

COLO-NESCO COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

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Independent Auditor's Report

To the Board of Education of
Colo-NESCO 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 Colo-NESCO Community School District, McCallsburg, 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 Colo-NESCO Community School District as of 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 reports dated July 2, 2013, on our consideration of Colo-NESCO Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract 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 13 and 38 through 40 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 Colo-NESCO Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2011, 2010 and 2009, (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the five years ended June 30, 2008, (which are not presented herein) were audited by other auditors who 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.

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

July 2, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Colo-NESCO 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 increased from \$4,590,867 in fiscal 2011 to \$4,900,616 in fiscal 2012, while General Fund expenditures decreased from \$5,282,235 in fiscal 2011 to \$4,762,341 in fiscal 2012. The District's General Fund balance decreased from \$(390,084) in fiscal 2011 to \$(554,387) in fiscal 2012, a 42% decrease.
- The increase in General Fund revenues was attributable to a combination of an increase in state revenue in fiscal 2012 and an increase in the property tax levy. The decrease in expenditures was due primarily to an implementation of line item budgets and carefully following expenditure procedures. One reason the General Fund balance decreased is because the school district received SBRC approval to absorb a deficit of \$304,475.55 in the Nutrition and Daycare funds from past years. The deficit was recorded in the General Fund in 2012, but revenues for the SBRC approved amount will not be received until 2013.

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 Colo-NESCO 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 Colo-NESCO Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Colo-NESCO Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

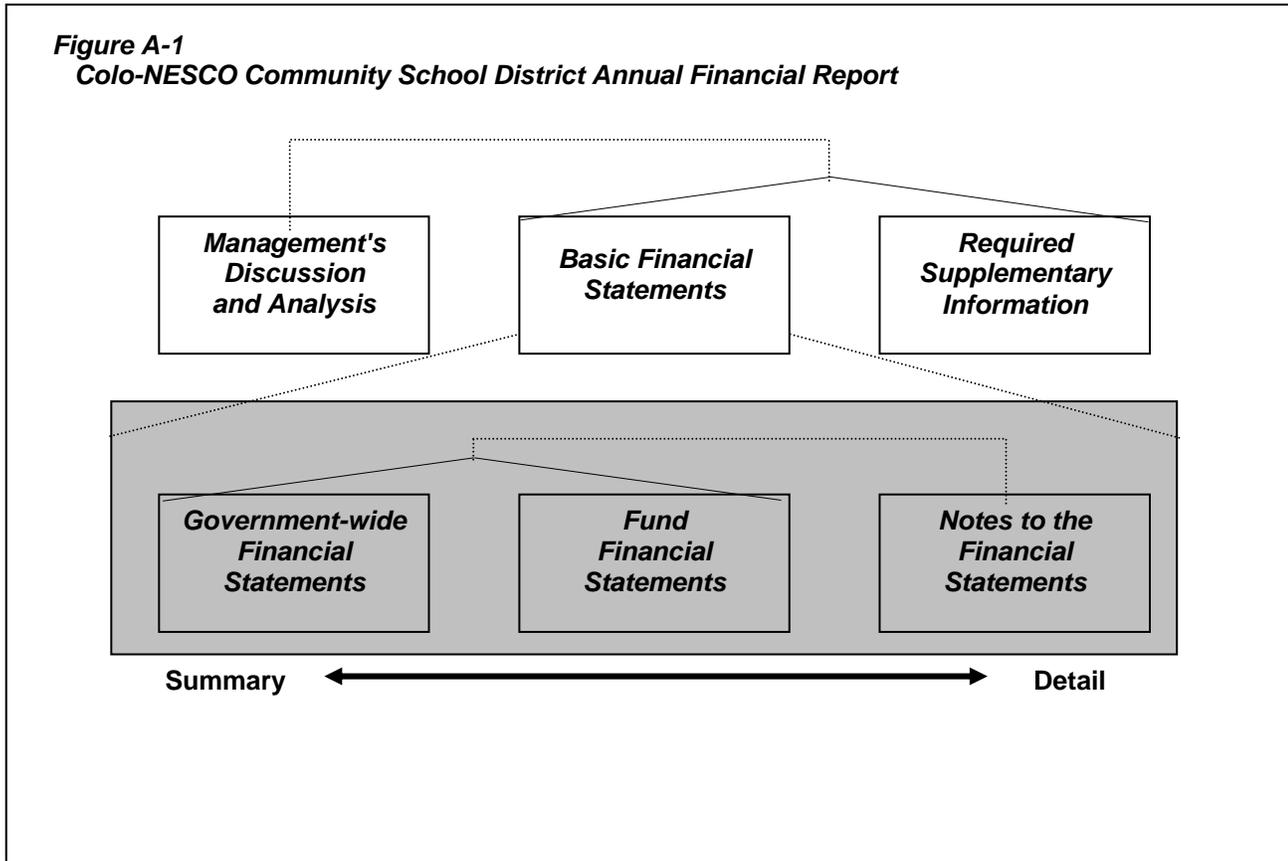


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services, preschool and daycare	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition, daycare, and preschool programs are included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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.

- Agency Funds – These are funds through which the District administers and accounts for certain monies behalf of other entities.

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						Percentage Change 2011-2012
	Governmental Activities		Business-type Activities		Total School District		
	2011	2012	2011	2012	2011	2012	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,018,309	4,045,215	(311,762)	309,724	3,706,547	4,354,939	17%
Capital assets	6,028,874	5,752,316	13,360	16,410	6,042,234	5,768,726	-5%
Total assets	10,047,183	9,797,531	(298,402)	326,134	9,748,781	10,123,665	4%
Long-term liabilities	3,698,542	4,150,592	1,141	1,737	3,699,683	4,152,329	12%
Other liabilities	3,771,975	3,399,548	41,336	360,714	3,813,311	3,760,262	-1%
Total liabilities	7,470,517	7,550,140	42,477	362,451	7,512,994	7,912,591	5%
Net Assets:							
Invested in capital assets, net of related debt	2,413,874	1,707,316	13,360	16,410	2,427,234	1,723,726	-29%
Restricted	939,344	1,213,168	-	-	939,344	1,213,168	29%
Unrestricted	(776,552)	(673,093)	(354,239)	(52,727)	(1,130,791)	(725,820)	36%
TOTAL NET ASSETS	2,576,666	2,247,391	(340,879)	(36,317)	2,235,787	2,211,074	-1%

