

NORTH LINN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Net Assets	J	27
Statement of Changes in Net Assets	K	28
Notes to Financial Statements		29-42
Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of Funding Progress for the Retiree Health Plan		46
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	49
Capital Project Accounts:		
Combining Balance Sheet	3	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	51
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	52
Combining Statement of Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	6	53
Combining Statement of Changes in Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	7	54
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	8	55
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	9	56
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		57-58
Schedule of Findings		59-63

North Linn Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Douglas Winn	President	2011
Maureen McEvoy	Vice President	2013
Dan Buenz	Board Member	2011
Brad Winn	Board Member	2011
Debra Zumbach	Board Member	2013
James Meisheid	Board Member	2013
Mark Waring	Board Member	2013
(After September 2011 Election)		
James Meisheid	President	2013
Maureen McEvoy	Vice President	2013
Dan Buenz	Board Member	2015
Brad Winn	Board Member	2015
Debra Zumbach	Board Member	2013
Connie Helms	Board Member	2015
Mark Waring	Board Member	2013
School Officials		
Larry Boer	Superintendent	2012
Marge Holub	Business Manager/ District Secretary	2012
Gruhn Law Firm	Attorney	2012

North Linn Community School District

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
North Linn 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 the North Linn Community School District, Troy Mills, 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 the North Linn Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2013 on our consideration of the North Linn Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Linn 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 five years ended June 30, 2011 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Another auditor 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, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.



NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Linn 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 \$7,349,847 in fiscal 2011 to \$7,399,062 in fiscal 2012, while General Fund expenditures decreased from \$7,015,697 in fiscal 2011 to \$6,943,209 in fiscal 2012. This resulted in an increase in the District's General Fund balance from \$916,401 in fiscal 2011 to a balance of \$1,372,254 in fiscal 2012, a 49.74% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in federal sources during fiscal 2012. The decrease in expenditures was due primarily to decreases in instructional expenses of the District for fiscal 2012.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the non-major governmental funds.

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

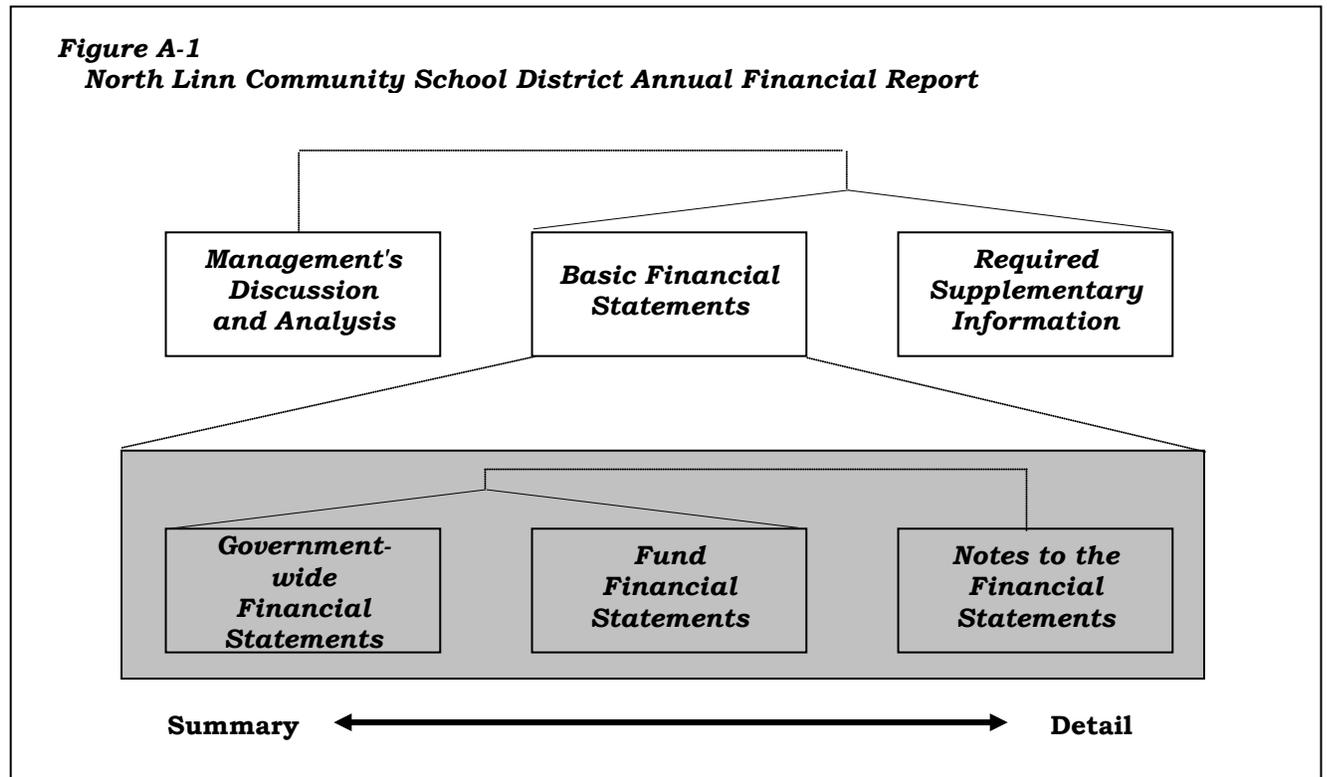


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
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, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due 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 position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for the 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 a trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations and activities of various student groups in this fund for the purpose of awarding scholarships to graduating seniors.
- Agency Fund - This is the fund through which the District administers and accounts for certain revenues and expenditures on behalf of other organizations.

The District is responsible for ensuring that 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.

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 12,741,130	15,017,303	44,118	45,674	12,785,248	15,062,977	-15.12%
Capital assets	7,729,846	4,014,370	27,237	29,020	7,757,083	4,043,390	91.85%
Total assets	20,470,976	19,031,673	71,355	74,694	20,542,331	19,106,367	7.52%
Long-term obligations	10,743,555	10,864,395	0	0	10,743,555	10,864,395	-1.11%
Other liabilities	4,715,613	3,808,655	23,728	21,904	4,739,341	3,830,559	23.72%
Total liabilities	15,459,168	14,673,050	23,728	21,904	15,482,896	14,694,954	5.36%
Net assets:							
Invested in capital assets, net of related debt	1,544,473	1,419,045	27,237	29,020	1,571,710	1,448,065	8.54%
Restricted	2,433,829	2,095,445	0	0	2,433,829	2,095,445	16.15%
Unrestricted	1,033,506	844,133	20,390	23,770	1,053,896	867,903	21.43%
Total net assets	\$ 5,011,808	4,358,623	47,627	52,790	5,059,435	4,411,413	14.69%

The District's combined net assets increased by 14.69%, or \$648,022, over the prior year.

