

OKOBOJI COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

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Okoboji Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2011 Election)</b>		
Christopher Stein	President	2011
Laurie Simington	Vice President	2013
Markham Hale	Board Member	2011
Dee Wermersen	Board Member	2013
Phil Miklo	Board Member	2011
<b>(After September 2011 Election)</b>		
Laurie Simington	President	2013
Dee Wermersen	Vice President	2013
Joe Conover	Board Member	2015
Brad Droegmiller	Board Member	2015
Mark Hale	Board Member	2015
<b>School Officials</b>		
Gary Janssen	Superintendent	2012
Katy Sporrer	Business Manager/ District Secretary and Treasurer	2012
Cornwall, Avery, Bjornstad & Scott	Attorney	2012

OKOBOJI COMMUNITY SCHOOL DISTRICT

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of the  
Okoboji 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 Okoboji Community School District, Milford, 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 Okoboji 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 March 8, 2013 on our consideration of Okoboji Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 46 be presented to supplement the basic

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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 Okoboji 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 year ended June 30, 2011 (which is not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 13, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2013

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$9,508,149 fiscal 2011 to \$10,187,496 in fiscal 2012, while General Fund expenditures decreased from \$9,507,771 in fiscal 2011 to \$9,473,841 in fiscal 2012. This resulted in an increase in the District's General Fund balance from \$1,664,943 in fiscal 2011 to a balance of \$2,378,598 in fiscal 2012, which is a 42.86% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state sources in fiscal 2012. The decrease in expenditures was due primarily to a decrease in instruction costs in fiscal 2012.
- A \$3,500,000 10 room addition to the Okoboji Elementary School is near completion. It was funded with Local Option Sales Tax revenue bonds financed at 5 local banks.

### **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 Okoboji Community School District as a whole and present an overall view of the District's finances.

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

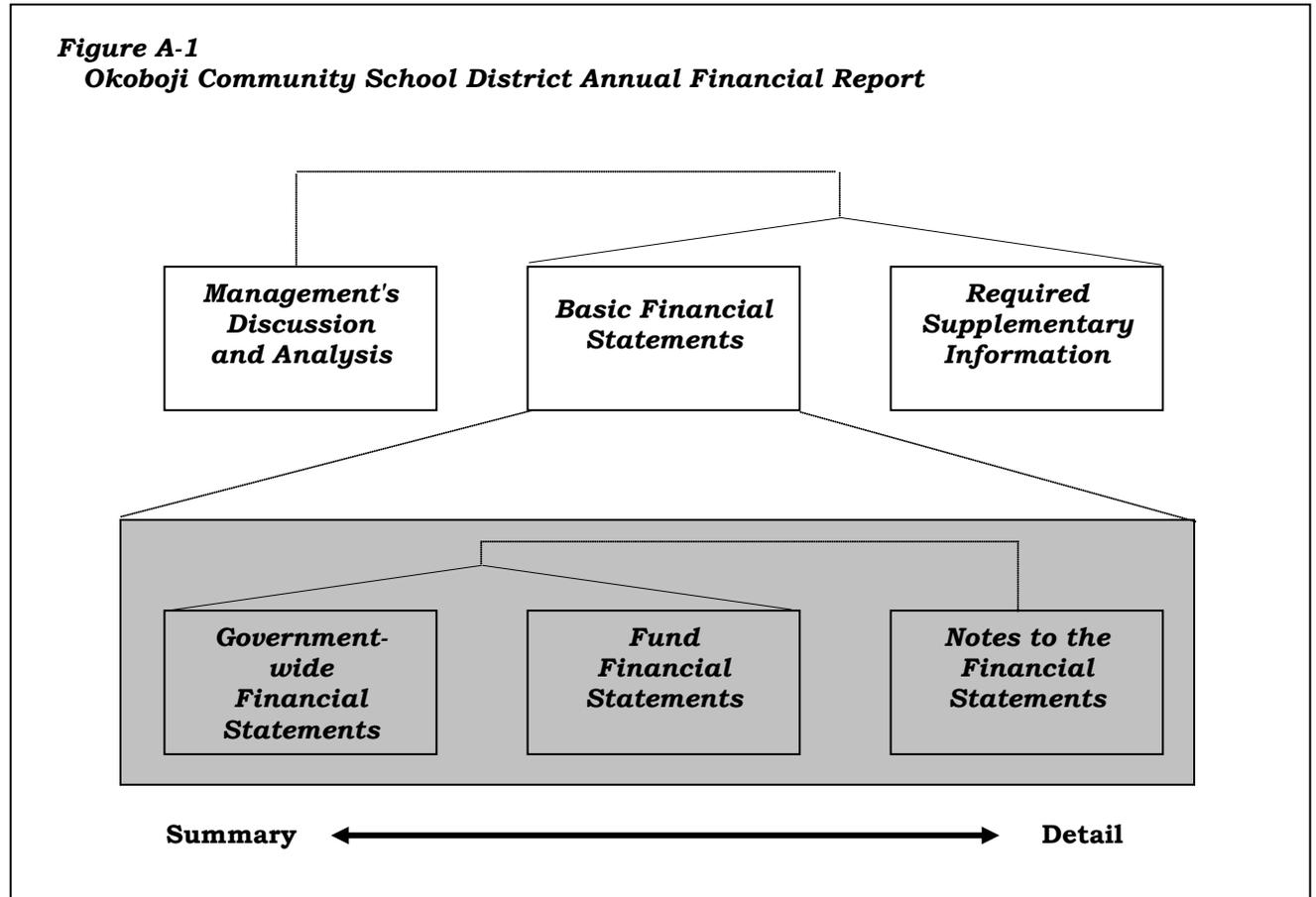


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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.

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

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

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds for which the District administers and accounts for District employee purchases of pop and related expenditures.

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 District-wide financial statements because it cannot use these assets to finance its operations.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3  
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 14,081,916	13,805,463	120,270	92,105	14,202,186	13,897,568	2.19%
Capital assets	15,180,580	15,172,458	37,206	40,649	15,217,786	15,213,107	0.03%
Total assets	<u>29,262,496</u>	<u>28,977,921</u>	<u>157,476</u>	<u>132,754</u>	<u>29,419,972</u>	<u>29,110,675</u>	<u>1.06%</u>
Long-term obligations	4,081,404	4,355,580	19,703	12,657	4,101,107	4,368,237	-6.12%
Other liabilities	9,528,670	9,498,923	24,348	28,350	9,553,018	9,527,273	0.27%
Total liabilities	<u>13,610,074</u>	<u>13,854,503</u>	<u>44,051</u>	<u>41,007</u>	<u>13,654,125</u>	<u>13,895,510</u>	<u>-1.74%</u>
Net assets:							
Invested in capital assets, net of related debt	12,285,929	12,427,623	37,206	40,649	12,323,135	12,468,272	-1.16%
Restricted	1,807,267	1,488,125	-	-	1,807,267	1,488,125	21.45%
Unrestricted	1,559,226	1,207,670	76,219	51,098	1,635,445	1,258,768	29.92%
Total net assets	<u>\$ 15,652,422</u>	<u>15,123,418</u>	<u>113,425</u>	<u>91,747</u>	<u>15,765,847</u>	<u>15,215,165</u>	<u>3.62%</u>

The District's combined net assets increased by 3.62%, or \$550,682, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 21.45%, or \$319,142, over the prior year. The increase in the Capital Projects: Physical Plant and Equipment Levy and Student Activity Fund balances are the main factor in the increase in restricted net assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$376,677, or 29.92%.

