

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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North Tama County Community School District
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2011 Election)		
Gretchen Pargeon	President (Resigned June 1, 2011)	2013
Robert Young	Vice President (Appointed President June 6, 2011)	2011
Cheryl Popelka	Board Member (Appointed June 6, 2011)	2011
John Hayek	Board Member	2011
Richard Arp	Board Member	2011
Dave Stuart	Board Member	2013
Judy Robb	Board Member	2013
Trisha Kennedy	Board Member	2013
Board of Education (After September 2011 Election)		
Robert Young	President	2015
Trisha Kennedy	Vice President	2013
Dave Stuart	Board Member	2013
Judy Robb	Board Member	2013
Cheryl Popelka	Board Member	2013
Tiffany Feisel	Board Member	2015
Richard Arp	Board Member	2015
Robert Cue	Superintendent	2012
Terrill Karr	District Secretary/ Business Manager	2012
Roan, Powell & Reinders	Attorney	2012

**North Tama County Community
School District**

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Certified Public Accountants
(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
North Tama County 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 Tama County Community School District, Traer Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2012 on our consideration of North Tama County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Tama County 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 eight years ended June 30, 2011 (none of which are presented herein) and expressed an unqualified opinions on those financial statements. The supplemental 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.

December 6, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,386,981 in fiscal 2011 to \$5,273,716 in fiscal 2012 this was primarily the result a decrease in funding received from federal grants. General Fund expenditures increased from \$5,030,734 in fiscal 2011 to \$5,060,393 in fiscal 2012 due in part to increases in salaries and benefits received by District employees. This resulted in an increase in the District's fund balance from \$1,046,761 in fiscal 2011 to \$1,260,084 in fiscal 2012, which was a 20.38% increase from the prior year.

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 Tama County Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how the governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report North Tama County 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 Tama County Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

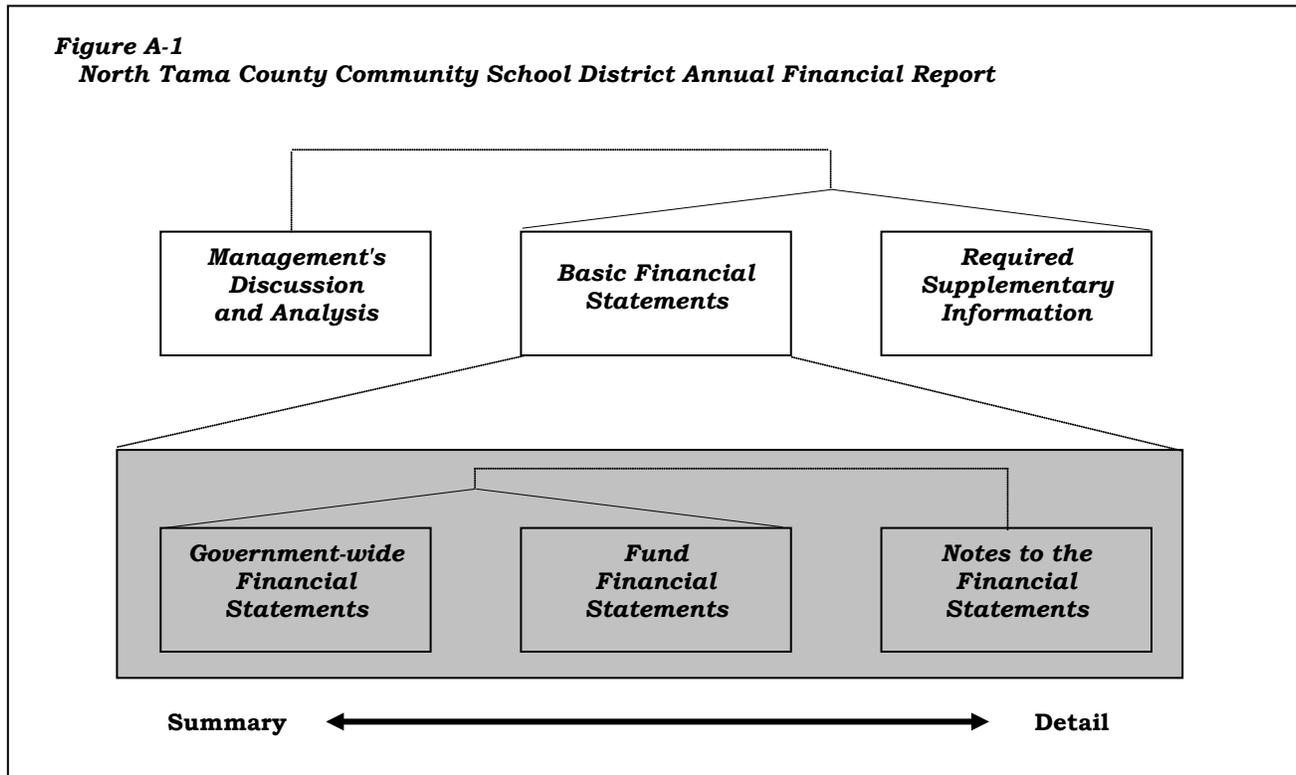


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	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 revenues, expenses and changes in 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 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, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and other Enterprise Funds, which includes the Book Fair and NT & S accounts.

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

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

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 proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3
Condensed Statement of Net Assets

	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	\$ 5,763,143	5,070,120	\$ 84,867	74,833	\$ 5,848,010	5,144,953	13.66%
Capital assets	4,753,847	4,777,194	21,670	26,496	4,775,517	4,803,690	-0.59%
Total assets	10,516,990	9,847,314	106,537	101,329	10,623,527	9,948,643	6.78%
Long-term liabilities	3,414,238	3,604,357	4,099	3,745	3,418,337	3,608,102	-5.26%
Other liabilities	2,708,093	2,317,703	2,816	1,952	2,710,909	2,319,655	16.87%
Total liabilities	6,122,331	5,922,060	6,915	5,697	6,129,246	5,927,757	3.40%
Net assets:							
Invested in capital assets	1,453,847	1,657,333	21,670	26,496	1,475,517	1,683,829	-12.37%
Restricted	1,807,967	1,315,450	-	-	1,807,967	1,315,450	37.44%
Unrestricted	1,132,845	952,471	77,952	69,136	1,210,797	1,021,607	18.52%
Total net assets	\$ 4,394,659	3,925,254	\$ 99,622	95,632	\$ 4,494,281	4,020,886	11.77%