Restricted net assets represents 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 \$338,384 or 16.15% over the prior year. The increase in restricted net assets can be attributed to the increase in fund balance for the Debt Service Fund and categorical funding in the General Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$185,993, or 21.43%. The increase is primarily due to the increase in fund balance of the General Fund.

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

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 615,426	626,383	208,115	229,194	823,541	855,577	-3.74%
Operating grants and contributions and restricted interest	530,775	640,826	121,283	123,130	652,058	763,956	-14.65%
General revenues:							
Property tax	2,754,626	2,626,046	0	0	2,754,626	2,626,046	4.90%
Income surtax	231,634	212,335	0	0	231,634	212,335	9.09%
Statewide sales, services and use tax	691,951	678,716	0	0	691,951	678,716	1.95%
Nonspecific program federal grants	144,463	74,621	0	0	144,463	74,621	93.60%
Unrestricted state grants	3,792,477	3,652,054	0	0	3,792,477	3,652,054	3.85%
Unrestricted investment earnings	15,705	12,163	420	5,131	16,125	17,294	-6.76%
Other	22,794	30,622	0	0	22,794	30,622	-25.56%
Total revenues and transfers	8,799,851	8,553,766	329,818	357,455	9,129,669	8,911,221	2.45%
Program expenses:							
Governmental activities:							
Instructional	4,899,270	5,006,464	0	0	4,899,270	5,006,464	-2.14%
Support services	2,434,885	2,591,950	1,069	323	2,435,954	2,592,273	-6.03%
Non-instructional programs	0	0	333,912	357,767	333,912	357,767	-6.67%
Other expenses	812,511	532,273	0	0	812,511	532,273	52.65%
Total expenses	8,146,666	8,130,687	334,981	358,090	8,481,647	8,488,777	-0.08%
Change in net assets	653,185	423,079	(5,163)	(635)	648,022	422,444	53.40%
Beginning net assets	4,358,623	3,935,544	52,790	53,425	4,411,413	3,988,969	10.59%
Ending net assets	\$ 5,011,808	4,358,623	47,627	52,790	5,059,435	4,411,413	14.69%

In fiscal 2012, property tax, income surtax and statewide sales, services and use tax and unrestricted state grants account for 84.90% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for nearly all of the revenue from business type activities.

The District's total revenues were approximately \$9.13 million of which approximately \$8.80 million was for governmental activities and approximately \$0.33 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.45% increase in revenues and a 0.08% decrease in expenses. Revenues from property tax increased \$128,580 and nonspecific program federal grants increased \$69,842. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$8,799,851 and expenses were \$8,146,666 for the year ended June 30, 2012.

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

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 4,899,270	5,006,464	-2.14%	4,039,434	4,057,709	-0.45%
Support services	2,434,885	2,591,950	-6.06%	2,419,911	2,573,834	-5.98%
Other expenses	812,511	532,273	52.65%	541,120	231,935	133.31%
Totals	\$ 8,146,666	8,130,687	0.20%	7,000,465	6,863,478	2.00%

- The cost financed by users of the District's programs was \$615,426.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$530,775.
- The net cost of governmental activities was financed with \$2,754,626 in property tax, \$231,634 in income surtax, \$691,951 in statewide sales, services and use tax, \$144,463 in nonspecific program federal grants, \$3,792,477 in unrestricted state grants, \$15,705 in interest income and \$22,794 in other revenues.

Business type Activities

Revenues of the District's business type activities were \$329,818 and expenses were \$334,981. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$7,948,834, below last year's ending fund balances of a \$11,028,876. The primary reason for the decrease in governmental fund balance can be attributed to the decrease in fund balance of the Capital Project Fund due on going construction projects.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Increases in federal source revenues combined with a decrease in instructional expenditures were contributing factors to the increase in General Fund balance during fiscal 2012. The District's General Fund balance increased from \$916,401 in fiscal 2011 to a balance of \$1,372,254 in fiscal 2012.
- The Capital Projects Fund balance decreased from \$9,220,057 in fiscal 2011 to \$5,327,486 in fiscal 2012. The General Obligation Construction Fund balance decreased from \$2,404,611 at the end of fiscal 2011 to \$0 at the end of fiscal 2012. The Statewide Sales, Service and Use Tax Fund balance decreased from \$1,103,163 at June 30, 2011, to \$1,019,563 at June 30, 2012. The Revenue Bond Construction Fund balance decreased from \$5,674,064 at the end of fiscal 2011 to \$4,259,627 at the end of fiscal 2012. Lastly, the Physical Plant and Equipment Levy Fund balance increased from \$37,219 at June 30, 2011, to \$48,296 at June 30, 2012.
- The Debt Service Fund balance increased from \$529,115 at the end of fiscal year 2011 to \$917,175 at the end of fiscal year 2012. Transfers from the Capital Projects: Statewide Sales, Services and Use Tax Fund in excess or revenue bond payments caused an increase in fund balance for fiscal 2012.

Proprietary Fund Highlights

The Proprietary Funds net assets decreased from \$52,790 at June 30, 2011 to \$47,627 at June 30, 2012, representing a decrease of 9.78%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$183,586 more than budgeted revenues, a variance of 2.05%. The most significant variance resulted from the District receiving more in local source revenues than originally anticipated.

Initially, total disbursements were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget disbursements 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 disbursements for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$7,757,083, 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 amount represents a net increase of 91.85% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$221,969.

The original cost of the District's capital assets was \$12,288,198. Governmental funds account for \$12,190,653 with the remainder of \$97,545 in the Proprietary fund, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$219,878 at June 30, 2011, compared to \$4,041,235 reported at June 30, 2012. The main reason for the increase in construction in progress is due to the district's construction on an elementary building addition progressing throughout fiscal 2012.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2011-12
Land	\$ 30,487	30,487	0	0	30,487	30,487	0.00%
Construction in progress	4,041,235	219,878	0	0	4,041,235	219,878	1737.94%
Buildings	3,245,435	3,341,875	0	0	3,245,435	3,341,875	-2.89%
Land improvements	191,359	201,223	0	0	191,359	201,223	-4.90%
Machinery and equipment	221,330	220,907	27,237	29,020	248,567	249,927	-0.54%
Total	\$ 7,729,846	4,014,370	27,237	29,020	7,757,083	4,043,390	91.85%

Long-Term Debt

At June 30, 2012, the District had \$10,743,555 in general obligation and other long-term debt outstanding. This represents a decrease of 1.11% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds of \$4,090,000 at June 30, 2012.