The District’s combined total net assets decreased by 1%, or approximately \$24,713, over the prior year. The largest portion of the District’s net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net assets increased \$273,824 or 29% over the prior year. The increase was primarily a result of state categorical funding that was received in fiscal year 2012, but was not spent.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$404,971, or 36%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

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

Figure A-4

	Change in Net Assets						Percentage Change 2011-2012
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	
Revenues							
Program Revenues:							
Charges for services	351,508	281,575	334,235	278,301	685,743	559,876	-18%
Operating grants & contributions	935,920	799,833	103,543	105,616	1,039,463	905,449	-13%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	1,769,064	2,375,502	-	-	1,769,064	2,375,502	34%
Income Surtax	178,245	184,796	-	-	178,245	184,796	4%
Statewide sales and services tax	488,678	524,294	-	-	488,678	524,294	7%
Unrestricted state grants	1,668,675	1,549,584	-	-	1,668,675	1,549,584	-7%
Unrestricted investment earnings	2,993	9,785	-	1	2,993	9,786	227%
Other revenue	13,434	2,116	-	4,976	13,434	7,092	-47%
Total Revenues	5,408,517	5,727,485	437,778	388,894	5,846,295	6,116,379	5%
Expenses:							
Instruction	4,057,254	3,470,058	-	-	4,057,254	3,470,058	-14%
Support services	1,768,276	1,432,427	-	-	1,768,276	1,432,427	-19%
Non-instructional programs	40	271	464,975	388,808	465,015	389,079	-16%
Other expenditures	1,033,614	849,528	-	-	1,033,614	849,528	-18%
Total expenses	6,859,184	5,752,284	464,975	388,808	7,324,159	6,141,092	-16%
Change in net assets before transfers	(1,450,667)	(24,799)	(27,197)	86	(1,477,864)	(24,713)	98%
Transfers	(14,219)	(304,476)	14,219	304,476	-	-	-
CHANGE IN NET ASSETS	(1,464,886)	(329,275)	(12,978)	304,562	(1,477,864)	(24,713)	98%
Net assets beginning of year	4,041,552	2,576,666	(327,901)	(340,879)	3,713,651	2,235,787	-40%
Net assets end of year	2,576,666	2,247,391	(340,879)	(36,317)	2,235,787	2,211,074	-1%

In fiscal year 2012 property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 80% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,727,485 and expenses were \$5,752,284.

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

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2011	2012	Change 2011-2012	2011	2012	Change 2011-2012
	\$	\$		\$	\$	
Instruction	4,057,254	3,470,058	-14%	2,958,642	2,554,500	-14%
Support Services	1,768,276	1,432,427	-19%	1,765,232	1,429,643	-19%
Non-instructional Programs	40	271	578%	40	271	578%
Other Expenses	1,033,614	849,528	-18%	847,842	686,462	-19%
TOTAL	6,859,184	5,752,284	-16%	5,571,756	4,670,876	-16%

For the year ended June 30, 2012

- The cost financed by users of the District's programs was \$281,575. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$799,833.
- The net cost of governmental activities was financed with \$3,084,592 in property and local other taxes and \$1,549,584 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$388,894 and expenses were \$388,808. The District's business type activities include the School Nutrition Fund, the Daycare Fund and the Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$482,806, well above last year's ending fund balance of \$78,279. However, the primary reason for the increase in combined fund balances in fiscal 2012 is due to approximately \$3 million of unexpended general obligation bond proceeds received in fiscal 2012.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$(390,084) to \$(554,387), due to SBRC approval to absorb a deficit of \$304,475.55 in the Nutrition and Daycare funds from past years. The deficit was recorded in the General Fund in 2012, but revenues for the SBRC approved amount will not be received until 2013.

- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects fund will be used for future capital improvements and equipment purchases.
- The Physical Plant and Equipment Levy account balance decreased from \$112,902 at June 30, 2011 to \$33,888 at June 30, 2012.
- The Statewide Sales Service and Use Tax account balance increased from \$66,322 at June 30, 2011 to \$478,834 at June 30, 2012. The large balance was due to the expenditure of the proceeds from a bond issue in the previous year.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$(102,955) at June 30, 2011 to \$(17,278) at June 30, 2012, representing an increase of 83%. During fiscal year 2012 labor and food costs were decreased and the General Fund was given SBRC approval to transfer the previous year's deficit out of the School Nutrition Fund and into the General Fund.

The Daycare Fund net assets increased from \$(188,485) at June 30, 2011 to \$(29,582) at June 30, 2012, representing an increase of 116%. During fiscal year 2012 labor and supply costs were decreased and the General Fund was given SBRC approval to transfer the previous year's deficit out of the Daycare Fund and into the General Fund.

The Preschool Fund net assets at June 30, 2012 were \$(48,621). The Preschool fund was set up for a 3 year old preschool expenditures. The District no longer provides a 3 year old Preschool effective FY2012.

BUDGETARY HIGHLIGHTS

The District's receipts were \$133,215 less than budgeted receipts, a variance of 2%. The most significant variance resulted from the District receiving less in miscellaneous income than originally anticipated.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$5.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 5% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$300,631.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2011-2012
	2011	2012	2011	2012	2011	2012	
	\$	\$	\$	\$	\$	\$	
Land	34,856	34,856	-	-	34,856	34,856	0%
Construction in progress	1,539,240	-	-	-	1,539,240	-	-100%
Buildings	3,895,776	5,232,535	-	-	3,895,776	5,232,535	34%
Improvements	551,893	504,744	-	-	551,893	504,744	-9%
Equipment & furniture	7,109	(19,819)	13,360	16,410	20,469	(3,409)	-117%
TOTAL	6,028,874	5,752,316	13,360	16,410	6,042,234	5,768,726	-5%

Long-Term Debt

At June 30, 2012 the District had \$4,140,988 in revenue bonds and other long-term debt outstanding. This represents an increase of approximately 12% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2011-2012
	2011	2012	
	\$	\$	%
Governmental activities:			
Revenue bonds	3,615,000	4,045,000	12%
Termination benefits	49,302	42,126	-15%
Net OPEB liability	34,240	52,125	52%
Total	3,698,542	4,139,251	12%
Business type activities:			
Net OPEB liability	1,141	1,737	52%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- School financing is highly dependent upon student enrollment. The District's October 2012 enrollment increased. This increase in enrollment will increase the District's funding for fiscal year 2014.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, buses must be replaced. To pay for these buses, the District will use resources from the voter approved Physical Plant and Equipment Levy Fund that was approved in April, 2012. The school district will start receiving the additional funding in fiscal year 2013.

