

NORTH LINN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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North Linn Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
James Meisheid	President	2013
Maureen McEvoy	Vice President	2013
Dan Buenz	Board Member	2015
Brad Winn	Board Member	2015
Debra Zumbach	Board Member	2013
Connie Helms	Board Member	2015
Mark Waring	Board Member	2013
School Offiicals		
Larry Boer	Superintendent	2013
Megan Liebe	Business Manager/ District Secretary	2013
Gruhn Law Firm	Attorney	2013

North Linn Community School District

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

INDEPENDENT AUDITOR'S REPORT

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

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 Linn Community School District, Troy Mills, 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 provide 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 Linn Community School District as of 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 7 through 16 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of 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 Linn 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 six years ended June 30, 2012 and another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 11, 2014 on our consideration of North Linn Community School District's internal control over financial reporting and on 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 Linn Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Linn Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$7,399,062 in fiscal 2012 to \$6,975,358 in fiscal 2013, while General Fund expenditures increased from \$6,943,209 in fiscal 2012 to \$7,084,536 in fiscal 2013. This resulted in a decrease in the District's General Fund balance from \$1,372,254 in fiscal 2012 to a balance of \$1,263,076 in fiscal 2013, a 7.96% decrease from the prior year.
- The decrease in General Fund revenues was mainly attributable to a decrease in state and federal sources during fiscal 2013. The increase in expenditures was due primarily to increases in instructional and support services expenditures of the District in fiscal 2013.