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:							
Program revenues:							
Charges for services	\$ 1,116,572	983,126	220,640	194,351	1,337,212	1,177,477	13.57%
Operating grants and contributions and restricted interest	824,706	1,069,324	205,121	180,309	1,029,827	1,249,633	-17.59%
General revenues:							
Property tax	8,032,090	7,638,242	-	-	8,032,090	7,638,242	5.16%
Income surtax	141,319	117,365	-	-	141,319	117,365	20.41%
Statewide sales, services and use tax	584,394	1,265,579	-	-	584,394	1,265,579	-53.82%
Nonspecific program federal grants	137,006	131,314	-	-	137,006	131,314	4.33%
Unrestricted state grants	518,839	277,706	-	-	518,839	277,706	86.83%
Unrestricted investment earnings	58,222	82,501	989	1,208	59,211	83,709	-29.27%
Other	62,718	29,568	2,602	838	65,320	30,406	114.83%
Total revenues	11,475,866	11,594,725	429,352	376,706	11,905,218	11,971,431	-0.55%
Program expenses:							
Governmental activities:							
Instructional	7,219,477	7,283,381	-	-	7,219,477	7,283,381	-0.88%
Support services	2,780,171	3,383,247	7,430	10,934	2,787,601	3,394,181	-17.87%
Non-instructional programs	-	-	400,244	397,063	400,244	397,063	0.80%
Other expenses	947,214	934,025	-	-	947,214	934,025	1.41%
Total expenses	10,946,862	11,600,653	407,674	407,997	11,354,536	12,008,650	-5.45%
Changes in net assets	529,004	(5,928)	21,678	(31,291)	550,682	(37,219)	-1579.57%
Beginning net assets	15,123,418	15,129,346	91,747	123,038	15,215,165	15,252,384	-0.24%
Ending net assets	\$ 15,652,422	15,123,418	113,425	91,747	15,765,847	15,215,165	3.62%

In fiscal 2012, property tax, income surtax, statewide sales, services, and use tax and unrestricted state grants account for 80.84% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.16% of the revenue from business type activities.

The District's total revenues were approximately \$11.91 million of which approximately \$11.48 million was for governmental activities and \$0.43 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.55% decrease in revenues and a 5.45% decrease in expenses. The decrease in expenses related to a decrease in capital outlay expenditures during the year.

## Governmental Activities

Revenues for governmental activities were \$11,475,866 and expenses were \$10,946,862.

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

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	\$ 7,219,477	7,283,381	-0.88%	5,621,073	5,615,474	0.10%
Support services	2,780,171	3,383,247	-17.83%	2,772,052	3,371,454	-17.78%
Other expenses	947,214	934,025	1.41%	612,459	561,275	9.12%
Totals	\$ 10,946,862	11,600,653	-5.64%	9,005,584	9,548,203	-5.68%

- The cost financed by users of the District's programs was \$1,116,572.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$824,706.
- The net cost of governmental activities was financed with \$8,032,090 in property tax, \$141,319 in income surtax, \$584,394 in statewide sales, services and use tax, \$137,006 in nonspecific program federal grants, \$518,839 in unrestricted state grants and \$58,222 in interest income and \$62,718 in other general revenues.

## Business type Activities

Revenues of the District's business type activity were \$429,352 net of transfers and expenses were \$407,674. The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Okoboji 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 \$4,209,513 above last year's ending fund balances of \$3,958,711. However, the primary reason for the increase in combined fund balances is due to the increase in fund balance of the General Fund balance.

## Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in local and state source revenues resulted in an increase in revenues. The decrease in instructional expenditures is one of the reasons for the decrease in expenditures. The net result was an increase in fund balance from \$1,664,943 in fiscal 2011 to \$2,378,598 in fiscal 2012.
- The Capital Projects Accounts balance overall decreased from \$1,619,918 in fiscal 2011 to \$1,101,062 in fiscal 2012. Both revenues and expenses in the Capital Projects Fund decreased as compared to fiscal 2011. The biggest decrease in expenditures came in the capital outlay category where expenditures decreased \$2,126,647 compared to fiscal 2011.

## Proprietary Fund Highlights

As of the year ended June 30, 2012, the School Nutrition Fund experienced an increase in revenues and decrease in expenses as compared to June 30, 2011. Overall, net assets increased from \$91,747 at June 30, 2011 to \$113,425 at June 30, 2012, representing an increase of 23.63%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$317,042 more than budgeted revenues, a variance of 2.73%. The most significant variances resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional areas.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, the District had invested \$15,217,786, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.03% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$749,330.

The original cost of the District's capital assets was \$25,783,448. Governmental funds account for \$25,425,291 with the remainder of \$358,157 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$2,604,975 at June 30, 2011 as compared to \$0 at June 30, 2012. This decrease is due to the District completing construction on renovating the elementary classrooms.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 248,655	248,655	-	-	248,655	248,655	0.00%
Construction in progress	-	2,604,975	-	-	-	2,604,975	-100.00%
Buildings	13,843,511	10,987,982	-	-	13,843,511	10,987,982	25.99%
Land improvements	633,318	731,665	-	-	633,318	731,665	-13.44%
Machinery and equipment	455,096	599,181	37,206	40,649	492,302	639,830	-23.06%
Total	\$ 15,180,580	15,172,458	37,206	40,649	15,217,786	15,213,107	0.03%

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## Long-Term Debt

At June 30, 2012, the District had \$4,101,107 in revenue bonds and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding revenue bonds payable of \$3,008,813 at June 30, 2012.

The District had a real estate contract payable of \$132,150 at June 30, 2012.

The District had outstanding early retirement benefits of \$269,125 payable from the Special Revenue, Management Fund at June 30, 2012.

The District has a Net OPEB liability of \$671,316 in the governmental activities and \$19,703 in the business type activities.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Revenue bonds	\$ 3,008,813	3,358,049	-	-	3,008,813	3,358,049	-10.40%
Real estate contract	132,150	140,775	-	-	132,150	140,775	-6.13%
Early retirement	269,125	425,608	-	-	269,125	425,608	-36.77%
Net OPEB liability	671,316	431,148	19,703	12,657	691,019	443,805	55.70%
Total	\$ 4,081,404	4,355,580	19,703	12,657	4,101,107	4,368,237	-6.12%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District. Also continued budget concerns at state level will affect future projections. The District will continue to be forced to shift funding to property taxes.