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 Lisa Waddell, District Secretary/Treasurer and Business Manager, Colo-NESCO Community School District, 919 West St. Colo, IA 50056.

BASIC FINANCIAL STATEMENTS

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,158,218	-	1,158,218
Receivables:			
Property tax:			
Delinquent	20,880	-	20,880
Succeeding year	2,775,740	-	2,775,740
Accounts	-	1,870	1,870
Internal balances	(304,476)	304,476	-
Due from other governments	341,962	604	342,566
Inventories	-	2,774	2,774
Unamortized bond issue costs	52,891	-	52,891
Capital assets, net of accumulated depreciation	5,752,316	16,410	5,768,726
Total assets	9,797,531	326,134	10,123,665
Liabilities			
Warrants in excess of bank balance	-	336,736	336,736
Accounts payable	142,911	868	143,779
Salaries and benefits payable	401,422	20,536	421,958
Due to other governments	-	-	-
Accrued interest payable	79,475	-	79,475
Deferred revenue:			
Succeeding year property tax	2,775,740	-	2,775,740
Other	-	2,574	2,574
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	230,000	-	230,000
Termination benefits	22,126	-	22,126
Portion due after one year:			
Unamortized bond premium	11,341	-	11,341
Revenue bonds payable	3,815,000	-	3,815,000
Termination benefits	20,000	-	20,000
Net OPEB liability	52,125	1,737	53,862
Total liabilities	7,550,140	362,451	7,912,591
Net assets			
Invested in capital assets, net of related debt	1,707,316	16,410	1,723,726
Restricted for:			
Categorical funding	213,324	-	213,324
Management levy	210,442	-	210,442
Physical plant and equipment levy	33,888	-	33,888
Student activities	46,658	-	46,658
School infrastructure	142,406	-	142,406
Debt service	566,450	-	566,450
Unrestricted	(673,093)	(52,727)	(725,820)
Total net assets	2,247,391	(36,317)	2,211,074

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,302,465	160,515	471,259	-
Special	506,812	-	40,006	-
Other	660,781	120,111	123,667	-
	<u>3,470,058</u>	<u>280,626</u>	<u>634,932</u>	<u>-</u>
Support services:				
Student	26,915	-	-	-
Instructional staff	154,123	-	2	-
Administration	552,262	-	-	-
Operation and maintenance of plant	475,532	949	-	-
Transportation	223,595	-	1,833	-
	<u>1,432,427</u>	<u>949</u>	<u>1,835</u>	<u>-</u>
Non-instructional programs	<u>271</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	225,830	-	-	-
Long-term debt interest	189,056	-	-	-
AEA flowthrough	163,066	-	163,066	-
Depreciation (unallocated)*	271,576	-	-	-
	<u>849,528</u>	<u>-</u>	<u>163,066</u>	<u>-</u>
Total governmental activities	<u>5,752,284</u>	<u>281,575</u>	<u>799,833</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	267,541	128,536	103,716	-
Preschool	-	818	-	-
Daycare	121,267	148,947	1,900	-
Total business-type activities	<u>388,808</u>	<u>278,301</u>	<u>105,616</u>	<u>-</u>
Total	<u>6,141,092</u>	<u>559,876</u>	<u>905,449</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,670,691)	-	(1,670,691)
(466,806)	-	(466,806)
(417,003)	-	(417,003)
<u>(2,554,500)</u>	<u>-</u>	<u>(2,554,500)</u>
(26,915)	-	(26,915)
(154,121)	-	(154,121)
(552,262)	-	(552,262)
(474,583)	-	(474,583)
(221,762)	-	(221,762)
<u>(1,429,643)</u>	<u>-</u>	<u>(1,429,643)</u>
(271)	-	(271)
(225,830)	-	(225,830)
(189,056)	-	(189,056)
-	-	-
(271,576)	-	(271,576)
<u>(686,462)</u>	<u>-</u>	<u>(686,462)</u>
<u>(4,670,876)</u>	<u>-</u>	<u>(4,670,876)</u>
-	(35,289)	(35,289)
-	818	818
-	29,580	29,580
<u>-</u>	<u>(4,891)</u>	<u>(4,891)</u>
<u>(4,670,876)</u>	<u>(4,891)</u>	<u>(4,675,767)</u>
2,310,032	-	2,310,032
65,470	-	65,470
184,796	-	184,796
524,294	-	524,294
1,549,584	-	1,549,584
9,785	1	9,786
2,116	4,976	7,092
4,646,077	4,977	4,651,054
<u>(304,476)</u>	<u>304,476</u>	<u>-</u>
4,341,601	309,453	4,651,054
(329,275)	304,562	(24,713)
<u>2,576,666</u>	<u>(340,879)</u>	<u>2,235,787</u>
<u>2,247,391</u>	<u>(36,317)</u>	<u>2,211,074</u>

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	179,073	465,988	513,157	1,158,218
Receivables:				
Property tax:				
Delinquent	19,379	622	879	20,880
Succeeding year	2,306,311	369,430	99,999	2,775,740
Interfund receivable	-	-	11,075	11,075
Due from other governments	261,817	80,145	-	341,962
Total assets	<u>2,766,580</u>	<u>916,185</u>	<u>625,110</u>	<u>4,307,875</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	108,238	34,033	640	142,911
Salaries and benefits payable	401,422	-	-	401,422
Interfund payable	315,551	-	-	315,551
Deferred revenue:				
Succeeding year property tax	2,306,311	369,430	99,999	2,775,740
Income surtax	189,445	-	-	189,445
Total liabilities	<u>3,320,967</u>	<u>403,463</u>	<u>100,639</u>	<u>3,825,069</u>
Fund balances:				
Restricted for:				
Categorical funding	213,324	-	-	213,324
Debt service	-	336,428	309,497	645,925
Management levy	-	-	168,316	168,316
Student activities	-	-	46,658	46,658
School infrastructure	-	142,406	-	142,406
Physical plant and equipment	-	33,888	-	33,888
Unassigned	(767,711)	-	-	(767,711)
Total fund balances	<u>(554,387)</u>	<u>512,722</u>	<u>524,471</u>	<u>482,806</u>
Total liabilities and fund balances	<u>2,766,580</u>	<u>916,185</u>	<u>625,110</u>	<u>4,307,875</u>

