

**NORTH IOWA COMMUNITY SCHOOL DISTRICT
BUFFALO CENTER, IOWA**

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

YEAR ENDED JUNE 30, 2012

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**North Iowa Community School District
Buffalo Center, Iowa**

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2011 Election)		
Rande Giesking	President	2011
Michael Holstad	Vice President	2011
Julie Balvance	Board Member	2013
Rod Olthoff	Board Member	2011
Matt Duve	Board Member	2011
Renaë Sachs	Board Member	2013
Tom Rygh	Board Member	2013
(After September 2011 Election)		
Rande Giesking	President	2015
Michael Holstad	Vice President	2015
Julie Balvance	Board Member	2013
Matt Duve	Board Member	2015
Tom Rygh	Board Member	2013
Renaë Sachs	Board Member	2013
Jamie Thomsen	Board Member	2015
School Officials		
Cory Myer	Superintendent	2012
Sara Meinders	District Secretary/Treasurer and Business Manager	2012
Engel Law	Attorney	2012

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Iowa Community School District, Buffalo Center, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Iowa Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 1, 2013 on our consideration of North Iowa Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 14 and 46 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Iowa Community School District's basic financial statements. Other auditors previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cornwell, Frideres, Maher & Associates, P.L.C.
Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

February 1, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Iowa Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,549,047 in fiscal 2011 to \$5,437,536 in fiscal 2012, while General Fund expenditures increased from \$4,892,427 in fiscal 2011 to \$4,950,404 in fiscal 2012. The District's General Fund balance increased from \$503,944 at the end of fiscal 2011 to \$991,076 at the end of fiscal 2012, a 96.7% increase.
- The decrease in General Fund revenues was attributable to decreases in other local revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report North Iowa Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which North Iowa Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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.

Supplementary Information provides detailed information about the nonmajor governmental and enterprise funds.

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

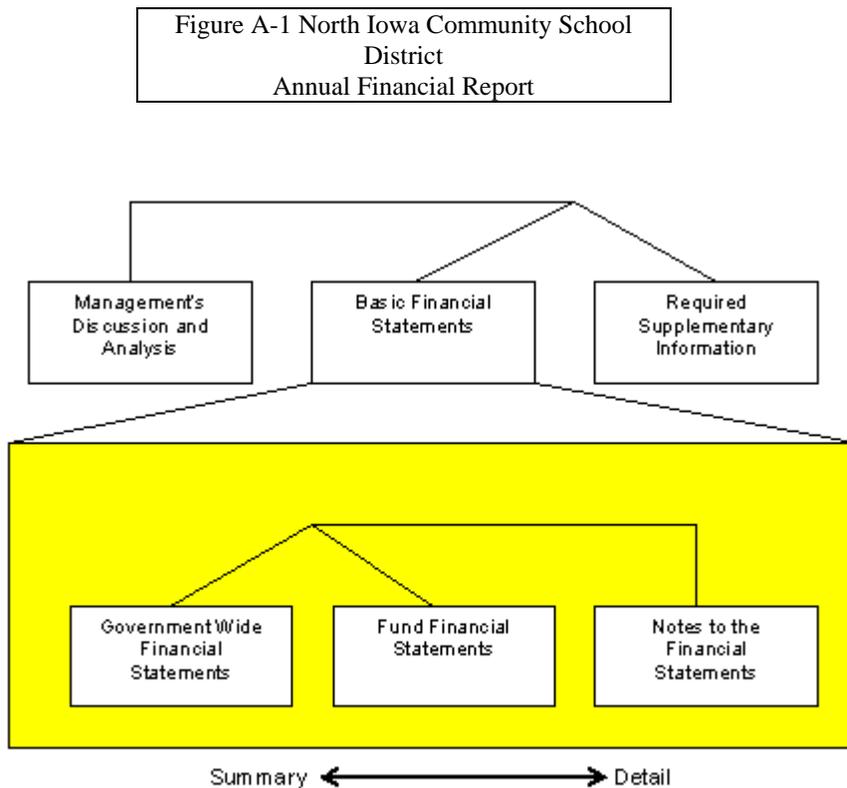


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2: Major Features of the Government Wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	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 cash flows • Statement of revenues, expenses and changes in net assets 	<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 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, and 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 and payable	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, the Special Revenue Funds, the Debt Service Fund and the 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 Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and FFA Projects.

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

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

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, 2012 compared to June 30, 2011.

Figure A-3							
Condensed Statement of Net Assets							
(Expressed in Thousands)							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$ 6,134	6,050	109	108	6,243	6,158	1.4%
Capital assets	<u>4,889</u>	<u>4,787</u>	<u>17</u>	<u>16</u>	<u>4,906</u>	<u>4,803</u>	<u>2.1%</u>
Total assets	<u>11,023</u>	<u>10,837</u>	<u>126</u>	<u>124</u>	<u>11,149</u>	<u>10,961</u>	<u>1.7%</u>
Long-term liabilities	1,906	2,066	---	---	1,906	2,066	-7.7%
Other liabilities	<u>3,737</u>	<u>4,275</u>	<u>9</u>	<u>8</u>	<u>3,746</u>	<u>4,283</u>	<u>-12.5%</u>
Total liabilities	<u>5,643</u>	<u>6,341</u>	<u>9</u>	<u>8</u>	<u>5,652</u>	<u>6,349</u>	<u>-11.0%</u>
Net assets:							
Invested in capital assets, net of related debt	3,054	2,767	17	16	3,071	2,783	10.3%
Restricted	1,073	1,097	---	---	1,073	1,097	-2.2%
Unrestricted	<u>1,253</u>	<u>632</u>	<u>100</u>	<u>100</u>	<u>1,353</u>	<u>732</u>	<u>84.8%</u>
Total net assets	<u>\$ 5,380</u>	<u>4,496</u>	<u>117</u>	<u>116</u>	<u>5,497</u>	<u>4,612</u>	<u>19.2%</u>

The District's combined net assets increased 19% or approximately \$885,000, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$24,000 or 2%, from the prior year. The decrease was primarily a result of a decreased balance in categorical funds remaining.