## 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 Katy Sporrer, Business Manager, Okoboji Community School District, 1205 7<sup>th</sup> Street, Milford, IA 51351

OKOBOJI COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

OKOBOJI COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 5,221,902	113,016	5,334,918
Receivables:			
Property tax:			
Delinquent	56,118	-	56,118
Succeeding year	8,332,221	-	8,332,221
Income surtax	127,292	-	127,292
Accounts	2,852	3,096	5,948
Inventories	-	4,158	4,158
Due from other governments	341,531	-	341,531
Capital assets, net of accumulated depreciation	15,180,580	37,206	15,217,786
<b>TOTAL ASSETS</b>	<b>29,262,496</b>	<b>157,476</b>	<b>29,419,972</b>
<b>LIABILITIES</b>			
Accounts payable	218,796	-	218,796
Salaries and benefits payable	963,177	20,084	983,261
Interest payable	9,326	-	9,326
Deferred revenue:			
Succeeding year property tax	8,332,221	-	8,332,221
Other	5,150	-	5,150
Unearned revenue	-	4,264	4,264
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	361,657	-	361,657
Real estate contract payable	9,066	-	9,066
Early retirement payable	50,000	-	50,000
Portion due after one year:			
Revenue bonds payable	2,647,156	-	2,647,156
Real estate contract payable	123,084	-	123,084
Early retirement payable	219,125	-	219,125
Net OPEB liability	671,316	19,703	691,019
<b>TOTAL LIABILITIES</b>	<b>13,610,074</b>	<b>44,051</b>	<b>13,654,125</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	12,285,929	37,206	12,323,135
Restricted for:			
Categorical funding	491,789	-	491,789
Debt service	50,328	-	50,328
Management levy	265,630	-	265,630
Student activities	144,770	-	144,770
School infrastructure	584,730	-	584,730
Physical plant and equipment	270,020	-	270,020
Unrestricted	1,559,226	76,219	1,635,445
<b>TOTAL NET ASSETS</b>	<b>\$ 15,652,422</b>	<b>113,425</b>	<b>15,765,847</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 4,345,598	599,502	43,031	(3,703,065)	-	(3,703,065)
Special	1,552,948	299,267	123,052	(1,130,629)	-	(1,130,629)
Other	1,320,931	216,104	317,448	(787,379)	-	(787,379)
	<u>7,219,477</u>	<u>1,114,873</u>	<u>483,531</u>	<u>(5,621,073)</u>	<u>-</u>	<u>(5,621,073)</u>
Support services:						
Student	368,643	-	4,087	(364,556)	-	(364,556)
Instructional staff	330,834	-	2,333	(328,501)	-	(328,501)
Administration	880,366	-	-	(880,366)	-	(880,366)
Operation and maintenance of plant	770,882	-	-	(770,882)	-	(770,882)
Transportation	429,446	1,699	-	(427,747)	-	(427,747)
	<u>2,780,171</u>	<u>1,699</u>	<u>6,420</u>	<u>(2,772,052)</u>	<u>-</u>	<u>(2,772,052)</u>
Long-term debt interest	118,339	-	-	(118,339)	-	(118,339)
Other expenses:						
AEA flowthrough	334,755	-	334,755	-	-	-
Depreciation(unallocated)*	494,120	-	-	(494,120)	-	(494,120)
	<u>828,875</u>	<u>-</u>	<u>334,755</u>	<u>(494,120)</u>	<u>-</u>	<u>(494,120)</u>
Total governmental activities	10,946,862	1,116,572	824,706	(9,005,584)	-	(9,005,584)
Business type activities:						
Support services:						
Administration	1,232	-	-	-	(1,232)	(1,232)
Operation and maintenance of plant	6,198	-	-	-	(6,198)	(6,198)
	<u>7,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,430)</u>	<u>(7,430)</u>
Non-instructional programs:						
Nutrition services	400,244	220,640	205,121	-	25,517	25,517
Total business type activities	<u>407,674</u>	<u>220,640</u>	<u>205,121</u>	<u>-</u>	<u>18,087</u>	<u>18,087</u>
Total	<u>\$ 11,354,536</u>	<u>1,337,212</u>	<u>1,029,827</u>	<u>(9,005,584)</u>	<u>18,087</u>	<u>(8,987,497)</u>
<b>General Revenues:</b>						
Property tax for:						
General purposes				\$ 7,684,137	-	7,684,137
Capital outlay				347,953	-	347,953
Income surtax				141,319	-	141,319
Statewide sales, services and use tax				584,394	-	584,394
Nonspecific program federal grants				137,006	-	137,006
Unrestricted state grants				518,839	-	518,839
Unrestricted investment earnings				58,222	989	59,211
Other				62,718	2,602	65,320
Total general revenues				<u>9,534,588</u>	<u>3,591</u>	<u>9,538,179</u>
Changes in net assets				529,004	21,678	550,682
Net assets beginning of year				<u>15,123,418</u>	<u>91,747</u>	<u>15,215,165</u>
Net assets end of year				<u>\$ 15,652,422</u>	<u>113,425</u>	<u>15,765,847</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 3,285,903	982,693	727,539	4,996,135
Receivables:				
Property tax:				
Delinquent	52,978	2,403	737	56,118
Succeeding year	7,474,873	362,348	495,000	8,332,221
Income surtax	127,292	-	-	127,292
Accounts	1,587	-	1,265	2,852
Due from other governments	225,191	115,966	374	341,531
<b>TOTAL ASSETS</b>	<b>\$ 11,167,824</b>	<b>1,463,410</b>	<b>1,224,915</b>	<b>13,856,149</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 218,734	-	62	218,796
Salaries and benefits payable	963,177	-	-	963,177
Deferred revenue:				
Succeeding year property tax	7,474,873	362,348	495,000	8,332,221
Income surtax	127,292	-	-	127,292
Other	5,150	-	-	5,150
Total liabilities	8,789,226	362,348	495,062	9,646,636
Fund balances:				
Restricted for:				
Categorical funding	491,789	-	-	491,789
Construction	-	246,312	-	246,312
Debt service	-	-	50,328	50,328
Management levy purposes	-	-	534,755	534,755
Student activities	-	-	144,770	144,770
School infrastructure	-	584,730	-	584,730
Physical plant and equipment	-	270,020	-	270,020
Assigned	19,219	-	-	19,219
Unassigned	1,867,590	-	-	1,867,590
Total fund balances	2,378,598	1,101,062	729,853	4,209,513
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 11,167,824</b>	<b>1,463,410</b>	<b>1,224,915</b>	<b>13,856,149</b>

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2012

<b>Total fund balances of governmental funds(page 20)</b>	\$	4,209,513
 <b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		15,180,580
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		225,767
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		127,292
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(9,326)
Long-term liabilities, including revenue bonds payable, early retirement payable, real estate contract payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(4,081,404)</u>
<b>Net assets of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>15,652,422</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 7,724,955	932,347	105,387	8,762,689
Tuition	849,882	-	-	849,882
Other	156,010	11,381	243,978	411,369
Intermediate sources	3,580	-	-	3,580
State sources	1,069,808	124	39	1,069,971
Federal sources	383,261	-	-	383,261
<b>TOTAL REVENUES</b>	<b>10,187,496</b>	<b>943,852</b>	<b>349,404</b>	<b>11,480,752</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	3,956,693	179,892	50,877	4,187,462
Special	1,499,152	-	-	1,499,152
Other	1,043,445	1,845	204,360	1,249,650
	<b>6,499,290</b>	<b>181,737</b>	<b>255,237</b>	<b>6,936,264</b>
Support services:				
Student	363,459	-	-	363,459
Instructional staff	217,982	46,144	-	264,126
Administration	1,005,408	4,090	18,902	1,028,400
Operation and maintenance of plant	716,743	7,156	14,648	738,547
Transportation services	336,204	86,507	4,614	427,325
	<b>2,639,796</b>	<b>143,897</b>	<b>38,164</b>	<b>2,821,857</b>
Capital outlay	-	660,406	-	660,406
Long-term debt:				
Principal	-	-	357,861	357,861
Interest and fiscal charges	-	-	118,807	118,807
	<b>-</b>	<b>-</b>	<b>476,668</b>	<b>476,668</b>
Other expenditures:				
AEA flowthrough	334,755	-	-	334,755
<b>TOTAL EXPENDITURES</b>	<b>9,473,841</b>	<b>986,040</b>	<b>770,069</b>	<b>11,229,950</b>
Excess(Deficiency) of revenues over(under)expenditures	713,655	(42,188)	(420,665)	250,802
Other financing sources(uses):				
Transfer in	-	-	476,668	476,668
Transfer out	-	(476,668)	-	(476,668)
Total other financing sources(uses)	<b>-</b>	<b>(476,668)</b>	<b>476,668</b>	<b>-</b>
Net change in fund balances	713,655	(518,856)	56,003	250,802
Fund balance beginning of year	1,664,943	1,619,918	673,850	3,958,711
Fund balance end of year	<b>\$ 2,378,598</b>	<b>1,101,062</b>	<b>729,853</b>	<b>4,209,513</b>

