

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

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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, 2011, 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, 2011, 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 15, 2012 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 39 through 41 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 seven years ended June 30, 2010, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, 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 15, 2012

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,989,746 in fiscal 2010 to \$5,549,047 in fiscal 2011, while General Fund expenditures decreased from \$5,209,348 in fiscal 2010 to \$4,892,427 in fiscal 2011. The District's General Fund balance increased from \$-152,676 in fiscal 2010 to \$503,944 in fiscal 2011, a significant increase.
- The majority of the increase in General Fund revenues is due to the restoration of State funding cut in fiscal year 2010 and an increase in property taxes generated.
- The decrease in expenditures was due primarily to the closing of the Thompson Middle School Building eliminating staff while cutting back on building maintenance and heating/cooling costs.

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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

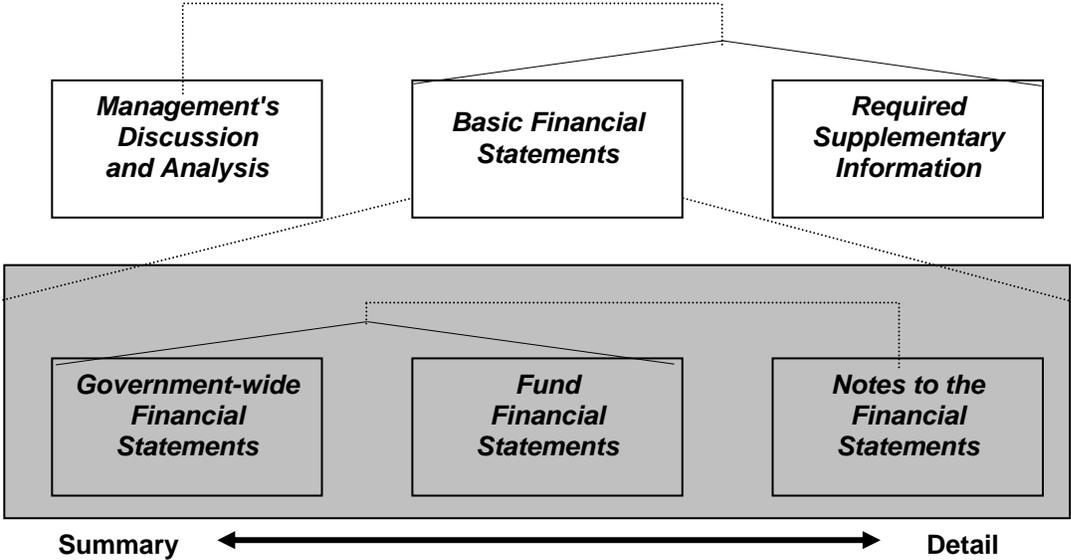


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 FFA projects	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 and Agency Funds.

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

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

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

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

Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2010-2011 %
	Governmental Activities		Business-type Activities		Total School District		
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	6,050,562	4,942,064	108,215	73,763	6,158,777	5,015,827	22.79
Capital assets	4,786,673	4,434,984	15,450	16,568	4,802,123	4,451,552	7.88
Total assets	10,837,235	9,377,048	123,665	90,331	10,960,900	9,467,379	15.78
Long-term liabilities	2,066,105	2,310,487	0	0	2,066,105	2,310,487	(10.58)
Other liabilities	4,275,272	3,660,437	8,156	8,001	4,283,428	3,668,438	16.76
Total liabilities	6,341,377	5,970,924	8,156	8,001	6,349,533	5,978,925	6.20
Net Assets:							
Invested in capital assets, net of related debt	2,766,673	2,239,984	15,450	16,568	2,782,123	2,256,552	23.29
Restricted	1,096,677	1,153,456	0	0	1,096,677	1,153,456	(4.92)
Unrestricted	632,508	12,684	100,059	65,762	732,567	78,446	833.85
TOTAL NET ASSETS	4,495,858	3,406,124	115,509	82,330	4,611,367	3,488,454	32.19

The District's combined total net assets increased by more than 32%, or approximately \$1,122,900, 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 decrease approximately \$56,000 or nearly 5% over the prior year. The decrease was primarily a result of increased spending of Statewide School Infrastructure Sale and Services Taxes for building upgrades and technology equipment.

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 \$654,121, or 834%. This increase in unrestricted net assets was a result of the District increasing its cash reserve levy to fund the negative cash balance from previous years and to build a cash reserve for future years. The increase is also a direct result of reduced expenditures as a direct result in closing the Thompson building and lowering of certified staff numbers.

Figure A-4 shows the change in net assets for the years ended June 30, 2011 and 2010.

Figure A-4

	Change in Net Assets						Percentage Change 2010-2011 %
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	405,111	367,999	175,035	159,122	580,146	527,121	9.14
Operating grants & contributions	928,953	1,032,527	125,276	123,978	1,054,229	1,156,505	(8.84)
Capital grants & contributions	10,916	25,000	0	0	10,916	25,000	(56.34)
General Revenues:							
Property taxes	3,130,991	2,724,508	0	0	3,130,991	2,724,508	14.92
Income surtax	312,424	363,211	0	0	312,424	363,211	(13.98)
Sales tax	367,131	332,052	0	0	367,131	332,052	10.56
Unrestricted state grants	1,487,640	1,264,765	0	0	1,487,640	1,264,765	17.62
Unrestricted investment earnings	3,758	13,612	51	53	3,809	13,665	(72.13)
Other revenue	34,425	-27,524	0	0	34,425	-27,524	225.07
Total Revenues	6,681,349	6,096,150	300,362	283,153	6,981,711	6,379,303	9.44
Expenses:							
Instruction	3,462,528	3,517,584	0	0	3,462,528	3,517,584	(1.57)
Support services	1,498,158	1,748,029	0	0	1,498,158	1,748,029	(14.29)
Non-instructional programs	49,831	41,641	267,183	274,063	317,014	315,704	0.41
Other expenditures	581,098	587,986	0	0	581,098	587,986	(1.17)
Total expenses	5,591,615	5,895,240	267,183	274,063	5,858,798	6,169,303	(5.03)
Change in net assets before transfers	1,089,734	200,910	33,179	9,090	1,122,913	210,000	434.82
Transfers	0	-3,083	0	3,083	0	0	0
CHANGE IN NET ASSETS	1,089,734	197,827	33,179	12,173	1,122,913	210,000	434.72
Net assets beginning of year	3,406,124	3,208,297	82,330	70,157	3,488,454	3,278,454	6.41
Net assets end of year	4,495,858	3,406,124	115,509	82,330	4,611,367	3,488,454	32.19

