

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	15-16
Statement of Activities	B	17-18
Governmental Fund Financial Statements:		
Balance Sheet	C	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	20
Statement of Revenues, Expenditures and Changes in Fund Balance	E	21-22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Financial Statements		29-39
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund Proprietary Fund		41
Notes to Required Supplementary Information - Budgetary Reporting		42
Schedule of Funding Progress for the Retiree Health Plan		43
	<u>Schedule</u>	
Other Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances and Changes in Fund Balances	2	46
Combining Balance Sheet	3	47
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	48
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	49
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	6	50
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	51
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 <u>Government Auditing Standards</u>		52-53
Schedule of Findings and Responses		54-57

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Independent Auditor's Report

To the Board of Education of
Northeast Hamilton 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 Northeast Hamilton Community School District, Blairsburg, 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 Northeast Hamilton 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 April 25, 2012, on our consideration of Northeast Hamilton 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 41 through 43 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 Northeast Hamilton 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 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

April 25, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Northeast Hamilton 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 \$2,714,558 in fiscal 2010 to \$3,245,767 in fiscal 2011. General Fund expenditures increased from \$2,829,252 in fiscal 2010 to \$2,847,852 in fiscal 2011. The District's General Fund balance increased from \$77,577 in fiscal 2010 to \$475,512 in fiscal 2011, a 641% increase.
- The fiscal year 2011 increase in General Fund revenues was attributable in large part to the cash reserve levy for cash flow purposes. The increase in expenditures of \$18,600 was due primarily to an increase in instruction services.
- The District reduced staff and other expenditures to improve the financial situation.

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 Northeast Hamilton 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 Northeast Hamilton 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 Northeast Hamilton 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 Special Revenue Funds.

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

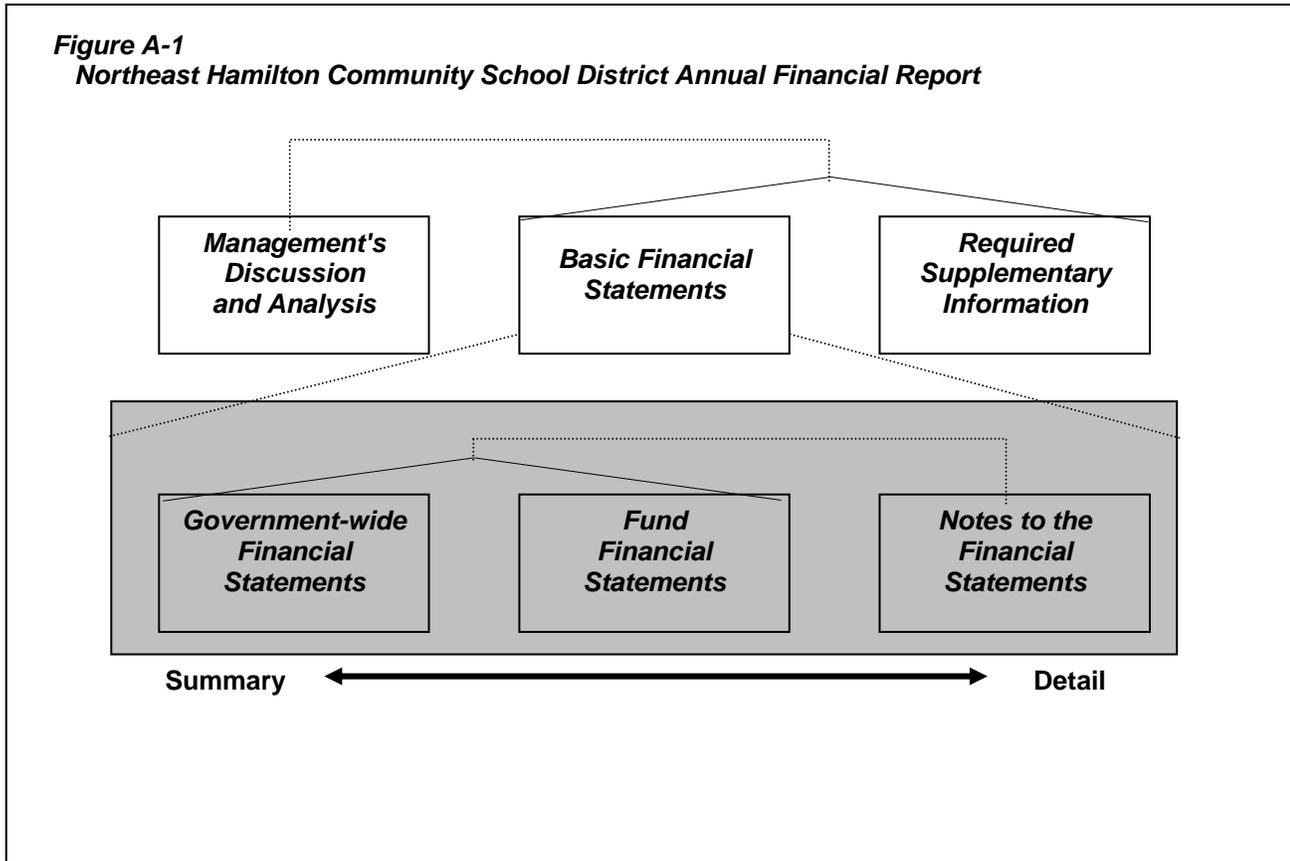


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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: such as food services	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 one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include 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 would account for outside donations for scholarships for individual students in this fund; there are none currently in the District. The Special Needs Fund is classified as a private purpose trust fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures. The Spirit Club is accounted for in an agency fund.