The District's combined net assets increased by 11.77% or \$473,395 compared to the prior year. The largest portion of the District's net assets is the amounts reported for restricted fund balances.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately 37.44% or \$492,517 over the prior year. The main reason for the increase in restricted net assets was the increases in fund balance for the Management Levy Fund and the Statewide Sales, Services and Use Tax Fund.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased approximately 18.52% or \$189,190 from the prior year. The primary reason for the increase in unrestricted net assets was the increase in the unassigned 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
	2012	2011	2012	2011	2012	2011	2011-12
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 524,345	520,045	191,400	144,595	715,745	664,640	7.69%
Operating grants and contributions and restricted interest	801,645	540,252	104,382	105,409	906,027	645,661	40.33%
Capital grants and contributions and restricted interest	28,000	2,000	-	-	28,000	2,000	1300.00%
General revenues:							
Property tax	2,116,018	2,039,489	-	-	2,116,018	2,039,489	3.75%
Income surtax	195,722	227,199	-	-	195,722	227,199	-13.85%
Statewide sales, service and use tax	390,788	353,764	-	-	390,788	353,764	10.47%
Unrestricted state grants	2,034,536	2,227,194	-	-	2,034,536	2,227,194	-8.65%
Nonspecific program federal revenues	1,599	160,885	-	-	1,599	160,885	-99.01%
Other revenue	62,359	88,002	7,873	29,575	70,232	117,577	-40.27%
Total revenues	6,155,012	6,158,830	303,655	279,579	6,458,667	6,438,409	0.31%
Program expenses:							
Governmental activities:							
Instructional	3,734,061	3,578,629	-	-	3,734,061	3,578,629	4.34%
Support services	1,456,396	1,607,919	22,016	16,115	1,478,412	1,624,034	-8.97%
Non-instructional programs	-	500	277,649	269,800	277,649	270,300	2.72%
Other expenses	495,150	509,458	-	-	495,150	509,458	-2.81%
Total expenses	5,685,607	5,696,506	299,665	285,915	5,985,272	5,982,421	0.05%
Change in net assets	469,405	462,324	3,990	(6,336)	473,395	455,988	-3.82%
Net assets beginning of year	3,925,254	3,462,930	95,632	101,968	4,020,886	3,564,898	12.79%
Net assets end of year	\$ 4,394,659	3,925,254	99,622	95,632	4,494,281	4,020,886	11.77%

In fiscal 2012, property tax, income surtax and unrestricted state grants accounted for 70.61% of the revenue from governmental activities while charges for services and operating grants and contributions account for 97.41% of the revenue from business type activities.

The District's total revenues were approximately \$6.46 million of which \$6.16 million was for governmental activities and slightly more than \$0.30 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 0.31% in revenues and a 0.05% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$6,155,012 and expenses were \$5,685,607 for the year ended June 30, 2012. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2012 compared to the year ended June 30, 2011. The net cost of services is the result after subtracting grants and charges for services that the District used to offset the program's total cost.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 3,734,061	3,578,629	4.34%	2,667,434	2,799,673	-4.72%
Support services	1,456,396	1,607,919	-9.42%	1,383,530	1,558,942	-11.25%
Non-instructional programs	-	500	100.00%	-	500	-100.00%
Other expenses	495,150	509,458	-2.81%	280,653	275,094	2.02%
Totals	\$ 5,685,607	5,696,506	-0.19%	4,331,617	4,634,209	-6.53%

- The cost financed by users of the District's programs was \$524,345.
- The federal and state government subsidized certain programs with operating and capital grants and contributions totaling \$829,645.
- The net cost portion of governmental activities was financed with \$2,116,018 in property tax, \$195,722 in income surtax, \$390,788 in statewide sales, service and use tax, \$2,034,536 in unrestricted state grants, \$1,599 in nonspecific program federal revenues, and \$62,359 in other revenues.

Business type Activities

The District's business type activities are the School Nutrition Fund, and other Enterprise Funds. Revenues of the District's business type activities totaled \$303,655 in 2012, which is an increase of 8.61% over the prior year. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses increased 4.81% to \$299,665 for business type activities in 2012.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,847,736; an increase of \$250,086, above last year's ending fund balances of \$2,597,650. However, the primary reason for the increase in combined fund balances is because of the increase in the General Fund balance which consists of an increase in restricted categorical funds of \$78,396.

Governmental Fund Highlights

- The District's increase in the General Fund financial position is the result of many factors. The General Fund balance increased from \$1,046,261 in fiscal 2011 to \$1,260,084 in fiscal 2012. General Fund revenues decreased due to a decrease in federal grant funding. However, the increase in state funding received as compared to the previous year was more than enough to offset the decrease in federal funding received as well as the increase in expenditures as compared to the previous year. The increase in expenditures was mainly due to increases in salaries and benefits received by District employees.
- The Management Levy Fund increased from \$138,292 at June 30, 2011 to \$263,780 at June 30, 2012. An increase in the tax levy rate is the main contributing factor to the increase in fund balance.
- The Capital Projects account balances overall increased from \$864,203 in fiscal 2011 to \$922,664 in fiscal 2012. The increase in fund balance for the Capital Projects accounts is a result of increased local taxes received during the year as well as federal revenues received from the Fire Life Safety Grant. Due to reclassification as a result of GASB Statement No. 54, the Physical Plant and Equipment Levy is considered a Capital Project account along with the Statewide Sales, Services and Use Tax Fund.
- During the year ended June 30, 2012, the Statewide Sales, Services and Use Tax Fund increased from \$797,464 to \$907,134. The increase in fund balance can be attributed to increased sales tax revenue received as compared to the previous year. The Physical Plant and Equipment Levy Fund decreased from \$66,739 to \$15,530.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$94,018 at June 30, 2011 to \$92,321 at June 30, 2012, representing a decrease of approximately 1.80%. The Other Enterprise Fund net assets increased from \$1,614 at June 30, 2011 to \$7,301 at June 30, 2012, representing an increase of approximately 352.35%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$201,145 more than budgeted receipts a variance of 3.20%. Although total revenues were more than anticipated, the greatest variance in budgeted revenues occurred for what was received in federal revenues. This is primarily due to the conclusion of ARRA funding.

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$4,775,517, 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) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$190,235.

