

**NORTH IOWA COMMUNITY SCHOOL DISTRICT
BUFFALO CENTER, IOWA**

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

YEAR ENDED JUNE 30, 2013

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**North Iowa Community School District
Buffalo Center, Iowa**

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---------------------------|--|---------------------|
| Board of Education | | |
| Rande Giesking | President | 2015 |
| Michael Holstad | Vice President | 2015 |
| Julie Balvance | Board Member | 2013 |
| Matt Duve | Board Member | 2015 |
| Tom Rygh | Board Member | 2013 |
| Renae Sachs | Board Member | 2013 |
| Jamie Thomsen | Board Member | 2015 |
| School Officials | | |
| Cory Myer | Superintendent | 2013 |
| Sara Meinders | District Secretary/Treasurer and Business Manager | 2013 |
| Engel Law | Attorney | 2013 |

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Certified Public Accountants

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Independent Auditor's Report

To the Board of Education of
North Iowa Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Iowa Community School District, Buffalo Center, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to prove a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Iowa Community School District at June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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 5 through 16 and 51 through 54 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Iowa Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other auditors previously audited, in

accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2014 on our consideration of North Iowa Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering North Iowa Community School District's internal control over financial reporting and compliance.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 19, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Iowa Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,437,536 in fiscal 2012 to \$5,055,151 in fiscal 2013, while General Fund expenditures decreased from \$4,950,404 in fiscal 2012 to \$4,810,344 in fiscal 2013. The District's General Fund balance increased from \$991,076 at the end of fiscal 2012 to \$1,235,883 at the end of fiscal 2013, a 24.7% increase.
- The decrease in General Fund revenues was attributable to decreases in property tax and state and federal revenue. The decrease in expenditures was due primarily to the District reducing costs where possible.

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 Position and a Statement of Activities. These provide information about the activities of North Iowa Community School District as a whole and present an overall view of the District's finances.

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

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

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

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

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

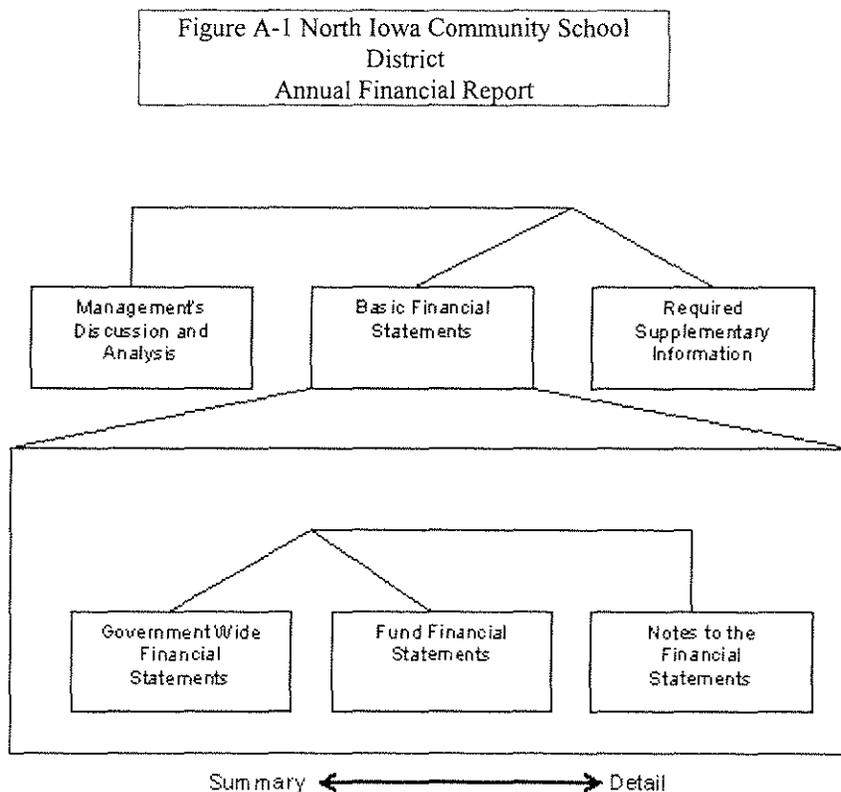


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position 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 position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is 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 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

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

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

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position 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 Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employees.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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 position at June 30, 2013 compared to June 30, 2012.

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|----------------------------------|-------------------------|---------------|--------------------------|------------|----------------|---------------|--------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2012-2013 |
| Current and other assets | \$ 7,527 | 6,134 | 103 | 109 | 7,630 | 6,243 | 22.2% |
| Capital assets | 6,649 | 4,889 | 13 | 17 | 6,662 | 4,906 | 35.8% |
| Total assets | <u>14,176</u> | <u>11,023</u> | <u>116</u> | <u>126</u> | <u>14,292</u> | <u>11,149</u> | <u>28.2%</u> |
| Long-term liabilities | 3,953 | 1,906 | --- | --- | 3,953 | 1,906 | 107.4% |
| Other liabilities | 3,784 | 3,737 | 12 | 9 | 3,796 | 3,746 | 1.3% |
| Total liabilities | <u>7,737</u> | <u>5,643</u> | <u>12</u> | <u>9</u> | <u>7,749</u> | <u>5,652</u> | <u>37.1%</u> |
| Net position: | | | | | | | |
| Net investment in capital assets | 3,944 | 3,054 | 13 | 17 | 3,957 | 3,071 | 28.9% |
| Restricted | 798 | 1,073 | --- | --- | 798 | 1,073 | -25.6% |
| Unrestricted | <u>1,697</u> | <u>1,253</u> | <u>91</u> | <u>100</u> | <u>1,788</u> | <u>1,353</u> | <u>32.2%</u> |
| Total net position | <u>\$ 6,439</u> | <u>5,380</u> | <u>104</u> | <u>117</u> | <u>6,543</u> | <u>5,497</u> | <u>19.0%</u> |

The District's total net position increased 19% or approximately \$1,046,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$275,000 or 26%, from the prior year. The decrease was primarily a result of increased expenditures in the Capital Project Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$435,000 or 32%. This increase in unrestricted net assets was a result of General Fund revenues exceeding expenditures.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

| Figure A-4 | | | | | | | |
|---|-----------------|--------------|---------------|------------|--------------|--------------|--------------|
| Changes in Net Position | | | | | | | |
| (Expressed in Thousands) | | | | | | | |
| | Governmental | | Business Type | | Total School | | Total |
| | Activities | | Activities | | District | | Change |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2012-2013 |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for service | \$ 450 | 434 | 195 | 176 | 645 | 610 | 5.7% |
| Operating grants, contributions and restricted interest | 755 | 871 | 124 | 133 | 879 | 1,004 | -12.5% |
| Capital grants, contributions and restricted interest | 658 | 9 | --- | --- | 658 | 9 | 7,211.1% |
| General revenues: | | | | | | | |
| Property tax | 3,103 | 3,249 | --- | --- | 3,103 | 3,249 | -4.5% |
| Statewide sales, services and use tax | 405 | 384 | --- | --- | 405 | 384 | 5.5% |
| Income surtax | 273 | 203 | --- | --- | 273 | 203 | 34.5% |
| Unrestricted state grants | 1,383 | 1,525 | --- | --- | 1,383 | 1,525 | -9.3% |
| Unrestricted investment earnings | 1 | 1 | --- | --- | 1 | 1 | 0.0% |
| Other | 9 | 40 | --- | --- | 9 | 40 | -77.5% |
| Total revenues | <u>7,037</u> | <u>6,716</u> | <u>319</u> | <u>309</u> | <u>7,356</u> | <u>7,025</u> | <u>4.7%</u> |
| Program expenses: | | | | | | | |
| Instruction | 3,559 | 3,660 | 56 | 54 | 3,615 | 3,715 | -2.7% |
| Support services | 1,770 | 1,642 | 23 | 6 | 1,793 | 1,648 | 8.8% |
| Non-instructional programs | 39 | 36 | 253 | 248 | 292 | 284 | 2.8% |
| Other expenses | 610 | 494 | --- | --- | 610 | 494 | 23.5% |
| Total expenses | <u>5,978</u> | <u>5,832</u> | <u>332</u> | <u>308</u> | <u>6,310</u> | <u>6,140</u> | <u>2.8%</u> |
| Increase (decrease) in net position | 1,059 | 884 | (13) | 1 | 1,046 | 885 | 18.2% |
| Net position beginning of year | <u>5,380</u> | <u>4,496</u> | <u>117</u> | <u>116</u> | <u>5,497</u> | <u>4,612</u> | <u>19.2%</u> |
| Net position end of year | <u>\$ 6,439</u> | <u>5,380</u> | <u>104</u> | <u>117</u> | <u>6,543</u> | <u>5,497</u> | <u>19.0%</u> |

In fiscal year 2013, property tax and unrestricted state grants accounted for 63.7% of governmental activities revenue while charges for service and operating grants and contributions account for 100% of the revenue from business type activities. The District's total revenues were approximately \$7.4 million, of which approximately \$7.0 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.7% increase in revenues and a 2.8% increase in expenses. The increase in revenues is related to grants received related to the construction project. The increase in expenses is related to increases in other expenditures.

Governmental Activities

Revenues for governmental activities were \$7,036,760 and expenses were \$5,978,032 for the year ended June 30, 2013. In a difficult budget year, the District was able to balance the budget by trimming expenses below available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

| | Total Cost of Services | | | Net Cost of Services | | |
|----------------------------|------------------------|--------------|---------------------|----------------------|--------------|---------------------|
| | 2013 | 2012 | Change 2012-2013 | 2013 | 2012 | Change 2012-2013 |
| Instruction | \$ 3,559 | 3,660 | -2.8% | 2,592 | 2,670 | -2.9% |
| Support services | 1,770 | 1,642 | 7.8% | 1,674 | 1,526 | 9.7% |
| Non-instructional programs | 39 | 36 | 8.3% | 39 | 36 | 8.3% |
| Other expenses | <u>610</u> | <u>494</u> | <u>23.5 %</u> | <u>(190)</u> | <u>285</u> | <u>166.7%</u> |
| Total | <u>\$ 5,978</u> | <u>5,832</u> | <u>2.5%</u> | <u>4,115</u> | <u>4,517</u> | <u>-8.9%</u> |

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$449,599.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$755,190.
- The net cost of governmental activities was financed with \$3,780,144 in property and other taxes and \$1,383,384 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$319,725, representing a 3.4% increase over the prior year, while expenses totaled \$332,044, a 7.7% increase over the prior year. The District's business type activities include the School Nutrition Fund and FFA Project. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,489,301, above last year's ending fund balances of \$2,170,658. However, the primary reason for the increase in combined fund balances at the end of fiscal year 2013 is due to approximately \$1.1 million of unexpended revenue bond proceeds received in fiscal year 2013.