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

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

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

Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District’s net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3							
Condensed Statement of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 3,755,661	3,283,739	3,834	12,707	3,759,495	3,296,446	14%
Capital assets	4,111,155	3,966,190	28,888	18,188	4,140,043	3,984,378	4%
Total assets	7,866,816	7,249,929	32,722	30,8957	7,899,538	7,280,824	8%
Long-term liabilities	2,382,150	2,457,043	1,728	857	2,383,878	2,457,900	-3%
Other Liabilities	2,583,343	2,344,349	16,126	12,634	2,599,469	2,356,983	10%
Total liabilities	4,965,493	4,801,392	17,854	13,491	4,983,347	4,814,883	3%
Net Assets							
Invested in capital assets, net of related debt	1,766,155	1,541,190	28,888	18,188	1,795,043	1,559,378	15%
Restricted	647,236	814,647	-	-	647,236	814,647	-21%
Unrestricted	487,932	92,700	(14,020)	(784)	473,912	91,916	416%
TOTAL NET ASSETS	\$ 2,901,323	2,448,537	14,868	17,404	2,916,191	2,465,941	18%

The District's combined net assets increased by nearly \$450,250 or 18%, from the prior year. A large portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt.

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 decreased approximately \$167,411 or 21% from the prior year. The decrease was primarily in the Capital Projects funding.

The 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 – increased approximately \$381,996, or 416%. The increase in unrestricted net assets was a result of the District levying for cash reserve to meet its financial obligations during the year.

Current and other assets increased \$463,049 or 14% in fiscal 2011 due in large part to the increase in cash collected through tax levies.

Figure A-4

Changes in Net Assets from Operating Results

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues							
Program Revenues							
Charges for services	433,343	\$ 449,425	73,193	\$ 80,599	506,536	\$ 530,024	-4%
Operating Grants & Contributions	484,036	527,064	52,340	57,251	536,376	584,315	-8%
Capital Grants & Contributions	12,107	15,673	-	-	12,107	15,673	-23%
General Revenues							
Property taxes	1,855,944	1,455,289	-	-	1,855,944	1,455,289	28%
Income Surtax	226,825	225,222	-	-	226,825	225,222	1%
Local Option Sales Tax	174,883	145,802	-	-	174,883	145,802	20%
Unrestricted State Grants	574,058	417,872	-	-	574,058	417,872	37%
Loss on disposal of capital assets	-	(7,402)	-	-	-	(7,402)	100%
Unrestricted Investment Earnings	4,160	7,028	4	10	4,164	7,038	-41%
Other Revenue	5,084	6,292	-	-	5,084	6,292	-19%
Total Revenues	3,770,440	\$3,242,265	125,537	\$137,860	3,895,977	\$3,380,125	15%
Expenses							
Instruction	1,945,137	1,946,719	-	-	1,945,137	1,946,719	<-1%
Support Services	1,016,135	1,025,854	-	-	1,016,135	1,025,854	-1%
Non-Instructional Programs	1,353	1,300	138,591	143,948	139,944	145,248	-4%
Other Expenses	344,511	262,674	-	-	344,511	262,674	31%
Total Expenses	3,307,136	\$3,236,547	138,591	\$143,948	3,445,727	\$3,380,495	2%
Change in net assets before transfers	463,304	5,718	(13,054)	(6,088)	450,250	(370)	100%
Transfers	(10,518)	(1,535)	10,518	1,535	-	-	-
Change in Net Assets	452,786	\$ 4,183	(2,536)	\$ (4,553)	450,250	\$ (370)	100%
Net assets beginning of year	2,448,537	\$2,444,354	17,404	\$ 21,957	2,465,941	\$2,466,311	<-1%
Net assets end of year	2,901,323	\$2,448,537	14,868	\$ 17,404	2,916,191	\$2,465,941	18%

Property tax and unrestricted state grants accounted for 62% of the total revenue in FY011. The District's expenses primarily relate to instruction and support services, which accounted for 86% of the total

expenses in FY11. Total expenses increased by 2%, as total revenues increased by 15%. Year-end net assets for FY11, when compared to FY10, increased by \$450,250 which calculates to a 18% change.

Governmental Activities

Referring to Figure A-4, revenues for the District’s FY11 governmental activities, when compared to FY10, increased \$528,175, or 16%. Total governmental expenditures increased from FY10 to FY11 by 2%, or \$70,589.

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

Figure A-5

Net Cost of Governmental Activities

	Total Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2011	Net Cost of Services 2010
Instruction	1,945,137	\$ 1,946,719	1,170,529	\$ 1,118,616
Support Services	1,016,135	1,025,854	985,004	987,980
Non-instructional Programs	1,353	1,300	1,353	1,300
Other Expenses	344,511	262,674	220,764	136,489
TOTAL	3,307,136	\$ 3,236,547	2,377,650	\$ 2,244,385

Figure A-5 presents the cost of the District’s major governmental activities: instruction, support services, non-instruction programs and other expenses. The table shows each activity’s net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District’s taxpayers by each of these functions.

- The cost of all governmental activities this year was \$3,307,136, compared to \$3,236,547 in FY10.
- Some of the cost was financed by the users of the District’s programs (\$433,343).
- The federal and state governments and private contributors subsidized certain programs with grants and contributions (\$484,036).
- Most of the District’s costs (\$2,257,652), however, were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$1,855,944 in property taxes, and \$574,053 in unrestricted state aid (based in large part on the statewide education aid formula), investment earnings and miscellaneous revenues.

