

TITONKA CONSOLIDATED SCHOOL DISTRICT

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

JUNE 30, 2012

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Titonka Consolidated School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Allison Anderson	President	2013
Laura Phelps	Vice President (Resigned January 2011)	2011
Gloria Bartlet	Vice President (Appointed Vice President February 2011)	2013
Daryl Chapin	Board Member	2011
Leroy Hoffman	Board Member	2011
Gabrielle Trunkhill	Board Member (Appointed February 2011)	2011
(After September 2011 Election)		
Allison Anderson	President	2013
Gloria Bartlet	Vice President	2013
Daryl Chapin	Board Member	2015
Gabrielle Trunkhill	Board Member	2015
Debra Harms	Board Member	2015
School Officials		
Marty Fonley	Superintendent	2012
Julia Mogensen	Business Manager/ District Secretary	2012
Rick Engel	Attorney	2012

TITONKA CONSOLIDATED 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
Titonka Consolidated 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 Titonka Consolidated School District, Titonka, 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 Titonka Consolidated 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 14, 2013 on our consideration of Titonka Consolidated 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

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through 16 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Titonka Consolidated School District's basic financial statements. Another auditor previously audited the financial statements for the nine years ended June 30, 2011, (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report and unqualified opinions were expressed on those financial statements. The supplemental information included in Schedules 1 through 7, 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 14, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Titonka Consolidated 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 decreased from \$1,954,515 in fiscal 2011 to \$1,692,156 in fiscal 2012, and General Fund expenditures decreased from \$1,667,481 in fiscal 2011 to \$1,512,712 in fiscal 2012. General Fund revenues were more than the General Fund expenditures, resulting in an increase in the District's General Fund balance from \$544,719 in fiscal 2011 to a balance of \$724,163 in fiscal 2012, a 32.94% increase from the prior year.
- The decrease in General Fund revenues was attributable to decreases in local and state sources in fiscal 2012. The decrease in expenditures was due primarily to decreases in the instruction and support services functional areas.

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 Titonka Consolidated 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 Titonka Consolidated 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 Titonka Consolidated 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.

Supplementary Information provides detailed information about the nonmajor funds.