COLO-NESCO COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

	\$
Total fund balances of governmental funds (Exhibit C)	482,806
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,752,316
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	189,445
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.	(79,475)
Long-term liabilities, including bonds payable, bond premiums, termination benefits payable, and other postemployment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(4,097,701)</u>
Net assets of governmental activities (Exhibit A)	<u><u>2,247,391</u></u>

COLO-NESCO COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,399,298	589,764	100,204	3,089,266
Tuition	83,017	-	-	83,017
Other	68,953	17,178	124,616	210,747
State sources	2,123,786	26	43	2,123,855
Federal sources	225,562	-	-	225,562
Total revenues	<u>4,900,616</u>	<u>606,968</u>	<u>224,863</u>	<u>5,732,447</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,270,174	-	17,983	2,288,157
Special	506,216	-	-	506,216
Other	556,972	-	103,809	660,781
	<u>3,333,362</u>	<u>-</u>	<u>121,792</u>	<u>3,455,154</u>
Support services:				
Student	26,319	-	-	26,319
Instructional staff	116,575	36,952	-	153,527
Administration	523,822	750	6,745	531,317
Operation and maintenance of plant	383,216	4,069	88,247	475,532
Transportation	211,333	11,666	-	222,999
	<u>1,261,265</u>	<u>53,437</u>	<u>94,992</u>	<u>1,409,694</u>
Non-instructional programs	-	-	271	271
Other expenditures:				
Facilities acquisition	-	247,776	-	247,776
Long-term debt:				
Interest and fiscal charges	4,648	15,250	159,483	179,381
AEA flowthrough	163,066	-	-	163,066
	<u>167,714</u>	<u>263,026</u>	<u>159,483</u>	<u>590,223</u>
Total expenditures	<u>4,762,341</u>	<u>316,463</u>	<u>376,538</u>	<u>5,455,342</u>
Excess (deficiency) of revenues over (under) expenditures	<u>138,275</u>	<u>290,505</u>	<u>(151,675)</u>	<u>277,105</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	1,258	-	-	1,258
Bonds issued	-	430,000	-	430,000
Sales of materials and equipment	640	-	-	640
Operating transfers in	-	-	387,007	387,007
Operating transfers out	(304,476)	(387,007)	-	(691,483)
Total other financing sources (uses)	<u>(302,578)</u>	<u>42,993</u>	<u>387,007</u>	<u>127,422</u>
Net change in fund balances	(164,303)	333,498	235,332	404,527
Fund balances beginning of year	(390,084)	179,224	289,139	78,279
Fund balances end of year	<u>(554,387)</u>	<u>512,722</u>	<u>524,471</u>	<u>482,806</u>

COLO-NESCO COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		404,527
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expenses exceeded capital outlay expenditures in the year as follows:		
Expenditures for capital assets	21,946	
Depreciation expense	<u>(298,504)</u>	(276,558)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		(4,674)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		(11,861)
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	\$ 7,176	
Other postemployment benefits	<u>(17,885)</u>	(10,709)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		<u>(430,000)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>(329,275)</u></u>

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2012

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Accounts receivable	1,870
Due from other governments	604
Interfund receivable	307,170
Inventories	2,774
Capital assets, net of accumulated depreciation	<u>16,410</u>
Total assets	<u>328,828</u>
Liabilities	
Warrants in excess bank balance	336,736
Accounts payable	868
Salaries and benefits payable	20,536
Interfund payable	2,694
Deferred revenue	2,574
Net OPEB liability	<u>1,737</u>
Total liabilities	<u>365,145</u>
Net assets	
Invested in capital assets	16,410
Unrestricted	<u>(52,727)</u>
Total net assets	<u><u>(36,317)</u></u>

COLO-NESCO COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>278,301</u>
Operating expenses:	
Non-instructional programs:	
Salaries	201,676
Benefits	44,134
Purchased services	6,171
Supplies	134,700
Depreciation	2,127
Total operating expenses	<u>388,808</u>
Operating income (loss)	<u>(110,507)</u>
Non-operating revenue:	
State sources	1,922
Federal sources	103,694
Interest income	1
Total non-operating revenue	<u>105,617</u>
Income (loss) before contributions and transfers	<u>(4,890)</u>
Capital contributions	4,976
Transfers in	304,476
Total contributions and transfers	<u>309,452</u>
Change in net assets	304,562
Net assets beginning of year	<u>(340,879)</u>
Net assets end of year	<u><u>(36,317)</u></u>

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2012

	Nonmajor Enterprise Funds
	<u>2012</u>
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	128,575
Cash received from preschool services	818
Cash received from daycare services	149,492
Cash payments to employees for services	(261,578)
Cash payments to suppliers for goods or services	<u>(125,656)</u>
Net cash used by operating activities	<u>(108,349)</u>
Cash flows from non-capital financing activities:	
Interfund loans	(324,040)
State grants received	1,922
Federal grants received	91,036
Net cash used by non-capital financing activities	<u>(231,082)</u>
Cash flows from capital and related financing activities:	
Interfund loans	<u>2,694</u>
Cash flows from investing activities:	
Interest on investments	<u>1</u>
Net increase (decrease) in cash and cash equivalents	(336,736)
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u><u>(336,736)</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(110,507)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	12,054
Depreciation	1,926
Decrease (increase) in inventories	4,321
Decrease (increase) in accounts receivable	619
(Decrease) increase in accounts payable	(959)
(Decrease) increase in salaries and benefits payable	(16,364)
(Decrease) increase in other postemployment benefits	596
(Decrease) increase in deferred revenue	<u>(35)</u>
Net cash used by operating activities	<u><u>(108,349)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$12,054 of federal commodities.

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2012

	<u>Agency</u>
	\$
Assets	
Cash and pooled investments	<u>737</u>
Liabilities	
Other payables	<u>737</u>
Net Assets	<u><u>-</u></u>

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies

Colo-NESCO 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 Colo, McCallsburg and Zearing, Iowa and the predominately agricultural territory in a portion of Story, Marshall and Hardin 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, Colo-NESCO 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 Colo-NESCO Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are 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 instruction, support and other costs.

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

The District's proprietary funds include three enterprise funds: the School Nutrition Fund, the Daycare Fund and the Preschool Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Daycare Fund is used to account for child care services and the Preschool Fund is used to account for preschool services.

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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.

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	1,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	3-10 years
Furniture and equipment	5-15 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.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

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

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

Unassigned – All amounts not included in other classifications.

E. Budgeting and Budgetary Control

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

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.