In fiscal year 2011 property tax and unrestricted state grants account for 66% 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 9.44% increase in revenues and a 5.03% decrease in expenses. Property tax increased \$406,000 to fund increases in expenses and a previous year negative balance. The decreases in expenses related to closing of the Thompson building and retirement of veteran teachers overshadowing increased expenses related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$6,681,349 and expenses were \$5,591,615.

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		
	2011	2010	Percent Change 2010-2011	2011	2010	Percent Change 2010-2011
	\$	\$	%	\$	\$	%
Instruction	3,462,528	3,517,584	(1.57)	2,408,369	2,343,106	2.79
Support Services	1,498,158	1,748,029	(14.29)	1,443,553	1,747,646	(17.40)
Non-instructional Programs	49,831	41,641	19.67	49,831	41,641	19.67
Other Expenses	581,098	587,986	(1.17)	344,882	337,321	2.24
TOTAL	5,591,615	5,895,240	(5.15)	4,246,635	4,469,714	(4.99)

For the year ended June 30, 2011

- The cost financed by users of the District’s programs was \$405,111. 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 \$936,869.
- The net cost of governmental activities was financed with \$3,810,546 in property and local other taxes and \$1,487,640 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$300,362 and expenses were \$267,183. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2011, the District increased meal prices to comply with federal regulations. This increase resulted in increased revenue to the School Nutrition Fund that the District has obligated for replacement of obsolete kitchen equipment and offer a larger variety of healthy foods along with more entrée choices.

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 \$1,506,006, well above last year’s ending fund balances of \$997,960. However, the primary reason for the increase in combined fund balances in fiscal 2011 is due increasing the cash reserve levy for the general fund to correct a negative balance from the previous year.

Governmental Fund Highlights

- The District’s increased General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase to the general fund was more relevant due to decreased expenditures in the General Fund allowing the District to carryover fund balance to lessen predicted reduced revenues due to declining enrollments and 0% allowable growth.
- The General Fund balance increased from a deficit of \$152,676 to \$503,944, due in part to increased federal grants and increase cash levies from property taxes.

- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting.
- The Physical Plant and Equipment Levy (PPEL) account balance decreased from \$241,393 in fiscal 2010 to \$172,053 in fiscal 2011. While revenues remained approximately the same, the District substantially increased spending from the PPEL Fund by purchasing a new bus and school van from the fund.
- The Statewide Sales, Services and Use Tax account balance decreased due to the renovations in the District's 1922 building with improvements to the heating, ventilation, and air conditioning systems and new energy efficient windows in the amount of \$372,917 during fiscal 2011. The District ended fiscal 2010 with a balance of \$708,511. Fiscal 2011 ended with a balance of \$581,405 which will be carried over and used for future technology upgrades and additional building needs.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$70,335 at June 30, 2010 to \$94,837 at June 30, 2011, representing an increase of approximately 35%, due primarily to an increase in revenue from federal sources. The District also reduced staff and equipment needs with the closing of the kitchen and lunch room in the Thompson building. The District also revamped its school lunch program to provide students with more fresh fruit and vegetable options on the salad bar at lunch with little additional cost to the program.

The FFA Project Fund net assets increase from \$11,995 at June 30, 2010 to \$20,672 at June 30, 2011. FFA projects increased revenues by \$17,000 due to increased fund raising activities.

BUDGETARY HIGHLIGHTS

Over the course of the year, North Iowa Community School District did not amend its annual budget.

The District's receipts were \$78,756 more than budgeted receipts, a variance of 1%.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures services functional areas due to the timing of disbursements paid for the 1922 window project at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$4,802,123 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 7.88% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$236,134.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$382,927 at June 30, 2011 compared to \$131,528 reported at June 30, 2010. This significant increase resulted from construction activity financed by the Sales Tax and Service fund to pay for the 1922 building renovations and smart boards in classrooms.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2010-2011
	Activities		Activities		School District		
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	%
Land	11,000	11,000	0	0	11,000	11,000	0
Art	52,000	52,000	0	0	52,000	52,000	0
Construction in progress	382,927	131,528	0	0	382,927	131,528	191.14
Buildings	3,930,189	3,937,458	0	0	3,930,189	3,937,458	(0.18)
Improvements	139,380	151,283	0	0	139,380	151,283	(7.87)
Intangible assets	9,206	18,413	0	0	9,206	18,413	(50.00)
Equipment & furniture	261,971	133,302	15,450	16,568	277,421	149,870	85.12
TOTAL	4,786,673	4,434,984	15,450	16,568	4,802,123	4,451,552	7.88

Long-Term Debt

At June 30, 2011 the District had \$2,066,105 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 8% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

The District's general obligation bonds are not rated.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately 13.5 million.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2010-2011
	2011	2010	
	\$	\$	%
General obligation bonds	2,020,000	2,195,000	(7.97)
Employee Settlement	5,632	11,386	(-50.54)
Termination Benefits	12,687	89,219	(85.78)
Net OPEB liability	27,786	14,882	86.71
	<u>2,066,105</u>	<u>2,310,487</u>	<u>(10.58)</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The wage settlement for fiscal year 2012 was moderate in nature, with the majority of the increase attributed to the increased cost of health insurance, even though the Certified Staff went with a higher deductible insurance plan.