Business Type Activities

Revenues for business type activities were \$125,537 for FY11, compared to \$137,860 for FY10. Expenses were \$138,591, compared to \$143,948 for FY10. 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.

INDIVIDUAL FUND ANALYSIS

As previously noted, Northeast Hamilton 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 the District completed the year, its governmental activities funds reported a combined fund balance of \$985,210, nearly 22% above last year's ending fund balance of \$808,271. The primary reason for the increase in combined fund balances in fiscal 2011 is due to a combination of increased tax revenue and decreased new elementary building (facility acquisition) expenditures.

Governmental Fund Highlights.

- The District's deteriorating General Fund financial position is the result of many factors. The maximum authorized budget for fiscal 2011 decreased by \$44,485 and expenditures increased by \$18,601 requiring the District to use \$63,086 of unspent carryover which is automatically \$63,086 less authorized budget for fiscal 2012.
- The General Fund cash balance increased from \$77,577 to \$475,512 due in part to the taxes levied for cash flow purposes.
- 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 monies in the Capital Projects fund will be used for future capital improvements and equipment purchases.
 - The Physical Plant and Equipment Levy account balance increased from \$207,092 at June 30, 2010 to \$302,381 at June 30, 2011.
 - The Statewide Sales Tax account balance decreased from \$287,904 at June 30, 2010 to \$76,214 at June 30, 2011.
- The Nonmajor Governmental (Management and Activity) Funds balance decreased (\$58,998) in FY11. The District used fund balance for facility insurance expense in FY11.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$17,404 on June 30, 2010, to \$14,868 by June 30, 2011, representing a decrease of 15%. The decrease is due to the decrease in revenue generated by fewer students enrolled and participating in the school nutrition program

BUDGETARY HIGHLIGHTS

The District's receipts were \$62,052 less than budgeted receipts, a variance of 2%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2011, the District had invested \$4,140,043 in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment and transportation equipment. (See *Figure A-6*). This represents a net increase of \$155,665 or 4% from FY10. More detailed information about capital assets can be found in Note 4 to the financial statements. Depreciation expense for the year was \$138,028.

The largest changes in capital asset activity during the year occurred in the construction in progress and buildings categories. The District's construction in progress totaled \$0 at June 30, 2011 compared to \$3,072,133 reported at June 30, 2010. This was due to the end of construction activity for the new elementary building addition.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2010-11
Land	42,750	42,750	-	-	42,750	42,750	0%
Construction in progress	-	3,072,133	-	-	-	3,072,133	-100%
Buildings	3,841,547	631,059	-	-	3,841,547	631,059	509%
Improvements other than buildings	7,941	8,664	-	-	7,941	8,664	-8%
Equipment & Furniture	218,917	211,584	28,888	18,188	247,805	229,772	8%
TOTAL	4,111,155	3,966,190	28,888	18,188	4,140,043	3,984,378	4%

LONG-TERM DEBT

At June 30, 2011 the District had \$2,383,878 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 3% from last year. (See *Figure A-7*) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

In November 2008 the District's voters authorized the issuance of \$2,500,000 in general obligation bonds to pay for construction of a new elementary building addition.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2011	2010	2010-2011
Governmental activities:			
General obligation bonds	2,345,000	2,425,000	-3%
Termination benefits	-	13,618	-100%
Net OPEB liability	37,150	19,282	93%
TOTAL	2,382,150	2,457,900	-3%
Business type activities:			
Net OPEB liability	1,728	-	100%

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 District's 2010 total taxable valuation will increase by 9.54% for property tax collected in fiscal 2012. A new wind energy "farm" will go on the tax roles beginning in FY09; even in consideration of incentives and abatements, the District's total taxable valuation is scheduled to increase 8% per year for the next 2 years due to the wind farms.
- School financing is highly dependent upon student enrollment. The District's October 2011 enrollment decreased by 34.7 students. The Board entered into a partial-day sharing agreement with a neighboring district beginning with fiscal 2013. High school students will attend elective classes at the sharing partner district allowing the Board to eliminate vocational programs and realign staff needs to reduce expenditures.
- Open enrolled students are projected to balance over time. In FY11, the District experienced a negative ratio of open enrolled in (30) to open enrolled out (37). The District projects an increase initially in open enrolled out students due to the partial-day sharing agreement then a return to a balanced or positive ratio in the future.

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 Andrew Woiwood, Superintendent, Northeast Hamilton Community School District, 606 Illinois Street, Blairsburg, Iowa 50034.

BASIC FINANCIAL STATEMENTS

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,283,347	-	1,283,347
Receivables:			
Property tax:			
Delinquent	11,962	-	11,962
Succeeding year	2,112,458	-	2,112,458
Accounts	811	1,387	2,198
Due from other governments	347,083	-	347,083
Inventories	-	2,447	2,447
Capital assets, net of accumulated depreciation	4,111,155	28,888	4,140,043
Total assets	7,866,816	32,722	7,899,538
Liabilities			
Warrants issued in excess of bank balance	4,152	3,796	7,948
Accounts payable	182,892	-	182,892
Salaries and benefits payable	235,064	10,654	245,718
Accrued interest payable	18,172	-	18,172
Deferred revenue:			
Succeeding year property tax	2,112,458	-	2,112,458
Other	30,605	1,676	32,281
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	85,000	-	85,000
Portion due after one year:			
General obligation bonds payable	2,260,000	-	2,260,000
Net OPEB liability	37,150	1,728	38,878
Total liabilities	4,965,493	17,854	4,983,347