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

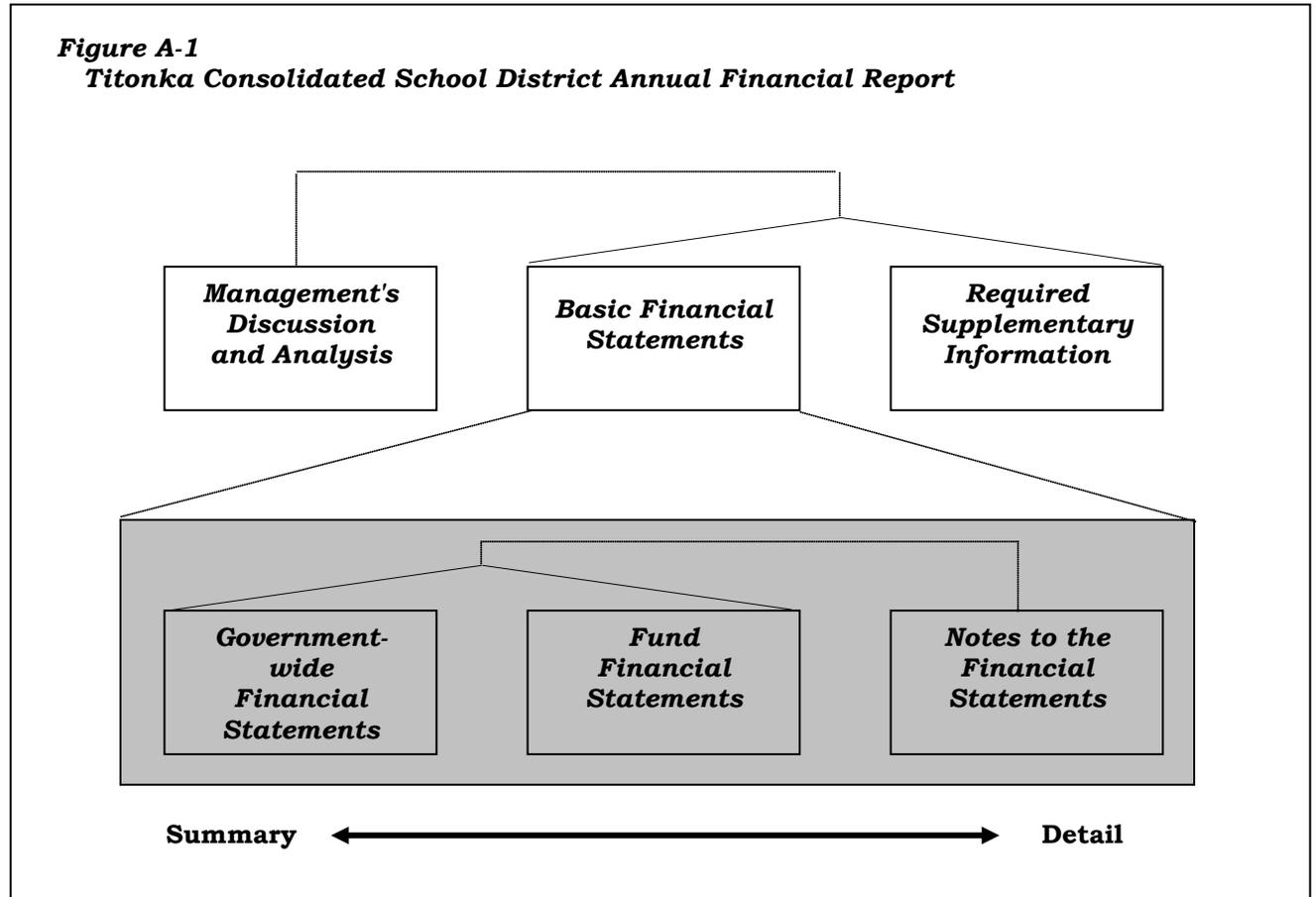


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

3) *Fiduciary funds*: The District is 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 certain federal and/or state grants on behalf of other Districts and certain revenue collected 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	\$ 2,261,675	2,315,318	12,380	9,881	2,274,055	2,325,199	-2.20%
Capital assets	3,540,227	3,603,771	949	1,068	3,541,176	3,604,839	-1.77%
Total assets	5,801,902	5,919,089	13,329	10,949	5,815,231	5,930,038	-1.94%
Long-term obligations	2,564,600	2,633,334	2,602	-	2,567,202	2,633,334	-2.51%
Other liabilities	1,062,765	1,394,441	204	16,968	1,062,969	1,411,409	-24.69%
Total liabilities	3,627,365	4,027,775	2,806	16,968	3,630,171	4,044,743	-10.25%
Net assets:							
Invested in capital assets, net of related debt	1,010,269	993,771	949	1,068	1,011,218	994,839	1.65%
Restricted	529,790	431,014	-	-	529,790	431,014	22.92%
Unrestricted	634,478	466,529	9,574	(7,087)	644,052	459,442	40.18%
Total net assets	\$ 2,174,537	1,891,314	10,523	(6,019)	2,185,060	1,885,295	15.90%

The District's combined net assets increased by 15.90%, or \$299,765, 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 \$98,776 or 22.92%, over the prior year. This is due primarily to the increase in the Management Fund and Debt Service Fund balance.

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 \$184,610, or 40.18%. This is due mainly to the increase in the General Fund balance.

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

	Changes of Net Assets						
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		Change
2012	2011	2012	2011	2012	2011	2011-12	
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 10,109	91,362	10,969	28,825	21,078	120,187	-82.46%
Operating grants and contributions and restricted interest	144,768	377,140	39,869	39,177	184,637	416,317	-55.65%
General revenues:							
Property tax	1,180,544	1,137,666	-	-	1,180,544	1,137,666	3.77%
Income surtax	67,951	89,968	-	-	67,951	89,968	-24.47%
Statewide sales, services and use tax	128,850	143,035	-	-	128,850	143,035	-9.92%
Unrestricted state grants	590,248	517,668	-	-	590,248	517,668	14.02%
Nonspecific program federal grants	8,329	-	-	-	8,329	-	100.00%
Unrestricted investment earnings	2,253	2,929	1	-	2,254	2,929	-23.05%
Other	3,960	1,105	184	-	4,144	1,105	275.02%
Transfers	(9,639)	-	9,639	-	-	-	0.00%
Total revenues	2,127,373	2,360,873	60,662	68,002	2,188,035	2,428,875	-9.92%
Program expenses:							
Instruction	1,050,502	1,127,446	-	-	1,050,502	1,127,446	-6.82%
Support services	531,443	516,842	495	-	531,938	516,842	2.92%
Non-instructional programs	9,312	14,840	43,625	76,091	52,937	90,931	-41.78%
Other expenses	252,893	317,167	-	-	252,893	317,167	-20.27%
Total expenses	1,844,150	1,976,295	44,120	76,091	1,888,270	2,052,386	-8.00%
Change in net assets	283,223	384,578	16,542	(8,089)	299,765	376,489	-20.38%
Beginning net assets	1,891,314	1,506,736	(6,019)	2,070	1,885,295	1,508,806	24.95%
Ending net assets	\$ 2,174,537	1,891,314	10,523	(6,019)	2,185,060	1,885,295	15.90%

In fiscal 2012, property tax, income surtax, statewide sales and services tax and unrestricted state grants accounted for 92.49% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 83.81% of the revenue from business type activities.

The District's total revenues were approximately \$2.19 million of which approximately \$2.13 million was for governmental activities and approximately \$0.06 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.92% decrease in revenues and an 8.00% decrease in expenses. Property taxes increased \$42,878 and unrestricted state grants increased \$72,580, but operating grants and contributions decreased \$231,680.

Governmental Activities

Revenues for governmental activities were \$2,127,373 and expenses were \$1,844,150.

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

Figure A-5
Total 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	\$ 1,050,502	1,127,446	-6.82%	979,275	735,969	33.06%
Support services	531,443	516,842	2.83%	513,574	515,582	-0.39%
Non-instructional	9,312	14,840	-37.25%	9,312	14,835	-37.23%
Other expenses	252,893	317,167	-20.27%	187,112	241,407	-22.49%
Totals	<u>\$ 1,844,150</u>	<u>1,976,295</u>	<u>-6.69%</u>	<u>1,689,273</u>	<u>1,507,793</u>	<u>12.04%</u>

- The cost financed by users of the District's programs was \$10,109.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$144,768.
- The net cost of governmental activities was financed with \$1,180,544 in property tax, \$67,951 in income surtax, \$128,850 in statewide sales, services and use tax, \$590,248 in unrestricted state grants, \$8,329 in nonspecific program federal grants, \$2,253 in interest income and (\$5,679) in other general revenues, net of transfers.

Business Type Activities

Revenues of the District's business type activity were \$60,662 and expenses were \$44,120. 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 Titonka Consolidated 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 \$1,131,519, above last year's ending fund balances of \$874,223. The primary reason for the increase is the increase in the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Decreases in revenues came from decreases in local and state sources. However, General Fund revenues were still greater than General Fund expenditures. This resulted in the increase in fund balance from \$544,719 in fiscal 2011 to \$724,163 in fiscal 2012.
- The Capital Projects Fund balance decreased from \$281,878 in fiscal 2011 to \$235,981 in fiscal 2012. Revenues increased from \$215,518 at June 30, 2011 to \$299,319 at June 30, 2012 and expenditures increased from \$138,685 at June 30, 2011 to \$345,216 at June 30, 2012.

-
- The Debt Service fund balance increased from \$566 in fiscal 2011 to \$95,138 in fiscal 2012. Revenues increased from \$239,460 at June 30, 2011 to \$389,934 at June 30, 2012 and expenditures increased from \$239,651 at June 30, 2011 to \$295,362 at June 30, 2012.

Proprietary Fund Highlights

The School Nutrition Fund's balance increased from a deficit \$6,019 in fiscal 2011 to \$10,523 in fiscal 2012.