The District had outstanding revenue bonds of \$6,355,000 at June 30, 2012.

The District had early retirement payable of \$127,881 at June 30, 2012.

The District had a net OPEB liability of \$170,674 at June 30, 2012.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30, 2012	June 30, 2011	June 30, 2011-12
General obligation bonds	\$ 4,090,000	4,320,000	-5.32%
Revenue bonds	6,355,000	6,355,000	0.00%
Early retirement	127,881	90,430	41.41%
Net OPEB liability	170,674	98,965	72.46%
Totals	\$ 10,743,555	10,864,395	-1.11%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- On July 1, 2012 IPERS increase to 8.67% will increase North Linn Community Schools employer benefits costs during fiscal 2013. An additional increase to 8.93% is anticipated for FY14. This will increase North Linn Community Schools' employer benefit costs significantly over the next few years.

-
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

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 Megan Liebe, Business Manager/District Secretary, North Linn Community School District, 3033 Lynx Drive, P.O. Box 200, Troy Mills, Iowa, 52344.

BASIC FINANCIAL STATEMENTS

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments:	\$ 9,264,157	37,731	9,301,888
Receivables:			
Property tax:			
Delinquent	48,013	0	48,013
Succeeding year	2,941,375	0	2,941,375
Income surtax	212,752	0	212,752
Accounts	220	240	460
Due from other governments	274,613	0	274,613
Inventories	0	6,147	6,147
Capital assets, net of accumulated depreciation	7,729,846	27,237	7,757,083
TOTAL ASSETS	20,470,976	71,355	20,542,331
LIABILITIES			
Accounts payable	993,764	0	993,764
Salaries and benefits payable	636,783	19,462	656,245
Interest payable	136,069	0	136,069
Deferred revenue:			
Succeeding year property tax	2,941,375	0	2,941,375
Other	7,622	0	7,622
Unearned revenue	0	4,266	4,266
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	315,000	0	315,000
Revenue bonds payable	260,000	0	260,000
Early retirement payable	33,851	0	33,851
Portion due after one year:			
General obligation bonds payable	3,775,000	0	3,775,000
Revenue bonds payable	6,095,000	0	6,095,000
Early retirement payable	94,030	0	94,030
Net OPEB liability	170,674	0	170,674
TOTAL LIABILITIES	15,459,168	23,728	15,482,896
NET ASSETS			
Invested in capital assets, net of related debt	1,544,473	27,237	1,571,710
Restricted for:			
Categorical funding	217,844	0	217,844
Debt service	917,175	0	917,175
Management levy purposes	74,812	0	74,812
Student activity	156,139	0	156,139
School infrastructure	1,019,563	0	1,019,563
Physical plant and equipment	48,296	0	48,296
Unrestricted	1,033,506	20,390	1,053,896
TOTAL NET ASSETS	\$ 5,011,808	47,627	5,059,435

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,214,023	248,446	45,742	(2,919,835)	0	(2,919,835)
Special	679,256	98,564	35,968	(544,724)	0	(544,724)
Other	1,005,991	257,695	173,421	(574,875)	0	(574,875)
	<u>4,899,270</u>	<u>604,705</u>	<u>255,131</u>	<u>(4,039,434)</u>	<u>0</u>	<u>(4,039,434)</u>
Support services:						
Student	177,763	0	0	(177,763)	0	(177,763)
Instructional staff	371,875	0	3,590	(368,285)	0	(368,285)
Administration	795,893	0	0	(795,893)	0	(795,893)
Operation and maintenance of plant	702,274	0	0	(702,274)	0	(702,274)
Transportation	387,080	10,721	663	(375,696)	0	(375,696)
	<u>2,434,885</u>	<u>10,721</u>	<u>4,253</u>	<u>(2,419,911)</u>	<u>0</u>	<u>(2,419,911)</u>
Long-term debt interest	402,680	0	0	(402,680)	0	(402,680)
Other expenses:						
AEA flowthrough	271,391	0	271,391	0	0	0
Depreciation(unallocated)*	138,440	0	0	(138,440)	0	(138,440)
	<u>409,831</u>	<u>0</u>	<u>271,391</u>	<u>(138,440)</u>	<u>0</u>	<u>(138,440)</u>
Total governmental activities	<u>8,146,666</u>	<u>615,426</u>	<u>530,775</u>	<u>(7,000,465)</u>	<u>0</u>	<u>(7,000,465)</u>
Business type activities:						
Support services:						
Administration	39	0	0	0	(39)	(39)
Operation of maintenance and plant	1,030	0	0	0	(1,030)	(1,030)
Total support services	<u>1,069</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,069)</u>	<u>(1,069)</u>
Non-instructional programs:						
Nutrition services	333,912	208,115	121,283	0	(4,514)	(4,514)
Total business type activities	<u>334,981</u>	<u>208,115</u>	<u>121,283</u>	<u>0</u>	<u>(5,583)</u>	<u>(5,583)</u>
Total	<u>\$ 8,481,647</u>	<u>823,541</u>	<u>652,058</u>	<u>(7,000,465)</u>	<u>(5,583)</u>	<u>(7,006,048)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,407,713	0	2,407,713
Debt service				291,573	0	291,573
Capital outlay				55,340	0	55,340
Income surtax				231,634	0	231,634
Statewide sales, services and use tax				691,951	0	691,951
Nonspecific program federal grants				144,463	0	144,463
Unrestricted state grants				3,792,477	0	3,792,477
Unrestricted investment earnings				15,705	420	16,125
Other				22,794	0	22,794
Total general revenues				<u>7,653,650</u>	<u>420</u>	<u>7,654,070</u>
Changes in net assets				653,185	(5,163)	648,022
Net assets beginning of year				<u>4,358,623</u>	<u>52,790</u>	<u>4,411,413</u>
Net assets end of year				<u>\$ 5,011,808</u>	<u>47,627</u>	<u>5,059,435</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 2,093,300	5,927,700	912,093	331,064	9,264,157
Receivables:					
Property tax:					
Delinquent	40,312	964	5,082	1,655	48,013
Succeeding year	2,333,037	57,767	424,571	126,000	2,941,375
Income surtax	212,752	0	0	0	212,752
Accounts	220	0	0	0	220
Due from other governments	161,417	113,196	0	0	274,613
TOTAL ASSETS	\$ 4,841,038	6,099,627	1,341,746	458,719	12,741,130
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 279,390	714,374	0	0	993,764
Salaries and benefits payable	635,983	0	0	800	636,783
Deferred revenue:					
Succeeding year property tax	2,333,037	57,767	424,571	126,000	2,941,375
Income surtax	212,752	0	0	0	212,752
Other	7,622	0	0	0	7,622
Total liabilities	3,468,784	772,141	424,571	126,800	4,792,296
Fund balances:					
Restricted for:					
Categorical funding	217,844	0	0	0	217,844
Construction	0	4,259,627	0	0	4,259,627
Debt service	0	0	917,175	0	917,175
Management levy purposes	0	0	0	175,780	175,780
Student activity	0	0	0	156,139	156,139
School infrastructure	0	1,019,563	0	0	1,019,563
Physical plant and equipment	0	48,296	0	0	48,296
Unassigned	1,154,410	0	0	0	1,154,410
Total fund balances	1,372,254	5,327,486	917,175	331,919	7,948,834
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,841,038	6,099,627	1,341,746	458,719	12,741,130