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	1,766,155	28,888	1,795,043
Restricted for:			
Categorical funding	55,426	-	55,426
Management levy	105,490	-	105,490
Physical plant and equipment levy	384,493	-	384,493
Student activities	48,655	-	48,655
School infrastructure	53,172	-	53,172
Unrestricted	487,932	(14,020)	473,912
Total net assets	<u>2,901,323</u>	<u>14,868</u>	<u>2,916,191</u>

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,175,450	236,045	276,955	-
Special	265,171	53,250	13,063	-
Other	504,516	112,917	82,378	-
	<u>1,945,137</u>	<u>402,212</u>	<u>372,396</u>	<u>-</u>
Support services:				
Student	49,527	-	-	-
Instructional staff	100,329	-	-	-
Administration	346,937	-	-	-
Operation and maintenance of plant	312,944	-	-	-
Transportation	206,398	31,131	-	-
	<u>1,016,135</u>	<u>31,131</u>	<u>-</u>	<u>-</u>
Non-instructional programs	1,353	-	-	-
Other expenditures:				
Facilities acquisition	26,368	-	-	12,107
Long-term debt interest	111,649	-	-	-
AEA flowthrough	111,640	-	111,640	-
Depreciation (unallocated)*	94,854	-	-	-
	<u>344,511</u>	<u>-</u>	<u>111,640</u>	<u>12,107</u>
Total governmental activities	3,307,136	433,343	484,036	12,107
Business type activities:				
Non-instructional programs:				
Food service operations	138,591	73,193	52,340	-
Total	<u>3,445,727</u>	<u>506,536</u>	<u>536,376</u>	<u>12,107</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(662,450)	-	(662,450)
(198,858)	-	(198,858)
(309,221)	-	(309,221)
<u>(1,170,529)</u>	<u>-</u>	<u>(1,170,529)</u>
(49,527)	-	(49,527)
(100,329)	-	(100,329)
(346,937)	-	(346,937)
(312,944)	-	(312,944)
(175,267)	-	(175,267)
<u>(985,004)</u>	<u>-</u>	<u>(985,004)</u>
<u>(1,353)</u>	<u>-</u>	<u>(1,353)</u>
(14,261)	-	(14,261)
(111,649)	-	(111,649)
-	-	-
(94,854)	-	(94,854)
<u>(220,764)</u>	<u>-</u>	<u>(220,764)</u>
(2,377,650)	-	(2,377,650)
-	(13,058)	(13,058)
<u>(2,377,650)</u>	<u>(13,058)</u>	<u>(2,390,708)</u>
1,766,826	-	1,766,826
89,118	-	89,118
226,825	-	226,825
174,883	-	174,883
574,058	-	574,058
4,160	4	4,164
5,084	-	5,084
2,840,954	4	2,840,958
(10,518)	10,518	-
<u>2,830,436</u>	<u>10,522</u>	<u>2,840,958</u>
452,786	(2,536)	450,250
2,448,537	17,404	2,465,941
<u>2,901,323</u>	<u>14,868</u>	<u>2,916,191</u>

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	679,617	445,994	157,736	1,283,347
Receivables:				
Property tax:				
Delinquent	11,388	574	-	11,962
Succeeding year	1,973,353	119,105	20,000	2,112,458
Accounts	-	-	811	811
Due from other governments	211,423	135,660	-	347,083
Total assets	2,875,781	701,333	178,547	3,755,661
Liabilities and Fund Balances				
Liabilities:				
Warrants issued in excess of bank balance	-	-	4,152	4,152
Accounts payable	38,079	144,563	250	182,892
Salaries and benefits payable	235,064	-	-	235,064
Deferred revenue:				
Succeeding year property tax	1,973,353	119,105	20,000	2,112,458
Income surtax	123,168	82,112	-	205,280
Other	30,605	-	-	30,605
Total liabilities	2,400,269	345,780	24,402	2,770,451
Fund balances:				
Restricted for:				
Categorical funding	55,426	-	-	55,426
Management levy	-	-	105,490	105,490
Student activities	-	-	48,655	48,655
School infrastructure	-	53,172	-	53,172
Physical plant and equipment	-	302,381	-	302,381
Unassigned	420,086	-	-	420,086
Total fund balances	475,512	355,553	154,145	985,210
Total liabilities and fund balances	2,875,781	701,333	178,547	3,755,661

NORTHEAST HAMILTON 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)	985,210
<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.	4,111,155
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	205,280
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.	(18,172)
Long-term liabilities, including bonds 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>(2,382,150)</u>
Net assets of governmental activities (Exhibit A)	<u><u>2,901,323</u></u>

NORTHEAST HAMILTON 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	1,869,588	332,509	-	2,202,097
Tuition	198,001	-	-	198,001
Other	120,113	4,914	119,539	244,566
State sources	914,871	1,619	-	916,490
Federal sources	143,194	10,517	-	153,711
Total revenues	<u>3,245,767</u>	<u>349,559</u>	<u>119,539</u>	<u>3,714,865</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,142,530	33,203	29,511	1,205,244
Special	262,994	-	-	262,994
Other	392,183	-	111,233	503,416
	<u>1,797,707</u>	<u>33,203</u>	<u>140,744</u>	<u>1,971,654</u>
Support services:				
Student	47,785	-	-	47,785
Instructional staff	90,673	1,025	7,760	99,458
Administration	335,867	-	7,197	343,064
Operation and maintenance of plant	286,329	-	15,870	302,199
Transportation	177,851	-	5,224	183,075
	<u>938,505</u>	<u>1,025</u>	<u>36,051</u>	<u>975,581</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>1,353</u>	<u>1,353</u>
Other expenditures:				
Facilities acquisition	-	285,635	-	285,635
Long-term debt:				
Principal	-	-	80,000	80,000
Interest and fiscal charges	-	-	112,083	112,083
AEA flowthrough	111,640	-	-	111,640
	<u>111,640</u>	<u>285,635</u>	<u>192,083</u>	<u>589,358</u>
Total expenditures	<u>2,847,852</u>	<u>319,863</u>	<u>370,231</u>	<u>3,537,946</u>
Excess (deficiency) of revenues over (under) expenditures	<u>397,915</u>	<u>29,696</u>	<u>(250,692)</u>	<u>176,919</u>