The original cost of the District's capital assets was \$8,234,226. Governmental funds account for \$8,146,642, with the remainder of \$87,584 accounted for in the Proprietary School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the improvements other than buildings category. The District's improvements other than buildings totaled \$225,291 at June 30, 2012, compared to \$173,618 reported at June 30, 2011. This increase resulted from costs associated with improvements made to the baseball/softball complex.

Figure A-6
Capital Assets, Net of Depreciation

	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
Land	\$ 116,414	116,414	\$ -	-	\$ 116,414	116,414	0.00%
Buildings	4,250,405	4,358,499	-	-	4,250,405	4,358,499	-2.48%
Improvements other than buildings	225,291	173,618	-	-	225,291	173,618	29.76%
Machinery and equipment	161,737	128,663	21,670	26,496	183,407	155,159	18.21%
Total	\$ 4,753,847	4,777,194	\$ 21,670	26,496	\$ 4,775,517	4,803,690	-0.59%

Long-Term Debt

At June 30, 2012, the District had \$3,418,337 in total long-term debt outstanding. This represents a 5.26% decrease from the previous year. (See figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	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
Revenue bonds	\$ 3,300,000	3,500,000	\$ -	-	\$ 3,300,000	3,500,000	-5.71%
Net OPEB liability	114,238	104,357	4,099	3,745	118,337	108,102	9.47%
Total	\$ 3,414,238	3,604,357	\$ 4,099	3,745	\$ 3,418,337	3,608,102	-5.26%

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:

- State budget cuts continue to be a concern for the District, shifting the majority of funding on property taxes.
- Maintaining enrollment will be extremely important for the District in their efforts to remain as a viable K-12 school district.
- Efforts to contain costs - especially in the area of health insurance - must be continued and expanded.
- On July 1, 2012, the IPERS increase to 8.67% will increase the North Tama Community Schools employer benefit costs during fiscal 2013. An additional increase to 8.93% is anticipated for FY14.

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 Terrill Karr, Business Manager, North Tama County Community School District, 605 Walnut Street, Traer, Iowa, 50675.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,139,502	77,166	3,216,668
Receivables:			
Property tax:			
Delinquent	28,016	-	28,016
Succeeding year	2,164,295	-	2,164,295
Income surtax	207,314	-	207,314
Accounts	2,604	144	2,748
Due from other governments	221,412	-	221,412
Inventories	-	7,557	7,557
Capital assets, net of accumulated depreciation	4,753,847	21,670	4,775,517
Total Assets	10,516,990	106,537	10,623,527
Liabilities			
Salaries and benefits payable	407,015	1,154	408,169
Accounts payable	86,785	-	86,785
Retainage payable	49,998	-	49,998
Deferred revenue:			
Succeeding year property tax	2,164,295	-	2,164,295
Unearned revenue	-	1,662	1,662
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	120,000	-	120,000
Portion due after one year:			
Revenue bonds payable	3,180,000	-	3,180,000
Net OPEB liability	114,238	4,099	118,337
Total Liabilities	6,122,331	6,915	6,129,246
Net Assets			
Invested in capital assets	1,453,847	21,670	1,475,517
Restricted for:			
Categorical funding	217,279	-	217,279
School infrastructure	907,134	-	907,134
Physical plant and equipment	15,530	-	15,530
Management levy purposes	263,780	-	263,780
Student activities	108,995	-	108,995
Debt service	292,249	-	292,249
Unrestricted	1,135,845	77,952	1,213,797
Total Net Assets	\$ 4,394,659	99,622	4,494,281

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants, Contributions and Restricted Interest		Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
		Services	Interest	Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,368,609	210,530	420,384	-	(1,737,695)	-	(1,737,695)
Special	652,988	-	98,921	-	(554,067)	-	(554,067)
Other	712,464	268,949	67,843	-	(375,672)	-	(375,672)
	<u>3,734,061</u>	<u>479,479</u>	<u>587,148</u>	<u>-</u>	<u>(2,667,434)</u>	<u>-</u>	<u>(2,667,434)</u>
Support services:							
Student	118,896	-	-	-	(118,896)	-	(118,896)
Instructional staff	28,598	-	-	-	(28,598)	-	(28,598)
Administration	594,355	-	-	-	(594,355)	-	(594,355)
Operation and maintenance of plant	372,986	-	-	28,000	(344,986)	-	(344,986)
Transportation	341,561	44,866	-	-	(296,695)	-	(296,695)
	<u>1,456,396</u>	<u>44,866</u>	<u>-</u>	<u>28,000</u>	<u>(1,383,530)</u>	<u>-</u>	<u>(1,383,530)</u>
Long-term debt interest	150,015	-	-	-	(150,015)	-	(150,015)
Other expenditures:							
AEA flowthrough	214,497	-	214,497	-	-	-	-
Depreciation(unallocated)*	130,638	-	-	-	(130,638)	-	(130,638)
	<u>345,135</u>	<u>-</u>	<u>214,497</u>	<u>-</u>	<u>(130,638)</u>	<u>-</u>	<u>(130,638)</u>
Total governmental activities	5,685,607	524,345	801,645	28,000	(4,331,617)	-	(4,331,617)
Business type activities:							
Support services:							
Administration	12,086	-	-	-	-	(12,086)	(12,086)
Operation and maintenance of plant	9,930	-	-	-	-	(9,930)	(9,930)
	<u>22,016</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,016)</u>	<u>(22,016)</u>
Non-instructional programs:							
Nutrition services	232,905	147,716	104,382	-	-	19,193	19,193
Other enterprise	44,744	43,684	-	-	-	(1,060)	(1,060)
	<u>277,649</u>	<u>191,400</u>	<u>104,382</u>	<u>-</u>	<u>-</u>	<u>18,133</u>	<u>18,133</u>
Total business type activities	299,665	191,400	104,382	-	-	(3,883)	(3,883)
Total	\$ 5,985,272	715,745	906,027	28,000	(4,331,617)	(3,883)	(4,335,500)
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,057,743	-	2,057,743
Capital outlay					58,275	-	58,275
Income surtax					195,722	-	195,722
Statewide sales, services and use tax					390,788	-	390,788
Unrestricted state grants					2,034,536	-	2,034,536
Nonspecific program federal revenues					1,599	-	1,599
Unrestricted investment earnings					5,982	59	6,041
Other general revenues					56,377	7,814	64,191
Total general revenues					<u>4,801,022</u>	<u>7,873</u>	<u>4,808,895</u>
Changes in net assets					469,405	3,990	473,395
Net assets beginning of year					<u>3,925,254</u>	<u>95,632</u>	<u>4,020,886</u>
Net assets end of year					\$ <u>4,394,659</u>	<u>99,622</u>	<u>4,494,281</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 1,704,844	261,466	771,984	401,208	3,139,502
Receivables:					
Property tax:					
Delinquent	24,930	2,314	772	-	28,016
Succeeding year	1,804,499	300,000	59,796	-	2,164,295
Income surtax	207,314	-	-	-	207,314
Interfund	-	-	3,028	-	3,028
Accounts	2,604	-	-	-	2,604
Due from other governments	21,900	-	199,512	-	221,412
Total Assets	\$ 3,766,091	563,780	1,035,092	401,208	5,766,171
Liabilities and Fund Balances					
Liabilities:					
Interfund payable	\$ 3,028	-	-	-	3,028
Salaries and benefits payable	407,015	-	-	-	407,015
Accounts payable	84,151	-	2,634	-	86,785
Retainage payable	-	-	49,998	-	49,998
Deferred revenue:					
Succeeding year property tax	1,804,499	300,000	59,796	-	2,164,295
Income surtax	207,314	-	-	-	207,314
Total liabilities	2,506,007	300,000	112,428	-	2,918,435
Fund balances:					
Restricted for:					
Categorical funding	217,279	-	-	-	217,279
School infrastructure	-	-	907,134	-	907,134
Physical plant and equipment	-	-	15,530	-	15,530
Management levy purposes	-	263,780	-	-	263,780
Student activities	-	-	-	108,995	108,995
Debt service	-	-	-	292,249	292,249
Unassigned for:					
General fund	1,042,805	-	-	-	1,042,805
Student activities	-	-	-	(36)	(36)
Total fund balances	1,260,084	263,780	922,664	401,208	2,847,736
Total Liabilities and Fund Balances	\$ 3,766,091	563,780	1,035,092	401,208	5,766,171