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI 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) \$ 250,802

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

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

Expenditures for capital assets	\$ 811,767	
Depreciation expense	(740,261)	
Loss on disposal of assets	<u>(63,384)</u>	8,122

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 322

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issuance and repayments are as follows:

Repaid		357,861
--------	--	---------

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. 468

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (4,886)

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

Early retirement	\$ 156,483	
Other postemployment benefits	<u>(240,168)</u>	<u>(83,685)</u>

**Changes in net assets of governmental activities(page 19) \$ 529,004**

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Cash and pooled investments	\$ 113,016	225,767
Accounts receivable	3,096	-
Inventories	4,158	-
Capital assets, net of accumulated depreciation	37,206	-
<b>TOTAL ASSETS</b>	<b>157,476</b>	<b>225,767</b>
LIABILITIES		
Current liabilities:		
Salaries and benefits payable	20,084	-
Unearned revenue	4,264	-
<b>Total current liabilities</b>	<b>24,348</b>	<b>-</b>
Long-term liabilities:		
Net OPEB liability	19,703	-
<b>Total long-term liabilities</b>	<b>19,703</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>44,051</b>	<b>-</b>
NET ASSETS		
Invested in capital assets	37,206	-
Unrestricted	76,219	225,767
<b>TOTAL NET ASSETS</b>	<b>\$ 113,425</b>	<b>225,767</b>

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 220,640	-
Miscellaneous	2,602	1,252,886
TOTAL OPERATING REVENUES	<u>223,242</u>	<u>1,252,886</u>
OPERATING EXPENSES:		
Support services:		
Administration:		
Services	1,232	-
Operation and maintenance of plant:		
Services	6,198	-
Total support services	<u>7,430</u>	<u>-</u>
Non-instructional programs:		
Food service operations:		
Salaries	124,411	-
Benefits	51,433	-
Supplies	215,331	-
Depreciation	9,069	-
	<u>400,244</u>	<u>-</u>
Other enterprise operations:		
Benefits	-	1,238,550
Services	-	16,546
Total non-instructional programs	<u>400,244</u>	<u>1,255,096</u>
TOTAL OPERATING EXPENSES	<u>407,674</u>	<u>1,255,096</u>
OPERATING LOSS	<u>(184,432)</u>	<u>(2,210)</u>
NON-OPERATING REVENUES:		
State sources	3,898	-
Federal sources	201,223	-
Interest income	989	2,532
TOTAL NON-OPERATING REVENUES	<u>206,110</u>	<u>2,532</u>
Change in net assets	21,678	322
Net assets beginning of year	<u>91,747</u>	<u>225,445</u>
Net assets end of year	<u>\$ 113,425</u>	<u>225,767</u>

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012

	Business type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 215,863	-
Cash received from miscellaneous operating activities	2,602	1,252,886
Cash payments to employees for services	(168,196)	-
Cash payments to suppliers for goods or services	(194,154)	(1,255,096)
Net cash used in operating activities	<u>(143,885)</u>	<u>(2,210)</u>
Cash flows from non-capital financing activities:		
State grants received	3,898	-
Federal grants received	179,991	-
Net cash provided by non-capital financing activities	<u>183,889</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(5,626)	-
Cash flows from investing activities:		
Interest on investments	989	2,532
Net increase in cash and cash equivalents	35,367	322
Cash and cash equivalents at beginning of year	77,649	225,445
Cash and cash equivalents at end of year	<u>\$ 113,016</u>	<u>225,767</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (184,432)	(2,210)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	21,232	-
Depreciation	9,069	-
Decrease in inventories	7,375	-
Increase in accounts receivable	(173)	-
Increase in salaries and benefits payable	602	-
Decrease in unearned revenue	(4,604)	-
Increase in other postemployment benefits	7,046	-
Net cash used in operating activities	<u>\$ (143,885)</u>	<u>(2,210)</u>

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$21,232.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust Scholarship
ASSETS	
Cash and pooled investments	\$ 30,094
Accounts receivable	600
TOTAL ASSETS	<u>30,694</u>
LIABILITIES	<u>-</u>
NET ASSETS	
Restricted for scholarships	<u>\$ 30,694</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust
	Scholarship
ADDITIONS:	
Local sources:	
Interest	\$ 138
Contributions	5,400
TOTAL ADDITIONS	5,538
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	4,800
Change in net assets	738
Net assets beginning of year	29,956
Net assets end of year	\$ 30,694

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

The Okoboji Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Milford, Arnolds Park, Fostoria, Okoboji, West Okoboji and Wahpeton, Iowa and the agricultural area in Dickinson and Clay Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

For financial reporting purposes, Okoboji 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 Okoboji 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 Dickinson 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 service.

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

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. Unspent bond proceeds for construction of capital assets have been added to invested in capital assets, net of related debt.

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

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

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

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

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

The District also reports one nonmajor proprietary fund:

The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports one other proprietary fund:

The Internal Service Fund is used to account for the self-funded employee health insurance plan of the District and the employee's flexible spending plan. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic 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 - committed, assigned, and then unassigned fund balances.

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

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

The District maintains its financial records during the fiscal year on a cash basis. At the end of the fiscal year, for reporting purposes, the District prepares the financial statements on an accrual basis 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	\$ 0
Buildings	2,500
Land improvements	2,500
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 over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

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

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

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

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

Assigned - Amounts are not available for appropriation but are set aside for a specific purpose. The assigned balance is for the OES Sensory Project.

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, expenditures exceeded the amount budgeted in non-instructional programs functional area.

(2) **Cash and Pooled Investments**

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

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

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Government Obligations Portfolio which are valued at an amortized cost of \$293 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) **Interfund Transfers**

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

Transfer to	Transfer from	Amount
	Capital Projects:	
	Statewide Sales,	
Debt Service	Services, and Use Tax	\$ 476,668

The transfer from the Capital Projects: Statewide Sales, Services, and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's real estate contract and revenue bond indebtedness.