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

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

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

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

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

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

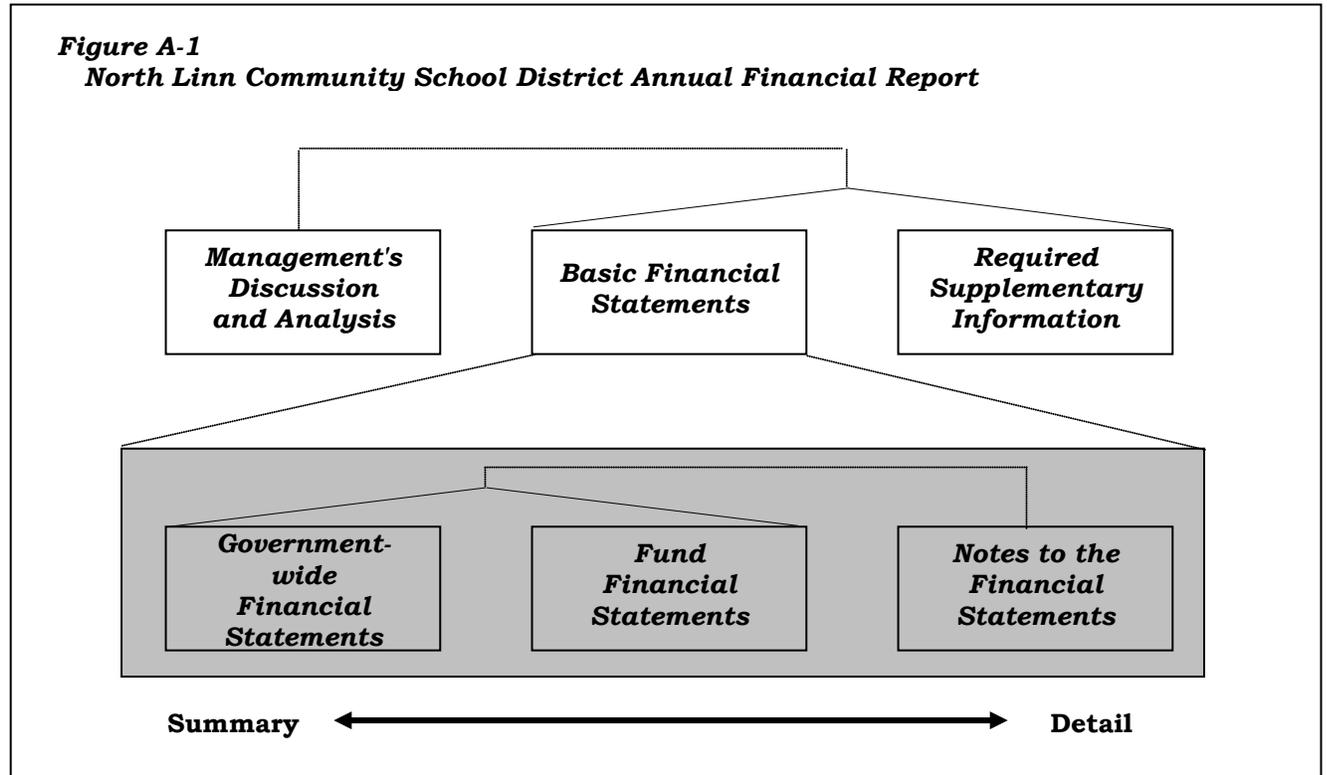


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs.
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, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net 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 they have changed. Net position - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise 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's Enterprise Fund is the School Nutrition Fund.

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

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

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net 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 School District		Total Change
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	2012-13
Current and other assets	\$ 6,890,387	12,741,130	33,471	44,118	6,923,858	12,785,248	-45.84%
Capital assets	12,004,050	7,729,846	254,645	27,237	12,258,695	7,757,083	58.03%
Total assets	18,894,437	20,470,976	288,116	71,355	19,182,553	20,542,331	-6.62%
Long-term obligations	10,383,955	10,743,555	-	-	10,383,955	10,743,555	-3.35%
Other liabilities	3,833,605	4,715,613	21,252	23,728	3,854,857	4,739,341	-18.66%
Total liabilities	14,217,560	15,459,168	21,252	23,728	14,238,812	15,482,896	-8.04%
Net position:							
Invested in capital assets, net of related debt	1,988,535	1,544,473	254,645	27,237	2,243,180	1,571,710	42.72%
Restricted	1,698,053	2,433,829	-	-	1,698,053	2,433,829	-30.23%
Unrestricted	990,289	1,033,506	12,219	20,390	1,002,508	1,053,896	-4.88%
Total net position	\$ 4,676,877	5,011,808	266,864	47,627	4,943,741	5,059,435	-2.29%

The District's combined net position decreased by 2.29%, or \$115,694, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, 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 represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$735,776, or 30.23% over the prior year. The decrease in restricted net position can be attributed to the decrease in the fund balance of the Capital Projects: Statewide Sales, Service, and Use Tax 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 - decreased \$51,388, or 4.88%. The decrease is primarily due to the decrease in the General Fund balance.

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 of Net Position							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 562,757	615,426	203,084	208,115	765,841	823,541	-7.01%
Operating grants and contributions and restricted interest	549,057	530,775	120,003	121,283	669,060	652,058	2.61%
General revenues:							
Property tax	2,940,724	2,754,626	-	-	2,940,724	2,754,626	6.76%
Income surtax	253,765	231,634	-	-	253,765	231,634	9.55%
Statewide sales, services and use tax	592,151	691,951	-	-	592,151	691,951	-14.42%
Nonspecific program federal grants	7,622	144,463	-	-	7,622	144,463	-94.72%
Unrestricted state grants	3,505,120	3,792,477	-	-	3,505,120	3,792,477	-7.58%
Unrestricted investment earnings	38,517	15,705	203	420	38,720	16,125	140.12%
Other	36,968	22,794	-	-	36,968	22,794	62.18%
Transfers	(266,448)	-	266,448	-	-	-	0.00%
Total revenues and transfers	8,220,233	8,799,851	589,738	329,818	8,809,971	9,129,669	-3.50%
Program expenses:							
Governmental activities:							
Instructional	5,191,008	4,899,270	-	-	5,191,008	4,899,270	5.95%
Support services	2,384,272	2,434,885	722	1,069	2,384,994	2,435,954	-2.09%
Non-instructional programs	-	-	369,779	333,912	369,779	333,912	10.74%
Other expenses	925,428	812,511	-	-	925,428	812,511	13.90%
Total expenses	8,500,708	8,146,666	370,501	334,981	8,871,209	8,481,647	4.59%
Change in net position before special item	(280,475)	653,185	219,237	(5,163)	(61,238)	648,022	-109.45%
Special item(Note 13)							
Loss on sale of capital assets	(54,456)	-	-	-	(54,456)	-	100.00%
Change in net position	(334,931)	653,185	219,237	(5,163)	(115,694)	648,022	-117.85%
Beginning net position	5,011,808	4,358,623	47,627	52,790	5,059,435	4,411,413	14.69%
Ending net position	\$ 4,676,877	5,011,808	266,864	47,627	4,943,741	5,059,435	-2.29%