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY 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)	\$	2,847,736
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		4,753,847
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		207,314
Long-term liabilities, including revenue bonds payable and other postemployment benefits are not due and payable in the current period and, therefore are not reported in the funds.		(3,414,238)
Net assets of governmental activities(page 18)	\$	<u>4,394,659</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,101,483	174,805	449,063	-	2,725,351
Tuition	189,541	-	-	-	189,541
Other	164,051	6,441	4,398	244,291	419,181
State sources	2,641,337	118	39	-	2,641,494
Federal sources	177,268	-	25,000	-	202,268
Total revenues	<u>5,273,680</u>	<u>181,364</u>	<u>478,500</u>	<u>244,291</u>	<u>6,177,835</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,354,483	5,005	-	-	2,359,488
Special	642,917	-	-	-	642,917
Other	484,428	-	-	218,530	702,958
	<u>3,481,828</u>	<u>5,005</u>	<u>-</u>	<u>218,530</u>	<u>3,705,363</u>
Support services:					
Student	118,494	-	-	-	118,494
Instructional staff	27,190	-	-	-	27,190
Administration	590,070	779	-	222	591,071
Operation and maintenance of plant	322,756	33,688	-	1,514	357,958
Transportation	305,558	16,404	78,751	-	400,713
	<u>1,364,068</u>	<u>50,871</u>	<u>78,751</u>	<u>1,736</u>	<u>1,495,426</u>
Capital outlay	-	-	130,972	-	130,972
Long-term debt:					
Principal	-	-	-	200,000	200,000
Interest and fiscal charges	-	-	-	225,385	225,385
	<u>-</u>	<u>-</u>	<u>-</u>	<u>425,385</u>	<u>425,385</u>
Other expenditures:					
AEA flowthrough	214,497	-	-	-	214,497
Total expenditures	<u>5,060,393</u>	<u>55,876</u>	<u>209,723</u>	<u>645,651</u>	<u>5,971,643</u>
Excess(Deficiency) of revenues over(under) expenditures	213,287	125,488	268,777	(401,360)	206,192
Other financing sources(uses):					
Sale of equipment	36	-	-	-	36
Insurance proceeds	-	-	43,858	-	43,858
Transfers in	-	-	-	254,174	254,174
Transfers out	-	-	(254,174)	-	(254,174)
Total other financing sources(uses)	<u>36</u>	<u>-</u>	<u>(210,316)</u>	<u>254,174</u>	<u>43,894</u>
Net change in fund balances	213,323	125,488	58,461	(147,186)	250,086
Fund balance beginning of year	<u>1,046,761</u>	<u>138,292</u>	<u>864,203</u>	<u>548,394</u>	<u>2,597,650</u>
Fund balance end of year	<u>\$ 1,260,084</u>	<u>263,780</u>	<u>922,664</u>	<u>401,208</u>	<u>2,847,736</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY 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) \$ 250,086

**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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense during the year are as follows:

Capital outlays	\$ 162,062	
Depreciation expense	<u>(185,409)</u>	(23,347)

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

Repaid	200,000
--------	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

75,370

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

(22,823)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Other postemployment benefits	<u>(9,881)</u>
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Changes in net assets of governmental activities(page 19) \$ 469,405