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 248,655	-	-	248,655
Construction in progress	2,604,975	660,295	3,265,270	-
Total capital assets not being depreciated	<u>2,853,630</u>	<u>660,295</u>	<u>3,265,270</u>	<u>248,655</u>
Capital assets being depreciated:				
Buildings	17,255,669	3,285,771	-	20,541,440
Land improvements	1,474,486	28,915	97,514	1,405,887
Machinery and equipment	3,204,646	102,056	77,393	3,229,309
Total capital assets being depreciated	<u>21,934,801</u>	<u>3,416,742</u>	<u>174,907</u>	<u>25,176,636</u>
Less accumulated depreciation for:				
Buildings	6,267,687	430,242	-	6,697,929
Land improvements	742,821	63,878	34,130	772,569
Machinery and equipment	2,605,465	246,141	77,393	2,774,213
Total accumulated depreciation	<u>9,615,973</u>	<u>740,261</u>	<u>111,523</u>	<u>10,244,711</u>
Total capital assets being depreciated, net	<u>12,318,828</u>	<u>2,676,481</u>	<u>63,384</u>	<u>14,931,925</u>
Governmental activities capital assets, net	<u>\$ 15,172,458</u>	<u>3,336,776</u>	<u>3,328,654</u>	<u>15,180,580</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 352,531	5,626	-	358,157
Less accumulated depreciation	311,882	9,069	-	320,951
Business type activities capital assets, net	<u>\$ 40,649</u>	<u>(3,443)</u>	<u>-</u>	<u>37,206</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 15,082
Other	65,044
Support services:	
Instructional staff	62,338
Administration	2,488
Operation and maintenance	13,491
Transportation	87,698
	<u>246,141</u>
Unallocated depreciation	<u>494,120</u>
Total governmental activities depreciation expense	<u>\$ 740,261</u>
Business type activities:	
Food services	<u>\$ 9,069</u>

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental Activities:</b>					
Revenue bonds	\$ 3,358,049	0	349,236	3,008,813	361,657
Real estate contract	140,775	0	8,625	132,150	9,066
Early retirement	425,608	269,125	425,608	269,125	50,000
Net OPEB liability	431,148	240,168	0	671,316	0
<b>Total</b>	<b>\$ 4,355,580</b>	<b>509,293</b>	<b>783,469</b>	<b>4,081,404</b>	<b>420,723</b>
<b>Business Type Activities:</b>					
Net OPEB liability	\$ 12,657	7,046	0	19,703	0

Revenue Bonds Payable

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

Year Ending June 30,	Interest Rates	Bond Issue of August 23, 2010		
		Principal	Interest	Total
2013	3.50	% \$ 361,657	99,543	461,200
2014	3.50	374,520	86,680	461,200
2015	3.50	387,840	73,360	461,200
2016	3.50	401,635	59,565	461,200
2017	3.50	415,919	45,282	461,201
2018-2020	3.50	1,067,242	47,327	1,114,569
<b>Total</b>		<b>\$ 3,008,813</b>	<b>411,757</b>	<b>3,420,570</b>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,500,000 bonds issued in August 2010. The bonds were issued for the purpose of financing school renovations. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2020. 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 79% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,420,570. For the current year, \$349,236 of principal and \$111,964 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$584,394.

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

The bonds will only be redeemed from the future earnings of the statewide sales, services and use tax revenues received by the District and the bond holders hold a lien on the future revenues received.

Real Estate Contract

In 2008, the District borrowed \$163,000 for the purchase of a building to house the alternative high school. Principal and interest payments will be made from the Capital Projects: Statewide Sales, Services and Use Tax Fund. Details of the District's June 30, 2012 real estate contract indebtedness are as follows:

Year Ending June 30,	Real Estate Contract				
	Interest Rate	Principal	Interest	Total	
2013	5.00 %	\$ 9,066	6,402	15,468	
2014	5.00	123,084	1,529	124,613	
Total		\$ 132,150	7,931	140,081	

Monthly payments of \$1,289 are due through September 1, 2013. At that time, the remaining balance of \$120,746 will have to be repaid or refinanced.

Early Retirement

For FY2012 the certified employees were eligible if they were at least age fifty-five by January 1, 2012 and completed fifteen years continuous service to the District. Employees must have completed an application which was subject to approval by the Board of Education. The benefit has a value of \$50,000 and may either be taken in cash payments over six fiscal years or applied to insurance on a monthly basis, until exhausted. This Board does not intend to offer early retirement in the next two (2) years. Future Boards will determine if early retirement is offered (per Board Policy 407.3). Early retirement expenditures for the year ended June 30, 2012 totaled \$425,608.

**(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.38% of their annual 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 \$481,365, \$396,087 and \$373,688 respectively, equal to the required contributions for each year.

(7) **Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 123 active and 18 retired members in the plan.

The medical/prescription drug benefit, which is a partially self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield of Iowa. 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	\$ 366,223
Interest on net OPEB obligation	11,095
Adjustment to annual required contribution	(31,463)
Annual OPEB cost	<u>345,855</u>
Amortization of unfunded actuarial accrued liability	<u>(98,641)</u>
Increase in net OPEB obligation	247,214
Net OPEB obligation - beginning of year	<u>443,805</u>
Net OPEB obligation - end of year	<u>\$ 691,019</u>

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

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

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 318,889	30.28%	\$ 222,338
2011	320,015	30.79%	443,805
2012	345,855	28.52%	691,019

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 \$2.320 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.320 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.486 million, and the ratio of the UAAL to the covered payroll was 42.29%. 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 2.5% discount rate based on the District's funding policy. The health cost trend rate for basis of the actuarial was 6% per year.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the 2006 Society of Actuaries Study.

Projected claim costs of the medical plan are \$363 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Risk Management**

In addition, the District is exposed to various risks to 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$334,755 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2012, the District exceeded its budgeted amount in the non-instructional programs functional area.

**(11) Categorical Funding**

The District's ending reserved balances for categorical funding as of June 30, 2012 are broken out by the following projects:

<u>Project</u>	<u>Amount</u>
Teacher Salary Supplement	\$ 86,376
4 Year Old Preschool	306,643
Professional Development	30,755
Beginning Teacher Mentoring	8,461
Professional Development for Model Core	28,683
Iowa Learning Technology Commission Grant	2,677
Market Factor	4,756
Market Factor Incentives	6,552
Property Tax & State Aid Financed For Limited English Proficiency	8,819
Gifted and Talented	8,067
Total	<u>\$ 491,789</u>

**(12) Assigned Fund Balances**

The District's ending assigned fund balances as of June 30, 2012 are intended for the following projects:

<u>Project</u>	<u>Amount</u>
1:1 Computer Technology	\$ 11,724
Elementary School Field Trip	5,457
Elementary School Sensory Project	1,150
Elementary School Guided Reading	50
Elementary School Supplies	838
Total	<u>\$ 19,219</u>