NORTHEAST HAMILTON 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
	\$	\$	\$	\$
Other financing sources (uses):				
Compensation for loss of fixed assets	20	-	-	20
Operating transfers in	-	-	191,694	191,694
Operating transfers out	-	(191,694)	-	(191,694)
Total other financing sources (uses)	<u>20</u>	<u>(191,694)</u>	<u>191,694</u>	<u>20</u>
Net change in fund balances	397,935	(161,998)	(58,998)	176,939
Fund balances beginning of year, as restated	<u>77,577</u>	<u>517,551</u>	<u>213,143</u>	<u>808,271</u>
Fund balances end of year	<u><u>475,512</u></u>	<u><u>355,553</u></u>	<u><u>154,145</u></u>	<u><u>985,210</u></u>

NORTHEAST HAMILTON 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)		176,939
<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	279,642	
Depreciation expense	<u>(134,677)</u>	144,965
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		55,555
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.		80,000
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.		434
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	13,618	
Other postemployment benefits	<u>(18,725)</u>	<u>(5,107)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>452,786</u></u>

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Accounts receivable	1,387
Inventories	2,447
Capital assets, net of accumulated depreciation	<u>28,888</u>
Total assets	<u>32,722</u>
Liabilities	
Warrants issued in excess of bank balance	3,796
Salaries and benefits payable	10,654
Deferred revenue	1,676
Net OPEB liability	<u>1,728</u>
Total liabilities	<u>17,854</u>
Net assets	
Invested in capital assets	28,888
Unrestricted	<u>(14,020)</u>
Total net assets	<u><u>14,868</u></u>

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2011

	Nonmajor School Nutrition
	\$
Operating revenues:	
Local sources:	
Charges for service	73,193
Operating expenses:	
Non-instructional programs:	
Salaries	36,129
Benefits	19,384
Purchased services	5,799
Supplies	73,928
Depreciation	3,351
Total operating expenses	138,591
Operating income (loss)	(65,398)
Non-operating revenues:	
State sources	1,054
Federal sources	51,286
Interest income	4
Total non-operating revenues	52,344
Income (loss) before captial contributions	(13,054)
Capital contributions	10,518
Change in net assets	(2,536)
Net assets beginning of year	17,404
Net assets end of year	14,868

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	72,867
Cash payments to employees for services	(54,865)
Cash payments to suppliers for goods or services	(72,358)
Net cash used by operating activities	<u>(54,356)</u>
Cash flows from non-capital financing activities:	
State grants received	1,054
Federal grants received	43,913
Net cash provided by non-capital financing activities	<u>44,967</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(3,533)</u>
Cash flows from investing activities:	
Interest on investments	<u>4</u>
Net increase (decrease) in cash and cash equivalents	(12,918)
Cash and cash equivalents at beginning of year	<u>9,122</u>
Cash and cash equivalents at end of year	<u><u>(3,796)</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(65,398)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	7,373
Depreciation	3,351
Decrease (increase) in inventories	(4)
Decrease (increase) in accounts receivable	(245)
(Decrease) increase in salaries and benefits payable	(223)
(Decrease) increase in deferred revenue	(81)
(Decrease) increase in other postemployment benefits	871
Net cash used by operating activities	<u><u>(54,356)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$7,373 of federal commodities.

During the year the School Nutrition Fund received \$10,518 of equipment purchased by other funds.

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	Private Purpose Trust	Agency
	\$	\$
Assets		
Cash and pooled investments	1,699	5,167
	<u>1,699</u>	<u>5,167</u>
Liabilities		
Accounts payable	-	1,163
Other payables	-	4,004
Total liabilities	<u>-</u>	<u>5,167</u>
Net Assets		
Reserved for student special needs	<u>1,699</u>	<u>-</u>

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trust
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	1,479
Deductions:	
Support services:	
Supplies	<u>820</u>
Change in net assets	659
Net assets beginning of year	<u>1,040</u>
Net assets end of year	<u><u>1,699</u></u>

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies

Northeast Hamilton 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 Blairsburg, Kamrar and Williams, Iowa and the predominately agricultural territory in a portion of Hamilton and Wright 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, Northeast Hamilton 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 Northeast Hamilton Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. 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 fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

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 with special personal needs.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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	2,000
Improvements other than buildings	2,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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	25-50 years
Improvements other than buildings	20 years
Intangibles	3-20 years
Furniture and equipment	5-20 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.

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 expenditures in the other expenditures function exceeded the amount budgeted.