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition	Other Enterprise Funds	Total
ASSETS			
Current assets:			
Cash and pooled investments	\$ 68,711	8,455	77,166
Accounts receivable	144	-	144
Inventories	7,557	-	7,557
Total current assets	<u>76,412</u>	<u>8,455</u>	<u>84,867</u>
Non-current assets:			
Capital assets:			
Machinery and equipment, net of accumulated depreciation	21,670	-	21,670
Total non-current assets	<u>21,670</u>	<u>-</u>	<u>21,670</u>
TOTAL ASSETS	<u>98,082</u>	<u>8,455</u>	<u>106,537</u>
LIABILITIES			
Current liabilities:			
Salaries and benefits payable	-	1,154	1,154
Unearned revenue	1,662	-	1,662
Total current liabilities	<u>1,662</u>	<u>1,154</u>	<u>2,816</u>
Long-term liabilities:			
Net OPEB liability	4,099	-	4,099
Total long-term liabilities	<u>4,099</u>	<u>-</u>	<u>4,099</u>
TOTAL LIABILITIES	<u>5,761</u>	<u>1,154</u>	<u>6,915</u>
NET ASSETS			
Invested in capital assets	21,670	-	21,670
Unrestricted	70,651	7,301	77,952
TOTAL NET ASSETS	<u>\$ 92,321</u>	<u>7,301</u>	<u>99,622</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition	Other Enterprise Funds	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 147,716	43,684	191,400
Miscellaneous	1,077	6,737	7,814
TOTAL OPERATING REVENUES	<u>148,793</u>	<u>50,421</u>	<u>199,214</u>
OPERATING EXPENSES:			
Support services:			
Administration:			
Salaries	9,597	-	9,597
Benefits	2,143	-	2,143
Services	90	-	90
Supplies	256	-	256
	<u>12,086</u>	<u>-</u>	<u>12,086</u>
Operation and maintenance of plant:			
Salaries	4,812	-	4,812
Benefits	1,903	-	1,903
Services	3,215	-	3,215
	<u>9,930</u>	<u>-</u>	<u>9,930</u>
Total support services	<u>22,016</u>	<u>-</u>	<u>22,016</u>
Non-instructional programs:			
Food service operations:			
Salaries	72,232	-	72,232
Benefits	26,255	-	26,255
Services	819	-	819
Supplies	128,773	-	128,773
Depreciation	4,826	-	4,826
	<u>232,905</u>	<u>-</u>	<u>232,905</u>
Other enterprise operations:			
Salaries	-	6,867	6,867
Benefits	-	1,085	1,085
Services	-	6,835	6,835
Supplies	-	29,957	29,957
	<u>-</u>	<u>44,744</u>	<u>44,744</u>
Total non-instructional programs	<u>232,905</u>	<u>44,744</u>	<u>277,649</u>
TOTAL OPERATING EXPENSES	<u>254,921</u>	<u>44,744</u>	<u>299,665</u>
OPERATING INCOME (LOSS)	<u>(106,128)</u>	<u>5,677</u>	<u>(100,451)</u>
NON-OPERATING REVENUES:			
State sources	2,420	-	2,420
Federal sources	101,962	-	101,962
Interest income	49	10	59
TOTAL NON-OPERATING REVENUES	<u>104,431</u>	<u>10</u>	<u>104,441</u>
Change in net assets	(1,697)	5,687	3,990
Net assets beginning of year	<u>94,018</u>	<u>1,614</u>	<u>95,632</u>
Net assets end of year	<u>\$ 92,321</u>	<u>7,301</u>	<u>99,622</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition	Other Enterprise Funds	Total
Cash flows from operating activities:			
Cash received from concessions	\$ 147,282	-	147,282
Cash received from sale of lunches and breakfasts	-	43,684	43,684
Cash received from miscellaneous operating activities	1,077	6,737	7,814
Cash payments to employees for services	(116,588)	(6,798)	(123,386)
Cash payments to suppliers for goods or services	(113,623)	(36,792)	(150,415)
Net cash provided by(used in) operating activities	(81,852)	6,831	(75,021)
Cash flows from non-capital financing activities:			
State grants received	2,420	-	2,420
Federal grants received	87,095	-	87,095
Net cash provided by non-capital financing activities	89,515	-	89,515
Cash flows from investing activities:			
Interest on investment	49	10	59
Net increase in cash and cash equivalents	7,712	6,841	14,553
Cash and cash equivalents at beginning of year	60,999	1,614	62,613
Cash and cash equivalents at end of year	\$ 68,711	8,455	77,166
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (106,128)	5,677	(100,451)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	14,867	-	14,867
Depreciation	4,826	-	4,826
Decrease in inventories	4,663	-	4,663
Increase in accounts receivable	(144)	-	(144)
Increase in salaries and benefits payable	-	1,154	1,154
Decrease in unearned revenues	(290)	-	(290)
Increase in other postemployment benefits	354	-	354
Net cash provided by(used in) operating activities	\$ (81,852)	6,831	(75,021)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$14,867.

SEE NOTES TO FINANCIAL STATEMENT.

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

	Private Purpose Trust
	Scholarships
Assets	
Cash and pooled investments	\$ 500
Liabilities	-
Net Assets	
Restricted for scholarships	\$ 500

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Contributions	<u>\$ 500</u>
Deductions:	<u> -</u>
Change in net assets	500
Net assets beginning of year	<u> -</u>
Net assets end of year	<u><u>\$ 500</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

The North Tama County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. 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 Traer, Buckingham, Dinsdale and Clutier, Iowa, and the predominate agricultural territory in Tama county. 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 Tama County 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 Tama County 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 Tama County 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 support.

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 consists of capital assets, net of accumulated depreciation.

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 funds:

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 Management Fund is used to account for all resources used in accounting for insurance transactions of the District.

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

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Other Enterprise Funds. The School Nutrition Fund is used to account for the food service operations of the District. The Other Enterprise Funds account is used to account for transactions related NT&S and other smaller miscellaneous accounts.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and 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 - restricted and then unassigned fund balances.

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

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

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

D. Assets, Liabilities and Fund 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	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	5-10 years
Machinery and equipment	5-20 years

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 are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

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. During the year ended June 30, 2012, District expenditures in the non-instructional programs and other expenditures functions exceeded the budgeted amounts.

(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 \$1,974,711 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
Physical Plant and Equipment Levy	General	<u>\$ 3,028</u>

The General Fund is repaying the Physical Plant and Equipment Levy Fund for FEMA receipts that were not moved to the proper fund before year end.

(4) Interfund 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>\$ 254,174</u>

The transfer from the Capital Projects Fund to the Debt Service Fund was needed for principal, interest and fees related to repayment of the District's revenue bond indebtedness.

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 87,584	0	0	87,584
Less accumulated depreciation	61,088	4,826	0	65,914
Business type activities capital assets, net	<u>\$ 26,496</u>	<u>(4,826)</u>	0	<u>21,670</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 116,414	0	0	116,414
Total capital assets not being depreciated	116,414	0	0	116,414
Capital assets being depreciated:				
Buildings	6,164,533	0	0	6,164,533
Improvements other than buildings	409,868	74,217	0	484,085
Machinery and equipment	1,293,765	87,845	0	1,381,610
Total capital assets being depreciated	7,868,166	162,062	0	8,030,228
Less accumulated depreciation for:				
Buildings	1,806,034	108,094	0	1,914,128
Improvements other than buildings	236,250	22,544	0	258,794
Machinery and equipment	1,165,102	54,771	0	1,219,873
Total accumulated depreciation	3,207,386	185,409	0	3,392,795
Total capital assets being depreciated, net	4,660,780	(23,347)	0	4,637,433
Governmental activities capital assets, net	\$ 4,777,194	(23,347)	0	4,753,847