OKOBOJI COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

OKOBOJI COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 10,023,940	224,231	10,248,171	10,174,113	10,174,113	74,058
Intermediate sources	3,580	-	3,580	600	600	2,980
State sources	1,069,971	3,898	1,073,869	1,087,349	1,087,349	(13,480)
Federal sources	383,261	201,223	584,484	331,000	331,000	253,484
Total revenues	<u>11,480,752</u>	<u>429,352</u>	<u>11,910,104</u>	<u>11,593,062</u>	<u>11,593,062</u>	<u>317,042</u>
Expenditures/Expenses:						
Instruction	6,936,264	-	6,936,264	8,592,001	8,292,001	1,355,737
Support services	2,821,857	7,430	2,829,287	2,795,500	3,095,500	266,213
Non-instructional programs	-	400,244	400,244	383,492	383,492	(16,752)
Other expenditures	1,471,829	-	1,471,829	2,136,503	2,136,503	664,674
Total expenditures/expenses	<u>11,229,950</u>	<u>407,674</u>	<u>11,637,624</u>	<u>13,907,496</u>	<u>13,907,496</u>	<u>2,269,872</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	250,802	21,678	272,480	(2,314,434)	(2,314,434)	2,586,914
Balance beginning of year	<u>3,958,711</u>	<u>91,747</u>	<u>4,050,458</u>	<u>2,577,899</u>	<u>2,577,899</u>	<u>(1,472,559)</u>
Balance end of year	<u>\$ 4,209,513</u>	<u>113,425</u>	<u>4,322,938</u>	<u>263,465</u>	<u>263,465</u>	<u>1,114,355</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI 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, the District adopted one budget amendment to reclassify expenditures between the instructional and support services functional areas. The total budgeted amount was left unchanged.

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

OKOBOJI 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	\$ -	\$ 2,555	\$ 2,555	0.0%	\$ 5,692	44.89%
2011	July 1, 2009	\$ -	\$ 2,460	\$ 2,460	0.0%	\$ 5,290	46.50%
2012	July 1, 2009	\$ -	\$ 2,320	\$ 2,320	0.0%	\$ 5,486	42.29%

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

SUPPLEMENTARY INFORMATION

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

	Special Revenue			Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total Special Revenue		
<b>ASSETS</b>					
Cash and pooled investments	\$ 534,018	143,193	677,211	50,328	727,539
Receivables:					
Property tax					
Delinquent	737	-	737	-	737
Succeeding year	495,000	-	495,000	-	495,000
Accounts	-	1,265	1,265	-	1,265
Due from other governments	-	374	374	-	374
<b>TOTAL ASSETS</b>	<b>\$ 1,029,755</b>	<b>144,832</b>	<b>1,174,587</b>	<b>50,328</b>	<b>1,224,915</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	62	62	-	62
Deferred revenue:					
Succeeding year property tax	495,000	-	495,000	-	495,000
<b>Total liabilities</b>	<b>495,000</b>	<b>62</b>	<b>495,062</b>	<b>-</b>	<b>495,062</b>
Fund balances:					
Restricted for:					
Debt service	-	-	-	50,328	50,328
Management levy purposes	534,755	-	534,755	-	534,755
Student activities	-	144,770	144,770	-	144,770
<b>Total fund balances</b>	<b>534,755</b>	<b>144,770</b>	<b>679,525</b>	<b>50,328</b>	<b>729,853</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,029,755</b>	<b>144,832</b>	<b>1,174,587</b>	<b>50,328</b>	<b>1,224,915</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 105,387	-	105,387	-	105,387
Other	17,173	226,145	243,318	660	243,978
State sources	39	-	39	-	39
<b>TOTAL REVENUES</b>	<b>122,599</b>	<b>226,145</b>	<b>348,744</b>	<b>660</b>	<b>349,404</b>
EXPENDITURES:					
Current:					
Instruction:					
Regular	50,877	-	50,877	-	50,877
Other	-	204,360	204,360	-	204,360
Support services:					
Administration	18,902	-	18,902	-	18,902
Operation and maintenance of plant	14,648	-	14,648	-	14,648
Transportation	4,614	-	4,614	-	4,614
Long-term debt:					
Principal	-	-	-	357,861	357,861
Interest and fiscal charges	-	-	-	118,807	118,807
<b>TOTAL EXPENDITURES</b>	<b>89,041</b>	<b>204,360</b>	<b>293,401</b>	<b>476,668</b>	<b>770,069</b>
Excess(Deficiency) of revenues over(under) expenditures	33,558	21,785	55,343	(476,008)	(420,665)
Other financing sources:					
Transfer in	-	-	-	476,668	476,668
Net change in fund balances	33,558	21,785	55,343	660	56,003
Fund balance beginning of year	501,197	122,985	624,182	49,668	673,850
Fund balance end of year	<b>\$ 534,755</b>	<b>144,770</b>	<b>679,525</b>	<b>50,328</b>	<b>729,853</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 715,076	267,617	982,693
Receivables:			
Property tax			
Delinquent	-	2,403	2,403
Succeeding year	-	362,348	362,348
Due from other governments	115,966	-	115,966
<b>TOTAL ASSETS</b>	<b>\$ 831,042</b>	<b>632,368</b>	<b>1,463,410</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	362,348	362,348
Fund Balances:			
Restricted for:			
Construction	246,312	-	246,312
School infrastructure	584,730	-	584,730
Physical plant and equipment	-	270,020	270,020
Total fund balances	831,042	270,020	1,101,062
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 831,042</b>	<b>632,368</b>	<b>1,463,410</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 584,394	347,953	932,347
Other	9,244	2,137	11,381
State sources	-	124	124
TOTAL REVENUES	<u>593,638</u>	<u>350,214</u>	<u>943,852</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	175,460	4,432	179,892
Other	836	1,009	1,845
Support services:			
Instructional staff	2,785	43,359	46,144
Administration	4,090	-	4,090
Operation and maintenance of plant	3,713	3,443	7,156
Transportation	-	86,507	86,507
Capital outlay	601,627	58,779	660,406
TOTAL EXPENDITURES	<u>788,511</u>	<u>197,529</u>	<u>986,040</u>
Excess(Deficiency) of revenues over(under) expenditures	(194,873)	152,685	(42,188)
Other financing uses:			
Transfer out	(476,668)	-	(476,668)
Net change in fund balances	(671,541)	152,685	(518,856)
Fund balance beginning of year	1,502,583	117,335	1,619,918
Fund balance end of year	<u>\$ 831,042</u>	<u>270,020</u>	<u>1,101,062</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI 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	Interfund and Intrafund Transfers	Balance End of Year
All School Play	\$ 1,494	520	509	-	1,505
Speech	-	4,844	3,605	-	1,239
Debate Tournament	-	2,125	1,671	-	454
HS Debate	-	4,855	8,387	6,632	3,100
Debate Fundraiser	1,131	836	995	-	972
Show Choir	4,547	884	1,133	204	4,502
Jazz Band	-	3,602	5,642	2,040	-
Musical	7,700	2,356	2,971	(1,036)	6,049
Cross Country	949	963	1,554	(92)	266
Tennis	37	-	-	-	37
Golf	70	901	2,483	1,512	-
Boys Basketball	100	8,650	7,729	(974)	47
Boys Basketball - Fundraiser	-	437	-	(437)	-
Football	6,640	-	3,985	(1,192)	1,463
Football Fundraisers	7,253	-	203	-	7,050
Baseball	393	511	6,099	5,620	425
Boys Track	-	1,942	5,003	3,250	189
Boys Golf	-	-	40	40	-
Wrestling	2,579	11,351	11,439	(1,192)	1,299
Girls Basketball	735	8,076	5,603	412	3,620
Volleyball	3,507	9,526	8,361	(1,500)	3,172
Softball	3,863	4,075	6,528	2,908	4,318
Softball Fundraiser	-	1,315	1,237	-	78
Girls Track	89	1,780	1,921	704	652
Girls Golf	-	66	145	79	-
MS Athletics	777	3,368	6,782	3,672	1,035
Class of 2010	266	-	266	-	-
Class of 2011	658	-	600	-	58
Class of 2012	241	734	725	-	250
Class of 2013	1,324	3,701	3,138	46	1,933
Class of 2014	1,105	699	-	-	1,804
Class of 2015	850	289	-	-	1,139
Class of 2016	-	-	-	809	809
Pictures	456	-	-	(456)	-
National Honor Society	-	-	247	247	-
Activity Tickets	155	6,120	2,005	(4,165)	105
Interest	-	1,777	-	(500)	1,277
Concessions	2,475	29,586	18,389	(11,854)	1,818