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 \$621,000 or 85%. This increase in unrestricted net assets was a result of General Fund revenues exceeding expenditures.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
	Governmental		Business Type		Total School		Total
	Activities		Activities		District		
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues:							
Program revenues:							
Charges for service	\$ 434	405	176	175	610	580	5.2%
Operating grants, contributions and restricted interest	871	929	133	126	1,004	1,055	-4.8%
Capital grants, contributions and restricted interest	9	11	---	---	9	11	-18.2%
General revenues:							
Property tax	3,249	3,131	---	---	3,249	3,131	3.8%
Statewide sales, services and use tax	384	367	---	---	384	367	4.6%
Income surtax	203	312	---	---	203	312	-34.9%
Unrestricted state grants	1,525	1,488	---	---	1,525	1,488	2.5%
Unrestricted investment earnings	1	4	---	---	1	4	-75.0%
Other	40	34	---	---	40	34	-17.6%
Total revenues	<u>6,716</u>	<u>6,681</u>	<u>309</u>	<u>301</u>	<u>7,025</u>	<u>6,982</u>	<u>0.6%</u>
Program expenses:							
Instruction	3,660	3,462	---	---	3,660	3,462	5.7%
Support services	1,642	1,498	6	---	1,648	1,498	10.0%
Non-instructional programs	36	50	302	267	338	317	6.6%
Other expenses	494	581	---	---	494	581	-15.0%
Total expenses	<u>5,832</u>	<u>5,591</u>	<u>308</u>	<u>267</u>	<u>6,140</u>	<u>5,858</u>	<u>4.8%</u>
Increase in net assets	884	1,090	1	34	885	1,124	-21.3%
Net assets beginning of year	<u>4,496</u>	<u>3,406</u>	<u>116</u>	<u>82</u>	<u>4,612</u>	<u>3,488</u>	<u>32.2%</u>
Net assets end of year	\$ 5,380	4,496	117	116	5,497	4,612	19.2%
	=====	=====	=====	=====	=====	=====	=====

In fiscal year 2012, property tax and unrestricted state grants account for 71.1% of governmental activities revenue while charges for service and operating grants and contributions account for 100% of the revenue from business type activities. The District's total revenues were approximately \$7.0 million, of which approximately \$6.7 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District's as a whole experienced a 0.6% increase in revenues and a 4.8% increase in expenses. The increase in expenses is related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$6,716,027 and expenses were \$5,831,496 for the year ended June 30, 2012. In a difficult budget year, the District was able to balance the budget by trimming expenses below available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-2012	2012	2011	Change 2011-2012
Instruction	\$ 3,660	3,462	5.7%	2,670	2,408	10.9%
Support services	1,642	1,498	9.6%	1,526	1,444	5.7%
Non-instructional programs	36	50	-28.0%	36	50	-28.0%
Other expenses	494	581	-15.0 %	285	345	-17.4%
Total	\$ 5,832	5,591	4.3%	4,517	4,247	6.4%
	=====	=====	=====	=====	=====	=====

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$434,061.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$879,846.
- The net cost of governmental activities was financed with \$3,836,868 in property and other taxes and \$1,524,564 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2012 were \$309,189, representing a 2.9% increase over the prior year, while expenses totaled \$308,171, a 15.3% increase over the prior year. The District's business type activities include the School Nutrition Fund and FFA Project. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, North Iowa Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,170,658, above last year's ending fund balances of \$1,506,006. The primary reason for the increase in combined fund balances is related to increasing the cash reserve levy for the General Fund to correct a negative balance from a previous year.

Governmental Fund Highlights

- The General Fund balance increased from \$503,944 to \$991,076 due, in part, to the cash reserve levy from property taxes.
- The Debt Service Fund balance increased from \$5,536 in fiscal 2011 to \$130,703 in fiscal 2012 due to an increase in the property tax levy to have funds available to call bonds in 2017.
- The Capital Projects Fund balance increased from \$753,458 in fiscal 2011 to \$772,670 in fiscal 2012 due to an increase in revenues and a decrease in expenditures.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$94,837 at June 30, 2011 to \$89,674 at June 30, 2012, representing a decrease of approximately 5% due, in part, to an increase in expenditures.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$251,563 more than total budgeted revenues, a variance of 3.7%. Even though state resources were less than budgeted, this was offset by local and federal sources being more than budgeted.

Total expenditures were less than budgeted by \$648,134 due primarily to the District's budget for the General Fund.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional program 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 June 30, 2012, the District had invested \$4.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 2.1% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$252,909.

The original cost of the District's capital assets was approximately \$10.0 million. Governmental funds account for nearly the entire balance.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 37	11	---	---	37	11	236.4%
Art	52	52	---	---	52	52	0.0%
Construction in progress	10	383	---	---	10	383	-97.4%
Buildings	4,417	3,930	---	---	4,417	3,930	12.4%
Improvements other than buildings	136	140	---	---	136	140	-2.9%
Intangible assets	---	9	---	---	---	9	-100.0%
Furniture and equipment	<u>237</u>	<u>262</u>	<u>17</u>	<u>16</u>	<u>254</u>	<u>278</u>	<u>-8.6%</u>
Totals	\$ 4,889	4,787	17	16	4,906	4,803	2.1%
	=====	=====	==	==	=====	=====	=====

Long-Term Debt

At June 30, 2012, the District had \$1,906,321 long-term debt outstanding. (See Figure A-7) This represents a decrease of approximately 8% from last year. Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

	Total District		Total Change
	June 30,		June 30,
	2012	2011	2011-2012
General obligation bonds	\$ 1,835	2,020	-9.2%
Employee settlement	---	5	-100.0%
Termination benefits	31	13	138.4%
Net OPEB liability	<u>40</u>	<u>28</u>	<u>42.9%</u>
Totals	1,906	2,066	-7.7%
	=====	=====	=====

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

Listed below are several existing circumstances that could significantly affect the North Iowa Community School District's financial health in the future:

- Every year the District negotiates new agreements with the North Iowa Education Association (NIEA) for teachers. Any settlements in excess "New Money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- On July 1, 2012, the IPERS increase to 8.67% will increase the North Iowa Community Schools employer benefit cost during fiscal year 2013. An additional increase to 8.93% is anticipated for fiscal year 2014 increasing expenditures further.
- Low allowable growth over several years and enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The October 2012 certified enrollment was 454.84, a decrease of 21.26 student from the October 2011 count.
- Continued upgrades to the district's transportation vehicles, building improvements and maintenance, and technology upgrades will significantly impact the Local Option Sales Tax and the Physical Plant and Equipment fund balances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sara Meinders, District Secretary/Treasurer and Business Manager, North Iowa Community School District, 111 3rd Ave NW, Buffalo Center, Iowa 50424.

