10	28,145
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	<u>57,398</u>
			<u>85,543</u>
 Mason City Community School District:			
Career and Technical Education - Basic Grants to States	84.048	FY10	<u>3,856</u>
 Total			 <u>596,498</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of North Iowa Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 14, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 10-II-A and 10-II-B to be 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

North Iowa Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit North 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, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

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

February 14, 2011

Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

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

Compliance

We have audited North Iowa Community School District's compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of North Iowa Community School District's major federal programs for the year ended June 30, 2010. North Iowa Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of North Iowa Community School District's management. Our responsibility is to express an opinion on North Iowa Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North Iowa Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on North Iowa Community School District's compliance with those requirements.

In our opinion, North Iowa Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of North Iowa Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered North Iowa Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in

accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Iowa Community School District's internal control over compliance.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

February 14, 2011

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements. No significant deficiencies were reported.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies or material weaknesses in internal control over the major programs were reported.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
 - Special Education Cluster (IDEA)
 - CFDA Number 84.027 – Special Education – Grants to States
 - CFDA Number 84.391 – ARRA - Special Education Grants to States, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) North Iowa Community School District did not qualify as a low-risk auditee.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

10-II-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.

10-II-B 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.

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 Questioned Costs

Year Ended June 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No matters were noted.

Internal Control Deficiencies:

No matters were reported.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

- 10-IV-A Certified Budget: Expenditures for the year ended June 30, 2010, did not exceed the amounts budgeted.
- 10-IV-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.
- 10-IV-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.
- 10-IV-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Les Wubben, employee	Mowing contract	\$ 1,900

The transaction does not appear to represent a conflict of interest.

- 10-IV-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.
- 10-IV-F Board Minutes: We noted no transactions requiring board approval that had not been approved by the board.
- 10-IV-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 10-IV-H Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 10-IV-I Deposits and Investments: As described in Note 2 to the financial statement; the type of investments that a school may have is limited by the Code of Iowa and is further limited by the District's investment policy. The District may accept gifts of stocks or bonds, however, the reinvestment of the proceeds at maturity or from the sale of the gifted investments is limited to the items allowed by Iowa law and District policy.

The District has received gifts of stocks and bonds for its scholarship fund. We noted that when bonds matured the proceeds were reinvested in another bond.

Recommendation: The District should review its process for investing scholarship funds.

District Response: We will review the process for investing scholarship funds to ensure that all investments are in compliance with Iowa law and the District's investment policy.

Conclusion: Response accepted.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

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

- 10-IV-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 10-IV-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 10-IV-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

	\$	\$
Beginning balance		541,914
Statewide sales and services tax	332,052	
Interest revenue	<u>549</u>	332,601
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	146,530	
Equipment	<u>19,474</u>	<u>166,004</u>
Ending balance		<u>708,511</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	<u>\$</u>	<u>\$</u>
Physical plant and equipment levy	1.40767	332,052

- 10-IV-M Signature on Checks: We noted someone other than the Board President signed checks for the FFA Enterprise Fund. All District checks are to be signed by the Board President and Board Secretary. The Board may designate another individual to sign for Board President, but the District could not locate board approval.

Recommendation: The District should revise its check signing procedures.

District Response: We have changed our procedures

Conclusion: Response accepted.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

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

10-IV-N Public Hearing: The Code of Iowa requires that schools hold a public hearing for all capital improvements with a cost exceeding \$100,000. We noted that the Board approved a capital improvement without holding a public hearing.

Recommendation: The District should hold public hearings for all capital projects with cost in excess of \$100,000.

District Response: We will do this in the future.

Conclusion: Response accepted.

10-IV-O Construction Contract Change Orders: We noted that the Board of Directors did not approve construction contract change orders.

Recommendation: All contract changes should be approved by the Board and documented in the minutes.

District Response: All future contract changes will be documented in the minutes.

Conclusion: Response accepted.

10-IV-P District Support for Daycare Center: The District, a non-profit organization and the local development corporation have a contract obligating the District to help support a daycare center. The daycare center is run by the non-profit organization. The building is owned by the local development corporation, but is located on school land. The General Fund is paying for a custodian, utilities and supplies for the Daycare Center. The School Nutrition Fund is providing meals without being compensated. The Iowa Department of Education has issued an opinion that General Fund money may not be used to cover Daycare Fund deficits. The School Nutrition Fund may only offer free meals to qualified students enrolled in the North Iowa Community School District.

Recommendation: The District should discuss these issues with its attorney. The daycare center should apply to be in the federal Child and Adult Care Food Program. This program would provide money the Daycare Center could use to purchase meals from the school.

District Response: We have discussed this with our attorney and are working on a solution. The District also uses the daycare center building for the District's preschool program, but does not pay rent. It may be possible to have the agreement amended to have the District pay rent instead of paying for labor, utilities and supplies. We are also working on a resolution for the meal issue.

Conclusion: Response accepted.

10-IV-Q Deficit Balances: The District has an unreserved deficit fund balance in the General Fund of \$262,344 and the Student Activity Fund has one account with a deficit balance at June 30, 2010.

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

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

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

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

Conclusion: Response accepted.