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.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust, which are valued at an amortized cost of \$152,215 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer To	Transfer From	Amount \$
Nonmajor Debt Service Fund	Capital Projects Fund	191,694

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

4. 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:				
Land	42,750	-	-	42,750
Construction in progress	3,072,133	-	3,072,133	-
Total capital assets not being depr.	<u>3,114,883</u>	<u>-</u>	<u>3,072,133</u>	<u>42,750</u>
Capital assets being depreciated:				
Buildings	1,618,724	3,304,619	-	4,923,343
Improvements other than buildings	106,774	-	2,035	104,739
Furniture and equipment	799,455	47,156	17,501	829,110
Total capital assets being deprec.	<u>2,524,953</u>	<u>3,351,775</u>	<u>19,536</u>	<u>5,857,192</u>
Less accumulated depreciation for:				
Buildings	987,665	94,131	-	1,081,796
Improvements other than buildings	98,110	723	2,035	96,798
Furniture and equipment	587,871	39,823	17,501	610,193
Total accumulated depreciation	<u>1,673,646</u>	<u>134,677</u>	<u>19,536</u>	<u>1,788,787</u>
Total capital assets being depreciated, net	<u>851,307</u>	<u>3,217,098</u>	<u>-</u>	<u>4,068,405</u>
Governmental activities capital assets, net	<u>3,966,190</u>	<u>3,217,098</u>	<u>3,072,133</u>	<u>4,111,155</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	92,945	14,051	-	106,996
Less accumulated depreciation	<u>74,757</u>	<u>3,351</u>	-	<u>78,108</u>
Business type activities capital assets, net	<u>18,188</u>	<u>10,700</u>	-	<u>28,888</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	4,700
Other	665
Support services:	
Administration services	2,567
Operation and maintenance of plant services	9,439
Transportation	<u>22,452</u>
	39,823
Unallocated depreciation	<u>94,854</u>
Total depreciation expense – governmental activities	<u>134,677</u>
Business type activities:	
Food services	<u>3,351</u>

5. 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	2,425,000	-	80,000	2,345,000	85,000
Termination benefits	13,618	-	13,618	-	-
Net OPEB liability	<u>18,425</u>	<u>18,725</u>	-	<u>37,150</u>	-
Total	<u>2,457,043</u>	<u>18,725</u>	<u>93,618</u>	<u>2,382,150</u>	<u>85,000</u>
Business type activities:					
Net OPEB liability	<u>857</u>	<u>871</u>	-	<u>1,728</u>	-

General Obligation Bonds

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

Bond Issue of May, 2009				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2012	3.25	85,000	109,033	194,033
2013	3.50	90,000	106,270	196,270
2014	3.50	90,000	103,120	193,120
2015	4.00	95,000	99,970	194,970
2016	4.50	100,000	96,170	196,170
2017-2021	4.20-4.55	590,000	409,020	999,020
2022-2026	4.70-5.10	750,000	258,178	1,008,178
2027-2029	5.15-5.25	545,000	57,658	602,658
		<u>2,345,000</u>	<u>1,239,419</u>	<u>3,584,419</u>

6. Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% 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 \$110,760, \$112,603 and \$107,729 respectively, equal to the required contributions for each year.

7. 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 45 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with ISEBA 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	21,854
Interest on net OPEB obligation	482
Adjustment to annual required contribution	<u>(1,628)</u>
Annual OPEB cost	20,708
Contributions made	<u>1,112</u>
Increase in net OPEB obligation	19,596
Net OPEB obligation beginning of year	<u>19,282</u>
 Net OPEB obligation end of year	 <u>38,878</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 \$1,112 to the medical plan.

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 June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	20,197	4%	19,282
2011	20,708	5%	38,878

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 \$154,905, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$154,905. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,522,000 and the ratio of the UAAL to covered payroll was 10.2%. 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 Mortality Table, projected to 2000.

The UAAL is being amortized over 30 years.

8. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$111,640 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.

10. Construction Commitment

The District has entered into a \$2,962,538 contract for building construction. As of June 30, 2011 costs of \$2,891,257 had been incurred against the contract. The balance remaining at June 30, 2011 will be paid when the project is completed.

11. Categorical Funding

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

Program	Amount
	\$
Gifted and talented	8,771
Core curriculum	3,242
Teacher salary supplement	15,828
Dropout prevention	11,741
Educator quality, professional development	7,489
At risk	7,281
Mentoring	1,074
	55,426

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	\$ 310,459	\$ 207,092
Change in fund type classification per implementation of GASB Statement No. 54	<u>207,092</u>	<u>(207,092)</u>
Balances July 1, 2010, as restated	<u>517,551</u>	<u>-</u>

13. Deficit Fund Balances

At June 30, 2011 the District's School Nutrition Fund has a \$14,020 deficit unrestricted net assets balance.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHEAST HAMILTON 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	2,644,664	73,197	2,717,861	2,711,661	2,711,661	6,200
State sources	916,490	1,054	917,544	1,045,793	1,045,793	(128,249)
Federal sources	153,711	51,286	204,997	145,000	145,000	59,997
Total revenues	<u>3,714,865</u>	<u>125,537</u>	<u>3,840,402</u>	<u>3,902,454</u>	<u>3,902,454</u>	<u>(62,052)</u>
Expenditures/Expenses:						
Instruction	1,971,654	-	1,971,654	2,454,973	2,454,973	483,319
Support services	975,581	-	975,581	1,281,500	1,281,500	305,919
Non-instructional programs	1,353	138,591	139,944	184,556	184,556	44,612
Other expenditures	589,358	-	589,358	355,255	355,255	(234,103)
Total expenditures/expenses	<u>3,537,946</u>	<u>138,591</u>	<u>3,676,537</u>	<u>4,276,284</u>	<u>4,276,284</u>	<u>599,747</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	176,919	(13,054)	163,865	(373,830)	(373,830)	537,695
Other financing sources (uses) net	<u>20</u>	<u>10,518</u>	<u>10,538</u>	<u>-</u>	<u>-</u>	<u>10,538</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	176,939	(2,536)	174,403	(373,830)	(373,830)	548,233
Balance beginning of year	<u>808,271</u>	<u>17,404</u>	<u>825,675</u>	<u>469,308</u>	<u>469,308</u>	<u>356,367</u>
Balance end of year	<u><u>985,210</u></u>	<u><u>14,868</u></u>	<u><u>1,000,078</u></u>	<u><u>95,478</u></u>	<u><u>95,478</u></u>	<u><u>904,600</u></u>

NORTHEAST HAMILTON 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 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. During the year, the District did not amend its budget.