Basic Financial Statements

North Iowa Community School District
Buffalo Center, Iowa

Exhibit A

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,563,257	102,078	2,665,335
Receivables:			
Property tax:			
Delinquent	40,560	-	40,560
Succeeding year	3,097,153	-	3,097,153
Accounts	38,692	-	38,692
Due from other governments	394,767	-	394,767
Inventories	-	6,689	6,689
Capital assets, net of accumulated depreciation/amortization	4,889,050	16,675	4,905,725
Total assets	11,023,479	125,442	11,148,921
 Liabilities			
Accounts payable	163,894	441	164,335
Salaries and benefits payable	467,507	822	468,329
Early retirement payable	528	-	528
Accrued interest payable	7,187	-	7,187
Deferred revenue:			
Succeeding year property tax	3,097,153	-	3,097,153
Other	500	7,652	8,152
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	195,000	-	195,000
Termination benefits	31,448	-	31,448
Portion due after one year:			
General obligation bonds payable	1,640,000	-	1,640,000
Net OPEB liability	39,873	-	39,873
Total liabilities	5,643,090	8,915	5,652,005

North Iowa Community School District
Buffalo Center, Iowa

Exhibit A

Statement of Net Assets

June 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Net assets			
Invested in capital assets, net of related debt	3,054,050	16,675	3,070,725
Restricted for:			
Categorical funding	56,175	-	56,175
Management levy purposes	154,400	-	154,400
Physical plant and equipment	113,941	-	113,941
School infrastructure	658,729	-	658,729
Student activities	88,686	-	88,686
Public education and recreation	871	-	871
Unrestricted	<u>1,253,537</u>	<u>99,852</u>	<u>1,353,389</u>
Total net assets	<u>\$ 5,380,389</u>	<u>116,527</u>	<u>5,496,916</u>

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa
Statement of Activities
Year ended June 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<u>Functions/Programs:</u>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,075,450	105,829	341,100	-
Special instruction	688,682	47,903	29,974	-
Other instruction	895,493	280,280	184,363	-
	<u>3,659,625</u>	<u>434,012</u>	<u>555,437</u>	<u>-</u>
Support services:				
Student	150,708	-	5,450	-
Instructional staff	188,987	48	96,090	-
Administration	541,359	-	1,552	-
Operation and maintenance of plant	440,474	1	3,096	-
Transportation	320,232	-	9,631	-
	<u>1,641,760</u>	<u>49</u>	<u>115,819</u>	<u>-</u>
Non-instructional programs	<u>36,398</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	35,191	-	-	8,500
Long-term debt interest	95,233	-	-	-
AEA flowthrough	200,090	-	200,090	-
Depreciation/amortization (unallocated)*	163,199	-	-	-
	<u>493,713</u>	<u>-</u>	<u>200,090</u>	<u>8,500</u>
Total governmental activities	<u>5,831,496</u>	<u>434,061</u>	<u>871,346</u>	<u>8,500</u>
Business type activities:				
Support services:				
Administration	5,120	-	-	-
Operation and maintenance of plant	1,226	-	-	-
Non-instructional programs:				
Food service operations	248,267	116,074	133,356	-
FFA Project	53,558	59,739	-	-
Total business type activities	<u>308,171</u>	<u>175,813</u>	<u>133,356</u>	<u>-</u>
Total	<u>\$ 6,139,667</u>	<u>609,874</u>	<u>1,004,702</u>	<u>8,500</u>
<u>General Revenues:</u>				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Sale of fixed assets				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

* This amount excludes the depreciation/amortization included in the direct expenses of the various programs.

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business Type Activities	Total
(1,628,521)	-	(1,628,521)
(610,805)	-	(610,805)
(430,850)	-	(430,850)
<u>(2,670,176)</u>	<u>-</u>	<u>(2,670,176)</u>
(145,258)	-	(145,258)
(92,849)	-	(92,849)
(539,807)	-	(539,807)
(437,377)	-	(437,377)
(310,601)	-	(310,601)
<u>(1,525,892)</u>	<u>-</u>	<u>(1,525,892)</u>
<u>(36,398)</u>	<u>-</u>	<u>(36,398)</u>
(26,691)	-	(26,691)
(95,233)	-	(95,233)
-	-	-
<u>(163,199)</u>	<u>-</u>	<u>(163,199)</u>
<u>(285,123)</u>	<u>-</u>	<u>(285,123)</u>
<u>(4,517,589)</u>	<u>-</u>	<u>(4,517,589)</u>
-	(5,120)	(5,120)
-	(1,226)	(1,226)
-	1,163	1,163
<u>-</u>	<u>6,181</u>	<u>6,181</u>
<u>-</u>	<u>998</u>	<u>998</u>
<u>(4,517,589)</u>	<u>998</u>	<u>(4,516,591)</u>
2,753,331	-	2,753,331
405,930	-	405,930
90,066	-	90,066
203,292	-	203,292
384,249	-	384,249
1,524,564	-	1,524,564
453	20	473
46,588	-	46,588
(6,353)	-	(6,353)
<u>5,402,120</u>	<u>20</u>	<u>5,402,140</u>
884,531	1,018	885,549
4,495,858	115,509	4,611,367
<u>\$ 5,380,389</u>	<u>116,527</u>	<u>5,496,916</u>

North Iowa Community School District
Buffalo Center, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 1,459,690	686,210	125,883	291,474	2,563,257
Receivables:					
Property tax:					
Delinquent	32,971	1,070	4,820	1,699	40,560
Succeeding year	2,404,777	98,376	407,995	186,005	3,097,153
Accounts	36,398	-	-	2,294	38,692
Due from other governments	289,713	105,054	-	-	394,767
Total assets	<u>\$ 4,223,549</u>	<u>890,710</u>	<u>538,698</u>	<u>481,472</u>	<u>6,134,429</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 129,759	15,405	-	18,730	163,894
Salaries and benefits payable	467,507	-	-	-	467,507
Early retirement payable	-	-	-	528	528
Deferred revenue:					
Succeeding year property tax	2,404,777	98,376	407,995	186,005	3,097,153
Income surtax	229,930	-	-	-	229,930
Other	500	4,259	-	-	4,759
Total liabilities	<u>3,232,473</u>	<u>118,040</u>	<u>407,995</u>	<u>205,263</u>	<u>3,963,771</u>
Fund balances:					
Restricted for:					
Categorical funding	56,175	-	-	-	56,175
Debt service	-	-	130,703	-	130,703
Management levy purposes	-	-	-	185,848	185,848
Student activities	-	-	-	89,490	89,490
School infrastructure	-	658,729	-	-	658,729
Physical plant and equipment	-	113,941	-	-	113,941
Public education and recreation	-	-	-	871	871
Assigned	17,486	-	-	-	17,486
Unassigned	917,415	-	-	-	917,415
Total fund balances	<u>991,076</u>	<u>772,670</u>	<u>130,703</u>	<u>276,209</u>	<u>2,170,658</u>
Total liabilities and fund balances	<u>\$ 4,223,549</u>	<u>890,710</u>	<u>538,698</u>	<u>481,472</u>	<u>6,134,429</u>