- School financing is highly dependent upon student enrollment. The District's October 2011 enrollment decreased by twenty students. This drop in enrollment will decrease the District's funding for fiscal year 2013.
- Although the District has experienced declining enrollment for the past three years, the District expects to see these declining numbers level off within the next 2 years.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be replaced during fiscal 2012 at a cost of nearly \$75,000. To pay for this bus, the District will use the Physical Plant and Equipment Levy Fund.
- The District has made a commitment to significantly change the classroom atmosphere by adding interactive smart boards to the majority of instructional rooms during the 2011-2012 school year at a cost of nearly \$35,000. The Statewide Sales, Service and Use Tax fund will be used to pay for this equipment and the district plans to continue making technology an important part of each students learning environment.
- 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 4 years from 6.65% in 09-10, to 6.95% in 10-11, to 8.07% in 11-12, and will increase again to 8.67% in 12-13. These increases continue to have significant impacts on expenditures and salaries in the upcoming years.
- The District offers health insurance benefits to all qualifying employees. Health insurance costs continue to rise creating a strain on the general fund.
- State funding continues to be a high concern for all school district's state-wide. Potential cuts to expected funding along with unfunded mandates 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 Buffalo Center. By closing the building and relocating the students, the district has seen significantly lowered 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, 111 3rd Ave NW, Buffalo Center, Iowa 50424

BASIC FINANCIAL STATEMENTS

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	2,302,315	95,827	2,398,142
Receivables:			
Property tax:			
Delinquent	37,273	-	37,273
Succeeding year	3,244,705	-	3,244,705
Accounts	51,953	300	52,253
Due from other governments	414,316	-	414,316
Inventories	-	12,088	12,088
Capital assets, net of accumulated depreciation	4,786,673	15,450	4,802,123
Total assets	10,837,235	123,665	10,960,900
Liabilities			
Accounts payable	438,732	318	439,050
Salaries and benefits payable	498,417	134	498,551
Accrued interest payable	7,912	-	7,912
Deferred revenue:			
Succeeding year property tax	3,244,705	-	3,244,705
Other	85,506	7,704	93,210
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	185,000	-	185,000
Termination benefits	12,687	-	12,687
Employment settlement	5,632	-	5,632
Portion due after one year:			
General obligation bonds payable	1,835,000	-	1,835,000
Net OPEB liability	27,786	-	27,786
Total liabilities	6,341,377	8,156	6,349,533
Net assets			
Invested in capital assets, net of related debt	2,766,673	15,450	2,782,123
Restricted for:			
Categorical funding	112,838	-	112,838
Management levy	157,691	-	157,691
Physical plant and equipment levy	172,053	-	172,053
Student activities	72,293	-	72,293
Public education & recreation	397	-	397
School infrastructure	581,405	-	581,405
Unrestricted	632,508	100,059	732,567
Total net assets	4,495,858	115,509	4,611,367

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,054,034	114,749	593,821	-
Special	650,184	63,943	30,698	-
Other	758,310	172,004	78,944	-
	<u>3,462,528</u>	<u>350,696</u>	<u>703,463</u>	<u>-</u>
Support services:				
Student	145,970	-	-	-
Instructional staff	139,277	54,167	-	-
Administration	568,587	-	-	-
Operation and maintenance of plant	364,105	-	-	-
Transportation	280,219	248	190	-
	<u>1,498,158</u>	<u>54,415</u>	<u>190</u>	<u>-</u>
Non-instructional programs	<u>49,831</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	95,610	-	-	10,916
Long-term debt interest	103,710	-	57	-
AEA flowthrough	225,243	-	225,243	-
Depreciation (unallocated)*	156,535	-	-	-
	<u>581,098</u>	<u>-</u>	<u>225,300</u>	<u>10,916</u>
Total governmental activities	<u>5,591,615</u>	<u>405,111</u>	<u>928,953</u>	<u>10,916</u>
Business type activities:				
Food service operations	215,514	114,689	125,276	-
FFA projects	51,669	60,346	-	-
Total business-type activities	<u>267,183</u>	<u>175,035</u>	<u>125,276</u>	<u>-</u>
Total	<u>5,858,798</u>	<u>580,146</u>	<u>1,054,229</u>	<u>10,916</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Other				
Capital asset impairment				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,345,464)	-	(1,345,464)
(555,543)	-	(555,543)
(507,362)	-	(507,362)
<u>(2,408,369)</u>	<u>-</u>	<u>(2,408,369)</u>
(145,970)	-	(145,970)
(85,110)	-	(85,110)
(568,587)	-	(568,587)
(364,105)	-	(364,105)
(279,781)	-	(279,781)
<u>(1,443,553)</u>	<u>-</u>	<u>(1,443,553)</u>
<u>(49,831)</u>	<u>-</u>	<u>(49,831)</u>
(84,694)	-	(84,694)
(103,653)	-	(103,653)
-	-	-
(156,535)	-	(156,535)
<u>(344,882)</u>	<u>-</u>	<u>(344,882)</u>
<u>(4,246,635)</u>	<u>-</u>	<u>(4,246,635)</u>
-	24,451	24,451
-	8,677	8,677
-	33,128	33,128
<u>(4,246,635)</u>	<u>33,128</u>	<u>(4,213,507)</u>
2,766,591	-	2,766,591
278,631	-	278,631
85,769	-	85,769
312,424	-	312,424
367,131	-	367,131
1,487,640	-	1,487,640
3,758	51	3,809
34,425	-	34,425
<u>5,336,369</u>	<u>51</u>	<u>5,336,420</u>
1,089,734	33,179	1,122,913
3,406,124	82,330	3,488,454
<u>4,495,858</u>	<u>115,509</u>	<u>4,611,367</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	1,034,738	1,020,241	247,336	2,302,315
Receivables:				
Property tax:				
Delinquent	30,367	968	5,938	37,273
Succeeding year	2,614,670	89,985	540,050	3,244,705
Accounts	51,953	-	-	51,953
Due from other governments	322,716	91,600	-	414,316
Total assets	<u>4,054,444</u>	<u>1,202,794</u>	<u>793,324</u>	<u>6,050,562</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	79,909	355,092	3,731	438,732
Salaries and benefits payable	497,478	-	939	498,417
Deferred revenue:				
Succeeding year property tax	2,614,670	89,985	540,050	3,244,705
Income surtax	272,937	-	-	272,937
Other	85,506	4,259	-	89,765
Total liabilities	<u>3,550,500</u>	<u>449,336</u>	<u>544,720</u>	<u>4,544,556</u>
Fund balances:				
Restricted for:				
Categorical funding	112,838	-	-	112,838
Debt service	-	-	5,536	5,536
Management levy purposes	-	-	170,378	170,378
Student activities	-	-	72,293	72,293
School infrastructure	-	581,405	-	581,405
Physical plant and equipment	-	172,053	-	172,053
Public education & recreation	-	-	397	397
Assigned	18,761	-	-	18,761
Unassigned	372,345	-	-	372,345
Total fund balances	<u>503,944</u>	<u>753,458</u>	<u>248,604</u>	<u>1,506,006</u>
Total liabilities and fund balances	<u>4,054,444</u>	<u>1,202,794</u>	<u>793,324</u>	<u>6,050,562</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