Governmental Fund Highlights

- The General Fund balance increased from \$991,076 to \$1,235,883 due, in part, to decreasing expenditures.
- The Debt Service Fund balance increased from \$130,703 at the end of fiscal year 2012 to \$340,581 at the end of fiscal 2013 due to an increase in the property tax levy to have funds available to call bonds in 2017.
- The Capital Projects Fund balance increased due to the sale of \$2,220,000 of revenue bonds during fiscal year 2013. The District ended fiscal year 2012 with a balance of \$772,670. Fiscal year 2013 ended with a balance of \$1,647,513, consisting primarily of unexpended bond proceeds which will be expended as the project is completed.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$89,674 at June 30, 2012 to \$65,749 at June 30, 2013, representing a decrease of approximately 27% due, in part, to an increase in expenditures.

BUDGETARY HIGHLIGHTS

Over the course of the year, North Iowa Community School District amended its budget one time to reflect additional revenue and expenditures associated with the safe room capital project activity.

The District's total revenues were \$827,078 more than total budgeted revenues, a variance of 12.6%. The largest variance was in the federal sources due to the FEMA grant for the safe room project not being approved at the time the budget was prepared.

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. Also, the capital project did not progress as anticipated, so less was spent in fiscal year 2013 than was planned.

In spite of the District's budgetary practice, the certified budget was exceeded by \$6,054 in the non-instructional program functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested approximately \$6.7 million, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and intangible assets. (See Figure A-6) This represents a net increase of 36.7% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation/amortization expense for the year was \$266,242.

The original cost of the District's capital assets was approximately \$11.8 million. Governmental funds accounted for approximately \$11.7 million with the remainder of approximately \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,637,373 at June 30, 2013, compared to \$10,000 reported at June 30, 2012. This significant increase resulted from construction activity financed by revenue bonds of \$2,220,000 and a FEMA grant for construction of a safe room.

Figure A-6
Capital Assets, net of Depreciation/Amortization
(Expressed in Thousands)

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|-----------------------------------|-------------------------|---------------|--------------------------|---------------|----------------|---------------|--------------|
| | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 | 2012-2013 |
| Land | \$ 37 | 37 | --- | --- | 37 | 37 | 0.0% |
| Art | 52 | 52 | --- | --- | 52 | 52 | 0.0% |
| Construction in progress | 1,637 | 10 | --- | --- | 1,637 | 10 | 162.7% |
| Buildings | 4,288 | 4,417 | --- | --- | 4,288 | 4,417 | -2.9% |
| Improvements other than buildings | 197 | 136 | --- | --- | 197 | 136 | 44.9% |
| Furniture and equipment | 438 | 237 | 13 | 17 | 451 | 254 | 77.6% |
| Totals | \$ 6,649 | 4,889 | 13 | 17 | 6,662 | 4,906 | 35.8% |

Long-Term Debt

At June 30, 2013, the District had \$3,884,568 in long-term debt outstanding. (See Figure A-7) This represents an increase of approximately 104% from last year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

In October 2012, the District issued \$2,220,000 of Statewide Sales, Services and Use Tax revenue bonds for the safe room project. The District had total outstanding bonded indebtedness at June 30, 2013 of \$3,884,568.

| | Total District | | Total Change |
|--------------------------|------------------|------------------|-----------------------|
| | June 30, 2013 | June 30, 2012 | June 30, 2012-2013 |
| General obligation bonds | \$ 1,640 | 1,835 | -10.6% |
| Revenue bonds | 2,220 | --- | 100.0% |
| Termination benefits | --- | 31 | -100.0% |
| Total | \$ 3,860 | 1,866 | 106.9% |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

Listed below are several existing circumstances that could significantly affect the North Iowa Community School District's financial health in the future:

- Every year the District negotiates new agreements with the North Iowa Education Association (NIEA) for teachers. Any settlements in excess "New Money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- On July 1, 2012, the IPERS increase to 8.67% will increase the North Iowa Community Schools employer benefit cost during fiscal year 2013. An additional increase to 8.93% is anticipated for fiscal year 2014 increasing expenditures further.
- Low allowable growth over several years and enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The October 2012 certified enrollment was 454.84, a decrease of 21.26 student from the October 2011 count.
- Continued upgrades to the district's transportation vehicles, building improvements and maintenance, and technology upgrades will significantly impact the Local Option Sales Tax and the Physical Plant and Equipment fund balances.

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 Sara Meinders, District Secretary/Treasurer and Business Manager, North Iowa Community School District, 111 3rd Ave NW, Buffalo Center, Iowa 50424.

Basic Financial Statements

North Iowa Community School District
Buffalo Center, Iowa

Exhibit A

Statement of Net Position

June 30, 2013

| | Governmental Activities | Business Type Activities | Total |
|--|----------------------------|-----------------------------|-------------------|
| Assets | | | |
| Cash, cash equivalents and pooled investments | \$ 3,744,535 | 94,557 | 3,839,092 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 35,673 | - | 35,673 |
| Succeeding year | 2,875,748 | - | 2,875,748 |
| Accounts | 68,529 | - | 68,529 |
| Due from other governments | 734,272 | - | 734,272 |
| Inventories | - | 8,919 | 8,919 |
| Capital assets, net of accumulated depreciation/amortization | 6,649,249 | 13,235 | 6,662,484 |
| Bond issuance costs, net of accumulated amortization | 68,214 | - | 68,214 |
| Total assets | <u>14,176,220</u> | <u>116,711</u> | <u>14,292,931</u> |
| Liabilities | | | |
| Accounts payable | 403,120 | 5,445 | 408,565 |
| Salaries and benefits payable | 464,120 | 365 | 464,485 |
| Accrued interest payable | 41,176 | - | 41,176 |
| Deferred revenue: | | | |
| Succeeding year property tax | 2,875,748 | - | 2,875,748 |
| Other | - | 6,693 | 6,693 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| General obligation bonds | 205,000 | - | 205,000 |
| Revenue bonds | 100,000 | - | 100,000 |
| Portion due after one year: | | | |
| General obligation bonds | 1,435,000 | - | 1,435,000 |
| Revenue bonds | 2,120,000 | - | 2,120,000 |
| Bond premium | 24,568 | - | 24,568 |
| Net OPEB liability | 68,371 | - | 68,371 |
| Total liabilities | <u>7,737,103</u> | <u>12,503</u> | <u>7,749,606</u> |

North Iowa Community School District
Buffalo Center, Iowa

Exhibit A

Statement of Net Position

June 30, 2013

| | <u>Governmental</u> <u>Activities</u> | <u>Business Type</u> <u>Activities</u> | <u>Total</u> |
|----------------------------------|--|---|------------------|
| Net Position | | | |
| Net investment in capital assets | 3,943,604 | 13,235 | 3,956,839 |
| Restricted for: | | | |
| Categorical funding | 40,439 | - | 40,439 |
| Management levy purposes | 176,538 | - | 176,538 |
| Physical plant and equipment | 13,874 | - | 13,874 |
| School infrastructure | 479,284 | - | 479,284 |
| Student activities | 87,560 | - | 87,560 |
| Public education and recreation | 422 | - | 422 |
| Unrestricted | <u>1,697,396</u> | <u>90,973</u> | <u>1,788,369</u> |
| Total net position | <u>\$ 6,439,117</u> | <u>104,208</u> | <u>6,543,325</u> |

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa
Statement of Activities
Year ended June 30, 2013

| | Expenses | Charges for Service | Program Revenues | |
|--|---------------------|---------------------|---|---|
| | | | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Functions/Programs: | | | | |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 1,966,901 | 119,104 | 348,462 | - |
| Special instruction | 709,440 | 82,807 | 62,852 | - |
| Other instruction | 882,521 | 245,176 | 108,710 | - |
| | <u>3,558,862</u> | <u>447,087</u> | <u>520,024</u> | <u>-</u> |
| Support services: | | | | |
| Student | 143,070 | - | - | - |
| Instructional staff | 222,245 | 71 | 31,448 | - |
| Administration | 574,994 | - | 1,456 | - |
| Operation and maintenance of plant | 525,922 | 2,441 | 3,028 | - |
| Transportation | 303,457 | - | 6,962 | 50,788 |
| | <u>1,769,688</u> | <u>2,512</u> | <u>42,894</u> | <u>50,788</u> |
| Non-instructional programs | 39,010 | - | - | - |
| Other expenditures: | | | | |
| Facilities acquisition | 115,022 | - | - | 607,767 |
| Long-term debt interest | 125,032 | - | - | - |
| AEA flowthrough | 192,272 | - | 192,272 | - |
| Depreciation/amortization (unallocated)* | 178,146 | - | - | - |
| | <u>610,472</u> | <u>-</u> | <u>192,272</u> | <u>607,767</u> |
| Total governmental activities | <u>5,978,032</u> | <u>449,599</u> | <u>755,190</u> | <u>658,555</u> |
| Business type activities: | | | | |
| Instruction: | | | | |
| FFA Project | 55,718 | 67,324 | - | - |
| Support services: | | | | |
| Administration | 21,259 | - | - | - |
| Operation and maintenance of plant | 2,018 | - | - | - |
| Non-instructional programs: | | | | |
| Food service operations | 253,049 | 128,141 | 124,247 | - |
| Total business type activities | <u>332,044</u> | <u>195,465</u> | <u>124,247</u> | <u>-</u> |
| Total | <u>\$ 6,310,076</u> | <u>645,064</u> | <u>879,437</u> | <u>658,555</u> |

General Revenues:

| |
|--|
| Property tax levied for: |
| General purposes |
| Debt service |
| Capital outlay |
| Public education and recreation purposes |
| Income surtax |
| Statewide sales, services and use tax |
| Unrestricted state grants |
| Unrestricted investment earnings |
| Other |
| Sale of fixed assets |
| Total general revenues |
| Change in net position |
| Net position beginning of year |
| Net position end of year |

* This amount excludes the depreciation/amortization included in the direct expenses of the various programs.