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit D

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

June 30, 2012

Total fund balances of governmental funds (page 19) \$ 2,170,658

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 4,889,050

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 234,189

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (7,187)

Long-term liabilities, including bonds, compensated absences, termination benefits, lease obligations, and other postemployment benefits payable, are not due and payable in the current year and therefore, are not reported in the governmental funds. (1,906,321)

Net assets of governmental activities (page 16) \$ 5,380,389

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2012

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 2,864,728	474,315	405,931	134,902	3,879,876
Tuition	138,565	-	-	-	138,565
Other	47,843	15,151	17	288,757	351,768
State sources	2,125,930	1,039	177	62	2,127,208
Federal sources	260,470	7,500	-	-	267,970
Total revenues	5,437,536	498,005	406,125	423,721	6,765,387
Expenditures:					
Current:					
Instruction:					
Regular	1,980,938	67,261	-	25,897	2,074,096
Special	687,602	-	-	-	687,602
Other	634,867	-	-	257,029	891,896
	3,303,407	67,261	-	282,926	3,653,594
Support services:					
Student	150,288	-	-	-	150,288
Instructional staff	179,360	13,576	-	-	192,936
Administration	491,346	5,870	-	41,691	538,907
Operation and maintenance of plant	364,933	44,552	-	23,353	432,838
Transportation	259,140	39,236	-	8,052	306,428
	1,445,067	103,234	-	73,096	1,621,397
Non-instructional programs	1,840	-	-	34,558	36,398
Other expenditures:					
Facilities acquisition	-	308,298	-	-	308,298
Long-term debt:					
Principal	-	-	185,000	-	185,000
Interest and fiscal charges	-	-	95,958	-	95,958
AEA flowthrough	200,090	-	-	-	200,090
	200,090	308,298	280,958	-	789,346
Total expenditures	4,950,404	478,793	280,958	390,580	6,100,735
Net change in fund balances	487,132	19,212	125,167	33,141	664,652
Fund balances beginning of year	503,944	753,458	5,536	243,068	1,506,006
Fund balances end of year	\$ 991,076	772,670	130,703	276,209	2,170,658

See notes to financial statements.

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

Year ended June 30, 2012

Net change in fund balances - total governmental funds (page 21) \$ 664,652

*Amounts reported for governmental activities in the Statement of
Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation/amortization expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation/amortization expense and loss on sale of fixed assets in the current year,

Expenditures for capital assets	\$ 358,096	
Depreciation/amortization expense	(249,366)	
Loss on sale of fixed assets	<u>(6,353)</u>	102,377

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. (43,007)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows: 185,000

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 725

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	(18,761)	
Compensated absences	5,632	
Other postemployment benefits	<u>(12,087)</u>	<u>(25,216)</u>

Change in net assets of governmental activities (page 18) \$ 884,531

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2012

	<u>Nonmajor Enterprise Funds</u>
Assets	
Cash and cash equivalents	\$ 102,078
Inventories	6,689
Capital assets, net of accumulated depreciation	<u>16,675</u>
Total assets	<u>125,442</u>
Liabilities	
Accounts payable	441
Salaries and benefits payable	822
Deferred revenue	<u>7,652</u>
Total liabilities	<u>8,915</u>
Net Assets	
Invested in capital assets	16,675
Unrestricted	<u>99,852</u>
Total net assets	<u>\$ 116,527</u>

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit H

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

Year ended June 30, 2012

	<u>Nonmajor Enterprise Funds</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 174,561
Miscellaneous	<u>1,252</u>
Total operating revenues	<u>175,813</u>
 Operating expenses:	
Support services:	
Administration	5,120
Operation and maintenance of plant	<u>1,226</u>
	<u>6,346</u>
Non-instructional programs:	
Salaries	80,657
Benefits	14,590
Purchased services	367
Supplies	202,668
Depreciation	<u>3,543</u>
	<u>301,825</u>
Total operating expenses	<u>308,171</u>
Operating loss	<u>(132,358)</u>
 Non-operating revenues:	
State sources	2,217
Federal sources	131,139
Interest income	<u>20</u>
Total non-operating revenues	<u>133,376</u>
 Increase in net assets	1,018
 Net assets beginning of year	<u>115,509</u>
Net assets end of year	<u>\$ 116,527</u>

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2012

	<u>Nonmajor Enterprise Funds</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 116,401
Cash received from other services	60,991
Cash paid to employees for services	(99,679)
Cash paid to suppliers for goods or services	<u>(173,161)</u>
Net cash used by operating activities	<u>(95,448)</u>
Cash flows from non-capital financing activities:	
State grants received	2,217
Federal grants received	<u>104,230</u>
Net cash provided by non-capital financing activities	<u>106,447</u>
Cash flows used by capital and related financing activities:	
Acquisition of capital assets	<u>(4,768)</u>
Cash flows from investing activities:	
Interest on investments	<u>20</u>
Net increase in cash and cash equivalents	6,251
Cash and cash equivalents beginning of year	<u>95,827</u>
Cash and cash equivalents end of year	<u>\$ 102,078</u>

(continued)

North Iowa Community School District
Buffalo Center, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2012

	Nonmajor Enterprise <u>Funds</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (132,358)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	25,578
Depreciation	3,543
Decrease in accounts receivable	300
Decrease in inventories	5,399
Increase in accounts payable	123
Increase in salaries and benefits payable	688
Increase) in deferred revenue	1,279
Net cash used by operating activities	<u>\$ (95,448)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received \$25,578 of federal commodities.

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit J

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2012

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 1,233,812	3,256
Land held in scholarship trust	<u>1,158,115</u>	<u>-</u>
Total assets	<u>2,391,927</u>	<u>3,256</u>
Liabilities		
Accounts payable	2,000	-
Other payables	<u>-</u>	<u>3,256</u>
Total liabilities	<u>2,000</u>	<u>3,256</u>
Net assets		
Reserved for scholarships	<u>\$ 2,389,927</u>	<u>-</u>

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2012

	Private Purpose <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$1,498,128
Increase in fair value of investments	489,210
Land rent	31,227
Interest and dividend income	<u>14,111</u>
Total additions	<u>2,032,676</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	65,775
Support services:	
Operation and maintenance of plant	<u>6,928</u>
Total deductions	<u>72,703</u>
Change in net assets	1,959,973
Net assets beginning of year	<u>429,954</u>
Net assets end of year	<u><u>\$2,389,927</u></u>

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

North Iowa Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Buffalo Center, Thompson, Rake and Lakota, Iowa, and the predominate agricultural territory in Kossuth and Winnebago Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, North Iowa Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in jointly governed organizations that provide services to the District but do 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 Kossuth and Winnebago County Assessor's Conference boards.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2012

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 the following 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 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.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2012

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 Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

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

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

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

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

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.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2012

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 judgments 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.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2012

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.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2012

Land Held in Scholarship Trust – Land held by the District in a scholarship trust is reported at fair value.