	\$
Total fund balances of governmental funds (Exhibit C)	1,506,006
<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.	4,786,673
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	277,196
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.	(7,912)
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>(2,066,105)</u>
Net assets of governmental activities (Exhibit A)	<u><u>4,495,858</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,837,640	452,900	511,713	3,802,253
Tuition	139,991	-	-	139,991
Other	178,279	7,647	175,110	361,036
State sources	2,137,078	-	-	2,137,078
Federal sources	256,059	-	-	256,059
Total revenues	<u>5,549,047</u>	<u>460,547</u>	<u>686,823</u>	<u>6,696,417</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,009,118	43,461	87,598	2,140,177
Special	658,358	-	-	658,358
Other	612,300	-	148,884	761,184
	<u>3,279,776</u>	<u>43,461</u>	<u>236,482</u>	<u>3,559,719</u>
Support services:				
Student	145,567	-	-	145,567
Instructional staff	166,510	-	-	166,510
Administration	487,044	6,490	73,642	567,176
Operation and maintenance of plant	333,033	20,836	11,594	365,463
Transportation	243,261	101,834	-	345,095
	<u>1,375,415</u>	<u>129,160</u>	<u>85,236</u>	<u>1,589,811</u>
Non-instructional programs	<u>11,993</u>	<u>-</u>	<u>37,838</u>	<u>49,831</u>
Other expenditures:				
Facilities acquisition	-	484,372	-	484,372
Long-term debt:				
Principal	-	-	175,000	175,000
Interest and fiscal charges	-	-	104,395	104,395
AEA flowthrough	225,243	-	-	225,243
	<u>225,243</u>	<u>484,372</u>	<u>279,395</u>	<u>989,010</u>
Total expenditures	<u>4,892,427</u>	<u>656,993</u>	<u>638,951</u>	<u>6,188,371</u>
Excess (deficiency) of revenues over (under) expenditures	656,620	(196,446)	47,872	508,046
Fund balances beginning of year, as restated	<u>(152,676)</u>	<u>949,904</u>	<u>200,732</u>	<u>997,960</u>
Fund balances end of year	<u><u>503,944</u></u>	<u><u>753,458</u></u>	<u><u>248,604</u></u>	<u><u>1,506,006</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		508,046
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	584,670	
Depreciation expense	<u>(232,981)</u>	351,689
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.		(15,068)
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.		175,000
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.		685
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	76,532	
Employment settlement	5,754	
Other postemployment benefits	<u>(12,904)</u>	<u>69,382</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>1,089,734</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2011