See notes to financial statements.

| Net (Expense) Revenue and Changes in Net Position | | |
|--|-----------------------------|--------------------|
| Primary Government | | |
| Governmental Activities | Business Type Activities | Total |
| (1,499,335) | - | (1,499,335) |
| (563,781) | - | (563,781) |
| (528,635) | - | (528,635) |
| <u>(2,591,751)</u> | <u>-</u> | <u>(2,591,751)</u> |
| (143,070) | - | (143,070) |
| (190,726) | - | (190,726) |
| (573,538) | - | (573,538) |
| (520,453) | - | (520,453) |
| (245,707) | - | (245,707) |
| <u>(1,673,494)</u> | <u>-</u> | <u>(1,673,494)</u> |
| <u>(39,010)</u> | <u>-</u> | <u>(39,010)</u> |
| 492,745 | - | 492,745 |
| (125,032) | - | (125,032) |
| - | - | - |
| <u>(178,146)</u> | <u>-</u> | <u>(178,146)</u> |
| <u>189,567</u> | <u>-</u> | <u>189,567</u> |
| <u>(4,114,688)</u> | <u>-</u> | <u>(4,114,688)</u> |
| - | 11,606 | 11,606 |
| - | (21,259) | (21,259) |
| - | (2,018) | (2,018) |
| - | (661) | (661) |
| <u>-</u> | <u>(12,332)</u> | <u>(12,332)</u> |
| <u>(4,114,688)</u> | <u>(12,332)</u> | <u>(4,127,020)</u> |
| 2,560,282 | - | 2,560,282 |
| 408,289 | - | 408,289 |
| 98,447 | - | 98,447 |
| 36,083 | - | 36,083 |
| 272,524 | - | 272,524 |
| 404,519 | - | 404,519 |
| 1,383,384 | - | 1,383,384 |
| 1,485 | 13 | 1,498 |
| 14,903 | - | 14,903 |
| (6,500) | - | (6,500) |
| <u>5,173,416</u> | <u>13</u> | <u>5,173,429</u> |
| 1,058,728 | (12,319) | 1,046,409 |
| 5,380,389 | 116,527 | 5,496,916 |
| <u>\$ 6,439,117</u> | <u>104,208</u> | <u>6,543,325</u> |

North Iowa Community School District
Buffalo Center, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2013

| | <u>General</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Nonmajor Funds</u> | <u>Total</u> |
|---|---------------------|-----------------------------|-------------------------|---------------------------|------------------|
| Assets | | | | | |
| Cash, cash equivalents and pooled investments | \$ 1,610,183 | 1,526,535 | 337,053 | 270,764 | 3,744,535 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 28,184 | 1,031 | 4,278 | 2,180 | 35,673 |
| Succeeding year | 2,247,403 | 106,935 | 408,830 | 112,580 | 2,875,748 |
| Accounts | 68,529 | - | - | - | 68,529 |
| Due from other governments | 311,901 | 422,371 | - | - | 734,272 |
| Total assets | <u>\$ 4,266,200</u> | <u>2,056,872</u> | <u>750,161</u> | <u>385,524</u> | <u>7,458,757</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 96,585 | 298,165 | 750 | 7,620 | 403,120 |
| Salaries and benefits payable | 464,120 | - | - | - | 464,120 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 2,247,403 | 106,935 | 408,830 | 112,580 | 2,875,748 |
| Income surtax | 221,607 | - | - | - | 221,607 |
| Other | 602 | 4,259 | - | - | 4,861 |
| Total liabilities | <u>3,030,317</u> | <u>409,359</u> | <u>409,580</u> | <u>120,200</u> | <u>3,969,456</u> |
| Fund balances: | | | | | |
| Restricted for: | | | | | |
| Categorical funding | 40,439 | - | - | - | 40,439 |
| Debt service | - | - | 340,581 | - | 340,581 |
| Management levy purposes | - | - | - | 176,538 | 176,538 |
| Student activities | - | - | - | 88,364 | 88,364 |
| School infrastructure | - | 1,633,639 | - | - | 1,633,639 |
| Physical plant and equipment | - | 13,874 | - | - | 13,874 |
| Public education and recreation | - | - | - | 422 | 422 |
| Assigned | 20,291 | - | - | - | 20,291 |
| Unassigned | 1,175,153 | - | - | - | 1,175,153 |
| Total fund balances | <u>1,235,883</u> | <u>1,647,513</u> | <u>340,581</u> | <u>265,324</u> | <u>3,489,301</u> |
| Total liabilities and fund balances | <u>\$ 4,266,200</u> | <u>2,056,872</u> | <u>750,161</u> | <u>385,524</u> | <u>7,458,757</u> |

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit D

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

June 30, 2013

Total fund balances of governmental funds (page 21) \$ 3,489,301

*Amounts reported for governmental activities in the Statement of Net Position
are different because:*

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported as assets in the governmental funds. 6,649,249

Other long-term assets are not available to pay current year expenditures and,
therefore, are deferred in the governmental funds. 226,468

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. (41,176)

Long-term liabilities, including bonds, compensated absences, termination benefits,
lease obligations, and other postemployment benefits payable, are not due and
payable in the current year and therefore, are not reported in the governmental
funds. (3,952,939)

Bond issuance costs are not available to pay current period debt and, therefore, are
not included in the governmental funds. 68,214

Net position of governmental activities (page 18) \$ 6,439,117

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2013

Exhibit E

| | <u>General</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Nonmajor Funds</u> | <u>Total</u> |
|---|---------------------|-----------------------------|-------------------------|---------------------------|------------------|
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 2,690,806 | 502,966 | 408,289 | 186,405 | 3,788,466 |
| Tuition | 180,580 | - | - | - | 180,580 |
| Other | 46,094 | 379 | 945 | 242,528 | 289,946 |
| State sources | 1,954,067 | 69,103 | 171 | 87 | 2,023,428 |
| Federal sources | 183,604 | 589,494 | - | - | 773,098 |
| Total revenues | <u>5,055,151</u> | <u>1,161,942</u> | <u>409,405</u> | <u>429,020</u> | <u>7,055,518</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 1,891,783 | 144,360 | - | 33,814 | 2,069,957 |
| Special | 706,648 | - | - | - | 706,648 |
| Other | 636,528 | - | - | 241,099 | 877,627 |
| | <u>3,234,959</u> | <u>144,360</u> | <u>-</u> | <u>274,913</u> | <u>3,654,232</u> |
| Support services: | | | | | |
| Student | 141,927 | - | - | - | 141,927 |
| Instructional staff | 105,091 | 116,013 | - | - | 221,104 |
| Administration | 488,830 | 11,440 | - | 68,268 | 568,538 |
| Operation and maintenance of plant | 412,154 | 154,307 | - | 51,245 | 617,706 |
| Transportation | 233,185 | 177,907 | - | 8,395 | 419,487 |
| | <u>1,381,187</u> | <u>459,667</u> | <u>-</u> | <u>127,908</u> | <u>1,968,762</u> |
| Non-instructional programs | 1,926 | - | - | 37,084 | 39,010 |
| Other expenditures: | | | | | |
| Facilities acquisition | - | 1,772,910 | - | - | 1,772,910 |
| Long-term debt: | | | | | |
| Principal | - | - | 195,000 | - | 195,000 |
| Interest and fiscal charges | - | 70,970 | 89,280 | - | 160,250 |
| AEA flowthrough | 192,272 | - | - | - | 192,272 |
| | <u>192,272</u> | <u>1,843,880</u> | <u>284,280</u> | <u>-</u> | <u>2,320,432</u> |
| Total expenditures | <u>4,810,344</u> | <u>2,447,907</u> | <u>284,280</u> | <u>439,905</u> | <u>7,982,436</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>244,807</u> | <u>(1,285,965)</u> | <u>125,125</u> | <u>(10,885)</u> | <u>(926,918)</u> |
| Other financing sources (uses): | | | | | |
| Revenue bonds issued | - | 2,220,000 | - | - | 2,220,000 |
| Premium on bonds issued | - | 25,561 | - | - | 25,561 |
| Operating transfers in | - | - | 84,753 | - | 84,753 |
| Operating transfers out | - | (84,753) | - | - | (84,753) |
| Total other financing sources (uses) | <u>-</u> | <u>2,160,808</u> | <u>84,753</u> | <u>-</u> | <u>2,245,561</u> |
| Net change in fund balances | 244,807 | 874,843 | 209,878 | (10,885) | 1,318,643 |
| Fund balances beginning of year | 991,076 | 772,670 | 130,703 | 276,209 | 2,170,658 |
| Fund balances end of year | <u>\$ 1,235,883</u> | <u>1,647,513</u> | <u>340,581</u> | <u>265,324</u> | <u>3,489,301</u> |

See notes to financial statements.