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund and Intrafund Transfers	Balance End of Year
Student Pop	4,213	4,893	7,432	(1,135)	539
Pioneer Club	-	11,833	5,872	(5,961)	-
Student Council	1,141	2,851	2,065	408	2,335
Student Council Milk	916	835	273	-	1,478
Cheerleaders - Football	141	390	763	236	4
Cheerleaders - Basketball	172	-	-	36	208
Cheerleaders - Wrestling	-	-	-	136	136
Drill Team	274	3,800	3,485	-	589
Annual	3,027	8,712	7,903	-	3,836
Spanish Club	7,545	6,567	3,598	408	10,922
Science Club	1,368	-	-	-	1,368
FFA	11,531	17,194	10,475	-	18,250
FFA - Fruit Sales	24,216	16,049	14,501	-	25,764
Culinary Arts	574	950	1,790	266	-
Thespian Club	1,331	4,040	3,424	408	2,355
Art Appreciation	-	406	59	-	347
Art Society Fundraiser	706	-	76	-	630
Industrial Arts Club	745	-	-	408	1,153
Jr Magazine Sales	-	68	22	(46)	-
Academic Awards	96	-	-	-	96
Key Club	1,443	275	898	816	1,636
HS Spec Ed Club	2,098	-	-	-	2,098
DECA	-	166	199	33	-
Elementary	3,541	2,170	4,006	-	1,705
EL/MS Special Ed Club	147	85	147	-	85
Third Grade	2,880	-	-	(2,880)	-
OES Character Counts	793	-	300	-	493
Elementary K-Kids Club	322	-	-	-	322
MS Student Senate	631	-	453	-	178
MS Concessions	-	4,709	3,987	-	722
OMS TAG - Boston Trip	-	6,543	210	-	6,333
MS Magazine Sales	3,243	16,170	13,027	(809)	5,577
MS Spirit Club	205	-	-	-	205
MS Builders Club	239	-	-	-	239
Needs Fund	-	500	-	3,699	4,199
Needs Fund - Athletics	-	250	-	-	250
State and Nationals	-	800	-	(800)	-
MS Archery Club	53	-	-	-	53
Total	\$ 122,985	226,145	204,360	-	144,770

OKOBOJI COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 JUNE 30, 2012

	Medical	Flex	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 203,946	21,821	225,767
<b>LIABILITIES</b>			
	-	-	-
<b>NET ASSETS</b>			
Unrestricted	\$ 203,946	21,821	225,767

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2012

	Medical	Flex	Total
OPERATING REVENUE:			
Local sources:			
Miscellaneous	\$ 1,193,796	59,090	1,252,886
OPERATING EXPENSES:			
Other enterprise operations:			
Benefits	1,174,614	63,936	1,238,550
Services	16,546	-	16,546
TOTAL OPERATING EXPENSES	1,191,160	63,936	1,255,096
OPERATING INCOME(LOSS)	2,636	(4,846)	(2,210)
NON-OPERATING REVENUES:			
Interest income	2,532	-	2,532
Change in net assets	5,168	(4,846)	322
Net assets beginning of year	198,778	26,667	225,445
Net assets end of year	\$ 203,946	21,821	225,767

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2012

	Medical	Flex	Total
Cash flows from operating activities:			
Cash received from miscellaneous operating activities	\$ 1,193,796	59,090	1,252,886
Cash payments to suppliers for goods or services	(1,191,160)	(63,936)	(1,255,096)
Net cash provided by(used in) operating activities	<u>2,636</u>	<u>(4,846)</u>	<u>(2,210)</u>
Cash flows from investing activities:			
Interest on investments	<u>2,532</u>	-	<u>2,532</u>
Net increase(decrease) in cash and cash equivalents	5,168	(4,846)	322
Cash and cash equivalents at beginning of year	<u>198,778</u>	<u>26,667</u>	<u>225,445</u>
Cash and cash equivalents at end of year	<u>\$ 203,946</u>	<u>21,821</u>	<u>225,767</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ 2,636	(4,846)	(2,210)
Net cash provided by(used in) operating activities	<u>\$ 2,636</u>	<u>(4,846)</u>	<u>(2,210)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

		Private Purpose Trust - Scholarship Fund						
		Clara Conkey Scholarship	H.E. Jacobs Scholarship	Kramer Scholarship	OHS Scholarship	Vestergaard Scholarship	Buchanan Scholarship	Total
ASSETS								
Cash and pooled investments	\$	4,095	10,000	2,859	2,408	9,900	832	30,094
Accounts receivable		-	-	-	-	-	600	600
<b>TOTAL ASSETS</b>		<b>4,095</b>	<b>10,000</b>	<b>2,859</b>	<b>2,408</b>	<b>9,900</b>	<b>1,432</b>	<b>30,694</b>
LIABILITIES		-	-	-	-	-	-	-
NET ASSETS								
Restricted for scholarships	\$	4,095	10,000	2,859	2,408	9,900	1,432	30,694

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Private Purpose Trust - Scholarship Fund							Total
	Elva	Clara	H.E.					
	Glade	Conkey	Jacobs	Kramer	OHS	Vestergaard	Buchanan	
	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	
ADDITIONS:								
Local sources:								
Interest	\$ -	16	100	12	-	-	10	138
Contributions	100	-	-	-	-	5,300	-	5,400
<b>TOTAL ADDITIONS</b>	<b>100</b>	<b>16</b>	<b>100</b>	<b>12</b>	<b>-</b>	<b>5,300</b>	<b>10</b>	<b>5,538</b>
DEDUCTIONS:								
Instruction:								
Regular:								
Scholarships awarded	100	-	100	500	200	3,900	-	4,800
Change in net assets	-	16	-	(488)	(200)	1,400	10	738
Net assets beginning of year	-	4,079	10,000	3,347	2,608	8,500	1,422	29,956
Net assets end of year	\$ -	4,095	10,000	2,859	2,408	9,900	1,432	30,694