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	95,827
Accounts receivable	300
Inventories	12,088
Capital assets, net of accumulated depreciation	<u>15,450</u>
Total assets	<u>123,665</u>
Liabilities	
Accounts payable	318
Salaries and benefits payable	134
Deferred revenue	<u>7,704</u>
Total liabilities	<u>8,156</u>
Net assets	
Invested in capital assets	15,450
Unrestricted	<u>100,059</u>
Total net assets	<u><u>115,509</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>175,035</u>
Operating expenses:	
Salaries	67,471
Benefits	10,050
Purchased services	2,301
Supplies	184,208
Depreciation	3,153
Total operating expenses	<u>267,183</u>
Operating income (loss)	<u>(92,148)</u>
Non-operating revenues:	
State sources	2,172
Federal sources	123,104
Interest income	51
Total non-operating revenues	<u>125,327</u>
Change in net assets	33,179
Net assets beginning of year	<u>82,330</u>
Net assets end of year	<u><u>115,509</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	114,917
Cash received from other services	60,346
Cash payments to employees for services	(77,387)
Cash payments to suppliers for goods or services	(166,219)
Net cash used by operating activities	<u>(68,343)</u>
Cash flows from non-capital financing activities:	
State grants received	2,172
Federal grants received	95,840
Net cash provided by non-capital financing activities	<u>98,012</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(2,035)</u>
Cash flows from investing activities:	
Interest on investments	<u>51</u>
Net increase (decrease) in cash and cash equivalents	27,685
Cash and cash equivalents at beginning of year	<u>68,142</u>
Cash and cash equivalents at end of year	<u><u>95,827</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(92,148)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	27,264
Depreciation	3,153
Decrease (increase) in inventories	(6,617)
Decrease (increase) in accounts receivable	(150)
(Decrease) increase in accounts payable	(357)
(Decrease) increase in salaries and benefits payable	134
(Decrease) increase in deferred revenue	378
Net cash used by operating activities	<u><u>(68,343)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$27,264 of federal commodities.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	429,954
Liabilities	
	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>429,954</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trust Scholarship <u> </u> \$
Additions:	
Local sources:	
Gifts and contributions	151,078
Interest	<u>25,943</u>
Total additions	<u>177,021</u>
Deductions:	
Support services:	
Scholarships awarded	<u>67,507</u>
Change in net assets	109,514
Net assets beginning of year	<u>320,440</u>
Net assets end of year	<u><u>429,954</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

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 non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

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 and other capital assets.

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010, through June 30, 2011, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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 fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board Secretary intends to use for specific purposes.

Unassigned – All amounts not included in other classifications.

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, 2011, expenditures exceeded the amount budgeted in the other expenditures function.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 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. The District may also accept gifts of other types of investments.

At June 30, 2011, the District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
	\$	
Bank of America Corp. Subordinated Note	14,499	March 2017
Ford Motor Credit Notes	10,167	October 2011
Ford Motor Credit Company LLC Senior Note	42,858	April 2015
617 Shares General Electric Company Common Stock	11,640	N/A
64 Shares Mid Cap SPDR Trust Unit Series 1	11,275	April 2020
21 shares SPDR Trust Unit Series 1	2,771	January 2118

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$2,202,156 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	BB-
Ford Motor Credit Company LLC Senior Note	BB-
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 95% of the District's total investments.

3. Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	131,528	388,762	137,363	382,927
Work of art	52,000	-	-	52,000
Land	11,000	-	-	11,000
Total capital assets not being depr.	<u>194,528</u>	<u>388,762</u>	<u>137,363</u>	<u>445,927</u>
Capital assets being depreciated:				
Buildings	6,606,027	137,363	-	6,743,390
Improvements other than buildings	449,131	-	-	449,131
Intangible assets	27,620	-	-	27,620
Furniture and equipment	1,270,361	195,908	45,500	1,420,769
Total capital assets being deprec.	<u>8,353,139</u>	<u>333,271</u>	<u>45,500</u>	<u>8,640,910</u>
Less accumulated depreciation for:				
Buildings	2,668,569	144,632	-	2,813,201
Improvements other than buildings	297,848	11,903	-	309,751
Intangible assets	9,207	9,207	-	18,414
Furniture and equipment	1,137,059	67,239	45,500	1,158,798
Total accumulated depreciation	<u>4,112,683</u>	<u>232,981</u>	<u>45,500</u>	<u>4,300,164</u>
Total capital assets being depreciated, net	<u>4,240,456</u>	<u>100,290</u>	<u>-</u>	<u>4,340,746</u>
Governmental activities capital assets, net	<u>4,434,984</u>	<u>489,052</u>	<u>137,363</u>	<u>4,786,673</u>
Business type activities:				
Furniture and equipment	90,360	2,035	-	92,395
Less accumulated depreciation	<u>73,792</u>	<u>3,153</u>	<u>-</u>	<u>76,945</u>
Business type activities capital assets, net	<u>16,568</u>	<u>(1,118)</u>	<u>-</u>	<u>15,450</u>
Depreciation expense was charged to the following functions:				
				\$
Governmental activities:				
Instruction:				
Regular				23,683
Special				1,065
Other				3,093
Support services:				
Instructional staff services				7,415
Operation and maintenance of plant services				5,594
Transportation				35,596
				<u>76,446</u>
Unallocated depreciation				<u>156,535</u>
Total depreciation expense – governmental activities				<u>232,981</u>
Business type activities:				
Food services				<u>3,153</u>

4. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	2,195,000	-	175,000	2,020,000	185,000
Employee settlement	11,386	-	5,754	5,632	5,632
Termination benefits	89,219	-	76,532	12,687	12,687
Net OPEB liability	14,882	12,904	-	27,786	-
Total	2,310,487	12,904	257,286	2,066,105	203,319

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.

At June 30, 2011, the District has obligations to three participants with a total liability of \$12,687. Early retirement benefits paid during the year totaled \$76,532.

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of March, 2001			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	4.70	220,000	57,575	277,575
2017-2020	4.70	1,005,000	121,495	1,126,495
		<u>2,020,000</u>	<u>504,780</u>	<u>2,524,780</u>

5. 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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$201,949, \$214,341 and \$213,598 respectively, equal to the required contributions for each year.

6. Other Postemployment Benefits (OPEB)

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. 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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	34,601
Interest on net OPEB obligation	372
Adjustment to annual required contribution	<u>(2,301)</u>
Annual OPEB cost	32,672
Contributions made	<u>19,768</u>
Increase in net OPEB obligation	12,904
Net OPEB obligation beginning of year	<u>14,882</u>
Net OPEB obligation end of year	<u>27,786</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, 2011.

For the year ended June 30, 2011, the District contributed \$19,768 to the medical plan. Plan members eligible for benefits contributed \$54,164, or 73% 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, 2011 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
June 30, 2011	32,672	60%	27,786

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$352,007, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$352,007. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,340,000, and the ratio of the UAAL to covered payroll was 15%. As of June 30, 2011, 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.