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

Year ended June 30, 2013

Net change in fund balances - total governmental funds (page 23) \$ 1,318,643

*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/amortization expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation/amortization expense and loss on sale of fixed assets in the current year, as follows:

| | | |
|-----------------------------------|-----------------|-----------|
| Expenditures for capital assets | \$ 2,034,038 | |
| Depreciation/amortization expense | (262,802) | |
| Loss on sale of fixed assets | <u>(11,037)</u> | 1,760,199 |

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. (7,721)

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

| | | |
|--------------------|----------------|-------------|
| Bond issuance cost | 68,214 | |
| Bond premium | (24,568) | |
| Issued | (2,220,000) | |
| Repaid | <u>195,000</u> | (1,981,354) |

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (33,989)

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

| | | |
|-------------------------------|-----------------|--------------|
| Termination benefits | 31,448 | |
| Other postemployment benefits | <u>(28,498)</u> | <u>2,950</u> |

Change in net position of governmental activities (page 20) \$ 1,058,728

North Iowa Community School District
Buffalo Center, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2013

| | Nonmajor Enterprise Funds |
|---|---------------------------------|
| Assets | |
| Current assets: | |
| Cash and cash equivalents | \$ 94,557 |
| Inventories | 8,919 |
| Total current assets | <u>103,476</u> |
| Noncurrent assets: | |
| Capital assets, net of accumulated depreciation | <u>13,235</u> |
| Total noncurrent assets | <u>13,235</u> |
| Total assets | <u><u>116,711</u></u> |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | 5,445 |
| Salaries and benefits payable | 365 |
| Deferred revenue | 6,693 |
| Total current liabilities | <u>12,503</u> |
| Total liabilities | <u><u>12,503</u></u> |
| Net Position | |
| Investment in capital assets | 13,235 |
| Unrestricted | <u>90,973</u> |
| Total net position | <u><u>\$ 104,208</u></u> |

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit H

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

Year ended June 30, 2013

| | <u>Nonmajor Enterprise Funds</u> |
|------------------------------------|--|
| Operating revenues: | |
| Local sources: | |
| Charges for service | \$ 194,322 |
| Miscellaneous | 1,143 |
| Total operating revenues | <u>195,465</u> |
| Operating expenses: | |
| Instruction: | |
| Other | <u>55,718</u> |
| Support services: | |
| Administration | 21,259 |
| Operation and maintenance of plant | 2,018 |
| | <u>23,277</u> |
| Non-instructional programs: | |
| Salaries | 78,350 |
| Benefits | 12,471 |
| Purchased services | 894 |
| Supplies | 157,894 |
| Depreciation | 3,440 |
| | <u>253,049</u> |
| Total operating expenses | <u>332,044</u> |
| Operating loss | <u>(136,579)</u> |
| Non-operating revenues: | |
| State sources | 2,122 |
| Federal sources | 122,125 |
| Interest income | 13 |
| Total non-operating revenues | <u>124,260</u> |
| Decrease in net position | (12,319) |
| Net position beginning of year | <u>116,527</u> |
| Net position end of year | <u>\$ 104,208</u> |

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2013

| | Nonmajor Enterprise <u>Funds</u> |
|---|--|
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | \$ 194,516 |
| Cash received from other services | 1,143 |
| Cash paid to employees for services | (141,966) |
| Cash paid to suppliers for goods or services | <u>(162,740)</u> |
| Net cash used by operating activities | <u>(109,047)</u> |
| Cash flows from non-capital financing activities: | |
| State grants received | 2,122 |
| Federal grants received | <u>99,391</u> |
| Net cash provided by non-capital financing activities | <u>101,513</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>13</u> |
| Net decrease in cash and cash equivalents | (7,521) |
| Cash and cash equivalents beginning of year | <u>102,078</u> |
| Cash and cash equivalents end of year | <u>\$ 94,557</u> |

(continued)

North Iowa Community School District
Buffalo Center, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2013

| | Nonmajor Enterprise <u>Funds</u> |
|---|--|
| Reconciliation of operating loss to net cash used by operating activities: | |
| Operating loss | \$ (136,579) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Commodities used | 21,581 |
| Depreciation | 3,440 |
| Increase in inventories | (2,230) |
| Increase in accounts payable | 5,004 |
| Decrease in salaries and benefits payable | (457) |
| Increase in deferred revenue | 194 |
| Net cash used by operating activities | <u>\$ (109,047)</u> |

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$21,581 of federal commodities.

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit J

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013

| | Private Purpose Trust | |
|---|-----------------------------|---------------|
| | <u>Scholarship</u> | <u>Agency</u> |
| Assets | | |
| Cash, cash equivalents and pooled investments | \$ 1,236,232 | 4,130 |
| Land held in scholarship trust | <u>1,468,257</u> | <u>-</u> |
| Total assets | <u>2,704,489</u> | <u>4,130</u> |
| Liabilities | | |
| Accounts payable | 1,041 | - |
| Other payables | <u>-</u> | <u>4,130</u> |
| Total liabilities | <u>1,041</u> | <u>4,130</u> |
| Net position | | |
| Reserved for scholarships | <u>\$ 2,703,448</u> | <u>-</u> |

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2013

| | <u>Private Purpose Trust Scholarship</u> |
|---------------------------------------|--|
| Additions: | |
| Local sources: | |
| Gifts and contributions | \$ 14,621 |
| Increase in fair value of investments | 317,769 |
| Land rent | 67,659 |
| Interest and dividend income | <u>18,034</u> |
| Total additions | <u>418,083</u> |
| Deductions: | |
| Instruction: | |
| Regular: | |
| Scholarships awarded | 99,841 |
| Support services: | |
| Operation and maintenance of plant | <u>4,721</u> |
| Total deductions | <u>104,562</u> |
| Change in net position | 313,521 |
| Net position beginning of year | <u>2,389,927</u> |
| Net position end of year | <u>\$2,703,448</u> |

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

North Iowa Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Buffalo Center, Thompson, Rake and Lakota, Iowa, and the predominate agricultural territory in Kossuth and Winnebago counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, North Iowa Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in jointly governed organizations that provide 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 and Winnebago County Assessor's Conference boards.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2013

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2013

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

The District's proprietary funds include the Enterprise, School Nutrition Fund and the FFA Projects Fund. The School Nutrition Fund is used to account for the food service operations of the District and the FFA Project Fund is used to account for the business type activities of the FFA.

The District also reports fiduciary funds which focus on net position and changes in net position. 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.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2013

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

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2013

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.

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2013

Land Held in Scholarship Trust – Land held by the District in a scholarship trust is reported at fair value.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2013

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

| <u>Asset Class</u> | <u>Amount</u> |
|-----------------------------------|---------------|
| Land | \$ --- |
| Buildings | 30,000 |
| Improvements other than buildings | 30,000 |
| Intangibles | 25,000 |
| Furniture and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other furniture and equipment | 5,000 |

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

| <u>Asset Class</u> | <u>Estimated Useful Lives (In Years)</u> |
|-----------------------------------|--|
| Buildings | 20-50 years |
| Improvements other than buildings | 20 years |
| Intangibles | 3-10 years |
| Furniture and equipment | 3-15 years |

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

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2013

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

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

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

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

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

Assigned – Amounts the Board Secretary intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the non-instructional programs function.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2013

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2013, the District's Fiduciary Funds, Private Purpose Trust held the following investments that were gifted to the District for scholarship awards to students:

| | Fair <u>Value</u> | <u>Maturity</u> |
|--|----------------------|-----------------|
| Bank of America Corp Subordinated Note | \$14,993 | March 2017 |
| Ford Motor Credit Co. LLC Senior Note | 43,200 | April 2015 |
| 660 Shares General Electric Co. Common Stock | 15,317 | N/A |
| 65 Shares Mid Cap SPDR Trust Unit Series 1 | 13,638 | April 2020 |
| 21 Shares SPDR Trust Unit Series 1 | 3,369 | January 2118 |
| 471 Shares American Capital World Growth | 18,517 | N/A |

At June 30, 2013, the District's governmental and proprietary funds had investments in the Iowa School Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$2,774,977 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2013

Credit risk: The investments were rated by Standards & Poor's Financial Services as follows:

| | <u>Rating</u> |
|--|---------------|
| Bank of America Corp Subordinated Note | BBB+ |
| Ford Motor Credit Co. LLC Senior Note | BB+ |
| Iowa School Joint Investment Trust | AAAm |

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. More than 5% of the District's investments are in the Iowa Schools Joint Investment Trust. The District's investment in the Iowa Schools Joint Investment Trust is 96% of the District's total investments.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|----------------------|------------------|
| Debt Service | Capital Projects | <u>\$ 84,753</u> |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2013

(4) Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------------|------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated/amortized: | | | | |
| Land | \$ 36,797 | --- | --- | 36,797 |
| Work of art | 52,000 | --- | --- | 52,000 |
| Construction in progress | 10,000 | 1,627,373 | --- | 1,637,373 |
| Total capital assets not being depreciated | <u>98,797</u> | <u>1,627,373</u> | <u>---</u> | <u>1,726,170</u> |
| Capital assets being depreciated/amortized: | | | | |
| Buildings | 7,847,883 | 33,500 | --- | 7,881,383 |
| Improvements other than buildings | 457,809 | 88,540 | (25,976) | 520,373 |
| Intangible assets | 27,620 | --- | --- | 27,620 |
| Furniture and equipment | 1,460,725 | 284,625 | (178,611) | 1,566,739 |
| Total capital assets being depreciated/amortized | <u>9,794,037</u> | <u>406,665</u> | <u>(204,587)</u> | <u>9,996,115</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings | 3,430,211 | 162,841 | --- | 3,593,052 |
| Improvements other than buildings | 322,088 | 16,764 | (14,939) | 323,913 |
| Intangible assets | 27,620 | --- | --- | 27,620 |
| Furniture and equipment | 1,223,865 | 83,197 | (178,611) | 1,128,451 |
| Total accumulated depreciation/amortization | <u>5,003,784</u> | <u>262,802</u> | <u>(193,550)</u> | <u>5,073,036</u> |
| Total capital assets being depreciated/amortized, net | <u>4,790,253</u> | <u>143,863</u> | <u>(11,037)</u> | <u>4,923,079</u> |
| Governmental activities capital assets, net | <u>\$ 4,889,050</u> | <u>1,771,236</u> | <u>(11,037)</u> | <u>6,649,249</u> |
| Business type activities: | | | | |
| Furniture and equipment | \$ 97,163 | --- | --- | 97,163 |
| Less accumulated depreciation | 80,488 | 3,440 | --- | 83,928 |
| Business type activities capital assets, net | <u>\$ 16,675</u> | <u>(3,440)</u> | <u>---</u> | <u>13,235</u> |