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$683,425 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
Nonmajor School Nutrition Fund	General Fund	113,295
Nonmajor, Daycare Fund	General Fund	191,181

The interfund receivable/payables are the result of loans to support cash flow in the various funds and are to be repaid in the next year.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor, Daycare Fund	General Fund	188,487
Nonmajor, School Nutrition Fund	General Fund	115,989

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

5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	1,539,240	21,946	1,561,186	-
Land	34,856	-	-	34,856
Total capital assets not being depr.	<u>1,574,096</u>	<u>21,946</u>	<u>1,561,186</u>	<u>34,856</u>
Capital assets being depreciated:				
Buildings	6,002,333	1,561,186	-	7,563,519
Improvements other than buildings	865,232	-	-	865,232
Furniture and equipment	2,991,405	-	-	2,991,405
Total capital assets being deprec.	<u>9,858,970</u>	<u>1,561,186</u>	<u>-</u>	<u>11,420,156</u>
Less accumulated depreciation for:				
Buildings	2,106,557	224,427	-	2,330,984
Improvements other than buildings	313,339	47,149	-	360,488
Furniture and equipment	2,984,296	26,928	-	3,011,224
Total accumulated depreciation	<u>5,404,192</u>	<u>298,504</u>	<u>-</u>	<u>5,702,696</u>
Total capital assets being depreciated, net	<u>4,454,778</u>	<u>1,262,682</u>	<u>-</u>	<u>5,717,460</u>
Governmental activities capital assets, net	<u>6,028,874</u>	<u>1,284,628</u>	<u>1,561,186</u>	<u>5,752,316</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	21,504	4,796	(180)	26,480
Less accumulated depreciation	<u>8,144</u>	<u>2,127</u>	<u>201</u>	<u>10,070</u>
Business type activities capital assets, net	<u>13,360</u>	<u>2,669</u>	<u>(381)</u>	<u>16,410</u>

Depreciation expense was charged to the following functions:

	Amount
	\$
Governmental activities:	
Instruction:	
Regular	26,928
Unallocated depreciation	<u>271,576</u>
Total depreciation expense – governmental activities	<u>298,504</u>
Business type activities:	
Food service	<u>2,127</u>

6. 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:					
Revenue bonds	3,615,000	430,000	-	4,045,000	230,000
Termination benefits	49,302	10,000	17,176	42,126	22,176
Net OPEB liability	<u>34,240</u>	<u>17,885</u>	<u>-</u>	<u>52,125</u>	<u>-</u>
Total	<u>3,698,542</u>	<u>457,885</u>	<u>17,176</u>	<u>4,139,251</u>	<u>252,176</u>
Business type activities:					
Net OPEB liability	<u>1,141</u>	<u>596</u>	<u>-</u>	<u>1,737</u>	<u>-</u>

Termination Benefits

At June 30, 2012, the District has obligations to two participants with a total liability of \$42,126. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$17,176.

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 2009			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	2.000	215,000	137,450	352,450
2014	3.000	215,000	132,075	347,075
2015	3.000	160,000	126,450	286,450
2016	3.25	145,000	121,694	266,694
2017	3.375	150,000	116,806	266,806
2018-2022	3.50-4.000	835,000	495,363	1,330,363
2023-2027	4.000-4.375	1,020,000	309,350	1,329,350
2028-2030	4.50	875,000	69,975	944,975
		<u>3,615,000</u>	<u>1,509,163</u>	<u>5,124,163</u>

Year Ending June 30,	Bond Issue of September 2011			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	4.500	15,000	19,013	34,013
2014	4.500	15,000	18,338	33,338
2015	4.500	15,000	17,663	32,663
2016	4.500	20,000	16,875	36,875
2017	4.500	20,000	15,975	35,975
2018-2022	4.500	105,000	66,262	171,262
2023-2027	4.500	135,000	39,487	174,487
2028-2030	4.500	105,000	7,987	112,987
		<u>430,000</u>	<u>201,600</u>	<u>631,600</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,615,000 bonds issued in November 2009 and September 2011. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 75% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$5,755,763. For the current year, no principal and \$146,050 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$524,294.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- \$336,428 of the proceeds from the bonds issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that 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 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 \$229,489, \$236,670, and \$203,574 respectively, equal to the required contributions for each year.

8. Risk Management

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$163,066 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.

10. 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 31 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	21,221
Interest on net OPEB obligation	884
Adjustment to annual required contribution	<u>(1,774)</u>
Annual OPEB cost	20,331
Contributions made	<u>1,850</u>
Increase in net OPEB obligation	18,481
Net OPEB obligation beginning of year	<u>35,381</u>
Net OPEB obligation end of year	<u>53,862</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$1,850 to the medical plan. Plan members eligible for benefits contributed \$31,774 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:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	18,841	5.70	17,766
2011	19,053	7.55	35,381
2012	20,331	9.10	53,862

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 \$147,230, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$147,230. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,150,000 and the ratio of the UAAL to covered payroll was 12.8%. As of June 30, 2012, there were no trust fund assets.

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

plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

The UAAL is being amortized over 30 years.

11. 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>
	\$
Gifted and talented	58,704
Teacher salary supplement	2,275
Home school assistance program	26,175
At-Risk	7,307
Preschool grant	44,393
Core curriculum	21,936
Educator quality, professional development	52,534
	<u>213,324</u>

13. Financial Condition

The Enterprise School Nutrition and Preschool Funds have deficit net asset balances of \$17,278 and \$48,621 respectively, at June 30, 2012. The General Fund also had a deficit fund balance of \$554,387

14. Operating Leases

The District has entered into an operating lease for copiers requiring 38 monthly payments of \$2,144 beginning March 23, 2011. Remaining payments due for each fiscal year are as follows:

	\$
June 30, 2013	25,722
June 30, 2014	<u>21,435</u>
	<u>47,157</u>

15. Lawsuits

The District is the subject of lawsuits which are being handled by the District's insurance company.