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 3,408
Special	10,071
Other	9,506
Support services:	
Instructional support	1,253
Administration	1,696
Operation and maintenance of plant	7,980
Transportation	20,857
	<u>54,771</u>
Unallocated depreciation	130,638
Total governmental activities depreciation expense	<u>\$ 185,409</u>
Business type activities:	
Food services	<u>\$ 4,826</u>

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 3,500,000	0	200,000	3,300,000	120,000
Net OPEB liability	104,357	9,881	0	114,238	0
Total	\$ 3,604,357	9,881	200,000	3,414,238	120,000

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 3,745	354	0	4,099	0

Revenue Bonds

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

Year Ending June 30,	Bond issue dated April 1, 2009			
	Interest Rates	Principal	Interest	Total
2013	3.50	% \$ 120,000	143,740	263,740
2014	3.50	145,000	139,540	284,540
2015	3.50	150,000	134,465	284,465
2016	3.50	160,000	129,215	289,215
2017	3.70	165,000	123,615	288,615
2018-2022	3.90-4.40	905,000	516,740	1,421,740
2023-2027	4.50-4.90	1,120,000	301,540	1,421,540
2028-2029	5.00-5.10	535,000	41,050	576,050
Total		\$ 3,300,000	1,529,905	4,829,905

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,500,000 of bonds issued in April 2009. The bonds were issued for the purpose of financing a portion of the costs of a new addition to the high school building. 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 2029. 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 67 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$4,829,905. For the current year, principal of \$200,000 and interest of \$225,385 was paid on the bonds and total statewide sales and services tax revenues were \$390,788.

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

- a) \$289,275 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) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into the sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits 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 \$175,360, \$181,567, and \$178,424, respectively, equal to the required contributions for each year.

(8) 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 53 active and 2 retired members in the plan. Employees must be age 60 or older at retirement and have fifteen or more years of service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by United Healthcare. 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	\$ 85,982
Interest on net OPEB obligation	3,243
Adjustment to annual required contribution	<u>(5,435)</u>
Annual OPEB cost	83,790
Contributions made	<u>(73,555)</u>
Increase in net OPEB obligation	10,235
Net OPEB obligation - beginning of year	<u>108,102</u>
Net OPEB obligation - end of year	<u><u>\$ 118,337</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:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 85,982	25.37 %	\$ 64,166
2011	84,681	48.12	108,102
2012	83,790	87.78	118,337

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 \$0.752 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.752 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.791 million, and the ratio of the UAAL to the covered payroll was 26.9%. 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 unit credit actuarial cost method was used. The actuarial assumptions include a 3.0% discount rate based on the District's funding policy. The projected annual medical trend rate is 9%. The ultimate trend rate is 5%. For each year the medical trend rate is lowered by 1% until reaching the ultimate medical trend rate of 5% on July 1, 2013. The 5% ultimate trend rate will be used for each succeeding year after July 1, 2013.

Mortality rates are based on life expectancies tables at the National Center for Health Statistics website. The 2005 United States Life Tables for Males and Females were used. Annual retirement probabilities were developed from recent experience of the North Tama County Community School District. Termination rates were developed using GASB 45 paragraph 35(b) Table 1.

(9) Risk Management

North Tama County 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.

(10) 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 \$214,497 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.

(11) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2012, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

(12) Categorical Funding

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

Projects	Amount
Home school assistance program	\$ 2,122
Weighted at-risk programs	24,885
Gifted and talented	45,570
Modified allowable growth for returning dropouts and dropout prevention program	21,711
Teacher salary supplement	57,455
Professional development for model core curriculum	30,090
Professional development	30,326
Market factor incentives	2,120
Teacher development academies	3,000
Total	\$ 217,279

**North Tama County Community
School District**

REQUIRED SUPPLEMENTARY INFORMATION

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE 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	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 3,334,073	199,273	3,533,346	3,419,957	3,419,957	113,389
Intermediate sources	-	-	-	3,000	3,000	(3,000)
State sources	2,641,494	2,420	2,643,914	2,630,773	2,630,773	13,141
Federal sources	202,268	101,962	304,230	226,615	226,615	77,615
Total revenues:	6,177,835	303,655	6,481,490	6,280,345	6,280,345	201,145
Expenditures/Expenses:						
Instruction	3,705,363	-	3,705,363	3,896,151	3,896,151	190,788
Support services	1,495,426	22,016	1,517,442	1,904,659	1,904,659	387,217
Non-instructional programs	-	277,649	277,649	277,000	277,000	(649)
Other expenditures	770,854	-	770,854	505,677	505,677	(265,177)
Total expenditures/expenses:	5,971,643	299,665	6,271,308	6,583,487	6,583,487	312,179
Excess(Deficiency) of revenues over(under) expenditures/expenses	206,192	3,990	210,182	(303,142)	(303,142)	513,324
Other financing sources, net	43,894	-	43,894	-	-	43,894
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	250,086	3,990	254,076	(303,142)	(303,142)	557,218
Balance beginning of year	2,597,650	95,632	2,693,282	2,344,156	2,344,156	349,126
Balance end of year	\$ 2,847,736	99,622	2,947,358	2,041,014	2,041,014	906,344

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2012, District expenditures in the non-instructional programs and other expenditures functions exceeded the budgeted amounts.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
(IN THOUSANDS)

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	- \$	752	752	0.0 %	\$ 2,750	27.30 %
2011	July 1, 2009	-	752	752	0.0	2,410	31.20
2012	July 1, 2009	-	752	752	0.0	2,791	26.94

See Note 8 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 TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue	Debt Service	Total Other Nonmajor Governmental Funds
Assets			
Cash and pooled investments	\$ 108,959	292,249	401,208
Liabilities and Fund Balances			
Liabilities:	\$ -	-	-
Fund balances:			
Restricted for:			
Student activities	108,995	-	108,995
Debt service	-	292,249	292,249
Unassigned for student activities	(36)	-	(36)
Total fund balances	108,959	292,249	401,208
Total Liabilities and Fund Balances	\$ 108,959	292,249	401,208