The UAAL is being amortized over 30 years.

7. 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.

8. 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 \$225,243 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

9. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
English language proficient	4,150
Returning dropout and dropout prevention program	51,171
Teacher salary supplement	36,703
Core curriculum	7,474
Educator quality, professional development	1,539
Mentoring	4,801
Other	7,000
	<u>112,838</u>

10. Construction Commitment

The District has entered into a \$585,059 contract for window replacement. As of June 30, 2011 costs of \$372,907 had been incurred against the contract. The balance remaining at June 30, 2011 will be paid as work on the project progresses.

11. Lease Commitment

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

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

12. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund type Definitions, was implemented during the year ended 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 708,511	\$ 241,393
Change in fund type classification per implementation of GASB Statement No. 54	<u>241,393</u>	<u>(241,393)</u>
Balances July 1, 2010, as restated	<u>949,904</u>	<u>-</u>

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, 2011

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,303,280	175,086	4,478,366	4,218,851	4,218,851	259,515
State sources	2,137,078	2,172	2,139,250	2,324,172	2,324,172	(184,922)
Federal sources	256,059	123,104	379,163	375,000	375,000	4,163
Total revenues	<u>6,696,417</u>	<u>300,362</u>	<u>6,996,779</u>	<u>6,918,023</u>	<u>6,918,023</u>	<u>78,756</u>
Expenditures/Expenses:						
Instruction	3,559,719	51,669	3,611,388	4,120,000	4,120,000	508,612
Support services	1,589,811	-	1,589,811	1,976,000	1,976,000	386,189
Non-instructional programs	49,831	215,514	265,345	293,020	293,020	27,675
Other expenditures	989,010	-	989,010	867,116	867,116	(121,894)
Total expenditures/expenses	<u>6,188,371</u>	<u>267,183</u>	<u>6,455,554</u>	<u>7,256,136</u>	<u>7,256,136</u>	<u>800,582</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	508,046	33,179	541,225	(338,113)	(338,113)	879,338
Balance beginning of year	<u>997,960</u>	<u>82,330</u>	<u>1,080,290</u>	<u>428,770</u>	<u>428,770</u>	<u>651,520</u>
Balance end of year	<u><u>1,506,006</u></u>	<u><u>115,509</u></u>	<u><u>1,621,515</u></u>	<u><u>90,657</u></u>	<u><u>90,657</u></u>	<u><u>1,530,858</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

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 did not amend its budget during the year.

During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the amount budgeted.

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%
2011	July 1, 2009	-	352,007	352,007	0.0%	2,340,000	15.0%

See Note 6 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, 2011

Assets	Special Revenue Funds					Total
	Management Levy	Student Activity	Public Education and Recreation Levy	District Support Trust	Debt Service	
	\$	\$	\$	\$	\$	
Cash and pooled investments	169,045	74,314	1	804	3,172	247,336
Receivables:						
Property tax:						
Delinquent	2,398	-	396	-	3,144	5,938
Succeeding year	100,000	-	34,710	-	405,340	540,050
Total assets	271,443	74,314	35,107	804	411,656	793,324
Liabilities & Fund Balances						
Liabilities:						
Accounts payable	126	2,825	-	-	780	3,731
Salaries and benefits payable	939	-	-	-	-	939
Deferred revenue:						
Succeeding year property tax	100,000	-	34,710	-	405,340	540,050
Total liabilities	101,065	2,825	34,710	-	406,120	544,720
Fund balances:						
Restricted for:						
Debt service	-	-	-	-	5,536	5,536
Management levy purposes	170,378	-	-	-	-	170,378
Student activities	-	71,489	-	804	-	72,293
Public education & recreation	-	-	397	-	-	397
Total fund balances	170,378	71,489	397	804	5,536	248,604
Total liabilities and fund balances	271,443	74,314	35,107	804	411,656	793,324

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Special Revenue Funds					Total
	Management Levy	Student Activity	Public Education and Recreation Levy	District Support Trust	Debt Service	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	200,053	-	33,029	-	278,631	511,713
Other	8,677	166,357	19	-	57	175,110
Total revenues	<u>208,730</u>	<u>166,357</u>	<u>33,048</u>	<u>-</u>	<u>278,688</u>	<u>686,823</u>
Expenditures:						
Current:						
Instruction:						
Regular	87,598	-	-	-	-	87,598
Other	-	148,884	-	-	-	148,884
Support services:						
Administration	73,642	-	-	-	-	73,642
Operation and maintenance of plant	11,594	-	-	-	-	11,594
Non-instructional programs	4,851	-	32,987	-	-	37,838
Other expenditures:						
Long-term debt:						
Principal	-	-	-	-	175,000	175,000
Interest and fiscal charges	-	-	-	-	104,395	104,395
Total expenditures	<u>177,685</u>	<u>148,884</u>	<u>32,987</u>	<u>-</u>	<u>279,395</u>	<u>638,951</u>
Net change in fund balance	31,045	17,473	61	-	(707)	47,872
Fund balances beginning of year, as restated	<u>139,333</u>	<u>54,016</u>	<u>336</u>	<u>804</u>	<u>6,243</u>	<u>200,732</u>
Fund balances end of year	<u>170,378</u>	<u>71,489</u>	<u>397</u>	<u>804</u>	<u>5,536</u>	<u>248,604</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2011