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 become 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2012

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ ---
Buildings	30,000
Improvements other than buildings	30,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated/amortized using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Intangibles	3-10 years
Furniture and equipment	3-15 years

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.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2012

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the non-instructional programs function.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2012

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2012, the District's Fiduciary Funds, Private Purpose Trust held the following investments that were gifted to the District for scholarship awards to students:

	Fair Value	<u>Maturity</u>
Bank of America Corp Subordinated Note	\$14,496	March 2017
Ford Motor Credit Co. LLC Senior Note	43,380	April 2015
617 Shares General Electric Co. Common Stock	13,314	N/A
64 Shares Mid Cap SPDR Trust Unit Series 1	10,990	April 2020
21 Shares SPDR Trust Unit Series 1	2,858	January 2118
466 Shares American Capital World Growth	15,768	N/A

At June 30, 2012, the District's governmental and proprietary funds had investments in the Iowa School Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$2,409,025 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2012

Credit risk: The investments were rated by Standards & Poor's Financial Services as follows:

	<u>Rating</u>
Bank of America Corp Subordinated Note	BBB+
Ford Motor Credit Co. LLC Senior Note	BB+
Iowa School Joint Investment Trust	AAAm

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. More than 5% of the District's investments are in the Iowa Schools Joint Investment Trust. The District's investment in the Iowa Schools Joint Investment Trust is 96% of the District's total investments.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 11,000	25,797	---	36,797
Work of art	52,000	---	---	52,000
Construction in progress	<u>382,927</u>	<u>230,932</u>	<u>(603,859)</u>	<u>10,000</u>
Total capital assets not being depreciated	<u>445,927</u>	<u>256,729</u>	<u>(603,859)</u>	<u>98,797</u>
Capital assets being depreciated/amortized:				
Buildings	7,244,024	603,859	---	7,847,883
Improvements other than buildings	449,131	8,678	---	457,809
Intangible assets	27,620	---	---	27,620
Furniture and equipment	<u>1,420,769</u>	<u>92,689</u>	<u>(52,733)</u>	<u>1,460,725</u>
Total capital assets being depreciated/amortized	<u>9,141,544</u>	<u>705,226</u>	<u>(52,733)</u>	<u>9,794,037</u>
Less accumulated depreciation/amortization for:				
Buildings	3,288,555	141,656	---	3,430,211
Improvements other than buildings	309,751	12,337	---	322,088
Intangible assets	18,414	9,206	---	27,620
Furniture and equipment	<u>1,184,078</u>	<u>86,167</u>	<u>(46,380)</u>	<u>1,223,865</u>
Total accumulated depreciation/amortization	<u>4,800,798</u>	<u>249,366</u>	<u>(46,380)</u>	<u>5,003,784</u>
Total capital assets being depreciated/amortized, net	<u>4,340,746</u>	<u>455,860</u>	<u>(6,353)</u>	<u>4,790,253</u>
Governmental activities capital assets, net	\$ 4,786,673	712,589	(610,212)	4,889,050
	=====	=====	=====	=====

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2012

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 92,395	4,768	---	97,163
Less accumulated depreciation	<u>76,945</u>	<u>3,543</u>	<u>---</u>	<u>80,488</u>
Business type activities capital assets, net	\$ 15,450	1,225	---	16,675
	=====	=====	=====	=====

Depreciation/amortization expense was charged to the following functions:

Governmental activities:

Instruction:

Regular

\$ 26,197

Other

2,416

Support services:

Instructional staff

2,930

Operation and maintenance of plant

7,041

Transportation

47,583

86,167

Unallocated

163,199

Total depreciation/amortization expense – governmental activities

\$ 249,366

=====

Business type activities:

Food service operations

\$ 3,543

=====

(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,020,000	---	185,000	1,835,000	195,000
Employee settlement	5,632	---	5,632	---	---
Termination benefits	12,687	31,448	12,687	31,448	31,448
Net OPEB liability	<u>27,786</u>	<u>12,087</u>	<u>---</u>	<u>39,873</u>	<u>---</u>
Total	\$ 2,066,105	43,535	203,319	1,906,321	226,448
	=====	=====	=====	=====	=====

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2012

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal 2012. Eligible employees must have completed at least twenty years (last ten consecutively) of service to the District, currently under contract to work a minimum of thirty-five hours per school week and must have reached the age of fifty-six prior to or during the contract year. The application for early retirement is subject to approval by the Board of Education. The Board of Directors must approve implementation of the policy each school year.

Early retirement benefits are equal to \$5,500 plus \$100 for every year of service to the school district plus \$20 for every sick day the employee has not used as of their final paycheck from the district.

At June 30, 2012, the District has obligations to three participants with a total liability of \$31,448. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$12,687.

General Obligation Bonds

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30	Bond Issue of March, 2001			
	Interest Rate	Principal	Interest	Total
2013	4.70	\$ 195,000	86,245	281,245
2014	4.70	205,000	77,080	282,080
2015	4.70	210,000	67,445	277,445
2016	4.70	220,000	57,575	277,575
2017	4.70	230,000	47,235	277,235
2018-2020	4.70	775,000	74,260	849,260
Total		\$1,835,000	409,840	2,244,840

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2012

(5) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$242,379, \$201,949 and \$214,341, respectively, equal to the required contributions for each year.

(6) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 59 active and nine retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate 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 which, 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, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2012

Annual required contribution	\$ 36,397
Interest on net OPEB obligation	695
Adjustment to annual required contribution	<u>(2,734)</u>
Annual OPEB cost	34,358
Contributions made	<u>(22,271)</u>
Increase in net OPEB obligation	12,087
Net OPEB obligation beginning of year	<u>27,786</u>
Net OPEB obligation end of year	\$ 39,873 =====

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, 2012.