REQUIRED SUPPLEMENTARY INFORMATION

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2012

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,383,030	278,302	3,661,332	3,717,909	3,717,909	(56,577)
State sources	2,123,855	1,922	2,125,777	2,229,111	2,229,111	(103,334)
Federal sources	225,562	103,694	329,256	302,560	302,560	26,696
Total revenues	<u>5,732,447</u>	<u>383,918</u>	<u>6,116,365</u>	<u>6,249,580</u>	<u>6,249,580</u>	<u>(133,215)</u>
Expenditures/Expenses:						
Instruction	3,455,154	-	3,455,154	3,527,945	3,527,945	72,791
Support services	1,409,694	-	1,409,694	1,708,559	1,708,559	298,865
Non-instructional programs	271	388,808	389,079	358,985	358,985	(30,094)
Other expenditures	590,223	-	590,223	657,681	657,681	67,458
Total expenditures/expenses	<u>5,455,342</u>	<u>388,808</u>	<u>5,844,150</u>	<u>6,253,170</u>	<u>6,253,170</u>	<u>409,020</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	277,105	(4,890)	272,215	(3,590)	(3,590)	275,805
Other financing sources (uses) net	<u>127,422</u>	<u>309,452</u>	<u>436,874</u>	<u>-</u>	<u>-</u>	<u>436,874</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	404,527	304,562	709,089	(3,590)	(3,590)	712,679
Balance beginning of year	<u>78,279</u>	<u>(340,879)</u>	<u>(262,600)</u>	<u>26,533</u>	<u>26,533</u>	<u>(289,133)</u>
Balance end of year	<u><u>482,806</u></u>	<u><u>(36,317)</u></u>	<u><u>446,489</u></u>	<u><u>22,943</u></u>	<u><u>22,943</u></u>	<u><u>423,546</u></u>

COLO-NESCO COMMUNITY SCHOOL DISTRICT

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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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

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

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	166,776	166,776	0.0%	1,380,000	12.1%
2011	July 1, 2009	-	161,811	161,811	0.0%	1,410,000	11.5%
2012	July 1, 2009	-	147,230	147,230	0.0%	1,150,000	12.8%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

Assets	Special Revenue Funds			Total
	Management	Student	Debt	
	Levy	Activity	Service	
	\$	\$	\$	\$
Cash and pooled investments	156,362	47,298	309,497	513,157
Receivables:				
Property tax:				
Delinquent	879	-	-	879
Succeeding year	99,999	-	-	99,999
Interfund receivable	11,075	-	-	11,075
Total assets	268,315	47,298	309,497	625,110
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	640	-	640
Deferred revenue:				
Succeeding year property tax	99,999	-	-	99,999
Total liabilities	99,999	640	-	100,639
Fund balances:				
Restricted for:				
Debt service	-	-	309,497	309,497
Management levy	168,316	-	-	168,316
Student activities	-	46,658	-	46,658
Total fund balances	168,316	46,658	309,497	524,471
Total liabilities and fund balances	268,315	47,298	309,497	625,110

COLO-NESCO COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Special Revenue Funds			Total
	Management Levy	Student Activity	Debt Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	100,204	-	-	100,204
Other	8,361	116,255	-	124,616
State sources	43	-	-	43
Total revenues	<u>108,608</u>	<u>116,255</u>	<u>-</u>	<u>224,863</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	17,983	-	-	17,983
Other instruction	-	103,809	-	103,809
Support services:				
Administration services	6,745	-	-	6,745
Operation and maintenance of plant	88,247	-	-	88,247
Non-instructional programs	-	271	-	271
Other expenditures:				
Interest and fiscal charges	12,173	-	147,310	159,483
Total expenditures	<u>125,148</u>	<u>104,080</u>	<u>147,310</u>	<u>376,538</u>
Excess (deficiency) of revenues over (under) expenditures	(16,540)	12,175	(147,310)	(151,675)
Other financing sources (uses):				
Operating transfers in	-	-	387,007	387,007
Net change in fund balances	(16,540)	12,175	239,697	235,332
Fund balances beginning of year	<u>184,856</u>	<u>34,483</u>	<u>69,800</u>	<u>289,139</u>
Fund balances end of year	<u><u>168,316</u></u>	<u><u>46,658</u></u>	<u><u>309,497</u></u>	<u><u>524,471</u></u>

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2012

	Nonmajor Enterprise Funds			
	School Nutrition	Preschool	Daycare	Total
	\$	\$	\$	\$
Assets				
Accounts receivable	1,870	-	-	1,870
Due from other governments	604	-	-	604
Interfund receivable	115,989	-	191,181	307,170
Inventories	2,774	-	-	2,774
Capital assets, net of accumulated depreciation	16,410	-	-	16,410
Total assets	<u>137,647</u>	<u>-</u>	<u>191,181</u>	<u>328,828</u>
Liabilities				
Warrants in excess bank balance	127,040	48,621	161,075	336,736
Accounts payable	344	-	524	868
Salaries and benefits payable	20,536	-	-	20,536
Interfund payable	2,694	-	-	2,694
Deferred revenue	2,574	-	-	2,574
Net OPEB liability	1,737	-	-	1,737
Total liabilities	<u>154,925</u>	<u>48,621</u>	<u>161,599</u>	<u>365,145</u>
Net assets				
Invested in capital assets	16,410	-	-	16,410
Unrestricted	<u>(33,688)</u>	<u>(48,621)</u>	<u>29,582</u>	<u>(52,727)</u>
Total net assets	<u>(17,278)</u>	<u>(48,621)</u>	<u>29,582</u>	<u>(36,317)</u>

COLO-NESCO COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Nonmajor Enterprise Funds			Total
	School Nutrition	Preschool	Daycare	
	\$	\$	\$	\$
Operating revenue:				
Local sources:				
Charges for service	128,536	818	148,947	278,301
Operating expenses:				
Non-instructional programs:				
Salaries	105,947	-	95,729	201,676
Benefits	24,193	-	19,941	44,134
Purchased services	5,633	-	538	6,171
Supplies	130,168	-	4,532	134,700
Depreciation	1,600	-	527	2,127
Total operating expenses	267,541	-	121,267	388,808
Operating income (loss)	(139,005)	818	27,680	(110,507)
Non-operating revenue:				
State sources	1,922	-	-	1,922
Federal sources	101,794	-	1,900	103,694
Interest income	1	-	-	1
Total non-operating revenue	103,717	-	1,900	105,617
Income (loss) before contributions and transfers	(35,288)	818	29,580	(4,890)
Capital contributions	4,976	-	-	4,976
Transfers in	115,989	-	188,487	304,476
Total contributions and transfers	120,965	-	188,487	309,452
Change in net assets	85,677	818	218,067	304,562
Net assets beginning of year	(102,955)	(49,439)	(188,485)	(340,879)
Net assets end of year	(17,278)	(48,621)	29,582	(36,317)