	Enterprise Funds		
	Nutrition		Total
	Fund	FFA Project	
	\$	\$	\$
Assets			
Cash and cash equivalents	74,837	20,990	95,827
Accounts receivable	300	-	300
Inventories	12,088	-	12,088
Capital assets, net of accumulated depreciation	15,450	-	15,450
Total assets	<u>102,675</u>	<u>20,990</u>	<u>123,665</u>
Liabilities			
Accounts payable	-	318	318
Salaries and benefits payable	134	-	134
Deferred revenue	7,704	-	7,704
Total liabilities	<u>7,838</u>	<u>318</u>	<u>8,156</u>
Net assets			
Invested in capital assets	15,450	-	15,450
Unrestricted	79,387	20,672	100,059
Total net assets	<u>94,837</u>	<u>20,672</u>	<u>115,509</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Enterprise Funds		
	Nutrition		Total
	Fund	FFA Project	
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	114,689	60,346	175,035
Operating expenses:			
Salaries	67,471	-	67,471
Benefits	10,050	-	10,050
Purchased services	2,301	-	2,301
Supplies	132,539	51,669	184,208
Depreciation	3,153	-	3,153
Total operating expenses	215,514	51,669	267,183
Operating income (loss)	(100,825)	8,677	(92,148)
Non-operating revenues:			
State sources	2,172	-	2,172
Federal sources	123,104	-	123,104
Interest income	51	-	51
Total non-operating revenues	125,327	-	125,327
Change in net assets	24,502	8,677	33,179
Net assets beginning of year	70,335	11,995	82,330
Net assets end of year	94,837	20,672	115,509

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2011

	Enterprise Funds		
	Nutrition		Total
	Fund	FFA Project	
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	114,917	-	114,917
Cash received from other services	-	60,346	60,346
Cash payments to employees for services	(77,387)	-	(77,387)
Cash payments to suppliers for goods or services	(114,393)	(51,826)	(166,219)
Net cash (used) provided by operating activities	<u>(76,863)</u>	<u>8,520</u>	<u>(68,343)</u>
Cash flows from non-capital financing activities:			
State grants received	2,172	-	2,172
Federal grants received	95,840	-	95,840
Net cash provided by non-capital financing activities	<u>98,012</u>	<u>-</u>	<u>98,012</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(2,035)</u>	<u>-</u>	<u>(2,035)</u>
Cash flows from investing activities:			
Interest on investments	<u>51</u>	<u>-</u>	<u>51</u>
Net increase (decrease) in cash and cash equivalents	19,165	8,520	27,685
Cash and cash equivalents at beginning of year	<u>55,672</u>	<u>12,470</u>	<u>68,142</u>
Cash and cash equivalents at end of year	<u><u>74,837</u></u>	<u><u>20,990</u></u>	<u><u>95,827</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	(100,825)	8,677	(92,148)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	27,264	-	27,264
Depreciation	3,153	-	3,153
Decrease (increase) in inventories	(6,617)	-	(6,617)
Decrease (increase) in accounts receivable	(150)	-	(150)
(Decrease) increase in accounts payable	(200)	(157)	(357)
(Decrease) increase in salaries and benefits payable	134	-	134
(Decrease) increase in deferred revenue	378	-	378
Net cash (used) provided by operating activities	<u><u>(76,863)</u></u>	<u><u>8,520</u></u>	<u><u>(68,343)</u></u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash and pooled investments	848,905	171,336	1,020,241
Receivables:			
Property tax:			
Delinquent	-	968	968
Succeeding year	-	89,985	89,985
Due from other governments	87,341	4,259	91,600
Total assets	<u>936,246</u>	<u>266,548</u>	<u>1,202,794</u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	354,841	251	355,092
Deferred revenue:			
Succeeding year property tax	-	89,985	89,985
Other	-	4,259	4,259
Total liabilities	<u>354,841</u>	<u>94,495</u>	<u>449,336</u>
Fund balances:			
Restricted for:			
School infrastructure	581,405	-	581,405
Physical plant and equipment	-	172,053	172,053
Total fund balances	<u>581,405</u>	<u>172,053</u>	<u>753,458</u>
Total liabilities and fund balances	<u>936,246</u>	<u>266,548</u>	<u>1,202,794</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	367,131	85,769	452,900
Other	792	6,855	7,647
Total revenues	<u>367,923</u>	<u>92,624</u>	<u>460,547</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	27,244	16,217	43,461
Support services:			
Administration services	6,490	-	6,490
Operation and maintenance of plant	290	20,546	20,836
Transportation services	-	101,834	101,834
Other expenditures:			
Facilities acquisition	461,005	23,367	484,372
Total expenditures	<u>495,029</u>	<u>161,964</u>	<u>656,993</u>
Net change in fund balance	(127,106)	(69,340)	(196,446)
Fund balances beginning of year, as restated	<u>708,511</u>	<u>241,393</u>	<u>949,904</u>
Fund balance end of year	<u>581,405</u>	<u>172,053</u>	<u>753,458</u>