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2012

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>ASSETS</b>				
Cash and pooled investments	\$ 3,699	530	4,229	-
<b>LIABILITIES</b>				
Due to other groups	\$ 3,699	530	4,229	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Local sources:										
Local tax	\$ 8,762,689	9,031,113	8,530,278	7,995,383	7,425,261	7,804,516	6,866,765	6,522,808	6,212,458	5,792,852
Tuition	849,882	710,323	616,747	492,471	565,965	547,104	471,660	404,145	271,723	254,818
Other	411,369	418,119	418,349	545,049	471,259	695,224	401,532	361,779	374,327	658,826
Intermediate sources	3,580	2,700	-	-	-	-	-	-	-	-
State sources	1,069,971	980,673	416,163	1,432,268	1,945,081	1,830,669	2,085,303	2,250,304	2,070,348	2,624,186
Federal sources	383,261	461,724	938,420	702,721	180,647	259,106	288,506	120,445	135,627	138,320
<b>Total</b>	<b>\$ 11,480,752</b>	<b>11,604,652</b>	<b>10,919,957</b>	<b>11,167,892</b>	<b>10,588,213</b>	<b>11,136,619</b>	<b>10,113,766</b>	<b>9,659,481</b>	<b>9,064,483</b>	<b>9,469,002</b>
Expenditures:										
Instruction:	\$									
Regular	4,187,462	4,242,024	4,133,788	4,182,045	3,835,710	3,767,315	3,659,712	3,465,089	3,401,583	3,193,294
Special	1,499,152	1,473,944	1,353,992	1,324,689	1,305,797	1,234,842	1,164,236	1,102,321	1,082,119	1,015,857
Other	1,249,650	1,269,808	1,225,056	1,244,589	876,267	851,826	845,396	800,438	785,768	737,653
Support services:										
Student	363,459	254,227	259,635	229,474	305,035	443,438	474,575	298,795	304,356	270,377
Instructional staff	264,126	520,624	254,432	245,583	339,627	322,767	558,304	265,083	250,005	229,762
Administration	1,028,400	1,074,838	1,011,057	846,376	843,449	827,716	787,710	801,969	733,467	684,537
Operation and maintenance of plant	738,547	865,116	794,111	808,885	882,472	822,464	751,089	716,128	640,696	515,513
Transportation	427,325	465,630	388,581	428,071	393,666	438,837	361,773	226,331	289,369	194,993
Capital outlay	660,406	2,787,053	297,105	500,647	125,360	592,510	1,058,877	962,361	4,121,315	1,804,749
Long-term debt:										
Principal	357,861	612,748	777,689	747,805	714,338	873,086	973,509	1,205,000	685,000	655,000
Interest and fiscal charges	118,807	106,831	40,737	68,043	88,620	116,630	137,364	267,554	203,522	254,540
Other expenditures:										
AEA flow-through	334,755	372,750	358,743	320,746	312,783	307,878	288,255	290,337	285,224	298,783
<b>Total</b>	<b>\$ 11,229,950</b>	<b>14,045,593</b>	<b>10,894,926</b>	<b>10,946,953</b>	<b>10,023,124</b>	<b>10,599,309</b>	<b>11,060,800</b>	<b>10,401,406</b>	<b>12,782,424</b>	<b>9,855,058</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 12	\$ 26,652
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 12	174,571 *
			<u>201,223</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I - GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 12	<u>82,435</u>
FUND FOR THE IMPROVEMENT OF EDUCATION(CAROL WHITE PHYSICAL EDUCATION GRANT)	84.215	FY 12	<u>2,967</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 12	<u>24,908</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI)	84.369	FY 12	<u>5,785</u>
ARRA - STATE FISCAL STABILIZATION FUND(SFSF)			
PROFESSIONAL DEVELOPMENT, RECOVERY ACT	84.394	FY 11	<u>2,333</u>
EDUCATION JOBS FUND	84.410	FY 11	134,382
EDUCATION JOBS FUND	84.410	FY 12	<u>2,625</u>
			<u>137,007</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 12	<u>42,719</u>
HARRIS-LAKE PARK COMMUNITY SCHOOL DISTRICT:			
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 12	<u>4,775</u>
TOTAL			<u>\$ 504,152</u>

\* Includes \$21,232 of non-cash awards

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Okoboji Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

Independent Auditor's Report 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  
Okoboji 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 Okoboji Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 8, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

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 identified no deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Okoboji 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 which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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.

Okoboji Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Okoboji 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 Okoboji Community School District and other parties to whom Okoboji 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 Okoboji Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2013

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133

To the Board of Education of the  
Okoboji Community School District:

Compliance

We have audited Okoboji Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Okoboji Community School District's major federal programs for the year ended June 30, 2012. Okoboji Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Okoboji Community School District's management. Our responsibility is to express an opinion on Okoboji Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Okoboji Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Okoboji Community School District's compliance with those requirements.

In our opinion, Okoboji Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Okoboji Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered Okoboji Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Okoboji Community School District's internal control over compliance.

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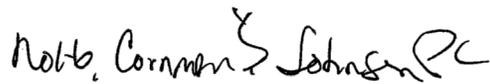
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-12 to be a material weakness.

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 deficiency described in Part III of the accompanying Schedule of Findings and Questioned Costs as item III-B-12 to be significant deficiency.

Okoboji Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Okoboji 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 Okoboji Community School District and other parties to whom Okoboji Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2013

OKOBOJI COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

**Part I: Summary of the Independent Auditor's Results**

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness and a significant deficiency in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
  - Individual:
    - CFDA Number 84.410 - Education Jobs Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Okoboji Community School District did not qualify as a low-risk auditee.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

**Part II: Findings Related to the Financial Statements:**

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank reconciliations, posting of cash receipts to the cash receipts journal and posting of cash disbursements were all done by the same person.

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

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

OTHER MATTERS:

II-B-12 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - We have board policies on a schedule to ensure they are reviewed every 5 years. We have gone through the 100 and 200 series and have the 300 series scheduled.

Conclusion - Response accepted.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

**Part III: Findings and Questioned Costs For Federal Awards:**

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program  
CFDA Number 10.555: National School Lunch Program  
Federal Award Year: 2012  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.410: Education Job Funds  
Federal Award Year: 2011 & 2012  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank reconciliations, posting of cash receipts to the cash receipts journal and posting of cash disbursements were all done by the same person.

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

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

III-B-12 Free and Reduced Lunch Applications - We noted during our audit that one of the free and reduced lunch applications in our testing was marked as reduced, but actually should have been marked as free.

Recommendation - The District should review the procedures in place for filing free and reduced lunch applications to ensure that the applications are filed correctly. The District should contact the Department of Education to correct the necessary reports.

Response - We have reviewed the procedures for filing free and reduced applications to ensure they are filed correctly. We contacted the Department of Education to correct the necessary reports.

Conclusion - Response accepted.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

**Part IV: Other Findings Related to Required Statutory Reporting:**

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

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

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

Conclusion - Response accepted.

IV-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.

IV-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.

IV-D-12 Business Transactions - No business transactions between the District and District officials were noted.

IV-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.

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

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

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

IV-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.

IV-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.

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

IV-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.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2012 audit.

Beginning Balance		\$	1,502,583
Revenues:			
Sales Tax Revenues	\$	584,394	
Other Local Revenues		9,244	593,638
		<u>          </u>	<u>2,096,221</u>
Expenditures/Transfers out:			
School Infrastructure Construction	\$	538,941	
Equipment		227,843	
Other		21,727	
Transfers to Other Funds			
Debt Service Fund		476,668	1,265,179
		<u>          </u>	<u>1,265,179</u>
Ending balance		\$	<u><u>831,042</u></u>

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