For the year ended June 30, 2012, the District contributed \$22,271 to the medical plan. Plan members eligible for benefits contributed \$57,993 of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 33,165	55.0%	\$ 14,882
2011	32,672	60.5%	27,786
2012	34,358	64.8%	39,873

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$352,007, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$352,007. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,417,000 and the ratio of the UAAL to covered payroll was 13.7%. As of June 30, 2012, there were no trust fund assets.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2012

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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents 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 include 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, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$661 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) 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.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2012

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$200,090 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Operating Leases

The District entered into an operating lease with Access Systems Leasing for the rental of copiers and printers on June 15, 2010 for a period of 63 months. The amount paid for the fiscal year ended June 30, 2012 was \$15,726. The future rentals are as follows:

Year Ending <u>June 30,</u>	
2013	\$ 17,045
2014	17,045
2015	<u>4,261</u>
Total	\$ <u>38,351</u>

The District entered into a lease with Little Bison Childcare Center Inc. to rent space for the preschool program. The lease is for eighteen months commencing July 1, 2011 and terminating December 31, 2012. The lease is \$1,850 per month. The rent paid on this lease for the year ended June 30, 2012 was \$22,200.

Future minimum rentals are as follows:

<u>June 30,</u>	
2013	\$ <u>11,100</u>

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2012

(10) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Mentoring	\$ 4,016
Teacher salary supplement	24,225
Professional development – model core curriculum	9,042
Professional development	6
Dropout prevention	<u>18,886</u>
Total	<u>\$ 56,175</u>

(11) Scholarship Trust Contribution

During the year ended June 30, 2012, the District received a contribution of 150 acres of farm land. The land is being rented by the District to the highest responsible bidder and all proceeds are being used for scholarships to further the education of North Iowa Community School District high school seniors.

The land had a fair value of \$1,158,115 at June 30, 2012 based on comparable land values from the Iowa State Extension office, and is reported as an investment in the District's Private-Purpose Trust Fund.

(12) Subsequent Events

Subsequent events have been evaluated through February 1, 2013 which is the date the financial statements were available to be issued.

On July 16, 2012 the Board approved the purchase of two vehicles for a total of \$72,206.

On September 11, 2012 the Board approved a contract for \$2,568,200 for the construction of a Tornado Safe Room and Wellness Center. The Board also approved the sale of \$2,220,000 School Infrastructure Sales, Services and Use Tax Revenue Bonds.

Required Supplementary Information

North Iowa Community School District
Buffalo Center, Iowa

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, 2012

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 4,370,209	175,833
State sources	2,127,208	2,217
Federal sources	<u>267,970</u>	<u>131,139</u>
Total revenues	<u>6,765,387</u>	<u>309,189</u>
Expenditures/Expenses:		
Instruction	3,653,594	-
Support services	1,621,397	6,346
Non-instructional programs	36,398	301,825
Other expenditures	<u>789,346</u>	<u>-</u>
Total expenditures/expenses	<u>6,100,735</u>	<u>308,171</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	664,652	1,018
Balances beginning of year	<u>1,506,006</u>	<u>115,509</u>
Balances end of year	<u>\$ 2,170,658</u>	<u>116,527</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
4,546,042	4,345,104	4,345,104	200,938
2,129,425	2,174,684	2,174,684	(45,259)
<u>399,109</u>	<u>303,225</u>	<u>303,225</u>	<u>95,884</u>
<u>7,074,576</u>	<u>6,823,013</u>	<u>6,823,013</u>	<u>251,563</u>
3,653,594	3,826,710	3,926,710	273,116
1,627,743	1,987,167	1,887,167	259,424
338,223	336,271	336,271	(1,952)
<u>789,346</u>	<u>906,892</u>	<u>906,892</u>	<u>117,546</u>
<u>6,408,906</u>	<u>7,057,040</u>	<u>7,057,040</u>	<u>648,134</u>
665,670	(234,027)	(234,027)	899,697
<u>1,621,515</u>	<u>1,550,347</u>	<u>1,550,347</u>	<u>71,168</u>
<u>2,287,185</u>	<u>1,316,320</u>	<u>1,316,320</u>	<u>970,865</u>

North Iowa Community School District
Buffalo Center, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards 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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, which did not increase the budgeted expenditures.

During the year ended June 30, 2012, expenditures in the non-instructional programs function exceeded the amount budgeted.

North Iowa Community School District

Buffalo Center, Iowa

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 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	Jul 1, 2009	-	\$ 370,519	370,519	0.0%	\$2,321,000	16.0%
2011	Jul 1, 2009	-	352,007	352,007	0.0%	2,340,000	15.0%
2012	Jul 1, 2009	-	331,897	331,897	0.0%	2,417,000	13.7%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

North Iowa Community School District
Buffalo Center, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

	Special Revenue				
	Manage- ment <u>Levy</u>	Student Activity <u>Activity</u>	Public Education and Recreation <u>Levy</u>	District Support Trust <u>Trust</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 185,115	105,122	433	804	291,474
Receivables:					
Property tax:					
Delinquent	1,261	-	438	-	1,699
Succeeding year	150,000	-	36,005	-	186,005
Accounts	-	2,294	-	-	2,294
Total assets	<u>\$ 336,376</u>	<u>107,416</u>	<u>36,876</u>	<u>804</u>	<u>481,472</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	18,730	-	-	18,730
Deferred revenue:					
Succeeding year property tax	150,000	-	36,005	-	186,005
Early retirement	528	-	-	-	528
Total liabilities	<u>150,528</u>	<u>18,730</u>	<u>36,005</u>	<u>-</u>	<u>205,263</u>
Fund balances:					
Restricted for:					
Management levy purposes	185,848	-	-	-	185,848
Student activities	-	88,686	-	804	89,490
Public education & recreation	-	-	871	-	871
Total fund balances	<u>185,848</u>	<u>88,686</u>	<u>871</u>	<u>804</u>	<u>276,209</u>
Total liabilities and fund balances	<u>\$ 336,376</u>	<u>107,416</u>	<u>36,876</u>	<u>804</u>	<u>481,472</u>

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 2

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

Year ended June 30, 2012

	Special Revenue				<u>Total</u>
	<u>Manage- ment Levy</u>	<u>Student Activity</u>	<u>Public Education and Recreation Levy</u>	<u>District Support Trust</u>	
Revenues:					
Local sources:					
Local tax	\$ 100,143	-	34,759	-	134,902
Other	14,529	274,226	2	-	288,757
State sources	<u>46</u>	<u>-</u>	<u>16</u>	<u>-</u>	<u>62</u>
Total revenues	<u>114,718</u>	<u>274,226</u>	<u>34,777</u>	<u>-</u>	<u>423,721</u>
Expenditures:					
Current:					
Instruction:					
Regular	25,897	-	-	-	25,897
Other	-	257,029	-	-	257,029
Support services:					
Administration	41,691	-	-	-	41,691
Operation and maintenance of plant	23,353	-	-	-	23,353
Transportation	8,052	-	-	-	8,052
Non-instructional programs	<u>255</u>	<u>-</u>	<u>34,303</u>	<u>-</u>	<u>34,558</u>
Total expenditures	<u>99,248</u>	<u>257,029</u>	<u>34,303</u>	<u>-</u>	<u>390,580</u>
Excess of revenues over expenditures	15,470	17,197	474	-	33,141
Fund balances beginning of year	<u>170,378</u>	<u>71,489</u>	<u>397</u>	<u>804</u>	<u>243,068</u>
Fund balances end of year	<u>\$ 185,848</u>	<u>88,686</u>	<u>871</u>	<u>804</u>	<u>276,209</u>