BUDGETARY HIGHLIGHTS

The District's revenues were \$128,933 less than budgeted revenues, a variance of 5.67%. The most significant variance resulted from the District receiving less in state 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 other expenditures functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$3,541,176 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 decrease of 1.77% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$152,363.

The original cost of the District's capital assets was \$5,505,775. Governmental funds account for \$5,435,439 with the remainder of \$70,336 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$216,549 at June 30, 2011 as compared to \$230,198 at June 30, 2012. The increase was due to the District purchasing a new bus during the year.

Figure A-6
Capital Assets, Net of Depreciation

	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
Land	\$ 2,210	2,210	-	-	2,210	2,210	0.00%
Buildings	3,225,911	3,298,090	-	-	3,225,911	3,298,090	-2.19%
Land improvements	82,857	87,990	-	-	82,857	87,990	-5.83%
Machinery and equipment	229,249	215,481	949	1,068	230,198	216,549	6.30%
Total	\$ 3,540,227	3,603,771	949	1,068	3,541,176	3,604,839	-1.77%

Long-Term Debt

At June 30, 2012, the District had \$2,567,202 in general obligation bonds payable, revenue bonds payable, and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$1,740,000 at June 30, 2012.

The District had total outstanding revenue bonds payable of \$715,000 at June 30, 2012 payable from the proceeds of the statewide sales and service taxes in the Capital Projects Fund.

As of June 30, 2012, the District had a bus lease payable of \$74,958.

The District had other post employment benefits payable of \$37,244 at June 30, 2012.

Figure A-7
Outstanding Long-Term Obligations

	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
General obligation bonds	\$ 1,740,000	1,820,000	-	-	1,740,000	1,820,000	-4.40%
Revenue bonds	715,000	790,000	-	-	715,000	790,000	-9.49%
Bus lease	74,958	-	-	-	74,958	-	100.00%
Other post employment benefit	34,642	23,334	2,602	-	37,244	23,334	59.61%
Total	\$ 2,564,600	2,633,334	2,602	-	2,567,202	2,633,334	-2.51%

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:

- On February 5, 2013, the Titonka Consolidated School District and the Algona Community School District held a public vote for consolidation of the two districts. Residents of the Titonka Consolidated School District passed the resolution to merge with Algona Community School District on a 79.9% vote. Residents of the Algona Community School District passed a resolution to merge with Titonka Consolidated School District on a 95% vote. As of July 1, 2014, the two districts will be consolidated as one.

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 Mary Beth Wubben, Business Manager/District Secretary, Titonka Consolidated School District, 543 Dieckman St, PO Box 287, Titonka, IA 50480-0287.

BASIC FINANCIAL STATEMENTS

TITONKA CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments:	\$ 1,182,934	7,835	1,190,769
Receivables:			
Property tax:			
Delinquent	20,544	-	20,544
Succeeding year	932,410	-	932,410
Income surtax	80,837	-	80,837
Accounts	640	291	931
Due from other governments	44,310	-	44,310
Inventories	-	4,254	4,254
Capital assets, net of accumulated depreciation	3,540,227	949	3,541,176
TOTAL ASSETS	5,801,902	13,329	5,815,231
LIABILITIES			
Accounts payable	115,710	61	115,771
Accrued interest payable	13,174	-	13,174
Deferred revenue:			
Succeeding year property tax	932,410	-	932,410
Other	1,471	-	1,471
Unearned revenue	-	143	143
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	85,000	-	85,000
Revenue bonds payable	55,000	-	55,000
Bus lease payable	11,560	-	11,560
Portion due after one year:			
General obligation bonds payable	1,655,000	-	1,655,000
Revenue bonds payable	660,000	-	660,000
Bus lease	63,398	-	63,398
Other post employment benefits	34,642	2,602	37,244
TOTAL LIABILITIES	3,627,365	2,806	3,630,171
NET ASSETS			
Invested in capital assets, net of related debt	1,010,269	949	1,011,218
Restricted for:			
Categorical funding	122,434	-	122,434
Debt service	95,138	-	95,138
Management levy purposes	75,277	-	75,277
Student activity	350	-	350
Public education and recreation levy	610	-	610
School infrastructure	71,814	-	71,814
Physical plant and equipment	164,167	-	164,167
Unrestricted	634,478	9,574	644,052
TOTAL NET ASSETS	\$ 2,174,537	10,523	2,185,060

SEE NOTES TO FINANCIAL STATEMENTS.

TITONKA CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 787,683	8,769	9,877	(769,037)	-	(769,037)
Special	198,349	-	8,309	(190,040)	-	(190,040)
Other	64,470	1,340	42,932	(20,198)	-	(20,198)
	<u>1,050,502</u>	<u>10,109</u>	<u>61,118</u>	<u>(979,275)</u>	<u>-</u>	<u>(979,275)</u>
Support services:						
Student	3,899	-	-	(3,899)	-	(3,899)
Instructional staff	20,564	-	17,869	(2,695)	-	(2,695)
Administration	201,384	-	-	(201,384)	-	(201,384)
Operation and maintenance of plant	196,505	-	-	(196,505)	-	(196,505)
Transportation	109,091	-	-	(109,091)	-	(109,091)
	<u>531,443</u>	<u>-</u>	<u>17,869</u>	<u>(513,574)</u>	<u>-</u>	<u>(513,574)</u>
Non-instructional programs:						
Other enterprise operations	9,312	-	-	(9,312)	-	(9,312)
Long-term debt interest						
	109,800	-	-	(109,800)	-	(109,800)
Other expenditures:						
AEA flowthrough	65,781	-	65,781	-	-	-
Depreciation (unallocated)*	77,312	-	-	(77,312)	-	(77,312)
	<u>143,093</u>	<u>-</u>	<u>65,781</u>	<u>(77,312)</u>	<u>-</u>	<u>(77,312)</u>
Total governmental activities	1,844,150	10,109	144,768	(1,689,273)	-	(1,689,273)
Business Type activities:						
Support services:						
Administration	137	-	-	-	(137)	(137)
Operation and maintenance of plant	358	-	-	-	(358)	(358)
	<u>495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(495)</u>	<u>(495)</u>
Non-instructional programs:						
Nutrition services	43,625	10,969	39,869	-	7,213	7,213
Total business type activities	<u>44,120</u>	<u>10,969</u>	<u>39,869</u>	<u>-</u>	<u>6,718</u>	<u>6,718</u>
Total	\$ 1,888,270	21,078	184,637	(1,689,273)	6,718	(1,682,555)
General Revenues and Transfers:						
General revenues:						
Property tax levied for:						
General purposes				\$ 952,014	-	952,014
Debt service				153,845	-	153,845
Capital outlay				74,685	-	74,685
Income surtax				67,951	-	67,951
Statewide sales, services and use tax				128,850	-	128,850
Unrestricted state grants				590,248	-	590,248
Nonspecific program federal grants				8,329	-	8,329
Unrestricted investment earnings				2,253	1	2,254
Other				3,960	184	4,144
Transfers				(9,639)	9,639	-
Total general revenues and transfers				<u>1,972,496</u>	<u>9,824</u>	<u>1,982,320</u>
Changes in net assets				283,223	16,542	299,765
Net assets beginning of year				1,891,314	(6,019)	1,885,295
Net assets end of year				<u>\$ 2,174,537</u>	<u>10,523</u>	<u>2,185,060</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