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End
	Beginning of Year				of Year
	\$	\$	\$	\$	\$
Towel fee	100	-	-	-	100
Activity tickets	(6,836)	45,284	31,886	(6,562)	-
Interest	62	38	-	-	100
Drama	3,593	5,933	5,209	(2,940)	1,377
Speech	107	817	944	20	-
Vocal music	172	-	60	-	112
Instrumental music	3,069	5,476	3,603	-	4,942
Annual	3,911	5,194	7,152	-	1,953
Cross country	-	3,435	988	(2,427)	20
Boys basketball	5,277	2,744	2,297	2,427	8,151
Football	6,780	11,918	10,641	-	8,057
Baseball	2,498	1,006	365	-	3,139
Boys track	303	2,382	4,771	2,086	-
Boys golf	178	157	285	-	50
Boys bowling	-	223	196	-	27
Wrestling	250	613	690	-	173
Girls basketball	5,132	3,137	3,478	-	4,791
Volleyball	4,084	4,215	3,023	-	5,276
Girls softball	3,511	504	1,413	-	2,602
Girls track	604	1,174	2,756	978	-
Girls golf	178	158	307	-	29
Girls bowling	-	223	196	-	27
Athletic resale	-	-	130	130	-
Spanish club	100	-	-	-	100
Cheerleading	1,769	18,724	19,614	-	879
FCCLA	246	1,937	2,703	520	-
Student council	2,307	7,644	6,682	-	3,269
Honor society	185	963	1,039	-	109
Tournament all sport fund	407	4,313	3,338	-	1,382
Class of 2010	763	-	-	(763)	-
Class of 2011	1,667	233	2,004	104	-
Class of 2016	150	145	-	-	295
Class of 2012	798	7,438	5,942	-	2,294
Class of 2013	915	205	-	-	1,120
Class of 2014	645	180	-	-	825
Class of 2015	470	415	260	-	625
Class of 2017	-	155	-	-	155
Quiz bowl	20	-	120	100	-
MS archery	-	650	-	1,837	2,487
MS student council	2,295	2,153	1,156	(1,837)	1,455
MS music club	4,983	11,346	8,244	-	8,085

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, 2011

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
MS annual	1,716	1,232	1,488	-	1,460
MS officials	-	33	1,950	1,917	-
MS field trips	-	121	-	-	121
MS football	428	-	223	-	205
MS girls basketball	240	-	12	-	228
MS boys basketball	238	-	-	-	238
MS wrestling	329	-	-	-	329
MS volleyball	229	665	678	-	216
MS girls track	10	90	297	197	-
MS boys track	79	135	322	108	-
HS/MS uniforms	54	-	4,159	4,105	-
Destination DC	-	12,949	8,263	-	4,686
Total	54,016	166,357	148,884	-	71,489

NORTH IOWA COMMUNITY SCHOOL DISTRICT

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

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	3,802,253	3,411,163	3,238,342	2,878,809	2,854,275	2,787,187	2,761,408	2,484,042
Tuition	139,991	182,284	153,744	182,149	256,213	243,246	206,412	162,449
Other	361,036	190,166	240,412	331,872	337,536	288,193	289,144	216,516
State sources	2,137,078	1,846,942	2,443,215	2,493,550	2,479,592	2,461,232	2,323,331	2,205,739
Federal sources	256,059	475,038	283,172	144,216	165,971	171,962	210,967	160,929
Total revenues	<u>6,696,417</u>	<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	2,140,177	2,318,175	2,485,066	2,248,623	2,281,676	2,149,499	1,941,389	1,895,340
Special instruction	658,358	635,308	668,822	694,825	738,855	711,412	1,100,194	920,622
Other instruction	761,184	617,457	628,455	639,912	628,095	588,239	419,702	414,528
Support services:								
Student services	145,567	143,238	167,604	134,662	101,660	103,702	125,241	102,255
Instructional staff services	166,510	161,047	126,313	145,872	139,482	190,493	196,184	175,810
Administration services	567,176	692,217	660,954	707,982	696,755	617,282	592,754	559,716
Operation and maintenance	365,463	479,629	531,554	491,841	580,382	578,829	549,257	461,485
Transportation services	345,095	233,793	243,069	302,843	277,501	393,127	282,481	229,313
Non-instructional programs	49,831	44,724	40,516	40,063	37,260	40,010	18,117	14,605
Other expenditures:								
Facilities acquisition	484,372	218,944	124,170	98,189	231,566	432,351	269,932	343,461
Long-term debt:								
Principal	175,000	165,000	155,000	145,000	140,000	130,000	125,000	120,000
Interest and other charges	104,395	111,237	118,445	125,188	131,698	137,743	146,555	149,005
AEA flowthrough	225,243	225,553	199,417	192,471	189,574	184,267	181,961	186,389
Total expenditures	<u>6,188,371</u>	<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>

See accompanying independent auditor's report.

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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 15, 2012. 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 Responses, 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 I of the accompanying Schedule of Findings and Responses as items 11-I-A and 11-I-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 II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 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 Responses. 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, 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 15, 2012

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2011

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

11-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, processing payroll, 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.

11-I-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 Responses

Year Ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

11-II-A Certified Budget: Expenditures for the year ended June 30, 2011, exceeded the amount budgeted in the other expenditures function.

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

District Response: Year-end expenditures for the window replacement project were more than anticipated. Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

11-II-B Questionable Expenditures: No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Larry Lawson, employee, co-owner of L & T Construction	repairs	\$ 5,300

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

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

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

11-II-G Certified Enrollment: The number of resident students reported to the Iowa Department of Education at October 2010, was understated by one student. The student was residing within the North Iowa District, but registered and attended school at another Iowa district.

Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

District Response: We have contacted these departments.

Conclusion: Response accepted.

11-II-H Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2011

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

- 11-II-I Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 11-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 11-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 11-II-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. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$	\$
		708,511
Revenues/transfers in:		
Statewide sales, services and use tax revenue	367,131	
Other local revenues	792	367,923
	<u> </u>	<u> </u>
Expenditures/transfers out:		
School infrastructure construction	461,005	
Equipment	33,224	
Other	800	495,029
	<u> </u>	<u> </u>
Ending balance		<u>581,405</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423e or 423F of the Code of Iowa.

- 11-II-M Booster Club: We noted the Booster Club was using the District's federal identification number on its bank account, but the District does not keep the club's financial records. Bank accounts not owned or controlled by the District should not be set up at the bank using the District's federal identification number.

NORTH IOWA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2011

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

Recommendation: The Booster Club should obtain its own federal identification number and cease using the District's identification number.

District Response: We have talked to the booster club about this issue.

Conclusion: Response accepted.