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

NORTHEAST HAMILTON 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	-	153,601	153,601	0.0%	1,793,000	8.6%
2011	July 1, 2009	-	154,905	154,905	0.0%	1,522,000	10.2%

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

OTHER SUPPLEMENTARY INFORMATION

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

Assets	Special Revenue Funds		Debt Service	Total
	Management Levy	Student Activity		
	\$	\$		
Cash and pooled investments	105,490	51,996	250	157,736
Receivables:				
Property tax:				
Succeeding year	20,000	-	-	20,000
Accounts	-	811	-	811
Total assets	125,490	52,807	250	178,547
Liabilities & Fund Balances				
Liabilities:				
Warrants issued in excess of bank balance	-	4,152	-	4,152
Accounts payable	-	-	250	250
Deferred revenue:				
Succeeding year property tax	20,000	-	-	20,000
Total liabilities	20,000	4,152	250	24,402
Fund balances:				
Restricted for:				
Management levy	105,490	-	-	105,490
Student activities	-	48,655	-	48,655
Total fund balances	105,490	48,655	-	154,145
Total liabilities and fund balances	125,490	52,807	250	178,547

NORTHEAST HAMILTON 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	Student	Debt	
	Levy	Activity	Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Other	6,212	113,327	-	119,539
Expenditures:				
Current:				
Instruction:				
Regular	29,511	-	-	29,511
Other	-	111,233	-	111,233
Support services:				
Instructional staff	7,760	-	-	7,760
Administration	7,197	-	-	7,197
Operation and maintenance of plant	15,870	-	-	15,870
Transportation	5,224	-	-	5,224
Non-instructional programs	1,353	-	-	1,353
Other expenditures:				
Long-term debt:				
Principal	-	-	80,000	80,000
Interest and fiscal charges	-	-	112,083	112,083
Total expenditures	66,915	111,233	192,083	370,231
Excess (deficiency) of revenues over (under) expenditures	(60,703)	2,094	(192,083)	(250,692)
Other financing sources (uses):				
Operating transfers in	-	-	191,694	191,694
Net change in fund balances	(60,703)	2,094	(389)	(58,998)
Fund balances beginning of year	166,193	46,561	389	213,143
Fund balances end of year	105,490	48,655	-	154,145

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2011

Assets	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Cash and pooled investments	113,165	41,540	291,289	445,994
Receivables:				
Property tax:				
Delinquent	-	-	574	574
Succeeding year	-	-	119,105	119,105
Internal balances	(136,207)	136,207	-	-
Due from other governments	-	43,030	92,630	135,660
Total assets	(23,042)	220,777	503,598	701,333
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	144,563	-	144,563
Deferred revenue:				
Succeeding year property tax	-	-	119,105	119,105
Income surtax	-	-	82,112	82,112
Total liabilities	-	144,563	201,217	345,780
Fund balances:				
Restricted for:				
School infrastructure	(23,042)	76,214	-	53,172
Physical plant and equipment	-	-	302,381	302,381
Total fund balances	(23,042)	76,214	302,381	355,553
Total liabilities and fund balances	(23,042)	220,777	503,598	701,333

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	174,883	157,626	332,509
Other	4	310	4,600	4,914
State sources	-	-	1,619	1,619
Federal sources	-	-	10,517	10,517
Total revenues	<u>4</u>	<u>175,193</u>	<u>174,362</u>	<u>349,559</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	-	-	33,203	33,203
Support services:				
Instructional staff services	-	-	1,025	1,025
Other expenditures:				
Facilities acquisition	45,601	195,189	44,845	285,635
Total expenditures	<u>45,601</u>	<u>195,189</u>	<u>79,073</u>	<u>319,863</u>
Excess (deficiency) of revenues over (under) expenditures	(45,597)	(19,996)	95,289	29,696
Other financing sources (uses):				
Operating transfers out	-	(191,694)	-	(191,694)
Net change in fund balance	(45,597)	(211,690)	95,289	(161,998)
Fund balances beginning of year, as restated	<u>22,555</u>	<u>287,904</u>	<u>207,092</u>	<u>517,551</u>
Fund balance end of year	<u>(23,042)</u>	<u>76,214</u>	<u>302,381</u>	<u>355,553</u>