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN 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(page 20)	\$	7,948,834
 <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.		7,729,846
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		212,752
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.		(136,069)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, early retirement 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>(10,743,555)</u>
Net assets of governmental activities(page 18)	\$	<u>5,011,808</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,545,050	747,291	291,573	94,934	3,678,848
Tuition	304,900	0	0	0	304,900
Other	96,090	8,203	0	259,163	363,456
State sources	4,182,708	33	173	56	4,182,970
Federal sources	270,314	0	0	0	270,314
Total revenues	<u>7,399,062</u>	<u>755,527</u>	<u>291,746</u>	<u>354,153</u>	<u>8,800,488</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	3,170,956	0	0	42,391	3,213,347
Special	679,256	0	0	0	679,256
Other	757,065	0	0	244,659	1,001,724
	<u>4,607,277</u>	<u>0</u>	<u>0</u>	<u>287,050</u>	<u>4,894,327</u>
Support services:					
Student	177,763	0	0	0	177,763
Instructional staff	321,512	50,363	0	0	371,875
Administration	708,061	750	6,775	2,791	718,377
Operation and maintenance of plant	521,984	0	0	95,696	617,680
Transportation	335,221	19,965	0	0	355,186
	<u>2,064,541</u>	<u>71,078</u>	<u>6,775</u>	<u>98,487</u>	<u>2,240,881</u>
Capital outlays	0	3,936,724	0	0	3,936,724
Long-term debt:					
Principal	0	0	1,640,000	0	1,640,000
Interest and fiscal charges	0	0	300,228	0	300,228
	<u>0</u>	<u>0</u>	<u>1,940,228</u>	<u>0</u>	<u>1,940,228</u>
Other expenditures:					
AEA flowthrough	271,391	0	0	0	271,391
TOTAL EXPENDITURES	<u>6,943,209</u>	<u>4,007,802</u>	<u>1,947,003</u>	<u>385,537</u>	<u>13,283,551</u>
Excess(Deficiency) of revenues over(under) expenditures	455,853	(3,252,275)	(1,655,257)	(31,384)	(4,483,063)
Other financing sources(uses):					
Transfer in	0	0	640,296	0	640,296
Transfer out	0	(640,296)	0	0	(640,296)
Discount on bond issuance	0	0	(6,979)	0	(6,979)
General obligation bond issuance	0	0	1,410,000	0	1,410,000
Total other financing sources(uses)	<u>0</u>	<u>(640,296)</u>	<u>2,043,317</u>	<u>0</u>	<u>1,403,021</u>
Net change in fund balances	455,853	(3,892,571)	388,060	(31,384)	(3,080,042)
Fund balance beginning of year	916,401	9,220,057	529,115	363,303	11,028,876
Fund balance end of year	<u>\$ 1,372,254</u>	<u>5,327,486</u>	<u>917,175</u>	<u>331,919</u>	<u>7,948,834</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN 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(page 22) \$ (3,080,042)

**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. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 3,932,859	
Depreciation expense	(217,383)	3,715,476

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

Issued	(1,410,000)	
Repaid	1,640,000	230,000

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (637)

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. (102,452)

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.

Early retirement	(37,451)	
Other postemployment benefits	(71,709)	(109,160)

Changes in net assets of governmental activities(page 19) \$ 653,185

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	School Nutrition
ASSETS	
Cash and cash equivalents	\$ 37,731
Accounts receivable	240
Inventories	6,147
Capital assets, net of accumulated depreciation	27,237
TOTAL ASSETS	71,355
LIABILITIES	
Salaries and benefits payable	19,462
Unearned revenue	4,266
TOTAL LIABILITIES	23,728
NET ASSETS	
Invested in capital assets	27,237
Unrestricted	20,390
TOTAL NET ASSETS	\$ 47,627

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 208,115
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	39
Operation and maintenance of plant:	
Services	1,030
Non-instructional programs:	
Food service operations:	
Salaries	111,566
Benefits	17,978
Services	28,751
Supplies	171,031
Depreciation	4,586
	333,912
TOTAL OPERATING EXPENSES	334,981
OPERATING LOSS	(126,866)
NON-OPERATING REVENUES:	
State sources	3,226
Federal sources	118,057
Interest income	420
TOTAL NON-OPERATING REVENUES	121,703
Change in net assets	(5,163)
Net assets beginning of year	52,790
Net assets end of year	\$ 47,627

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 208,591
Cash payments to employees for services	(127,761)
Cash payments to suppliers for goods or services	(182,203)
Net cash used in operating activities	(101,373)
Cash flows from non-capital financing activities:	
Repayments to General Fund	(6,836)
State grants received	3,226
Federal grants received	102,895
Net cash provided by non-capital financing activities	99,285
Cash flows from capital financing activities:	
Acquisition of capital assets	(2,803)
Cash flows from investing activities:	
Interest on investments	420
Net decrease in cash and cash equivalents	(4,471)
Cash and cash equivalents at beginning of year	42,202
Cash and cash equivalents at end of year	\$ 37,731
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (126,866)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	15,162
Depreciation	4,586
Decrease in inventories	3,526
Decrease in accounts receivable	395
Decrease in accounts payable	(40)
Increase in salaries and benefits payable	1,783
Increase in unearned revenue	81
Net cash used in operating activities	\$ (101,373)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$15,162.