TITONKA CONSOLIDATED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments:	\$ 797,788	214,130	92,489	74,839	1,179,246
Receivables:					
Property tax					
Delinquent	15,210	1,287	2,649	1,398	20,544
Succeeding year	611,993	78,297	156,726	85,394	932,410
Income surtax	80,837	-	-	-	80,837
Due from other funds	4,600	-	-	-	4,600
Due from other governments	23,746	20,564	-	-	44,310
TOTAL ASSETS	\$ 1,534,174	314,278	251,864	161,631	2,261,947
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 115,710	-	-	-	115,710
Deferred revenue:					
Succeeding year property tax	611,993	78,297	156,726	85,394	932,410
Income surtax	80,837	-	-	-	80,837
Other	1,471	-	-	-	1,471
Total liabilities	810,011	78,297	156,726	85,394	1,130,428
Fund balances:					
Restricted for:					
Categorical funding	122,434	-	-	-	122,434
Debt service	-	-	95,138	-	95,138
Management levy purposes	-	-	-	75,277	75,277
Student activity	-	-	-	350	350
Public education and recreation levy	-	-	-	610	610
School infrastructure	-	71,814	-	-	71,814
Physical plant and equipment	-	164,167	-	-	164,167
Unassigned	601,729	-	-	-	601,729
Total fund balances	724,163	235,981	95,138	76,237	1,131,519
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,534,174	314,278	251,864	161,631	2,261,947

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$	1,131,519
 Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		3,540,227
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		(272)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		80,837
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.		(13,174)
Long-term liabilities, including general obligation bonds, QZAB bonds, revenues bonds, early retirement, other post employment benefits, and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(2,564,600)</u>
Net assets of governmental activities(page 18)	\$	<u><u>2,174,537</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 936,737	203,535	153,845	80,112	1,374,229
Tuition	8,769	-	-	-	8,769
Other	4,506	2,005	-	2,042	8,553
State sources	679,360	79	80	42	679,561
Federal sources	62,784	-	-	-	62,784
Total revenues	1,692,156	205,619	153,925	82,196	2,133,896
EXPENDITURES:					
Current:					
Instruction:					
Regular	761,002	-	-	5,598	766,600
Special	197,537	-	-	-	197,537
Other	62,010	-	-	1,574	63,584
	1,020,549	-	-	7,172	1,027,721
Support services:					
Student	3,899	-	-	-	3,899
Instructional staff	20,564	-	-	-	20,564
Administration	189,988	2,677	-	5,553	198,218
Operation and maintenance of plant	120,688	15,987	-	30,982	167,657
Transportation	81,604	90,543	-	-	172,147
	416,743	109,207	-	36,535	562,485
Non-instructional programs:					
Community service operations	-	-	-	9,312	9,312
Long-term debt:					
Principal	-	-	168,742	-	168,742
Interest and fiscal charges	-	-	126,620	-	126,620
	-	-	295,362	-	295,362
Other expenditures:					
AEA flowthrough	65,781	-	-	-	65,781
	65,781	-	-	-	65,781
Total expenditures	1,503,073	109,207	295,362	53,019	1,960,661
Excess(deficiency) of revenues over(under) expenditures	189,083	96,412	(141,437)	29,177	173,235
Other financing sources(uses):					
Transfer in	-	-	236,009	-	236,009
Transfer out	(9,639)	(236,009)	-	-	(245,648)
Lease proceeds	-	88,700	-	-	88,700
Sale of significant real property	-	5,000	-	-	5,000
Total other financing sources(uses)	(9,639)	(142,309)	236,009	-	84,061
Net change in fund balances	179,444	(45,897)	94,572	29,177	257,296
Fund balance beginning of year	544,719	281,878	566	47,060	874,223
Fund balance end of year	\$ 724,163	235,981	95,138	76,237	1,131,519

SEE NOTES TO FINANCIAL STATEMENTS.

TITONKA CONSOLIDATED 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) \$ 257,296

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

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

Expenditures for capital assets	\$ 88,700	
Depreciation expense	(152,244)	(63,544)

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 801

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 issues and repayments are as follows:

Issued	(88,700)	
Repaid	168,742	80,042

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. 16,820

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 3,116

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.
 Other postemployment benefits (11,308)

Changes in net assets of governmental activities(page 19) \$ 283,223

SEE NOTES TO FINANCIAL STATEMENTS.