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		Total Other Nonmajor Governmental Funds
	Student Activity	Debt Service	
Revenues:			
Local sources:			
Other	\$ 240,554	3,737	244,291
Expenditures:			
Current:			
Instruction:			
Other	218,530	-	218,530
Support services:			
Administration	222	-	222
Operation and maintenance of plant	1,514	-	1,514
Long-term debt:			
Principal	-	200,000	200,000
Interest and fiscal charges	-	225,385	225,385
Total expenditures	220,266	425,385	645,651
Excess(Deficiency) of revenues over(under) expenditures	20,288	(421,648)	(401,360)
Other financing sources:			
Transfer in	-	254,174	254,174
Net change in fund balances	20,288	(167,474)	(147,186)
Fund balances beginning of year	88,671	459,723	548,394
Fund balances end of year	\$ 108,959	292,249	401,208

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services & Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 760,254	11,730	771,984
Receivables:			
Property tax:			
Delinquent	-	772	772
Succeeding year	-	59,796	59,796
Interfund		3,028	3,028
Due from other governments	199,512	-	199,512
Total assets	\$ 959,766	75,326	1,035,092
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 2,634	-	2,634
Retainage payable	49,998	-	49,998
Deferred revenue			
Succeeding year property tax	-	59,796	59,796
Total liabilities	52,632	59,796	112,428
Fund balances:			
Restricted for:			
School infrastructure	907,134	-	907,134
Physical plant and equipment	-	15,530	15,530
Total fund balances	907,134	15,530	922,664
Total liabilities and fund balances	\$ 959,766	75,326	1,035,092

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services & Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 390,788	58,275	449,063
Other	1,094	3,304	4,398
State sources	-	39	39
Federal sources	25,000	-	25,000
TOTAL REVENUES	416,882	61,618	478,500
EXPENDITURES:			
Current:			
Support services:			
Transportation	-	78,751	78,751
Capital outlay	53,038	77,934	130,972
TOTAL EXPENDITURES	53,038	156,685	209,723
Excess(Deficiency) of revenues over(under) expenditures	363,844	(95,067)	268,777
Other financing uses:			
Insurance proceeds	-	43,858	43,858
Transfer out	(254,174)	-	(254,174)
TOTAL OTHER FINANCING USES	(254,174)	43,858	(210,316)
Excess(Deficiency) of revenues over(under) expenditures and other financing uses	109,670	(51,209)	58,461
Fund balances beginning of year	797,464	66,739	864,203
Fund balances end of year	\$ 907,134	15,530	922,664

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY 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
Musical	\$ 114	1,710	1,724	100
Instrumental	5,497	2,605	2,980	5,122
Music Boosters	15,259	22,370	23,040	14,589
Music Boosters Investment	5,651	2	-	5,653
Youth Basketball	101	-	-	101
Athletics	20,904	97,583	93,114	25,373
Baseball/Softball	3,151	25,960	22,678	6,433
Youth Baseball	2,965	2,389	2,489	2,865
DJ BA Tournament	-	1,228	45	1,183
Elementary SB	1,578	2,306	1,425	2,459
Nationals	1,291	46	750	587
Science Donations	2,829	22	499	2,352
Uniforms	754	26	-	780
Booster Club	1,653	4,941	6,630	(36)
Cheerleaders	265	223	465	23
FCCLA	(3,062)	21,701	18,046	593
Industrial Arts Club	501	-	501	-
Homecoming	6	925	843	88
National Honor Society	221	469	530	160
Spanish Club	2,442	-	1,140	1,302
Speech Club	(159)	925	736	30
Student Council	2,921	6,352	3,333	5,940
Memory Book	678	1,702	1,960	420
Yearbook	(5,493)	9,812	1,753	2,566
JH Student Council	583	6,062	5,562	1,083
Interest	809	-	-	809
North Tama Dance Squad	2,464	7,362	6,372	3,454
Elementary Drill Team	187	-	-	187
Swing Show	6,502	4,132	6,712	3,922
Redhawks Readers	2,193	466	349	2,310
Character Counts	2,840	303	186	2,957
Art Club	2,862	2,341	1,119	4,084
FFA	81	3,858	2,698	1,241
PTO	5,945	234	1,669	4,510
Resident Artist	185	-	-	185
Reading With Character	797	903	800	900
Athletic Improvement	1,229	2	-	1,231
Class of 2012	2,278	930	2,568	640
Class of 2013	388	8,739	7,119	2,008
Class of 2014	356	320	-	676
Academic Decathlon	(1,095)	1,605	431	79
Total	\$ 88,671	240,554	220,266	108,959

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 OTHER ENTERPRISE FUNDS
 JUNE 30, 2012

	Book Fair	NT & S	Other	Total
Assets				
Cash and pooled investments	\$ 1,334	919	6,202	8,455
Liabilities				
Salaries and benefits payable	\$ -	-	1,154	1,154
Net assets				
Unrestricted	\$ 1,334	919	5,048	7,301

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 OTHER ENTERPRISE FUNDS
 YEAR ENDED JUNE 30, 2012

	Book			
	Fair	NT & S	Other	Total
OPERATING REVENUE:				
Local sources:				
Charges for services	-	-	43,684	43,684
Miscellaneous	\$ 6,107	630	-	6,737
TOTAL OPERATING REVENUES	6,107	630	43,684	50,421
OPERATING EXPENSES:				
Other enterprise operations:				
Salaries	-	-	6,867	6,867
Benefits	-	-	1,085	1,085
Services	-	-	6,835	6,835
Supplies	6,424	293	23,240	29,957
TOTAL OPERATING EXPENSES	6,424	293	38,027	44,744
OPERATING INCOME (LOSS)	(317)	337	5,657	5,677
NON-OPERATING REVENUES:				
Interest income	3	-	7	10
Change in net assets	(314)	337	5,664	5,687
Net assets beginning of year	1,648	582	(616)	1,614
Net assets end of year	\$ 1,334	919	5,048	7,301

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 OTHER ENTERPRISE FUNDS
 YEAR ENDED JUNE 30, 2012

	Book Fair	NT & S	Other	Total
Cash flows from operating activities:				
Cash received from miscellaneous operating activities	\$ -	-	43,684	43,684
Cash received from miscellaneous operating activities	6,107	630	-	6,737
Cash payments to employees for services	-	-	(6,798)	(6,798)
Cash payments to suppliers for goods or services	(6,424)	(293)	(30,075)	(36,792)
Net cash provided by(used in) operating activities	(317)	337	6,811	6,831
Cash flows from investing activities:				
Interest on investments	3	-	7	10
Net increase(decrease) in cash and cash equivalents	(314)	337	6,818	6,841
Cash and cash equivalents at beginning of year	1,648	582	(616)	1,614
Cash and cash equivalents at end of year	\$ 1,334	919	6,202	8,455
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (317)	337	5,657	5,677
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Increase in accounts payable	-	-	1,154	1,154
Net cash provided by(used in) operating activities	\$ (317)	337	6,811	6,831