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2013

Depreciation/amortization expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 34,386

Other 1,355

Support services:

Operation and maintenance of plant 7,041

Transportation 41,874

84,656

Unallocated

178,146

Total depreciation/amortization expense – governmental activities \$ 262,802

=====

Business type activities:

Food service operations \$ 3,440

=====

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year | Due Within One Year |
|--------------------------|---------------------------------|------------------|----------------|---------------------------|---------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 1,835,000 | --- | 195,000 | 1,640,000 | 205,000 |
| Revenue bonds | --- | 2,245,561 | 993 | 2,244,568 (1) | 100,000 |
| Termination benefits | 31,448 | --- | 31,448 | --- | --- |
| Net OPEB liability | <u>39,873</u> | <u>28,498</u> | <u>---</u> | <u>68,371</u> | <u>---</u> |
| Total | <u>\$ 1,906,321</u> | <u>2,274,059</u> | <u>227,441</u> | <u>3,952,939</u> | <u>305,000</u> |

(1) Bonds were sold at a premium, unamortized premium at June 30, 2013 totaled \$24,568.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2013

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

| Year Ending <u>June 30</u> | Bond Issue of March 15, 2001 | | | |
|-------------------------------|------------------------------|--------------------|----------------|------------------|
| | Interest Rate | Principal | Interest | Total |
| 2014 | 4.70% | \$ 205,000 | 77,080 | 282,080 |
| 2015 | 4.70 | 210,000 | 67,445 | 277,445 |
| 2016 | 4.70 | 220,000 | 57,575 | 277,575 |
| 2017 | 4.70 | 230,000 | 47,235 | 277,235 |
| 2018 | 4.70 | 245,000 | 36,425 | 281,425 |
| 2019-2020 | 4.70 | <u>530,000</u> | <u>37,835</u> | <u>567,835</u> |
| Total | | <u>\$1,640,000</u> | <u>323,595</u> | <u>1,963,595</u> |

Revenue Bonds

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

| Year Ending <u>June 30</u> | Bond Issue of October 23, 2012 | | | |
|-------------------------------|--------------------------------|--------------------|----------------|------------------|
| | Interest Rates | Principal | Interest | Total |
| 2014 | 2.00% | \$ 100,000 | 59,976 | 159,976 |
| 2015 | 2.00 | 115,000 | 48,448 | 163,448 |
| 2016 | 2.00 | 115,000 | 46,147 | 161,147 |
| 2017 | 2.00 | 120,000 | 43,848 | 163,848 |
| 2018 | 2.00 | 120,000 | 41,447 | 161,447 |
| 2019-2023 | 2.00-2.20 | 630,000 | 170,538 | 800,538 |
| 2024-2028 | 2.20-2.65 | 710,000 | 98,415 | 808,415 |
| 2029-2030 | 2.80 | <u>310,000</u> | <u>13,020</u> | <u>323,020</u> |
| Total | | <u>\$2,220,000</u> | <u>521,839</u> | <u>2,741,839</u> |

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2013

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,220,000 of bonds issued in October 2012. The bonds were issued for the purpose of financing a portion of a safe room. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 40 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,741,839. For the current year, no principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$404,519.

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

- a) \$163,848 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.
- 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.

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal 2012. Eligible employees must have completed at least twenty years (last ten consecutively) of service to the District, currently under contract to work a minimum of thirty-five hours per school week and must have reached the age of fifty-six prior to or during the contract year. The application for early retirement is subject to approval by the Board of Education. The Board of Directors must approve implementation of the policy each school year.

North Iowa Community School District
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Notes to Financial Statements

June 30, 2013

Early retirement benefits are equal to \$5,500 plus \$100 for every year of service to the school district plus \$20 for every sick day the employee has not used as of their final paycheck from the district.

At June 30, 2013, the District has obligations to no participants. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$31,448.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$252,185, \$242,379 and \$201,949, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 49 active and nine retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate 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.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2013

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 which, 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, 2013, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

| | |
|--|---|
| Annual required contribution | \$ 47,605 |
| Interest on net OPEB obligation | 997 |
| Adjustment to annual required contribution | <u>(4,483)</u> |
| Annual OPEB cost | 44,119 |
| Contributions made | <u>(15,621)</u> |
| Increase in net OPEB obligation | 28,498 |
| Net OPEB obligation beginning of year | <u>39,873</u> |
| Net OPEB obligation end of year | \$ 68,371 <u><u> </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, 2013.

For the year ended June 30, 2013, the District contributed \$15,621 to the medical plan. Plan members eligible for benefits contributed \$80,069 or 84% of the premium costs.

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

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|------------------------|---------------------|--|---------------------------|
| 2011 | \$ 32,672 | 60.5% | \$ 27,786 |
| 2012 | 34,358 | 64.8% | 39,873 |
| 2013 | 44,119 | 35.4% | 68,371 |

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2013

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$263,817, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$263,817. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,326,000 and the ratio of the UAAL to covered payroll was 11.3%. As of June 30, 2013, 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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents 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, 2012 actuarial valuation date, the 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%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed based on IPERS normal retirement age for each employee and information provided by the District.

Projected claim costs of the medical plan are \$615 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2013

(8) Risk Management

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.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$192,272 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Operating Leases

The District entered into an operating lease with Access Systems Leasing for the rental of copiers and printers on June 15, 2010 for a period of 63 months. The amount paid for the fiscal year ended June 30, 2013 was \$17,045. The future rentals are as follows:

| Year Ending <u>June 30,</u> | |
|-----------------------------------|------------------|
| 2014 | \$ 17,045 |
| 2015 | <u>4,261</u> |
| Total | \$ <u>21,306</u> |

The District entered into a lease with Little Bison Childcare Center Inc. to rent space for the preschool program. The lease is for 60 months commencing January 1, 2008 and terminating December 31, 2012. The lease has been extended for an additional 60 months terminating December 31, 2017. The lease is \$1,850 per month. The rent paid on this lease for the year ended June 30, 2012 was \$22,200.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2013

Future minimum rentals are as follows:

| <u>June 30,</u> | |
|-----------------|------------------|
| 2014 | \$ 22,200 |
| 2015 | 22,200 |
| 2016 | 22,200 |
| 2017 | 22,200 |
| 2018 | <u>11,100</u> |
| Total | \$ <u>99,900</u> |

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

| <u>Program</u> | <u>Amount</u> |
|--|------------------|
| Mentoring - teacher | \$ 2,111 |
| Teacher salary supplement | 31,401 |
| Mentoring – administration | 647 |
| Professional development – model core curriculum | 3,325 |
| Limited English Proficient | <u>2,956</u> |
| Total | \$ <u>40,439</u> |

(12) Scholarship Trust Contribution

During the year ended June 30, 2012, the District received a contribution of 150 acres of farm land. The land is being rented by the District to the highest responsible bidder and all proceeds are being used for scholarships to further the education of North Iowa Community School District high school seniors.

The land had a fair value of \$1,468,257 at June 30, 2013 based on comparable land values from the Iowa State Extension office, and is reported as an investment in the District's Private-Purpose Trust Fund.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2013

(13) Construction Commitment

The District has entered into contracts totaling \$2,888,777 for construction of a safe room. As of June 30, 2013, costs of 1,637,373 have been incurred against the contracts. The balance of \$1,251,404 remaining at June 30, 2013 will be paid as work on the project progresses.

(14) Litigation

The District is subject to pending litigation. The District's insurance carrier has been notified and is representing the District. In the opinion of management, the ultimate outcome of the litigation will not have an adverse effect on the District.

(15) Subsequent Events

Subsequent events have been evaluated through March 19, 2014 which is the date the financial statements were available to be issued.

Required Supplementary Information

North Iowa Community School District
Buffalo Center, Iowa

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

Required Supplementary Information

Year ended June 30, 2013

| | Governmental Funds <u>Actual</u> | Proprietary Fund <u>Actual</u> |
|--|--|--------------------------------------|
| Revenues: | | |
| Local sources | \$ 4,258,992 | 195,478 |
| State sources | 2,023,428 | 2,122 |
| Federal sources | 773,098 | 122,125 |
| Total revenues | <u>7,055,518</u> | <u>319,725</u> |
| Expenditures/Expenses: | | |
| Instruction | 3,654,232 | 55,718 |
| Support services | 1,968,762 | 23,277 |
| Non-instructional programs | 39,010 | 253,049 |
| Other expenditures | 2,320,432 | - |
| Total expenditures/expenses | <u>7,982,436</u> | <u>332,044</u> |
| Excess (deficiency) of revenues over (under) expenditures/expenses | (926,918) | (12,319) |
| Other financing sources, net | <u>2,245,561</u> | <u>-</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses | 1,318,643 | (12,319) |
| Balances beginning of year | <u>2,170,658</u> | <u>116,527</u> |
| Balances end of year | <u>\$ 3,489,301</u> | <u>104,208</u> |

See accompanying independent auditor's report.

| <u>Total Actual</u> | <u>Budgeted Amounts</u> | | <u>Final to Actual Variance</u> |
|-------------------------|-------------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | |
| 4,454,470 | 4,410,418 | 4,410,418 | 44,052 |
| 2,025,550 | 1,968,713 | 1,968,713 | 56,837 |
| <u>895,223</u> | <u>169,034</u> | <u>169,034</u> | <u>726,189</u> |
| <u>7,375,243</u> | <u>6,548,165</u> | <u>6,548,165</u> | <u>827,078</u> |
| 3,709,950 | 3,913,000 | 3,913,000 | 203,050 |
| 1,992,039 | 2,250,800 | 2,250,800 | 258,761 |
| 292,059 | 286,005 | 286,005 | (6,054) |
| <u>2,320,432</u> | <u>913,498</u> | <u>2,667,335</u> | <u>346,903</u> |
| <u>8,314,480</u> | <u>7,363,303</u> | <u>9,117,140</u> | <u>802,660</u> |
| (939,237) | (815,138) | (2,568,975) | 1,629,738 |
| <u>2,245,561</u> | <u>-</u> | <u>-</u> | <u>2,245,561</u> |
| 1,306,324 | (815,138) | (2,568,975) | 3,875,299 |
| <u>2,287,185</u> | <u>1,928,854</u> | <u>1,928,854</u> | <u>358,331</u> |
| <u>3,593,509</u> | <u>1,113,716</u> | <u>(640,121)</u> | <u>4,233,630</u> |

North Iowa Community School District
Buffalo Center, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing the budgeted expenditures by \$1,753,837.