TITONKA CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities - Internal Service Fund
Assets		
Current assets:		
Cash and pooled investments	\$ 7,835	3,688
Receivables:		
Accounts	291	640
Inventories	4,254	-
Capital assets, net of accumulated depreciation	949	-
Total assets	<u>13,329</u>	<u>4,328</u>
Liabilities		
Current liabilities:		
Due to other funds	-	4,600
Accounts payable	61	-
Unearned revenue	143	-
Net OPEB liability	2,602	-
Total liabilities	<u>2,806</u>	<u>4,600</u>
Net assets		
Invested in capital assets	949	-
Unrestricted	9,574	(272)
Total net assets	<u>\$ 10,523</u>	<u>(272)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

TITONKA CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business Type	
	Enterprise Fund	Governmental Internal Service Fund
	School Nutrition	
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 10,969	-
Miscellaneous	184	6,581
TOTAL OPERATING REVENUES	<u>11,153</u>	<u>6,581</u>
OPERATING EXPENSES:		
Current:		
Support services:		
Administration:		
Services	137	-
Operation and maintenance of plant:		
Services	358	-
	<u>495</u>	<u>-</u>
OPERATING EXPENSES:		
Non-instructional programs:		
Food service operations:		
Salaries	17,618	-
Benefits	11,118	-
Supplies	14,770	-
Depreciation	119	-
	<u>43,625</u>	<u>-</u>
Other enterprise operations:		
Benefits	-	5,780
TOTAL OPERATING EXPENSES	<u>44,120</u>	<u>5,780</u>
OPERATING INCOME (LOSS)	<u>(32,967)</u>	<u>801</u>
NON-OPERATING REVENUES:		
State sources	207	-
Federal sources	39,662	-
Interest income	1	-
TOTAL NON-OPERATING REVENUES	<u>39,870</u>	<u>-</u>
Changes in net assets before other financing sources	6,903	801
OTHER FINANCING SOURCES:		
Transfer in	9,639	-
Changes in net assets	16,542	801
Net assets beginning of year	<u>(6,019)</u>	<u>(1,073)</u>
Net assets end of year	<u>\$ 10,523</u>	<u>(272)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

TITONKA CONSOLIDATED 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	\$ 11,328	-
Cash received from miscellaneous operating activities	184	7,371
Cash payments to employees for services	(26,134)	(6,654)
Cash payments to suppliers for goods or services	(12,711)	-
Net cash provided by(used in) operating activities	<u>(27,333)</u>	<u>717</u>
Cash flows from non-capital financing activities:		
Repayment to General Fund	(16,505)	
Transfer from General Fund	9,639	-
State grants received	207	-
Federal grants received	36,792	-
Net cash provided by non-capital financing activities	<u>30,133</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	1	-
Net increase in cash and cash equivalents	2,801	717
Cash and cash equivalents at beginning of year	5,034	2,971
Cash and cash equivalents at end of year	<u>\$ 7,835</u>	<u>3,688</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (32,967)	801
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	2,870	-
Depreciation	119	-
Increase in inventories	(361)	-
Decrease in accounts receivable	663	790
(Decrease)Increase in accounts payable	45	(874)
Decrease in unearned revenue	(304)	-
Increase in net other postemployment benefits	2,602	-
Net cash provided by(used in) operating activities	<u>\$ (27,333)</u>	<u>717</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$2,870.

SEE NOTES TO FINANCIAL STATEMENTS.

TITONKA CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Private Purpose Trust Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 3,000	1,823
Accounts receivable	500	-
TOTAL ASSETS	<u>3,500</u>	<u>1,823</u>
LIABILITIES		
Due to other groups	-	1,823
TOTAL LIABILITIES	<u>-</u>	<u>1,823</u>
NET ASSETS		
Restricted for scholarships	<u>\$ 3,500</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust Scholarship
Additions:	\$ -
Deductions:	
Support services:	
Scholarships awarded	1,000
Change in net assets	(1,000)
Net assets beginning of year	4,500
Net assets end of year	\$ 3,500

SEE NOTES TO FINANCIAL STATEMENTS.

TITONKA CONSOLIDATED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

The Titonka Consolidated School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. During the year ended June 30, 2012 the District was involved in a one-way sharing agreement with Algona for grades 7-12. The geographic area served includes the City of Titonka, Iowa, and agricultural area in Kossuth, Winnebago and Hancock Counties. The District is governed by a Board of Education whose members are elected at large, 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, Titonka Consolidated 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 Titonka Consolidated 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 Kossuth 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 non-fiduciary 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.

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

The District also reports one nonmajor proprietary fund:

The District's Enterprise, 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 District'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 two 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 on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Land improvements	10,000
Intangible assets	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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	20-50 years
Intangible assets	5-10 years
Machinery and equipment	5-15 years

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

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the other expenditures functional area exceeded the amounts budgeted.

(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 Direct Government Obligations Portfolio which are valued at an amortized cost of \$4,547 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard and Poor's Financial Services.

(3) Due From and Due to Other Funds

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Internal Service Fund	<u>\$ 4,600</u>

The Internal Service Fund is repaying the General Fund for cash assistance needed in the Internal Service Fund.

(4) 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	\$ 222,267
	Capital Projects:	
	Physical Plant and	
Debt Service	Equipment Levy	13,742
School Nutrition	General Fund	9,639
Total		<u>\$ 245,648</u>

The transfer from Capital Projects: Statewide Sales, Services and Use Tax to the Debt Service Fund was for bond principal and interest payments.

The transfer from Capital Projects: Physical Plant and Equipment Levy to the Debt Service Fund was for the down payment on the bus lease.

The transfer from the General Fund to the Nutrition Fund was to cover a portion of the nutrition salaries (see comment II-O-12).

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,210	-	-	2,210
Total capital assets not being depreciated	<u>2,210</u>	<u>-</u>	<u>-</u>	<u>2,210</u>
Capital assets being depreciated:				
Buildings	3,951,671	-	42,000	3,909,671
Land improvements	260,893	-	-	260,893
Machinery and equipment	1,173,965	88,700	-	1,262,665
Total capital assets being depreciated	<u>5,386,529</u>	<u>88,700</u>	<u>42,000</u>	<u>5,433,229</u>
Less accumulated depreciation for:				
Buildings	653,581	72,179	42,000	683,760
Land improvements	172,903	5,133	-	178,036
Machinery and equipment	958,484	74,932	-	1,033,416
Total accumulated depreciation	<u>1,784,968</u>	<u>152,244</u>	<u>42,000</u>	<u>1,895,212</u>
Total capital assets being depreciated, net	<u>3,601,561</u>	<u>(63,544)</u>	<u>-</u>	<u>3,538,017</u>
Governmental activities capital assets, net	<u>\$ 3,603,771</u>	<u>(63,544)</u>	<u>-</u>	<u>3,540,227</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 70,336	-	-	70,336
Less accumulated depreciation	69,268	119	-	69,387
Business type activities capital assets, net	\$ 1,068	(119)	-	949