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Towel fee	\$ 100	-	-	-	100
Activity tickets	-	50,951	28,833	(12,097)	10,021
Interest	100	51	-	-	151
Drama	1,377	6,282	5,971	2,940	4,628
Speech	-	884	2,158	2,074	800
Vocal music	112	-	3,953	3,940	99
Instrumental music	4,942	646	122	(3,940)	1,526
Annual	1,953	7,056	7,072	-	1,937
Cross Country	20	1,135	1,455	1,100	800
Boys basketball	8,151	19,254	18,332	(2,301)	6,772
Football	8,057	23,365	26,640	2,321	7,103
Baseball	3,139	4,503	5,046	(1,596)	1,000
Boys track	-	3,270	3,474	2,062	1,858
Boys golf	50	175	178	203	250
Boys bowling	27	342	258	139	250
Wrestling	173	-	-	77	250
Girls basketball	4,791	910	1,250	(3,382)	1,069
Volleyball	5,276	4,858	3,872	(2,057)	4,205
Girls softball	2,602	3,005	3,385	835	3,057
Girls track	-	2,988	2,435	1,305	1,858
Girls golf	29	105	169	285	250
Girls bowling	27	342	270	151	250
Athletic resale	-	-	694	694	-
Spanish club	100	-	-	-	100
Cheerleading	879	17,381	17,539	-	721
FCCLA	-	5,207	4,786	79	500
Student Council	3,269	11,468	6,321	-	8,416
Honor Society	109	704	170	-	643
Tournament all sport fund	1,382	5,464	4,100	-	2,746
Class of 2012	2,294	150	1,784	-	660
Class of 2013	1,120	8,906	6,435	-	3,591
Class of 2014	825	190	-	-	1,015
Class of 2015	625	185	-	-	810
Class of 2016	295	165	-	-	460
Class of 2017	155	165	-	-	320
Class of 2018	-	145	-	-	145
Quiz bowl	-	-	80	180	100

(continued)

North Iowa Community School District
Buffalo Center, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
MS archery	2,487	1,000	1,025	-	2,462
MS Student Council	1,455	2,172	1,488	96	2,235
MS music club	8,085	11,378	16,600	(96)	2,767
MS annual	1,460	1,509	1,910	-	1,059
MS officials	-	-	2,250	4,750	2,500
MS field trips	121	-	-	110	231
MS football	205	-	544	729	390
MS girls basketball	228	-	17	39	250
MS boys basketball	238	-	-	12	250
MS wrestling	329	-	-	(79)	250
MS volleyball	216	-	16	50	250
MS girls track	-	-	247	647	400
MS boys track	-	-	330	730	400
Destination DC	4,686	77,915	75,820	-	6,781
Total	<u>\$ 71,489</u>	<u>274,226</u>	<u>257,029</u>	<u>-</u>	<u>88,686</u>

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 4

Combining Balance Sheet
Capital Projects Accounts

Year ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 566,410	119,800	686,210
Receivables:			
Property tax:			
Delinquent	-	1,070	1,070
Succeeding year	-	98,376	98,376
Due from other governments	100,795	4,259	105,054
Total assets	\$ 667,205	223,505	890,710
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 8,476	6,929	15,405
Deferred revenue:			
Succeeding year property tax	-	98,376	98,376
Other	-	4,259	4,259
Total liabilities	8,476	109,564	118,040
Fund balances:			
Restricted for:			
School infrastructure	658,729	-	658,729
Physical plant and equipment	-	113,941	113,941
Total fund balances	658,729	113,941	772,670
Total liabilities and fund balances	\$ 667,205	223,505	890,710

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 5

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

Year ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 384,249	90,066	474,315
Other	114	15,037	15,151
State sources	1,000	39	1,039
Federal sources	7,500	-	7,500
Total revenues	392,863	105,142	498,005
Expenditures:			
Instruction:			
Regular	55,847	11,414	67,261
Support services:			
Instructional staff	13,576		13,576
Administration	2,475	3,395	5,870
Operation and maintenance of plant	1,154	43,398	44,552
Transportation	1,782	37,454	39,236
Other expenditures:			
Facilities acquisition	240,705	67,593	308,298
Total expenditures	315,539	163,254	478,793
Excess (deficiency) of revenues over (under) expenditures	77,324	(58,112)	19,212
Fund balances beginning of year	581,405	172,053	753,458
Fund balances end of year	\$ 658,729	113,941	772,670

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 6

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2012

	<u>School Nutrition</u>	<u>FFA Project</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 74,810	27,268	102,078
Inventories	6,689	-	6,689
Capital assets, net of accumulated depreciation	<u>16,675</u>	<u>-</u>	<u>16,675</u>
Total assets	<u>98,174</u>	<u>27,268</u>	<u>125,442</u>
Liabilities			
Accounts payable	26	415	441
Salaries and benefits payable	822	-	822
Deferred revenue	<u>7,652</u>	<u>-</u>	<u>7,652</u>
Total liabilities	<u>8,500</u>	<u>415</u>	<u>8,915</u>
Net Assets			
Invested in capital assets	16,675	-	16,675
Unrestricted	<u>72,999</u>	<u>26,853</u>	<u>99,852</u>
Total net assets	<u>\$ 89,674</u>	<u>26,853</u>	<u>116,527</u>

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 7

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

Year ended June 30, 2012

	<u>School Nutrition</u>	<u>FFA Project</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for service	\$ 114,822	59,739	174,561
Miscellaneous	<u>1,252</u>	<u>-</u>	<u>1,252</u>
Total operating revenues	<u>116,074</u>	<u>59,739</u>	<u>175,813</u>
 Operating expenses:			
Support services:			
Administration	5,120	-	5,120
Operation and maintenance of plant	<u>1,226</u>	<u>-</u>	<u>1,226</u>
	<u>6,346</u>	<u>-</u>	<u>6,346</u>
Non-instructional programs:			
Salaries	80,657	-	80,657
Benefits	14,590	-	14,590
Purchased services	367	-	367
Supplies	149,110	53,558	202,668
Depreciation	<u>3,543</u>	<u>-</u>	<u>3,543</u>
	<u>248,267</u>	<u>53,558</u>	<u>301,825</u>
Total operating expenses	<u>254,613</u>	<u>53,558</u>	<u>308,171</u>
 Operating income (loss)	<u>(138,539)</u>	<u>6,181</u>	<u>(132,358)</u>
 Non-operating revenues:			
State sources	2,217	-	2,217
Federal sources	131,139	-	131,139
Interest income	<u>20</u>	<u>-</u>	<u>20</u>
Total non-operating revenues	<u>133,376</u>	<u>-</u>	<u>133,376</u>
 Increase (decrease) in net assets	(5,163)	6,181	1,018
 Net assets beginning of year	<u>94,837</u>	<u>20,672</u>	<u>115,509</u>
Net assets end of year	<u>\$ 89,674</u>	<u>26,853</u>	<u>116,527</u>

See accompanying independent auditor's report.