During the year ended June 30, 2013, expenditures in the non-instructional programs function exceeded the amount budgeted by \$6,054.

North Iowa Community School District

Buffalo Center, Iowa

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 | Jul 1, 2009 | - | \$ 370,519 | 370,519 | 0.0% | \$2,321,000 | 16.0% |
| 2011 | Jul 1, 2009 | - | 352,007 | 352,007 | 0.0% | 2,340,000 | 15.0% |
| 2012 | Jul 1, 2009 | - | 331,897 | 331,897 | 0.0% | 2,417,000 | 13.7% |
| 2013 | Jul 1, 2012 | - | 263,817 | 263,817 | 0.0% | 2,326,000 | 11.3% |

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

North Iowa Community School District
Buffalo Center, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

| | Special Revenue | | | | Total |
|---|-------------------------|---------------------|--|------------------------------|----------------|
| | Manage- ment Levy | Student Activity | Public Education and Recreation Levy | District Support Trust | |
| Assets | | | | | |
| Cash, cash equivalents and pooled investments | \$ 175,408 | 94,552 | - | 804 | 270,764 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 1,758 | - | 422 | - | 2,180 |
| Succeeding year | 75,000 | - | 37,580 | - | 112,580 |
| Total assets | <u>\$ 252,166</u> | <u>94,552</u> | <u>38,002</u> | <u>804</u> | <u>385,524</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 628 | 6,992 | - | - | 7,620 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 75,000 | - | 37,580 | - | 112,580 |
| Total liabilities | <u>75,628</u> | <u>6,992</u> | <u>37,580</u> | <u>-</u> | <u>120,200</u> |
| Fund balances: | | | | | |
| Restricted for: | | | | | |
| Management levy purposes | 176,538 | - | - | - | 176,538 |
| Student activities | - | 87,560 | - | 804 | 88,364 |
| Public education & recreation | - | - | 422 | - | 422 |
| Total fund balances | <u>176,538</u> | <u>87,560</u> | <u>422</u> | <u>804</u> | <u>265,324</u> |
| Total liabilities and fund balances | <u>\$ 252,166</u> | <u>94,552</u> | <u>38,002</u> | <u>804</u> | <u>385,524</u> |

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 2

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

Year ended June 30, 2013

| | Special Revenue | | | | Total |
|---|--------------------------------|--|---|--|----------------|
| | Manage- ment <u>Levy</u> | Student Activity <u>Activity</u> | Public Education and Recreation <u>Levy</u> | District Support Trust <u>Trust</u> | |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 150,323 | - | 36,082 | - | 186,405 |
| Other | 2,555 | 239,973 | - | - | 242,528 |
| State sources | 70 | - | 17 | - | 87 |
| Total revenues | <u>152,948</u> | <u>239,973</u> | <u>36,099</u> | <u>-</u> | <u>429,020</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 33,814 | - | - | - | 33,814 |
| Other | - | 241,099 | - | - | 241,099 |
| Support services: | | | | | |
| Administration | 68,268 | - | - | - | 68,268 |
| Operation and maintenance of plant | 51,245 | - | - | - | 51,245 |
| Transportation | 8,395 | - | - | - | 8,395 |
| Non-instructional programs | 536 | - | 36,548 | - | 37,084 |
| Total expenditures | <u>162,258</u> | <u>241,099</u> | <u>36,548</u> | <u>-</u> | <u>439,905</u> |
| Deficiency of revenues under expenditures | (9,310) | (1,126) | (449) | - | (10,885) |
| Fund balances beginning of year | <u>185,848</u> | <u>88,686</u> | <u>871</u> | <u>804</u> | <u>276,209</u> |
| Fund balances end of year | <u>\$ 176,538</u> | <u>87,560</u> | <u>422</u> | <u>804</u> | <u>265,324</u> |

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

| <u>Account</u> | <u>Balance Beginning of Year</u> | <u>Revenues and Interfund Transfers</u> | <u>Expenditures</u> | <u>Intra- Fund Transfers</u> | <u>Balance End of Year</u> |
|---------------------------|--|---|---------------------|--------------------------------------|------------------------------------|
| Towel fee | \$ 100 | - | - | - | 100 |
| Activity tickets | 10,021 | 47,667 | 27,917 | (24,245) | 5,526 |
| Interest | 151 | 290 | - | - | 441 |
| Drama | 4,628 | 6,418 | 2,824 | - | 8,222 |
| Speech | 800 | 916 | 1,398 | 482 | 800 |
| Vocal music | 99 | - | - | - | 99 |
| Choir robe | - | - | - | 300 | 300 |
| Instrumental music | 1,526 | 1,053 | 229 | - | 2,350 |
| HS/MS uniform | - | - | 4,843 | 4,843 | - |
| Annual | 1,937 | 7,528 | 7,974 | - | 1,491 |
| Cross Country | 800 | - | 639 | 639 | 800 |
| Boys basketball | 6,772 | 2,261 | 7,401 | 1,035 | 2,667 |
| Football | 7,103 | 10,612 | 13,698 | 2,030 | 6,047 |
| Baseball | 1,000 | 4,986 | 6,717 | 2,903 | 2,172 |
| Boys track | 1,858 | 4,898 | 7,487 | 3,260 | 2,529 |
| Boys golf | 250 | 220 | 592 | 372 | 250 |
| Boys bowling | 250 | - | 20 | 20 | 250 |
| Wrestling | 250 | 744 | 744 | - | 250 |
| Girls basketball | 1,069 | 3,954 | 5,224 | 1,201 | 1,000 |
| Volleyball | 4,205 | 5,099 | 6,721 | 751 | 3,334 |
| Girls softball | 3,057 | 4,614 | 4,743 | 1,051 | 3,979 |
| Girls track | 1,858 | 4,898 | 7,507 | 3,217 | 2,466 |
| Girls golf | 250 | 115 | 425 | 310 | 250 |
| Girls bowling | 250 | - | 34 | 34 | 250 |
| Trapshooting | - | 2,435 | 2,435 | - | - |
| Spanish club | 100 | - | - | - | 100 |
| Cheerleading | 721 | 21,903 | 21,058 | - | 1,566 |
| FCCLA | 500 | 2,649 | 3,222 | 73 | - |
| Student Council | 8,416 | 6,691 | 6,942 | - | 8,165 |
| Honor Society | 643 | 818 | 936 | - | 525 |
| Tournament all sport fund | 2,746 | 1,693 | 1,931 | - | 2,508 |
| Class of 2012 | 660 | 5 | - | (665) | - |
| Class of 2013 | 3,591 | 226 | 2,492 | (1,325) | - |
| Class of 2014 | 1,015 | 9,042 | 7,205 | - | 2,852 |
| Class of 2015 | 810 | 155 | - | - | 965 |
| Class of 2016 | 460 | 160 | - | - | 620 |

(continued)

North Iowa Community School District
Buffalo Center, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

| <u>Account</u> | Balance Beginning of Year | Revenues and Interfund <u>Transfers</u> | <u>Expenditures</u> | Intra- Fund <u>Transfers</u> | Balance End of Year |
|---------------------|---------------------------------|---|---------------------|------------------------------------|---------------------------|
| Class of 2017 | 320 | 160 | - | - | 480 |
| Class of 2018 | 145 | 135 | - | - | 280 |
| Class of 2019 | - | 155 | - | - | 155 |
| Quiz bowl | 100 | - | 80 | 80 | 100 |
| MS archery | 2,462 | 299 | 530 | - | 2,231 |
| MS Student Council | 2,235 | 2,261 | 1,625 | - | 2,871 |
| MS music club | 2,767 | 16,362 | 11,574 | (300) | 7,255 |
| MS annual | 1,059 | 1,705 | 2,200 | - | 564 |
| MS officials | 2,500 | - | 2,440 | 2,440 | 2,500 |
| MS field trips | 231 | - | - | - | 231 |
| MS football | 390 | - | 989 | 849 | 250 |
| MS girls basketball | 250 | - | 35 | 35 | 250 |
| MS boys basketball | 250 | - | 19 | 19 | 250 |
| MS wrestling | 250 | - | - | - | 250 |
| MS volleyball | 250 | - | 676 | 676 | 250 |
| MS girls track | 400 | 250 | 246 | (4) | 400 |
| MS boys track | 400 | 250 | 169 | (81) | 400 |
| Destination DC | 6,781 | 66,346 | 67,158 | - | 5,969 |
| Total | <u>\$ 88,686</u> | <u>239,973</u> | <u>241,099</u> | <u>-</u> | <u>87,560</u> |

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2013

| | Capital Projects | | |
|---|---|--|------------------|
| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Total |
| Assets | | | |
| Cash, cash equivalents and pooled investments | \$ 1,513,270 | 13,265 | 1,526,535 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | - | 1,031 | 1,031 |
| Succeeding year | - | 106,935 | 106,935 |
| Due from other governments | <u>397,371</u> | <u>25,000</u> | <u>422,371</u> |
| Total assets | <u>\$ 1,910,641</u> | <u>146,231</u> | <u>2,056,872</u> |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 277,002 | 21,163 | 298,165 |
| Deferred revenue: | | | |
| Succeeding year property tax | - | 106,935 | 106,935 |
| Other | - | 4,259 | 4,259 |
| Total liabilities | <u>277,002</u> | <u>132,357</u> | <u>409,359</u> |
| Fund balances: | | | |
| Restricted for: | | | |
| School infrastructure | 1,633,639 | - | 1,633,639 |
| Physical plant and equipment | - | 13,874 | 13,874 |
| Total fund balances | <u>1,633,639</u> | <u>13,874</u> | <u>1,647,513</u> |
| Total liabilities and fund balances | <u>\$ 1,910,641</u> | <u>146,231</u> | <u>2,056,872</u> |