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 16,444
Support services:		
Operation and maintenance of plant		32,904
Transportation		25,584
		<u>74,932</u>
Unallocated depreciation		<u>77,312</u>
Total governmental activities depreciation expense		<u>\$ 152,244</u>
Business type activities:		
Food services		<u>\$ 119</u>

(6) 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
Governmental Activities:					
General Obligation Bonds	\$ 1,820,000	-	80,000	1,740,000	85,000
Revenue Bonds	790,000	-	75,000	715,000	55,000
Bus Lease	-	88,700	13,742	74,958	11,560
Other postemployment benefits	23,334	11,308	-	34,642	-
Total	\$ 2,633,334	100,008	168,742	2,564,600	151,560
Business Type Activities:					
Other postemployment benefits	\$ -	2,602	-	2,602	-

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of May 1, 2007			
	Interest Rates	Principal	Interest	Total
2013	4.00	% \$ 85,000	71,726	156,726
2014	4.00	90,000	68,326	158,326
2015	4.00	90,000	64,726	154,726
2016	4.00	95,000	61,126	156,126
2017	4.00	100,000	57,326	157,326
2018-2022	4.00-4.125	575,000	222,396	797,396
2023-2027	4.15-4.35	705,000	93,239	798,239
Total		\$ 1,740,000	638,865	2,378,865

Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue of May 30, 2008			
	Interest Rates	Principal	Interest	Total
2013	3.80-3.90	% \$ 55,000	31,743	86,743
2014	4.00-4.10	60,000	29,598	89,598
2015	4.20-4.25	60,000	27,138	87,138
2016	4.30-4.35	60,000	24,587	84,587
2017	4.40-4.45	65,000	21,867	86,867
2018-2022	4.50-4.95	370,000	61,600	431,600
2023	5.00	45,000	1,125	46,125
Total		\$ 715,000	197,658	912,658

The District has pledged future statewide sales and service tax revenues to repay the \$915,000 bond issued May, 2008. The bonds are payable solely from the proceeds of the statewide sales received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 67.3 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$912,658. For the current year, principal of \$75,000 and interest of \$51,594 was paid on the bonds and total statewide sales and service tax revenues were \$128,850.

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

- a) \$88,380 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales services and use tax shall be placed in a revenue account.

- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Bus Lease

During the year ended June 30, 2012, the District entered into a lease for a new bus payable from the Capital Projects: Physical Plant and Equipment Levy Fund. The lease bears an interest rate of 2.90%. Details of the District's June 30, 2012 bus lease indebtedness are as follows:

Year Ending June 30,	Bus Lease Dated December 8, 2011		
	Principal	Interest	Total
2013	\$ 11,560	2,181	13,741
2014	11,897	1,845	13,742
2015	51,501	1,499	53,000
Total	\$ 74,958	5,525	80,483

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual 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 \$43,432, \$56,157 and \$64,967 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits

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

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

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

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

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

Annual required contribution	\$ 14,706
Interest on net OPEB obligation	583
Adjustment to annual required contribution	(1,379)
Annual OPEB cost	<u>13,910</u>
Contributions made	-
Increase in net OPEB obligation	<u>13,910</u>
Net OPEB obligation beginning of year	<u>23,334</u>
Net OPEB obligation end of year	<u><u>\$ 37,244</u></u>

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

For the year ended June 30, 2012, the District contributed \$0 to the medical plan.

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	\$ 12,405	13.30%	\$ 10,753
2011	12,581	0.00%	23,334
2012	13,910	0.00%	37,244

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 \$87,649, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$87,649. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$372,438, and the ratio of the UAAL to covered payroll was 23.53%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision

as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$451 monthly for retirees and spouses less than 65. The salary increase rate was assumed to 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical and prescription drugs. District contributions to ISEBA for the year ended June 30, 2012 were \$122,283.

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$65,781 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Budget Overexpenditure

During the year ended June 30, 2012, expenditures in the other expenditures functional area exceeded the amounts budgeted.

(12) Categorical Funding

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

<u>Programs</u>	<u>Amount</u>
At-Risk supplemental weighting	\$ 19,257
Gifted and Talented	6,993
Dropout and dropout prevention	39,955
Four-year-old preschool	5,726
Beginning teacher mentoring	324
Teacher salary supplement	14,910
Early childhood programs	720
School ready children	1,000
Professional development for model core	8,232
Professional development	23,784
Market factor	1,533
Total categorical funding	<u>\$ 122,434</u>

(13) Deficit Net Assets

At June 30, 2012, the Internal Service Fund had deficit unrestricted net assets of \$272.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 1,391,551	11,154	1,402,705	1,429,524	1,429,524	(26,819)
State sources	679,561	207	679,768	828,260	828,260	(148,492)
Federal sources	62,784	39,662	102,446	56,068	56,068	46,378
Total revenues	<u>2,133,896</u>	<u>51,023</u>	<u>2,184,919</u>	<u>2,313,852</u>	<u>2,313,852</u>	<u>(128,933)</u>
Expenditures/Expenses:						
Instruction	1,027,721	-	1,027,721	1,195,800	1,195,800	168,079
Support services	562,485	495	562,980	790,428	790,428	227,448
Non-instructional programs	9,312	43,625	52,937	59,500	59,500	6,563
Other expenditures	361,143	-	361,143	314,722	314,722	(46,421)
Total expenditures/expenses	<u>1,960,661</u>	<u>44,120</u>	<u>2,004,781</u>	<u>2,360,450</u>	<u>2,360,450</u>	<u>355,669</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	173,235	6,903	180,138	(46,598)	(46,598)	226,736
Other financing sources(uses), net	84,061	9,639	93,700	-	-	93,700
Excess of revenues and other financing sources over expenditures/ expenses and other financing uses	257,296	16,542	273,838	(46,598)	(46,598)	320,436
Balance beginning of year	874,223	(6,019)	868,204	423,318	423,318	(444,886)
Balance end of year	<u>\$ 1,131,519</u>	<u>10,523</u>	<u>1,142,042</u>	<u>376,720</u>	<u>376,720</u>	<u>(124,450)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TITONKA CONSOLIDATED 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, the District adopted one budget amendment, increasing budgeted expenditures by \$257,154.