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2012

	<u>School Nutrition</u>	<u>FFA Project</u>	<u>Total</u>
Cash flows from (used in) operating activities:			
Cash received from sale of lunches and breakfasts	\$ 116,401	-	116,401
Cash received from other services	1,252	59,739	60,991
Cash paid to employees for services	(99,679)	-	(99,679)
Cash paid to suppliers for goods or services	<u>(119,700)</u>	<u>(53,461)</u>	<u>(173,161)</u>
Net cash from (used by) operating activities	<u>(101,726)</u>	<u>6,278</u>	<u>(95,448)</u>
Cash flows from non-capital financing activities:			
State grants received	2,217	-	2,217
Federal grants received	<u>104,230</u>	<u>-</u>	<u>104,230</u>
Net cash provided by non-capital financing activities	<u>106,447</u>	<u>-</u>	<u>106,447</u>
Cash flows (used by) capital and related financing activities:			
Acquisition of capital assets	<u>(4,768)</u>	<u>-</u>	<u>(4,768)</u>
Cash flows from investing activities:			
Interest on investments	<u>20</u>	<u>-</u>	<u>20</u>
Net increase (decrease) in cash and cash equivalents	(27)	6,278	6,251
Cash and cash equivalents beginning of year	<u>74,837</u>	<u>20,990</u>	<u>95,827</u>
Cash and cash equivalents end of year	<u>\$ 74,810</u>	<u>27,268</u>	<u>102,078</u>

(continued)

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2012

	<u>School Nutrition</u>	<u>FFA Project</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash from (used by) operating activities:			
Operating income (loss)	\$ (138,539)	6,181	(132,358)
Adjustments to reconcile operating income (loss) to net cash from (used by) operating activities:			
Commodities used	25,578	-	25,578
Depreciation	3,543	-	3,543
(Increase) decrease in accounts receivable	300	-	300
(Increase) decrease in inventories	5,399	-	5,399
Increase (decrease) in accounts payable	26	97	123
Increase (decrease) in salaries and benefits payable	688	-	688
Increase (decrease) in deferred revenue	1,279	-	1,279
Net cash from (used by) operating activities	<u>\$ (101,726)</u>	<u>6,278</u>	<u>(95,448)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received \$25,578 of federal commodities.

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 9

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2012

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ -	5,114	1,858	3,256
Total assets	<u>\$ -</u>	<u>5,114</u>	<u>1,858</u>	<u>3,256</u>
Liabilities				
Other payables	\$ -	5,114	1,858	3,256
Total liabilities	<u>\$ -</u>	<u>\$ 5,114</u>	<u>\$ 1,858</u>	<u>\$ 3,256</u>

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

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

For the Last Nine Years

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues:			
Local sources:			
Local tax	\$ 3,879,876	3,802,253	3,411,163
Tuition	138,565	139,991	182,284
Other	351,768	361,036	190,166
State sources	2,127,208	2,137,078	1,846,942
Federal sources	267,970	256,059	475,038
Total	\$ 6,765,387	6,696,417	6,105,593
Expenditures:			
Instruction:			
Regular	\$ 2,074,096	2,140,177	2,318,175
Special	687,602	658,358	635,308
Other	891,896	761,184	617,457
Support services:			
Student	150,288	145,567	143,238
Instructional staff	192,936	166,510	161,047
Administration	538,907	567,176	692,217
Operation and maintenance of plant	432,838	365,463	479,629
Transportation	306,428	345,095	233,793
Non-instructional programs	36,398	49,831	44,724
Other expenditures:			
Facilities acquisition	308,298	484,372	218,944
Long-term debt:			
Principal	185,000	175,000	165,000
Interest and other charges	95,958	104,395	111,237
AEA flowthrough	200,090	225,243	225,553
Total	\$ 6,100,735	6,188,371	6,046,322

See accompanying independent auditor's report.

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

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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
North Iowa Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Iowa Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 1, 2013. 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

The management of North Iowa Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered North Iowa Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Iowa Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Iowa Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, 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 as items I-A-12 and I-B-12 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Iowa Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

North Iowa Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit North Iowa Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of North Iowa Community School District and other parties to whom North Iowa Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Cornwell, Frideres, Maher & Associates, P.L.C.
Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

February 1, 2013

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Findings

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We are doing everything we can within our situation and make improvements as the situation changes.

Conclusion – Response acknowledged. The District should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-12 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to North Iowa Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Findings

Year ended June 30, 2012

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of the District’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Findings

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - Expenditures for the year ended June 30, 2012, exceeded the certified budget amounts in the non-instructional programs 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.

Response – Future budgets will be amended in sufficient amounts and in proper functional areas to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

II-B-12 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-12 Travel Expense - 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.

II-D-12 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Larry Lawson, employee Co-owner L & T Construction	Repairs	\$84

In accordance with an Attorney General’s opinion dated July 2, 1990, the above transaction does not appear to represent a conflict of interest.

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Findings

Year ended June 30, 2012

- II-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.
- II-F-12 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-12 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-12 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-12 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-K-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-12 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Findings

Year ended June 30, 2012

Beginning balance		\$ 581,405
Revenues:		
Sales tax revenues	\$ 384,249	
Other local revenues	114	
Other state revenues	1,000	
Federal revenues	<u>7,500</u>	<u>392,863</u>
		974,268
Expenditures:		
School infrastructure construction	240,705	
Equipment	74,242	
Other	<u>592</u>	<u>315,539</u>
Ending balance		\$ <u>658,729</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the money received under Chapter 423E or 423F of the code of Iowa.

II-M-12 Booster Club – We noted the Booster Club was using the District’s federal identification number on its bank account, but the District does not keep the Club’s financial records. Bank accounts not owned or controlled by the District should not be set up at the bank using the District’s federal identification number.

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

Response – We have talked to the Booster Club about this issue.

Conclusion – Response accepted.