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 5

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Accounts

Year ended June 30, 2013

| | Capital Projects | | |
|---|---|--|--------------------|
| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Total |
| Revenues: | | | |
| Local sources: | | | |
| Local tax | \$ 404,519 | 98,447 | 502,966 |
| Other | 372 | 7 | 379 |
| State sources | 69,062 | 41 | 69,103 |
| Federal sources | 517,964 | 71,530 | 589,494 |
| Total revenues | <u>991,917</u> | <u>170,025</u> | <u>1,161,942</u> |
| Expenditures: | | | |
| Instruction: | | | |
| Regular | 128,167 | 16,193 | 144,360 |
| Support services: | | | |
| Instructional staff | 116,013 | - | 116,013 |
| Administration | 7,840 | 3,600 | 11,440 |
| Operation and maintenance of plant | 101,096 | 53,211 | 154,307 |
| Transportation | 90,921 | 86,986 | 177,907 |
| Other expenditures: | | | |
| Facilities acquisition | 1,662,808 | 110,102 | 1,772,910 |
| Long-term debt: | | | |
| Interest and fiscal charges | 70,970 | - | 70,970 |
| Total expenditures | <u>2,177,815</u> | <u>270,092</u> | <u>2,447,907</u> |
| Deficiency of revenues under expenditures | <u>(1,185,898)</u> | <u>(100,067)</u> | <u>(1,285,965)</u> |
| Other financing sources (uses): | | | |
| Revenue bonds issued | 2,220,000 | - | 2,220,000 |
| Premium on bonds issued | 25,561 | - | 25,561 |
| Operating transfers out | (84,753) | - | (84,753) |
| Total other financing sources (uses) | <u>2,160,808</u> | <u>-</u> | <u>2,160,808</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | 974,910 | (100,067) | 874,843 |
| Fund balances beginning of year | 658,729 | 113,941 | 772,670 |
| Fund balances end of year | <u>\$ 1,633,639</u> | <u>13,874</u> | <u>1,647,513</u> |

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 6

Combining Schedule of Net Position
Nonmajor Proprietary Funds

June 30, 2013

| | <u>School Nutrition</u> | <u>FFA Project</u> | <u>Total</u> |
|---|-----------------------------|------------------------|----------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 50,653 | 43,904 | 94,557 |
| Inventories | 8,919 | - | 8,919 |
| Total current assets | <u>59,572</u> | <u>43,904</u> | <u>103,476</u> |
| Noncurrent assets: | | | |
| Capital assets, net of accumulated depreciation | 13,235 | - | 13,235 |
| Total noncurrent assets | <u>13,235</u> | <u>-</u> | <u>13,235</u> |
| Total assets | <u>72,807</u> | <u>43,904</u> | <u>116,711</u> |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | - | 5,445 | 5,445 |
| Salaries and benefits payable | 365 | - | 365 |
| Deferred revenue | 6,693 | - | 6,693 |
| Total current liabilities | <u>7,058</u> | <u>5,445</u> | <u>12,503</u> |
| Total liabilities | <u>7,058</u> | <u>5,445</u> | <u>12,503</u> |
| Net Position | | | |
| Invested in capital assets | 13,235 | - | 13,235 |
| Unrestricted | <u>52,514</u> | <u>38,459</u> | <u>90,973</u> |
| Total net position | <u>\$ 65,749</u> | <u>38,459</u> | <u>104,208</u> |

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 7

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Proprietary Funds

Year ended June 30, 2013

| | <u>School Nutrition</u> | <u>FFA Project</u> | <u>Total</u> |
|-------------------------------------|-----------------------------|------------------------|------------------|
| Operating revenues: | | | |
| Local sources: | | | |
| Charges for service | \$ 126,998 | 67,324 | 194,322 |
| Miscellaneous | <u>1,143</u> | <u>-</u> | <u>1,143</u> |
| Total operating revenues | <u>128,141</u> | <u>67,324</u> | <u>195,465</u> |
| | | | |
| Operating expenses: | | | |
| Instruction: | | | |
| Other | <u>-</u> | <u>55,718</u> | <u>55,718</u> |
| | | | |
| Support services: | | | |
| Administration | 21,259 | - | 21,259 |
| Operation and maintenance of plant | <u>2,018</u> | <u>-</u> | <u>2,018</u> |
| | <u>23,277</u> | <u>-</u> | <u>23,277</u> |
| | | | |
| Non-instructional programs: | | | |
| Salaries | 78,350 | - | 78,350 |
| Benefits | 12,471 | - | 12,471 |
| Purchased services | 894 | - | 894 |
| Supplies | 157,894 | - | 157,894 |
| Depreciation | <u>3,440</u> | <u>-</u> | <u>3,440</u> |
| | <u>253,049</u> | <u>-</u> | <u>253,049</u> |
| Total operating expenses | <u>276,326</u> | <u>55,718</u> | <u>332,044</u> |
| | | | |
| Operating income (loss) | <u>(148,185)</u> | <u>11,606</u> | <u>(136,579)</u> |
| | | | |
| Non-operating revenues: | | | |
| State sources | 2,122 | - | 2,122 |
| Federal sources | 122,125 | - | 122,125 |
| Interest income | <u>13</u> | <u>-</u> | <u>13</u> |
| Total non-operating revenues | <u>124,260</u> | <u>-</u> | <u>124,260</u> |
| | | | |
| Increase (decrease) in net position | (23,925) | 11,606 | (12,319) |
| Net position beginning of year | <u>89,674</u> | <u>26,853</u> | <u>116,527</u> |
| Net position end of year | <u>\$ 65,749</u> | <u>38,459</u> | <u>104,208</u> |

See accompanying independent auditor's report.

Combining Schedule of Cash Flows
Nonmajor Proprietary Funds

Year ended June 30, 2013

| | <u>School Nutrition</u> | <u>FFA Project</u> | <u>Total</u> |
|---|-----------------------------|------------------------|------------------|
| Cash flows from (used in) operating activities: | | | |
| Cash received from sale of lunches and breakfasts | \$ 127,192 | 67,324 | 194,516 |
| Cash received from other services | 1,143 | - | 1,143 |
| Cash paid to employees for services | (91,278) | (50,688) | (141,966) |
| Cash paid to suppliers for goods or services | <u>(162,740)</u> | <u>-</u> | <u>(162,740)</u> |
| Net cash from (used by) operating activities | <u>(125,683)</u> | <u>16,636</u> | <u>(109,047)</u> |
| Cash flows from non-capital financing activities: | | | |
| State grants received | 2,122 | - | 2,122 |
| Federal grants received | <u>99,391</u> | <u>-</u> | <u>99,391</u> |
| Net cash provided by non-capital financing activities | <u>101,513</u> | <u>-</u> | <u>101,513</u> |
| Cash flows from investing activities: | | | |
| Interest on investments | <u>13</u> | <u>-</u> | <u>13</u> |
| Net increase (decrease) in cash and cash equivalents | (24,157) | 16,636 | (7,521) |
| Cash and cash equivalents beginning of year | <u>74,810</u> | <u>27,268</u> | <u>102,078</u> |
| Cash and cash equivalents end of year | <u>\$ 50,653</u> | <u>43,904</u> | <u>94,557</u> |

(continued)

Combining Schedule of Cash Flows
Nonmajor Proprietary Funds

Year ended June 30, 2013

| | <u>School Nutrition</u> | <u>FFA Project</u> | <u>Total</u> |
|---|-----------------------------|------------------------|------------------|
| Reconciliation of operating income (loss) to net cash from (used by) operating activities: | | | |
| Operating income (loss) | \$ (148,185) | 11,606 | (136,579) |
| Adjustments to reconcile operating income (loss) to net cash from (used by) operating activities: | | | |
| Commodities used | 21,581 | - | 21,581 |
| Depreciation | 3,440 | - | 3,440 |
| (Increase) decrease in inventories | (2,230) | - | (2,230) |
| Increase (decrease) in accounts payable | (26) | 5,030 | 5,004 |
| Increase (decrease) in salaries and benefits payable | (457) | - | (457) |
| Increase (decrease) in deferred revenue | 194 | - | 194 |
| Net cash from (used by) operating activities | <u>\$ (125,683)</u> | <u>16,636</u> | <u>(109,047)</u> |

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$21,581 of federal commodities.

See accompanying independent auditor's report.