During the year ended June 30, 2012, expenditures in the other expenditures functional area exceeded the budgeted amounts.

SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 92,620	92,620	0.00%	\$ 994,000	9.32%
2011	July 1, 2009	-	90,619	90,619	0.00%	840,000	10.79%
2012	July 1, 2009	-	87,649	87,649	0.00%	372,438	23.53%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

TITONKA CONSOLIDATED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Public Education and Recreation Levy	Total
ASSETS				
Cash and pooled investments	\$ 74,052	350	437	74,839
Receivables:				
Property tax:				
Delinquent	1,225	-	173	1,398
Succeeding year	75,000	-	10,394	85,394
TOTAL ASSETS	\$ 150,277	350	11,004	161,631
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 75,000	-	10,394	85,394
Total liabilities	75,000	-	10,394	85,394
Fund balances:				
Restricted for:				
Management levy purposes	75,277	-	-	75,277
Student activities	-	350	-	350
Public education and recreation levy	-	-	610	610
Total fund balances	75,277	350	610	76,237
TOTAL LIABILITIES AND FUND BALANCES	\$ 150,277	350	11,004	161,631

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Public	
			Education and Recreation Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 70,195	-	9,917	80,112
Other	119	1,923	-	2,042
State sources	37	-	5	42
Total revenues	<u>70,351</u>	<u>1,923</u>	<u>9,922</u>	<u>82,196</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	5,598	-	-	5,598
Other	-	1,574	-	1,574
Support services:				
Administration	5,553	-	-	5,553
Operation and maintenance of plant	30,982	-	-	30,982
Non-instructional programs:				
Community service operations	-	-	9,312	9,312
Total expenditures	<u>42,133</u>	<u>1,574</u>	<u>9,312</u>	<u>53,019</u>
Excess of revenues over expenditures	28,218	349	610	29,177
Fund balance beginning of year	<u>47,059</u>	1	-	<u>47,060</u>
Fund balance end of year	<u>\$ 75,277</u>	<u>350</u>	<u>610</u>	<u>76,237</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TITONKA CONSOLIDATED 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
ASSETS			
Cash and pooled investments	\$ 51,250	162,880	214,130
Receivables:			
Property tax:			
Delinquent	-	1,287	1,287
Succeeding year	-	78,297	78,297
Due from other governments	20,564	-	20,564
TOTAL ASSETS	\$ 71,814	242,464	314,278
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	78,297	78,297
Total liabilities	-	78,297	78,297
Fund balances:			
Restricted for:			
School infrastructure	71,814	-	71,814
Physical plant and equipment	-	164,167	164,167
Total fund balances	71,814	164,167	235,981
TOTAL LIABILITIES AND FUND BALANCES	\$ 71,814	242,464	314,278

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TITONKA CONSOLIDATED 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	\$ 128,850	74,685	203,535
Other	393	1,612	2,005
State sources	-	79	79
Total revenues	<u>129,243</u>	<u>76,376</u>	<u>205,619</u>
EXPENDITURES:			
Current:			
Support services:			
Administration	-	2,677	2,677
Operation and maintenance of plant	-	15,987	15,987
Transportation	-	90,543	90,543
Total expenditures	<u>-</u>	<u>109,207</u>	<u>109,207</u>
Excess(Deficiency) of revenues over(under) expenditures	129,243	(32,831)	96,412
OTHER FINANCING USES:			
Transfers out	(222,267)	(13,742)	(236,009)
Lease proceeds	-	88,700	88,700
Sale of significant real property	-	5,000	5,000
Total other financing sources(uses)	<u>(222,267)</u>	<u>79,958</u>	<u>(142,309)</u>
Net change in fund balance	(93,024)	47,127	(45,897)
Fund balance beginning of year	164,838	117,040	281,878
Fund balance end of year	<u>\$ 71,814</u>	<u>164,167</u>	<u>235,981</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TITONKA CONSOLIDATED SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	(577)	577	-	-
Book fair	(220)	220	-	-
Pride club	64	-	64	-
Jazz band	79	-	79	-
Co-ed athletics	488	-	488	-
Annual	(307)	307	-	-
Seventh grade	86	-	86	-
Fifth grade	31	-	31	-
Sixth grade	211	-	211	-
Eight grade	(101)	101	-	-
National honor society	185	-	185	-
Interest	28	-	28	-
Student council	34	-	34	-
Elem/MS Activities	-	718	368	350
Total	\$ 1	1,923	1,574	350

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TITONKA CONSOLIDATED 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
ASSETS				
Cash and pooled investments	\$ 1,663	184	24	1,823
LIABILITIES				
Due to other groups	\$ 1,663	184	24	1,823