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	\$ 17,609	114
LIABILITIES		
Due to other groups	0	114
NET ASSETS		
Restricted for scholarships	\$ 17,609	0

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2012

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 6,273
Interest	126
Total additions	6,399
 Deductions:	
Instruction:	
Regular:	
Scholarships awarded	2,350
 Change in net assets	4,049
 Net assets beginning of year	13,560
 Net assets end of year	\$ 17,609

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(1) **Summary of Significant Accounting Policies**

The North Linn Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Walker, Troy Mills and Coggon, Iowa, and the predominate agricultural territory in Benton, Buchanan, Delaware and Linn Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, North Linn Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The North Linn Community School District has no component units which 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 do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Benton, Buchanan, Delaware and Linn Counties Assessors' 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 that are attributed to the acquisition, construction, or improvement of those assets. Unspent bond proceeds for construction of capital assets have been added to invested in capital assets, net of related debt.

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

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that 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 that are 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 other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts 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 expenses, including instructional, support and other costs.

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

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

The District's non-major proprietary fund is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net

assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on a 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 Balances

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, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are 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 that the tax asking is certified by the Board of Education. Delinquent property tax

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% 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, machinery 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 repairs 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.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Land improvements	20 years
Intangibles	2+ years
Machinery and equipment	4-12 years

Salaries and Benefits Payable - Payroll and related expenditures corresponding to the current school year, which is 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 on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

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 spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally

imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits 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 and the Treasurer of the State of Iowa; 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 Direct Government Obligations Portfolio which are valued at an amortized cost of \$3,217,499 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) **Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects Statewide Sales, Services and Use Tax	<u>\$ 640,296</u>

The transfer from the Capital Projects: Statewide Sales, Services, and Use Tax Fund was needed to pay the principal and interest on the District's revenue bond indebtedness.

(4) 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:				
Land	\$ 30,487	0	0	30,487
Construction in progress	219,878	3,821,357	0	4,041,235
Total capital assets not being depreciated	<u>250,365</u>	<u>3,821,357</u>	<u>0</u>	<u>4,071,722</u>
Capital assets being depreciated:				
Buildings	5,986,181	19,308	0	6,005,489
Land improvements	622,510	12,828	0	635,338
Machinery and equipment	1,593,862	79,366	195,124	1,478,104
Total capital assets being depreciated	<u>8,202,553</u>	<u>111,502</u>	<u>195,124</u>	<u>8,118,931</u>
Less accumulated depreciation for:				
Buildings	2,644,306	115,748	0	2,760,054
Land improvements	421,287	22,692	0	443,979
Machinery and equipment	1,372,955	78,943	195,124	1,256,774
Total accumulated depreciation	<u>4,438,548</u>	<u>217,383</u>	<u>195,124</u>	<u>4,460,807</u>
Total capital assets being depreciated, net	<u>3,764,005</u>	<u>(105,881)</u>	<u>0</u>	<u>3,658,124</u>
Governmental activities capital assets, net	<u>\$ 4,014,370</u>	<u>3,715,476</u>	<u>0</u>	<u>7,729,846</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 94,742	2,803	0	97,545
Less accumulated depreciation	65,722	4,586	0	70,308
Business type activities capital assets, net	<u>\$ 29,020</u>	<u>(1,783)</u>	<u>0</u>	<u>27,237</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 8,677
Other	4,267
Support services:	
Administration	3,227
Operation and maintenance of plant	6,363
Transportation	56,409
	<u>78,943</u>
Unallocated depreciation	<u>138,440</u>
Total governmental activities depreciation expense	<u>\$ 217,383</u>
Business type activities:	
Food service operations	<u>\$ 4,586</u>

(5) **Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 4,320,000	1,410,000	1,640,000	4,090,000	315,000
Revenue bonds	6,355,000	0	0	6,355,000	260,000
Early retirement	90,430	78,580	41,129	127,881	33,851
Net OPEB liability	98,965	116,439	44,730	170,674	0
Total	\$ 10,864,395	1,605,019	1,725,859	10,743,555	608,851

General Obligation Bonds Payable

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

On April 17, 2012, the District issued 1,410,000 of general obligation refunding bonds, with interest rates ranging from 0.40 to 1.00% for a refunding of a portion of the general obligation bonds issued June 1, 2003. The District used the proceeds to pay the \$1,370,000 of principal outstanding of the refunded general obligation bonds when they became callable on June 1, 2012. The present value of savings of the refunding is \$74,501.

Year Ending June 30,	Bond Issue of June 1, 2011			Bond Issue of March 1, 2012			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2013	- % \$	-	98,818	0.40 % \$	315,000	9,752	\$ 315,000	108,570	423,570
2014	-	-	98,818	0.50	320,000	7,430	320,000	106,248	426,248
2015	-	-	98,818	0.60	320,000	5,830	320,000	104,648	424,648
2016	-	-	98,817	0.80	320,000	3,910	320,000	102,727	422,727
2017	-	-	98,818	1.00	135,000	1,350	135,000	100,168	235,168
2018-2022	2.55-3.40	770,000	452,598	-	-	-	770,000	452,598	1,222,598
2023-2027	3.50-4.00	965,000	309,567	-	-	-	965,000	309,567	1,274,567
2028-2031	4.10-4.25	945,000	101,030	-	-	-	945,000	101,030	1,046,030
Total		\$ 2,680,000	1,357,284		\$ 1,410,000	28,272	\$ 4,090,000	1,385,556	5,475,556

Revenue Bonds

Details of the District's June 30, 2012 revenue bond indebtedness is as follows:

Year Ending June 30,	Bond Issue of June 1, 2011				
	Interest Rates		Principal	Interest	Total
2013	2.00	% \$	260,000	245,037	505,037
2014	2.00		270,000	239,737	509,737
2015	2.00		280,000	234,237	514,237
2016	2.40		290,000	227,957	517,957
2017	2.70		300,000	220,428	520,428
2018-2022	3.00-4.00		1,640,000	949,645	2,589,645
2023-2027	4.20-5.00		1,950,000	583,275	2,533,275
2028-2030	5.00-5.05		1,365,000	105,310	1,470,310
Total			<u>\$ 6,355,000</u>	<u>2,805,626</u>	<u>9,160,626</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$6,355,000 bonds issued in June 2011. The bonds were issued for the purpose of financing school renovations. 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 73% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$9,160,626. For the current year, \$144,455 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$691,951.