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2013

| | <u>Balance Beginning of Year</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance End of Year</u> |
|--------------------------|--|------------------|-------------------|------------------------------------|
| Assets | | | | |
| Cash | <u>\$ 3,256</u> | <u>2,554</u> | <u>1,680</u> | <u>4,130</u> |
| Total assets | <u>\$ 3,256</u> | <u>2,554</u> | <u>1,680</u> | <u>4,130</u> |
| Liabilities | | | | |
| Other payables | <u>\$ 3,256</u> | <u>2,554</u> | <u>1,680</u> | <u>4,130</u> |
| Total liabilities | <u>\$ 3,256</u> | <u>2,554</u> | <u>1,680</u> | <u>4,130</u> |

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

| | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|------------------------------------|---------------------|------------------|------------------|------------------|
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 3,788,466 | 3,879,876 | 3,802,253 | 3,411,163 |
| Tuition | 180,580 | 138,565 | 139,991 | 182,284 |
| Other | 289,946 | 351,768 | 361,036 | 190,166 |
| State sources | 2,023,428 | 2,127,208 | 2,137,078 | 1,846,942 |
| Federal sources | 773,098 | 267,970 | 256,059 | 475,038 |
| Total | <u>\$ 7,055,518</u> | <u>6,765,387</u> | <u>6,696,417</u> | <u>6,105,593</u> |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular | \$ 2,069,957 | 2,074,096 | 2,140,177 | 2,318,175 |
| Special | 706,648 | 687,602 | 658,358 | 635,308 |
| Other | 877,627 | 891,896 | 761,184 | 617,457 |
| Support services: | | | | |
| Student | 141,927 | 150,288 | 145,567 | 143,238 |
| Instructional staff | 221,104 | 192,936 | 166,510 | 161,047 |
| Administration | 568,538 | 538,907 | 567,176 | 692,217 |
| Operation and maintenance of plant | 617,706 | 432,838 | 365,463 | 479,629 |
| Transportation | 419,487 | 306,428 | 345,095 | 233,793 |
| Non-instructional programs | 39,010 | 36,398 | 49,831 | 44,724 |
| Other expenditures: | | | | |
| Facilities acquisition | 1,772,910 | 308,298 | 484,372 | 218,944 |
| Long-term debt: | | | | |
| Principal | 195,000 | 185,000 | 175,000 | 165,000 |
| Interest and other charges | 160,250 | 95,958 | 104,395 | 111,237 |
| AEA flowthrough | 192,272 | 200,090 | 225,243 | 225,553 |
| Total | <u>\$ 7,982,436</u> | <u>6,100,735</u> | <u>6,188,371</u> | <u>6,046,322</u> |

See accompanying independent auditor's report.

| Modified Accrual Basis | | | | | |
|------------------------|------------------|------------------|------------------|------------------|------------------|
| <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
| 3,238,342 | 2,878,809 | 2,854,275 | 2,787,187 | 2,761,408 | 2,484,042 |
| 153,744 | 182,149 | 256,213 | 243,246 | 206,412 | 162,449 |
| 240,412 | 331,872 | 337,536 | 288,193 | 289,144 | 216,516 |
| 2,443,215 | 2,493,550 | 2,479,592 | 2,461,232 | 2,323,331 | 2,205,739 |
| 283,172 | 144,216 | 165,971 | 171,962 | 210,967 | 160,929 |
| <u>6,358,885</u> | <u>6,030,596</u> | <u>6,093,587</u> | <u>5,951,820</u> | <u>5,791,262</u> | <u>5,229,675</u> |
| 2,485,066 | 2,248,623 | 2,281,676 | 2,149,499 | 1,941,389 | 1,895,340 |
| 668,822 | 694,825 | 738,855 | 711,412 | 1,100,194 | 920,622 |
| 628,455 | 639,912 | 628,095 | 588,239 | 419,702 | 414,528 |
| 167,604 | 134,662 | 101,660 | 103,702 | 125,241 | 102,255 |
| 126,313 | 145,872 | 139,482 | 190,493 | 196,184 | 175,810 |
| 660,954 | 707,982 | 696,755 | 617,282 | 592,754 | 559,716 |
| 531,554 | 491,841 | 580,382 | 578,829 | 549,257 | 461,485 |
| 243,069 | 302,843 | 277,501 | 393,127 | 282,481 | 229,313 |
| 40,516 | 40,063 | 37,260 | 40,010 | 18,117 | 14,605 |
| 124,170 | 98,189 | 231,566 | 432,351 | 269,932 | 343,461 |
| 155,000 | 145,000 | 140,000 | 130,000 | 125,000 | 120,000 |
| 118,445 | 125,188 | 131,698 | 137,743 | 146,555 | 149,005 |
| 199,417 | 192,471 | 189,574 | 184,267 | 181,961 | 186,389 |
| <u>6,149,385</u> | <u>5,967,471</u> | <u>6,174,504</u> | <u>6,256,954</u> | <u>5,948,767</u> | <u>5,572,529</u> |

North Iowa Community School District
Buffalo Center, Iowa

Schedule 11

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

| <u>Grantor/Program</u> | <u>CFDA Number</u> | <u>Grant Number</u> | <u>Expenditures</u> |
|--|------------------------|-------------------------|---------------------|
| Indirect: | | | |
| U.S. Department of Agriculture: | | | |
| Iowa Department of Education: | | | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program | 10.553 | FY13 | \$ 15,072 |
| National School Lunch Program | 10.555 | FY13 | <u>105,899</u> * |
| | | | <u>120,971</u> |
| Team Nutrition Grant | 10.574 | FY13 | <u>1,154</u> |
| U.S. Department of the Interior: | | | |
| Iowa Department of Natural Resources: | | | |
| Sport Fish Restoration Program | 15.605 | FY13 | <u>73</u> |
| U.S. Environmental Protection Agency: | | | |
| Iowa Department of Natural Resources: | | | |
| State Clean Diesel Grant Program, Recovery Act | 66.040 | FY13 | <u>50,788</u> |
| U.S. Department of Education: | | | |
| Iowa Department of Education: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | FY13 | <u>100,043</u> |
| Career and Technical Education - Basic Grants to States | 84.048 | FY13 | <u>4,216</u> |
| Fund for the Improvement of Education | 84.215 | FY13 | <u>20,741</u> |
| Rural Education | 84.358 | FY13 | <u>29,178</u> |
| Improving Teacher Quality State Grants | 84.367 | FY13 | <u>21,838</u> |
| Grants for State Assessments | 84.369 | FY13 | <u>2,964</u> |

(continued)

North Iowa Community School District
Buffalo Center, Iowa

Schedule 11

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

| | | | |
|--|--------|------|-------------------|
| Area Education Agency 267: | | | |
| Special Education - Grants to States | 84.027 | FY13 | <u>24,228</u> |
| U.S. Department of Homeland Security: | | | |
| Iowa Department of Homeland Security and Emergency Management | | | |
| Hazard Mitigation Grants | 97.039 | FY13 | <u>519,029</u> |
| Total | | | <u>\$ 895,223</u> |

* - Includes \$21,581 of non-cash awards.

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

See accompanying independent auditor's report.

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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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
North Iowa Community School District:

We have audited 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 the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Iowa Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Iowa Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Iowa Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of North Iowa Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-13 and II-B-13 to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

North Iowa Community School District's Responses to Findings

North Iowa Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. North Iowa Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 19, 2014

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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Independent Auditor's Report on Compliance
for Each Major Federal Program, on Internal Control over Compliance
and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

To the Board of Education of
North Iowa Community School District:

Report on Compliance for Each Major Federal Program

We have audited North Iowa Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of North Iowa Community School District's major federal programs for the year ended June 30, 2013. North Iowa Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of North Iowa Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North Iowa Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of North Iowa Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, North Iowa Community School District complied, in all material respects, with types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of North Iowa Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North Iowa Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Iowa Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operating of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a material weakness.

North Iowa Community School District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. North Iowa Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of North Iowa Community School District as of and for the year ended June 30, 2013, and have issued our report dated March 19, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis by OMB Circular A-133 and is not 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 the audit of the 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Cornwell, Frideres, Maher & Associates, P.L.C.
Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 19, 2014

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - CFDA Number 97.039 – Hazard Mitigation Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) North Iowa Community School District did not qualify as a low-risk auditee.

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response – We are doing everything we can within our situation and make improvements as the situation changes.

Conclusion – Response acknowledged. The District should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-13 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to North Iowa Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of the District’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 97.039: Hazard Mitigation Grants

Federal Award Year: 2013

U.S. Department of Homeland Security

Passed through the Iowa Department of Homeland Security and Emergency Management

III-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response – We are doing everything we can within our situation and make improvements as the situation changes.

Conclusion – Response acknowledged. The District should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 Certified Budget - Expenditures for the year ended June 30, 2013, exceeded the certified budget amounts in the non-instructional programs function.

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

Response – The budget was amended but not in a sufficient amount in one functional area. Future budgets will be amended in sufficient amounts and in proper functional areas to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

IV-B-13 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-13 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

| <u>Name, Title and Business Connection</u> | <u>Transaction Description</u> | <u>Amount</u> |
|--|------------------------------------|---------------|
| Larry Lawson, Employee, Co-owner L & T Construction | Repairs | \$3,081 |

In accordance with an Attorney General's opinion dated July 2, 1990, the above transaction does not appear to represent a conflict of interest.

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

IV-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.

IV-F-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-13 Certified Enrollment - The number of students reported to the Iowa Department of Education on line 13 of the Certified Enrollment Certification Form for October 2012 was overstated. The District included on line 13 a student for whom the District had already received the maximum funding in prior years. Also the enrollment was not properly certified to the Iowa Department of Education by October 15, 2012.

Recommendation – The District should contact the Iowa Department of Education and Department of Management to resolve this matter. The District should ensure the enrollment is certified timely to the Iowa Department of Education.

Response – We will contact the Iowa Department of Education and the Department of Management. We will certify our enrollment by the due date.

Conclusion – Response accepted.

IV-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-13 Deposits and Investments - 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 were noted.

IV-J-13 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

North Iowa Community School District
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Year ended June 30, 2013

IV-L-13 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

| | | | |
|------------------------------------|------------------|------------------|---------------------|
| Beginning balance | | \$ 658,729 | |
| Revenues: | | | |
| Sales tax revenues | \$ 404,519 | | |
| Other local revenues | 372 | | |
| Other state revenues | 69,062 | | |
| Federal revenues | 517,964 | | |
| Sale of long-term debt | <u>2,245,561</u> | <u>3,237,478</u> | |
| | | | 3,896,207 |
| Expenditures: | | | |
| School infrastructure construction | 1,435,600 | | |
| Equipment | 332,790 | | |
| Other | 409,425 | | |
| Transfers to other funds: | | | |
| Debt service funds | <u>84,753</u> | <u>2,262,568</u> | |
| Ending balance | | | \$ <u>1,633,639</u> |

For the year ended June 30, 2013, the District did not reduce any levies as a result of the money received under Chapter 423E or 423F of the code of Iowa.

North Iowa Community School District
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IV-M-13 Booster Club – We noted the Booster Club was using the District’s federal identification number on its bank account, but the District does not keep the Club’s financial records. Bank accounts not owned or controlled by the District should not be set up at the bank using the District’s federal identification number.

Recommendation – The Booster Club should obtain its own federal identification number and cease using the District’s identification number.

Response – We have talked to the Booster Club about this issue.

Conclusion – Response accepted.