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TITONKA CONSOLIDATED 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	\$ 1,374,229	1,361,564	1,258,402	1,223,051	1,147,752	961,999	934,105	898,355	838,394	825,335
Tuition	8,769	91,311	109,749	88,339	45,751	112,448	77,236	86,438	86,531	121,660
Other	8,553	16,849	45,419	76,199	99,830	109,814	116,408	86,501	90,341	102,759
Intermediate sources	-	-	-	-	-	-	-	-	2,500	-
State sources	679,561	752,429	730,374	902,258	902,605	887,745	838,503	924,158	784,946	778,827
Federal sources	62,784	129,615	129,651	202,373	413,065	67,239	99,234	108,863	75,465	116,839
Total	\$ 2,133,896	2,351,768	2,273,595	2,492,220	2,609,003	2,139,245	2,065,486	2,104,315	1,878,177	1,945,420
Expenditures:										
Instruction:										
Regular	\$ 766,600	744,839	799,754	877,412	884,615	872,994	880,152	827,710	844,663	811,245
Special	197,537	248,166	299,858	311,208	223,468	281,877	265,830	280,902	229,658	208,154
Other	63,584	141,560	112,786	157,655	144,448	154,199	163,219	173,304	180,686	154,425
Support services:										
Student	3,899	6,721	-	273	6,488	14,134	33,714	16,655	15,145	14,962
Instructional staff	20,564	34,415	14,746	22,350	36,169	33,380	70,122	66,735	61,316	68,521
Administration	198,218	227,606	239,893	317,033	233,244	315,629	227,945	227,334	246,392	238,337
Operation and maintenance of plant	167,657	200,152	185,617	237,035	220,947	220,969	264,006	210,603	184,663	173,599
Transportation	172,147	95,736	99,959	94,124	74,098	65,766	79,367	66,937	75,820	73,739
Non-instructional programs	9,312	9,521	8,792	8,419	8,174	8,388	13,175	7,731	9,233	9,183
Capital Outlay	-	-	155,162	946,587	2,495,019	502,255	-	42,954	-	-
Long-term debt:										
Principal	168,742	125,000	120,000	95,000	65,000	-	-	-	-	-
Interest and other charges	126,620	114,651	119,001	106,790	86,525	-	-	-	-	-
Other expenditures:										
AEA flow-through	65,781	75,639	75,820	70,798	69,288	68,493	66,244	66,884	65,032	66,047
Total	\$ 1,960,661	2,024,006	2,231,388	3,244,684	4,547,483	2,538,084	2,063,774	1,987,749	1,912,608	1,818,212

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

To the Board of Education of the
Titonka Consolidated 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 Titonka Consolidated 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 14, 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 Titonka Consolidate School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Titonka Consolidated 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 Titonka Consolidated School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Titonka Consolidated School District's internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

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

Titonka Consolidated School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Titonka Consolidated 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 Titonka Consolidated School District and other parties to whom Titonka Consolidated 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 Titonka Consolidated 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 14, 2013

TITONKA CONSOLIDATED SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

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

Response - We have added duties to other employees to help segregate the duties.

Conclusion - Response accepted.

I-B-12 Fixed Assets - A record of fixed asset acquisitions and disbursements are kept, however these changes are not kept up to date and are not being kept on the District's software system. Fixed assets are required to be maintained for financial statement presentation.

Recommendation - Fixed asset updates should be made on a continuous basis to allow the school officials and outsiders an accurate account of the fixed assets at any point in time. This is necessary for both an accurate account of assets and to ensure a proper amount of insurance is carried to cover the assets in case of loss from fire, vandalism, or theft. The District should have a complete list of additions, deletions, and current assets for reporting purposes.

Response - We will work on updating the Fixed Assets.

Conclusion - Response accepted.

I-C-12 Board Policies - We noted during the audit that the board policies are not being reviewed on a regular basis. The District has policies that have not been updated within five years.

Recommendation - Board policies should be reviewed by the Board at a minimum every five years.

Response - All policies were reviewed in the last two years.

Conclusion - Response accepted.

I-D-12 Supporting Documentation for Credit Cards - We noted during the audit instances of reimbursements made to employees for meals which lacked a detailed receipt to be used as supporting documentation. We also noted that the District did not have a board policy for the use of credit cards.

Recommendation - The District should review procedures in place with personnel using the district credit cards to ensure the proper detailed documentation will be available with paid credit card statements. The District should also adopt a board policy with regards to the use of the district credit card.

Response - We will make sure to receive documentation with credit card purchases and make sure the board policy is in place.

Conclusion - Response accepted.

Other Matters:

I-E-12 Commodity Pricing - We noted during our audit of the School Nutrition Fund that the District did not price the commodity inventory using the correct values provided by the Iowa Department of Education.

Recommendation - The District should review procedures in place for calculation of commodity inventory at year end.

Response - We will review procedures for calculating commodity inventory.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - Expenditures for the year ended June 30, 2012 exceeded the certified budget amounts in the other expenditures functional area.

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

Response - We will make sure to amend the budget if expenditures exceed the budget.

Conclusion - Response accepted.

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

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

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

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

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

II-G-12 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

- II-H-12 Supplementary Weighting - We noted no variances in the supplementary weighting data certified to the Department of Education.
- II-I-12 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-12 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$ 164,838
Sales tax revenues	\$ 128,850	
Other local revenues	393	
Total Revenues	<u>129,243</u>	<u>129,243</u>
Expenditures:		
Transfers to Other Funds:		
Debt service fund		<u>222,267</u>
Ending balance		<u><u>\$ 71,814</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.

- II-M-12 Financial Condition - During our audit we noted that the District had a deficit unrestricted net assets in the Internal Service Fund of \$272.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit balance.

Response - We will work on eliminating the deficit balance.

Conclusion - Response accepted.

- II-N-12 Checks Outstanding - We noted during our audit that the District had checks included in the General Fund bank reconciliation that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - We have corrected the issue and will not have outstanding checks cross over into the next fiscal year.

Conclusion - Response accepted.

II-O-12 Transfer to Enterprise Fund - We noted a permanent transfer of \$9,639 from the General Fund to the School Nutrition Fund to cover a portion of the nutrition salaries. Districts cannot transfer money from the General Fund to the School Nutrition Fund without permission from the School Budget Review Committee.

Recommendation - The District should contract the School Budget Review Committee and the Iowa Department of Education to resolve the matter.

Response - We will contact SBRC.

Conclusion - Response accepted.

II-P-12 Interfund Loans - We noted during our audit that the District has an interfund loan that was on the balance sheet in the prior year and is still on the current year balance sheets. As of June 30, 2012, the District has a loan between the General Fund and the Internal Service Fund that has not been repaid.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must seek external borrowing options to repay the interfund loans.

Recommendation - The District should seek and obtain external borrowings to comply with the declaratory ruling in order to repay the interfund loan.

Response - We will repay the interfund loan.

Conclusion - Response accepted.

II-Q-12 Revenue Bond - The District has not established and made the required transfers to a revenue bond sinking account as required by the school infrastructure local option sales tax revenue bond resolution.

Recommendation - The District should establish a sinking fund and make the necessary transfers as required by the bond resolution.

Response - We have corrected this and complete a monthly transaction for the sinking fund.

Conclusion - Response accepted.