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

- a) \$528,274 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) Monthly transfers from the statewide sales, services and use tax shall be placed in the revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

Early Retirement

The District offers a voluntary early retirement plan to its licensed employees, administrators and board secretary. This voluntary early retirement plan is offered annually at the Board's discretion. Eligible employees must have been at least age fifty-five and have completed twenty years of consecutive service to the District. Employees must have completed an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to one-third of the employee's contracted

teaching salary. Contracted extra-curricular salary, Phase II, Phase III, and Teacher Quality payments are excluded from the salary schedule for determining the employee's contracted salary. In addition to the cash payment, the retiree will receive \$400 per month deposited into a Health Reimbursement Account to be used for eligible medical expenses as defined by IRS Code 213. Employees will receive early retirement benefits in two payments the year following separation from the District. Early retirement benefits paid during the year ended June 30, 2012 totaled \$41,129.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$338,709, \$287,569, and \$272,022 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 63 active and 11 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Mercer. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), 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 June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 122,897
Interest on net OPEB obligation	2,474
Adjustment to annual required contribution	<u>(8,932)</u>
Annual OPEB cost	116,439
Contributions made	<u>(44,730)</u>
Increase in net OPEB obligation	71,709
Net OPEB obligation - beginning of year	<u>98,965</u>
 Net OPEB obligation - end of year	 <u><u>\$ 170,674</u></u>

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

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 114,760	54.59%	\$ 52,112
2011	111,908	58.13%	98,965
2012	116,439	38.41%	170,674

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 \$985,357, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$890,357. The covered payroll (annual payroll of active employees covered by the plan) was \$3,457,825 and the ratio of the UAAL to the covered payroll was 25.7%. 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 healthcare 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 the 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 that

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

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a gender-specific basis. Annual retirement assumptions were developed using tables contained in the 2006 Society of Actuaries Study.

(8) Risk Management

North Linn 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 \$271,391 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) Construction Commitments

The District has entered into architectural services contract of \$534,140, and a construction contract totaling \$7,747,450 for an elementary addition project. As of June 30, 2012 \$499,344 had been incurred against the architect's contract, while \$3,232,584 had been paid against the construction contract. The remaining balances of these two contracts will be paid as work on the project progresses. Once the project is completed, the architectural and building costs will be capitalized in the District's capital asset listing.

(11) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 10
Gifted and talented	3,055
Dropout and dropout prevention	50,002
Teacher salary supplement	55,685
Iowa early intervention block grant	640
Statewide voluntary preschool program grants	85,659
Professional development model core curriculum	16,240
Professional development	3,279
Market factor incentives	3,274
Total	<u>\$ 217,844</u>

REQUIRED SUPPLEMENTARY INFORMATION

NORTH LINN COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,347,204	208,535	4,555,739	4,409,781	4,409,781	145,958
State sources	4,182,970	3,226	4,186,196	4,198,839	4,198,839	(12,643)
Federal sources	270,314	118,057	388,371	338,100	338,100	50,271
Total revenues	8,800,488	329,818	9,130,306	8,946,720	8,946,720	183,586
Expenditures/Expenses:						
Instruction	4,894,327	0	4,894,327	5,347,313	5,347,313	452,986
Support services	2,240,881	1,069	2,241,950	2,569,272	2,569,272	327,322
Non-instructional programs	0	333,912	333,912	450,000	450,000	116,088
Other expenditures	6,148,343	0	6,148,343	10,784,609	10,784,609	4,636,266
Total expenditures/expenses	13,283,551	334,981	13,618,532	19,151,194	19,151,194	5,532,662
Deficiency of revenues under expenditures/expenses	(4,483,063)	(5,163)	(4,488,226)	(10,204,474)	(10,204,474)	5,716,248
Other financing sources, net	1,403,021	0	1,403,021	135,000	135,000	1,268,021
Deficiency of revenues over expenditures/expenses	(3,080,042)	(5,163)	(3,085,205)	(10,069,474)	(10,069,474)	6,984,269
Balance beginning of year	11,028,876	52,790	11,081,666	10,795,968	10,795,968	285,698
Balance end of year	\$ 7,948,834	47,627	7,996,461	726,494	726,494	7,269,967

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

NORTH LINN 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		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	\$ -	\$ 1,074,498	\$ 1,074,498	0.0%	\$ 3,429,162	31.3%
2011	July 1, 2009	\$ -	\$ 985,357	\$ 985,357	0.0%	\$ 3,492,585	28.2%
2012	July 1, 2009	\$ -	\$ 890,357	\$ 890,357	0.0%	\$ 3,457,825	25.7%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

NORTH LINN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 174,925	156,139	331,064
Receivables:			
Property tax:			
Delinquent	1,655	0	1,655
Succeeding year	126,000	0	126,000
TOTAL ASSETS	\$ 302,580	156,139	458,719
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and benefits payable	\$ 800	0	800
Deferred revenue:			
Succeeding year property tax	126,000	0	126,000
Total liabilities	126,800	0	126,800
Fund balances:			
Restricted for:			
Management levy purposes	175,780	0	175,780
Student activity	0	156,139	156,139
Total fund balances	175,780	156,139	331,919
TOTAL LIABILITIES AND FUND BALANCES	\$ 302,580	156,139	458,719