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2012

	Nonmajor Enterprise Funds			
	School Nutrition	Preschool	Daycare	Total
	\$	\$	\$	\$
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	128,575	-	-	128,575
Cash received from preschool services	-	818	-	818
Cash received from daycare services	-	-	149,492	149,492
Cash payments to employees for services	(127,196)	(6,297)	(128,085)	(261,578)
Cash payments to suppliers for goods or services	(119,082)	(29)	(6,545)	(125,656)
Net cash provided (used) by operating activities	<u>(117,703)</u>	<u>(5,508)</u>	<u>14,862</u>	<u>(108,349)</u>
Cash flows from non-capital financing activities:				
Interfund loans	(103,090)	(43,113)	(177,837)	(324,040)
State grants received	1,922	-	-	1,922
Federal grants received	89,136	-	1,900	91,036
Net cash used by non-capital financing activities	<u>(12,032)</u>	<u>(43,113)</u>	<u>(175,937)</u>	<u>(231,082)</u>
Cash flows from capital and related financing activities:				
Interfund loans	2,694	-	-	2,694
Cash flows from investing activities:				
Interest on investments	1	-	-	1
Net increase (decrease) in cash and cash equivalents	(127,040)	(48,621)	(161,075)	(336,736)
Cash and cash equivalents at beginning of year	-	-	-	-
Cash and cash equivalents at end of year	<u>(127,040)</u>	<u>(48,621)</u>	<u>(161,075)</u>	<u>(336,736)</u>
Reconciliation of operating income (loss) to net cash used by operating activities:				
Operating income (loss)	(139,005)	818	27,680	(110,507)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:				
Commodities used	12,054	-	-	12,054
Depreciation	1,600	-	326	1,926
Decrease (increase) in inventories	4,321	-	-	4,321
Decrease (increase) in accounts receivable	74	-	545	619
(Decrease) increase in accounts payable	344	(29)	(1,274)	(959)
(Decrease) increase in salaries and benefits payable	2,348	(6,297)	(12,415)	(16,364)
(Decrease) increase in other postemployment benefits	596	-	-	596
(Decrease) increase in deferred revenue	(35)	-	-	(35)
Net cash provided (used) by operating activities	<u>(117,703)</u>	<u>(5,508)</u>	<u>14,862</u>	<u>(108,349)</u>

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Projects Accounts

June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash and pooled investments	429,676	36,312	465,988
Receivables:			
Property tax:			
Delinquent	-	622	622
Succeeding year	-	369,430	369,430
Due from other governments	80,145	-	80,145
Total assets	<u>509,821</u>	<u>406,364</u>	<u>916,185</u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	30,987	3,046	34,033
Deferred revenue:			
Succeeding year property tax	-	369,430	369,430
Total liabilities	<u>30,987</u>	<u>372,476</u>	<u>403,463</u>
Fund balances:			
Restricted for:			
Debt service	336,428	-	336,428
School infrastructure	142,406	-	142,406
Physical plant and equipment	-	33,888	33,888
Total fund balances	<u>478,834</u>	<u>33,888</u>	<u>512,722</u>
Total liabilities and fund balances	<u>509,821</u>	<u>406,364</u>	<u>916,185</u>

COLO-NESCO COMMUNITY SCHOOL DISTRICT

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	524,294	65,470	589,764
Other	16,861	317	17,178
State sources	-	26	26
Total revenues	<u>541,155</u>	<u>65,813</u>	<u>606,968</u>
Expenditures:			
Current:			
Support services:			
Instructional staff services	-	36,952	36,952
Administration services	750	-	750
Operation and maintenance of plant	-	4,069	4,069
Transportation services	-	11,666	11,666
Other expenditures:			
Facilities acquisition	155,636	92,140	247,776
Long-term debt fiscal charges	15,250	-	15,250
Total expenditures	<u>171,636</u>	<u>144,827</u>	<u>316,463</u>
Excess (deficiency) of revenues over (under) expenditures	<u>369,519</u>	<u>(79,014)</u>	<u>290,505</u>
Other financing sources (uses):			
Bonds issued	430,000	-	430,000
Operating transfers out	(387,007)	-	(387,007)
Total other financing sources (uses)	<u>42,993</u>	<u>-</u>	<u>42,993</u>
Net change in fund balance	412,512	(79,014)	333,498
Fund balances beginning of year	<u>66,322</u>	<u>112,902</u>	<u>179,224</u>
Fund balance end of year	<u><u>478,834</u></u>	<u><u>33,888</u></u>	<u><u>512,722</u></u>

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End
	Beginning of Year				of Year
	\$	\$	\$	\$	\$
Colo elem. beautification	566	-	187	(379)	-
Benevolence fund	1,002	100	7	(1)	1,094
Preschool/daycare	551	-	76	(475)	-
All athletics	27,042	36,846	39,098	(14,540)	10,250
Basketball	(9,102)	3,633	2,779	8,053	(195)
Track	(8,948)	1,016	923	8,855	-
Cross country	(1,242)	294	293	1,241	-
Golf	(1,476)	1,354	1,247	1,369	-
Football	6,964	-	2,227	(4,737)	-
Soccer	(4,395)	-	-	4,395	-
Baseball	(10,225)	-	75	10,300	-
Volleyball	1,055	3,660	3,571	(1,144)	-
Softball	656	256	112	(800)	-
Drama	1,866	1,862	1,322	-	2,406
Musical	2,995	-	-	31	3,026
Vocal/instrumental	(5,733)	15,900	7,001	6,833	9,999
HS student pictures	2,060	-	-	(2,060)	-
Student council	9,478	28,000	4,855	(24,571)	8,052
C-N FFA	7,824	13,455	16,531	(422)	4,326
Yearbook	(18,846)	3,115	2,426	18,157	-
"CAN"struction-ELP	4	-	-	(4)	-
Cheerleading	65	3,025	1,878	(377)	835
Band resale	(6,675)	2,648	2,526	6,596	43
Spanish club	5,300	-	-	(5,300)	-
Art club	844	-	35	-	809
C-N drill team	(55)	-	-	55	-
Flag team	(448)	275	197	370	-
SADD	253	-	-	(253)	-
FCS project	(259)	-	-	259	-
Class of 2009	(602)	-	-	602	-
Class of 2010	429	-	-	(429)	-
Class of 2011	1,495	-	-	(1,495)	-
MS student pictures	301	-	-	(301)	-
MS student activities	21,804	561	16,656	304	6,013
MS Mall of America	228	-	-	(228)	-
MS band resale	(6,150)	-	-	6,150	-
MS music fund	(8,129)	-	-	8,129	-
Colo publication	398	-	-	(398)	-
Elementary student pictures	10,230	-	-	(10,230)	-
Burg publication	456	-	-	(456)	-
Elementary student activities	2,584	-	58	(2,526)	-
District wide field trips	682	-	-	(682)	-
Interest	9,636	255	-	(9,891)	-
Total	34,483	116,255	104,080	-	46,658