NORTHEAST HAMILTON 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	Balance End of Year
	\$	\$	\$	\$
Student council	1,447	2,525	3,332	640
Student commons	1,445	6,736	8,383	(202)
National Honor Society	24	-	24	-
Fall play (drama)	944	1,141	1,034	1,051
Swing choir	859	5,371	5,928	302
Band	8,210	4,500	5,883	6,827
Instrument rent & ins.	(113)	336	223	-
Yearbook	12,336	6,810	139	19,007
Future Farmers of America	2,401	16,846	12,460	6,787
Family and consumer science club	1,449	2,419	2,117	1,751
Fall cheerleaders	378	1,680	1,369	689
Drill team	461	-	-	461
Spanish club	37	-	-	37
Class of 2004	249	-	(71)	320
Class of 2012	992	2,355	2,341	1,006
Class of 2010	1,016	-	1,016	-
Class of 2011	120	-	117	3
Class of 2013	901	1,740	2,251	390
Class of 2014	-	1,337	679	658
After prom party	542	3,105	2,962	685
Athletics	1,214	34,943	38,522	(2,365)
Football donations	(339)	8,113	6,549	1,225
Boys basketball donations	764	6,450	6,497	717
Baseball donations	1,782	957	2,785	(46)
Boys track donations	728	668	826	570
Golf donations	289	1,092	1,051	330
Softball donations	14	684	618	80
Girls basketball donations	1,038	1,611	2,641	8
Volleyball donation	775	529	544	760
Girls track donations	194	970	894	270
Interest on investment	5,381	409	-	5,790
Earth day	688	-	119	569
Fifth grade Iowa trip	335	-	-	335
	<u>46,561</u>	<u>113,327</u>	<u>111,233</u>	<u>48,655</u>
Total	<u>46,561</u>	<u>113,327</u>	<u>111,233</u>	<u>48,655</u>

NORTHEAST HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2011

	<u>Spirit Club</u> \$
Balance beginning of year	7,049
Additions:	
Collections	25,160
Deductions:	
Miscellaneous	<u>28,205</u>
Balance end of year	<u><u>4,004</u></u>

NORTHEAST HAMILTON 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	2,202,097	1,806,420	1,643,283	1,437,005	1,488,065	1,516,005	1,404,323	1,392,025
Tuition	198,001	272,293	219,279	277,811	229,589	212,004	233,379	97,437
Other	244,566	206,125	156,887	226,157	241,646	211,572	162,270	126,656
Intermediate sources	-	-	-	-	5,000	-	-	-
State sources	916,490	719,191	986,383	1,064,461	991,282	1,252,296	1,139,668	908,056
Federal sources	153,711	225,745	95,765	80,083	84,765	103,919	89,840	85,950
Total revenues	<u>3,714,865</u>	<u>3,229,774</u>	<u>3,101,597</u>	<u>3,085,517</u>	<u>3,040,347</u>	<u>3,295,796</u>	<u>3,029,480</u>	<u>2,610,124</u>
Expenditures:								
Instruction:								
Regular	1,205,244	1,161,555	1,195,593	1,110,925	992,603	1,033,066	1,021,015	960,410
Special	262,994	347,738	330,232	269,913	283,106	292,186	367,483	353,349
Other	503,416	478,194	482,607	452,985	433,149	459,902	347,561	279,106
Support services:								
Student	47,785	55,709	56,893	61,557	90,343	89,321	84,538	75,941
Instructional staff	99,458	139,794	126,344	109,811	105,076	176,173	86,869	79,631
Administration	343,064	364,040	354,253	342,690	339,596	332,257	325,582	280,503
Operation and maintenance	302,199	240,908	293,491	278,938	294,859	305,449	253,704	266,533
Transportation	183,075	197,160	175,420	181,394	213,063	147,350	203,364	154,817
Non-instructional programs	1,353	1,300	2,045	820	827	945	10,341	1,492
Other expenditures:								
Facilities acquisition	285,635	2,686,581	520,426	45,294	50,496	67,983	108,615	79,763
Long-term debt:								
Principal	80,000	75,000	-	-	-	-	-	-
Interest and other charges	112,083	114,470	-	-	-	-	-	-
AEA flowthrough	111,640	110,512	101,256	99,272	98,443	97,959	90,245	90,554
Total expenditures	<u>3,537,946</u>	<u>5,972,961</u>	<u>3,638,560</u>	<u>2,953,599</u>	<u>2,901,561</u>	<u>3,002,591</u>	<u>2,899,317</u>	<u>2,622,099</u>

See accompanying independent auditor's report.

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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
Northeast Hamilton 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 Northeast Hamilton 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 April 25, 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 Northeast Hamilton 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 Northeast Hamilton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Northeast Hamilton 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 Northeast Hamilton 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.

Northeast Hamilton 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 Northeast Hamilton 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 Northeast Hamilton Community School District and other parties to whom Northeast Hamilton 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 Northeast Hamilton 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

April 25, 2012

NORHTEAST HAMILTON 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, payroll processing, 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.

NORHTEAST HAMILTON 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 certified budget 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: 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 we believe do 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>
		\$
Bret Schutt, board member, coach	coaching	2,160

The transaction does not appear to represent a conflict of interest since the dollar amount was less than \$2,500.

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: No variances in the basic enrollment data certified to the Department of Education were noted.

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

11-II-I Deposits and Investments: We noted 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.

11-II-J Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.

NORHTEAST HAMILTON 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-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 following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit:

Beginning balance	\$	\$
		287,904
Revenues/transfers in:		
Statewide sales, services and use tax revenue	174,883	
Interest	310	175,193
	<hr/>	
Expenditures/transfers out:		
School infrastructure construction	195,189	
Transfers to debt service fund	191,694	386,883
	<hr/>	<hr/>
Ending balance		<u>76,214</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
	<hr/>	<hr/>
	\$	\$
Debt service Levy	1.23445	192,192

11-II-M Deficit Balances: The District has an unrestricted net assets deficit balance in the School Nutrition Fund of \$14,020, the Capital Projects Fund construction account has a \$23,042 deficit account balance, and the Student Activity Fund has three accounts with deficit balances at June 30, 2011.

NORHTEAST HAMILTON 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 District should continue to monitor these funds and investigate alternatives to eliminate these deficits.

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

Conclusion: Response accepted.