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Special Revenue		
	Manage-	Student	Total
	ment Levy	Activity	
REVENUES:			
Local sources:			
Local tax	\$ 94,934	0	94,934
Other	10,561	248,602	259,163
State sources	56	0	56
TOTAL REVENUES	<u>105,551</u>	<u>248,602</u>	<u>354,153</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	42,391	0	42,391
Other	0	244,659	244,659
Support services:			
Administration	2,791	0	2,791
Operation and maintenance of plant	95,696	0	95,696
TOTAL EXPENDITURES	<u>140,878</u>	<u>244,659</u>	<u>385,537</u>
Net change in fund balances	(35,327)	3,943	(31,384)
Fund balance beginning of year	211,107	152,196	363,303
Fund balance end of year	<u>\$ 175,780</u>	<u>156,139</u>	<u>331,919</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects			
	Statewide Sales, Service and Use Tax	Revenue Bond Construction	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 912,940	4,967,428	47,332	5,927,700
Receivables:				
Property tax:				
Delinquent	0	0	964	964
Succeeding year	0	0	57,767	57,767
Due from other governments	113,196	0	0	113,196
TOTAL ASSETS	\$ 1,026,136	4,967,428	106,063	6,099,627
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 6,573	707,801	0	714,374
Deferred revenue:				
Succeeding year property tax	0	0	57,767	57,767
Total liabilities	6,573	707,801	57,767	772,141
Fund balances:				
Restricted for:				
Construction	0	4,259,627	0	4,259,627
School infrastructure	1,019,563	0	0	1,019,563
Physical plant and equipment	0	0	48,296	48,296
Total fund balances	1,019,563	4,259,627	48,296	5,327,486
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,026,136	4,967,428	106,063	6,099,627

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2012

	Capital Projects				
	General Obligation Bond Construction	Statewide Sales, Service and Use Tax	Revenue Bond Construction	Physical Plant and Equipment Levy	Total
REVENUES:					
Local sources:					
Local tax	\$ 0	691,951	0	55,340	747,291
Other	2,491	5,712	0	0	8,203
State sources	0	0	0	33	33
TOTAL REVENUES	2,491	697,663	0	55,373	755,527
EXPENDITURES:					
Current:					
Support services:					
Instructional staff	0	50,363	0	0	50,363
Administration	0	750	0	0	750
Transportation	0	19,965	0	0	19,965
Capital outlays	2,407,102	69,889	1,415,437	44,296	3,936,724
TOTAL EXPENDITURES	2,407,102	140,967	1,415,437	44,296	4,007,802
Excess(Deficiency) of revenues over(under) expenditures	(2,404,611)	556,696	(1,415,437)	11,077	(3,252,275)
Other financing uses:					
Transfer out	0	(640,296)	0	0	(640,296)
Net change in fund balance	(2,404,611)	(83,600)	(1,415,437)	11,077	(3,892,571)
Fund balance beginning of year	2,404,611	1,103,163	5,675,064	37,219	9,220,057
Fund balance end of year	\$ 0	1,019,563	4,259,627	48,296	5,327,486

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Track	\$ 41	6,242	6,283	0
Golf	108	712	820	0
Boys Basketball	10,808	15,197	13,665	12,340
Football	10,030	14,318	8,545	15,803
Baseball	68	3,582	3,650	0
Wrestling	20,948	28,322	19,388	29,882
Girls Basketball	10,011	13,544	10,595	12,960
Volleyball	5,689	7,484	6,109	7,064
Softball	142	3,088	3,230	0
Class of 2011	120	0	120	0
Class of 2012	3,925	0	3,783	142
Class of 2013	0	14,921	11,817	3,104
Speech	1,802	1,735	1,575	1,962
Vocal Music	1,061	8,994	5,067	4,988
Instrumental Music	918	4,177	2,995	2,100
Entrepreneurship	539	0	0	539
Publication	16,158	9,162	13,631	11,689
Cheerleaders	1	5,954	4,492	1,463
Pom Pom Squad	30	4,182	3,267	945
Peer Groups	1	0	0	1
National Honor Society	3,577	1,025	135	4,467
HS Student Council	12,620	2,938	4,132	11,426
FFA	28,199	56,710	69,455	15,454
FCCLA	323	630	773	180
Weight Room	11,012	53	4,490	6,575
MS Student Council	10,184	13,477	22,078	1,583
FBLA	2,057	15,882	14,091	3,848
Junior Honor Society	1,333	6,137	346	7,124
Now Interest	4	1,162	1,166	0
Activity Passes	0	7,006	7,006	0
Milk Machine	487	1,968	1,955	500
Total	\$ 152,196	248,602	244,659	156,139

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2012

	Private Purpose Trust - Scholarship Fund					
	Arnold Scholarship	Mills Scholarship	McKinley Scholarship	Betebender Scholarship	Kinley Scholarship	Total
ASSETS						
Cash and pooled investments	\$ 6,277	466	5,576	806	4,484	17,609
LIABILITIES						
	0	0	0	0	0	0
NET ASSETS						
Restricted for scholarships	\$ 6,277	466	5,576	806	4,484	17,609

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust - Scholarship Fund					
	Arnold Scholarship	Mills Scholarship	McKinley Scholarship	Betenbender Scholarship	Kinley Scholarship	Total
Additions:						
Local sources:						
Gifts and contributions	\$ 6,273	0	0	0	0	6,273
Interest	4	6	65	13	38	126
Total additions	6,277	6	65	13	38	6,399
Deductions:						
Instruction:						
Regular:						
Scholarships awarded	0	100	0	250	2,000	2,350
Change in net assets	6,277	(94)	65	(237)	(1,962)	4,049
Net assets beginning of year	0	560	5,511	1,043	6,446	13,560
Net assets end of year	\$ 6,277	466	5,576	806	4,484	17,609

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN 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 and pooled investments	\$ 114	0	0	114
LIABILITIES				
Due to other groups	\$ 114	0	0	114