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY 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	\$ 2,725,351	2,623,300	2,605,586	2,297,278	2,173,495	2,132,698	2,051,963	1,930,361	1,853,955
Tuition	189,541	169,470	182,271	169,943	208,240	177,998	160,156	197,307	148,428
Other	419,181	492,282	420,449	416,087	359,854	480,450	349,277	372,176	285,966
Intermediate sources	-	-	-	-	23,664	29,821	44,889	-	-
State sources	2,641,494	2,537,059	2,067,317	2,632,741	2,577,545	2,320,017	2,092,833	1,923,128	1,733,213
Federal sources	202,268	339,567	463,283	304,305	148,185	147,456	108,421	138,940	103,148
Total	\$ 6,177,835	6,161,678	5,738,906	5,820,354	5,490,983	5,288,440	4,807,539	4,561,912	4,124,710
Expenditures:									
Current:									
Instruction:									
Regular	\$ 2,359,488	2,243,244	2,247,494	2,099,803	2,062,199	2,263,131	2,069,180	1,976,410	1,602,992
Special	642,917	677,014	529,315	705,787	608,998	542,850	509,009	556,548	369,907
Other	702,958	689,973	834,003	737,042	540,011	292,642	332,365	135,386	450,074
Support services:									
Student	118,494	158,443	176,063	183,223	185,259	177,968	187,172	136,781	134,248
Instructional staff	27,190	115,010	88,804	132,130	146,603	146,551	167,755	81,459	121,762
Administration	591,071	550,813	588,604	578,669	569,465	545,955	548,462	570,538	569,093
Operation and maintenance									
of plant	357,958	370,186	386,194	368,027	370,174	318,741	332,797	315,180	286,537
Transportation	400,713	277,817	271,396	253,346	276,296	255,552	287,371	231,975	295,949
Central	-	-	-	-	-	-	-	-	871
Non-instructional programs:									
Food service operations	-	500	-	-	-	-	-	-	-
Capital outlay	130,972	414,213	2,518,500	722,259	285,807	247,907	304,021	80,103	10,000
Long-term debt:									
Principal	200,000	-	-	-	-	-	42,000	135,500	127,500
Interest	225,385	152,240	113,805	750	-	-	1,858	10,553	18,206
Other expenditures:									
AEA flow-through	214,497	234,364	222,954	193,592	185,379	177,099	160,424	146,689	147,606
Total	\$ 5,971,643	5,883,817	7,977,132	5,974,628	5,230,191	4,968,396	4,942,414	4,377,122	4,134,745

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

To the Board of Education of the
North Tama County 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 Tama County 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 December 6, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses 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 misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-12 and I-B-12 to be material weaknesses.

A significant deficiency is a deficiency or 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-C-12 through I-E-12 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Tama County 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 Tama County 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 Tama County 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 Tama County Community School District and other parties to whom North Tama County 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 Tama County 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.

December 6, 2012

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

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We have added a part-time employee to assist the Business Manager with her duties.

Conclusion - Response accepted.

I-B-12 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements to the general ledger on a timely basis.

Recommendation - The District should reconcile bank statement balances to financial statement balances on a monthly basis. The bank reconciliation when performed timely, and reconciling items adjusted would provide support for the cash position. This would allow the user of the monthly financial statements a higher confidence in the amount of cash reflected on the balance sheet.

If the accounting staff is not comfortable using the accounting software to perform bank reconciliations, the District should consider sending their accounting staff to software training on bank reconciliations.

Response - The District hired an additional staff person to assist in bank reconciliation preparation. Bank reconciliations are now up to date.

Conclusion -

I-C-12 Gate Admissions - We noted during our audit that the District does not utilize pre-numbered tickets for all event admissions.

Also, during the audit it appeared that ticket takers responsible for cash collections at the gate were not always reconciling pre-numbered tickets to cash collected and not signing off on the reconciliation before giving custody of the change box to the Athletic Director.

Recommendation - The District should use pre-numbered tickets for all events that there is an admission fee charged and reconciliation procedures set up by the District should be required to be performed.

The exchange in custody of the change box from the ticket takers to the Athletic Director with no reconciliation procedures being performed by the ticket takers constitutes a breakdown in control procedures. The District should review internal control procedures established for handling cash for all activity events and communicate the procedures to the individuals involved.

At the end of the event, cash should be counted and reconciled by two or more individuals (usually the ticket takers) to pre-numbered tickets sold including the amount of the beginning cash. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash. The cash and change box should then be turned into the Athletic Director or designee responsible for the accounting function at the event.

Response - Pre-numbered tickets are now being used for all District events.

Conclusion - Response accepted.

I-D-12 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The Superintendent will be working with principals on the correct coding of expenses on purchase orders to ensure proper coding by central office staff.

Conclusion - Response accepted.

I-E-12 Nutrition Procedures - We noted during the audit that the commodity food listing was not priced out correctly at the end of the year.

Recommendation - The District should review their procedures to ensure that the commodity food is priced out correctly.

Response - The nutrition director was new for fiscal 2012 and has been made aware of how to properly price out inventory. The former nutrition director will help mentor her in nutrition fund procedures.

Conclusion - Response accepted.

NORTH TAMA COUNTY 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 disbursements for the year ended June 30, 2012 exceeded the amount budgeted in the non-instructional programs and other expenditures areas.

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

Response - The District will monitor the budget more closely in the future and amend as needed.

Conclusion - Response accepted.

II-B-12 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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 - No business transactions between the District and District officials were noted.

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 no variances in the basic enrollment data certified to the Department of Education.

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

II-I-12 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

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

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

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

Pursuant to Chapter 423F.3 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		\$	797,464
Revenues/Transfers in:			
Statewide sales, services and use tax revenues	\$	390,788	
Federal revenues		25,000	
Other local revenues		1,094	416,882
			<u>1,214,346</u>
Expenditures/transfers out:			
Equipment	\$	2,634	
Other		50,404	
Transfers to other funds			
Debt service fund		254,174	307,212
			<u>307,212</u>
Ending balance		\$	<u>907,134</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.

II-M-12 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District needs to have the Board president sign all officiating contracts to be in compliance with 291.1 of the Code of Iowa.

Response - The Board President is now signing all contracts.

Conclusion - Response accepted.