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
Assets				
Cash	737	-	-	737
Liabilities				
Due to other governments	737	-	-	737

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Fund Types

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Local tax	3,089,266	2,447,193	2,448,691	2,248,328	2,185,659	2,367,722	2,459,777	2,402,408	2,339,244
Tuition	83,017	140,199	111,084	144,155	160,834	120,032	148,329	180,570	162,825
Other	210,747	223,332	214,103	388,711	277,042	204,272	193,172	175,732	163,088
State sources	2,123,855	2,263,545	1,802,742	2,407,920	2,400,234	2,419,171	2,386,039	2,443,418	2,182,324
Federal sources	225,562	341,050	353,811	133,982	74,734	148,884	153,665	179,857	158,876
Total revenues	<u>5,732,447</u>	<u>5,415,319</u>	<u>4,930,431</u>	<u>5,323,096</u>	<u>5,098,503</u>	<u>5,260,081</u>	<u>5,340,982</u>	<u>5,381,985</u>	<u>5,006,357</u>
Expenditures:									
Instruction:									
Regular instruction	2,288,157	2,588,097	2,479,799	2,329,822	3,129,147	3,024,625	2,863,768	2,982,512	2,897,890
Special instruction	506,216	476,891	428,947	490,006	-	-	-	-	-
Other instruction	660,781	541,517	537,881	523,564	-	-	-	-	-
Support services:									
Student services	26,319	41,247	9,683	62,535	10,040	5,247	17,463	20,691	12,303
Instructional staff services	153,527	133,203	139,049	158,661	89,851	122,933	148,152	77,960	61,545
Administration services	531,317	656,105	584,387	545,791	542,669	506,452	649,627	557,150	551,332
Operation and maintenance	475,532	585,562	517,834	477,215	489,383	477,426	459,601	374,492	397,724
Transportation services	222,999	300,017	226,733	299,560	363,321	274,575	193,857	211,734	272,007
Non-instructional programs	271	40	281	164	3,000	-	3,000	3,000	25,767
Other expenditures:									
Facilities acquisition	247,776	2,964,488	1,780,713	516,400	249,426	547,481	551,161	464,347	389,353
Long-term debt:									
Principal	-	-	-	-	-	-	-	17,211	36,787
Interest and other charges	179,381	162,867	-	-	-	-	-	772	1,598
AEA flowthrough	163,066	185,772	179,541	171,617	166,988	161,061	160,011	158,117	162,887
Total expenditures	<u>5,455,342</u>	<u>8,635,806</u>	<u>6,884,848</u>	<u>5,575,335</u>	<u>5,043,825</u>	<u>5,119,800</u>	<u>5,046,640</u>	<u>4,867,986</u>	<u>4,809,193</u>

See accompanying independent auditor's report.

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

To the Board of Education of
Colo-NESCO 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 Colo-NESCO 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 July 2, 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 Colo-NESCO Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Colo-NESCO 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 Colo-NESCO Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Colo-NESCO Community School District's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses as items 12-I-A and 12-I-B to be material weaknesses.

Compliance and Other Matters

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

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

Colo-NESCO Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Colo-NESCO 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 Colo-NESCO Community School District and other parties to whom Colo-NESCO Community School District may report and is not intended to be and should not be used by anyone other than these specified parties.

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

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

July 2, 2013

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2012

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Internal Control Deficiencies:

12-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, payroll processing, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important that District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

12-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

12-II-A Certified Budget: Expenditures for the year ended June 30, 2012, exceeded the amounts budgeted in the non-instructional function.

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

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

12-II-B 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.

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
PJ McBride, Board Member	Coaching	2,375
Bob Jamison, Board Member	Coaching	2,342

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

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

12-II-F Board Minutes: We noted that bills were not published timely and not all minutes were signed by the board president.

Recommendation: All bills should be published timely and the board minutes should be signed by the president and board secretary.

District Response: We will review our procedures and publish bills timely and have the president sign all minutes in the future.

Conclusion: Response accepted.

12-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

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

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2012

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

12-II-I Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

12-II-J Certified Annual Report: The Certified Annual Report was not certified to the Iowa Department of Education by September 15, 2012. We noted no significant deficiencies in the amounts reported.

Recommendation: In the future, the District should ensure the Certified Annual Report is timely certified to the Iowa Department of Education.

District Response: We will do so in the future.

Conclusion: Response accepted.

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

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

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

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

Conclusion: Response accepted.

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2012

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

	\$	\$
Beginning balance		66,322
Bonds issued		430,000
Revenues/transfers in:		
Statewide sales, services and use tax revenue	524,294	
Other	16,861	541,155
	<hr/>	
Expenditures/transfers out:		
School infrastructure construction	171,636	
Transfers to debt service fund	387,007	558,643
	<hr/>	<hr/>
Ending balance		<u>478,834</u>

12-II-M Deficit Balances: The District has a \$554,387 deficit General Fund balance, a \$17,278 deficit net assets balance in the Nutrition Fund, a \$48,621 deficit net assets balance in the Preschool Fund as of June 30, 201

;

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

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

Conclusion: Response accepted.

12-II-N Reclassification of Student Activity Fund Accounts: In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used of support only the extracurricular and co-curricular activities offered as part of the District's educational program. Some accounts reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

Recommendation: The District should review and reclassify these accounts to the appropriate fund in accordance with the guidelines.

District Response: We will review the Activity Fund accounts and make any necessary fund reclassifications.

Conclusion: Response accepted.

12-II-O Interfund loans: The Iowa Department of Education issued a declaratory order covering interfund loans. The Order states that all loans between funds must be approved by the board of directors, interest must be paid on the interfund loans and the loans must be repaid before the October 1, after each year-end.

Recommendation: The District should follow the declaratory order with respect to the interfund loans that are listed in Note 3 to the financial statements and any future interfund loans.

COLO-NESCO COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2012

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

District Response: We will review our procedures for interfund loans and will follow the declaratory order.

Conclusion: Response accepted.