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 3,678,848	3,517,472	3,314,250	3,060,992	2,996,485	2,441,432	2,406,429	2,356,926	2,318,829
Tuition	304,900	323,640	297,250	286,111	294,485	289,849	292,486	237,936	198,987
Other	363,456	357,228	392,816	356,610	364,678	314,405	238,821	319,973	252,767
State sources	4,182,970	4,145,535	3,499,843	4,009,063	4,029,917	3,468,493	3,328,149	3,268,618	3,050,813
Federal sources	270,314	210,266	602,868	209,065	143,541	132,745	146,804	127,656	146,379
Total	\$ 8,800,488	8,554,141	8,107,027	7,921,841	7,829,106	6,646,924	6,412,689	6,311,109	5,967,775
Expenditures:									
Instruction:									
Regular	\$ 3,213,347	3,253,486	3,223,071	3,138,219	3,007,751	2,840,464	2,791,580	2,461,292	2,534,032
Special	679,256	757,970	776,459	854,547	772,213	815,700	704,901	639,555	754,462
Other	1,001,724	962,021	955,416	809,352	744,696	597,184	425,199	641,595	475,431
Support services:									
Student	177,763	222,226	205,391	209,469	129,828	122,142	128,534	123,198	115,550
Instructional staff	371,875	327,952	292,861	275,602	250,903	206,936	199,810	232,046	186,579
Administration	718,377	769,417	667,190	679,165	665,138	681,308	606,137	549,813	541,624
Operation and maintenance of plant	617,680	680,777	602,022	588,438	602,917	595,059	601,239	592,889	506,464
Transportation	355,186	382,290	288,518	370,050	349,304	283,171	351,768	258,706	219,151
Central support	0	0	0	0	0	0	0	0	300
Non-instructional programs	0	0	0	477	0	0	0	0	0
Capital outlays	3,936,724	386,284	170,917	189,399	109,603	159,217	147,017	91,831	131,972
Long-term debt:									
Principal	1,640,000	260,000	255,000	240,000	235,000	225,000	225,000	215,000	195,000
Interest and fiscal charges	300,228	66,925	73,580	80,780	87,830	94,580	101,330	107,780	124,574
Other expenditures:									
AEA flow-through	271,391	300,338	290,858	263,980	253,961	231,745	219,341	217,479	214,176
Total	\$ 13,283,551	8,369,686	7,801,283	7,699,478	7,209,144	6,852,506	6,501,856	6,131,184	5,999,315

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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 the
North Linn Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Linn 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 March 20, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of North Linn Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered North Linn 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 our opinion on the effectiveness of North Linn Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Linn Community School District's internal control over financial reporting.

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

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 misstatement 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 deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-12 to I-E-12 to be significant deficiencies.

Compliance and Other Matters

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

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

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of North Linn 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.



NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2013

NORTH LINN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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

Response - We will review our procedures and implement changes to improve internal control as we deem necessary.

Conclusion - Response accepted.

I-B-12 Pay Rates and Payroll Taxes - The Business Manager enters all pay rates and payroll tax rates for federal and state withholding, as well as FICA and IPERS rates. The Business Manager also adds new employees to the payroll system. However, the information entered in the payroll system is not reviewed by an independent individual for accuracy or propriety.

Recommendation - All information input to the payroll system should be reviewed by an independent individual for accuracy. In addition, the monthly payroll register should be reviewed for propriety.

Response - We will review our procedures and implement changes so that a second individual will review the payroll contracts that are entered into the system to ensure accuracy.

Conclusion - Response accepted.

I-C-12 Timesheets Non-Certified Coaches - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - We will implement a change of procedure so that non-certified staffs keep track of their hours so the District is in compliance with Department of Labor requirements.

Conclusion - Response accepted.

I-D-12 Timecard Approval - During our audit we noted that the District is currently keeping timecards for building secretaries. However, these timecards do not appear to be approved for payment by the appropriate supervisors.

Recommendation - Better internal controls are achieved if an individual or supervisor, who monitors the personnel, would approve the timesheets for payment before payroll checks are written to ensure timecards are accurate and appropriate for the amount of time worked.

Response - We will review our procedures for approving timesheets and implement changes so that timesheets are approved before payment.

Conclusion - Response accepted.

I-E-12 Supporting Documentation for Journal Entries - During our audit we noted that the District did not have supporting documentation for journal entries made during the year.

Recommendation - The District should maintain documentation of journal entries made to the financial statements during the year. This documentation will serve as support for adjustments made to the financial statements during the year.

Response - We will review our procedures and implement change so that there is documentation to support journal entries made throughout the year.

Conclusion - Response accepted.

NORTH LINN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - District expenditures for the year ended June 30, 2012, did not exceed the amount budgeted.

II-B-12 Questionable Disbursements - 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.

However, we noted that District reimbursed an employee for expenses in the amount of \$19,202.61. This appears to be excessive and could potentially be a concern for the purchase process the District maintains. It does not appear appropriate that the District would expect an employee to cover District costs and await reimbursement to this extent. However, it could be the case where the employee is circumventing the purchasing process and gaining personally from the use of personal credit cards for points or reward programs.

Recommendation - The District should review the reimbursements to this individual and also review the District's purchasing policy, and make changes where necessary.

Response - We will review our purchasing policy and implement changes as we deem necessary.

Conclusion - Response accepted.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Jim Meisheid, Board Member Spouse owns Sherbon's Market	Supplies	\$615

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the spouse of the board member do not appear to represent a conflict of interest.

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

II-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-12 Certified Enrollment - We noted a variances in the basic enrollment data certified to the Department of Education. A student was funded for fall 2011, but was never enrolled at the District, resulting in the total number certified to be overstated by one student.

Recommendation -The District should contact the Iowa Department of Education and the Department of Management to resolve these adjustments.

Response - The District's auditors will contact the Iowa Department of Education and the Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

II-H-12 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-I-12 Deposits and Investments - We noted no instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy. However, we noted that the District is not reconciling investments and that interest on a certificate of deposit in the Capital Projects fund does not appear to have been added.

Recommendation -The District should update its investments and certificates of deposits as necessary. The District could maintain an investment schedule to better keep track of interest and other charges on its certificates of deposit as interest is added or withdrawals are made.

Response - We will maintain a schedule to keep track of interest or withdrawals to better keep track of the investments and certificates of deposit.

Conclusion - Response accepted.

II-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, we noted no significant deficiencies in amounts reported.

II-K-12 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds. However, At-Risk expenses appear to have been moved from counselor salaries to At-Risk through a journal entry. The At-Risk program should have actual direct expenses coded based on time actually spent on the At-Risk program. We also noted that the District did not maintain documentation of direct At-Risk expenses.

Recommendation - The District should identify the portion of the counselor's time that is directly involved with the at risk program and then code that portion directly to the at-risk program. The District should also maintain documentation of expenses correlated with the at risk program.

Response - We will identify the portion of the counselor's time and code it correctly to the At-Risk program and maintain documentation of expenses related to the At-Risk program.

Conclusion - Response accepted.

II-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of statewide sales, services and use tax revenue provided in Chapter 423F 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:

Beginning Balance		\$ 1,103,163
Revenues:		
Sales Tax Revenues	\$ 691,951	
Other Local Revenues	5,712	697,663
		<u>1,800,826</u>
Expenditures/transfers out:		
School Infrastructure Construction	\$ 49,136	
Equipment	89,054	
Other	2,777	
Transfers to Other Funds:		
Debt Service Fund	640,296	781,263
		<u>781,263</u>
Ending Balance		<u><u>\$ 1,019,563</u></u>

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