In fiscal 2013, property tax and unrestricted state grants accounted for 78.41% of the revenue from governmental activities while charges for service and sales and operating grants and contributions accounted for 54.78% of the revenue from business type activities.

The District's total revenues were approximately \$8.81 million of which approximately \$8.22 million was for governmental activities and approximately \$0.59 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.59% decrease in revenues and a 4.59% increase in expenses. The increase in expenses was related to the increase in instructional expenditures.

Revenues for governmental activities were \$8,220,233 and expenses were \$8,500,708 for the year ended June 30, 2013.

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

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 5,191,008	4,899,270	5.95%	4,365,451	4,039,434	8.07%
Support services	2,384,272	2,434,885	-2.08%	2,366,378	2,419,911	-2.21%
Other expenses	925,428	812,511	13.90%	657,065	541,120	21.43%
Totals	<u>\$ 8,500,708</u>	<u>8,146,666</u>	<u>4.35%</u>	<u>7,388,894</u>	<u>7,000,465</u>	<u>5.55%</u>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$562,757.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$549,057.
- The net cost of governmental activities was financed with \$2,940,724 in property tax, \$253,765 in income surtax, \$592,151 in statewide sales, services and use tax, \$7,622 in nonspecific program federal grants, \$3,505,120 in unrestricted state grants, \$38,517 in interest income, and \$36,968 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$589,738, representing a 78.81% increase over the prior year, while expenses totaled \$370,501, representing a 10.60% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,956,007, below last year's ending fund balances of \$7,948,834. The primary reason for the decrease in governmental fund balances can be attributed to the decrease in the fund balance of the Capital Projects Accounts.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Decreases in state and federal source revenues combined with an increase in instructional and support service expenditures were contributing factors to the decrease in the General Fund balance during fiscal 2013. The District's General Fund balance decreased from \$1,372,254 in fiscal 2012 to a balance of \$1,263,076 in fiscal 2013.

-
- The Capital Projects Accounts balance decreased from \$5,327,486 in fiscal 2012 to \$473,388 in fiscal 2013. This is primarily due to the District finishing construction on a new elementary building.
 - The Debt Service Fund balance increased from \$917,175 at the end of fiscal year 2012 to \$923,246 at the end of fiscal year 2013. This can be attributed to an increase in the amount of property tax received as compared to the prior year.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$47,627 at June 30, 2012 to \$266,864 at June 30, 2013, representing an increase of 460.32%. This is primarily due to new kitchen equipment in the elementary building that was capitalized during the year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$34,003 less than budgeted revenues, a variance of 0.39%. The most significant percentage variance resulted from the District receiving less in federal source revenues than originally anticipated.

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$12,258,695, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 58.06% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$436,449.

The original cost of the District's capital assets was \$16,428,535. Governmental funds account for \$16,099,330 with the remainder of \$329,205 in the Proprietary fund, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$3,245,435 at June 30, 2012, compared to \$11,474,601 reported at June 30, 2013. The main reason for the increase in buildings is due to the District finishing construction on a new elementary building.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 20,000	30,487	-	-	20,000	30,487	-34.40%
Construction in progress	-	4,041,235	-	-	-	4,041,235	-100.00%
Buildings	11,474,601	3,245,435	-	-	11,474,601	3,245,435	253.56%
Land improvements	147,569	191,359	-	-	147,569	191,359	-22.88%
Machinery and equipment	361,880	221,330	254,645	27,237	616,525	248,567	148.03%
Total	\$ 12,004,050	7,729,846	254,645	27,237	12,258,695	7,757,083	58.03%

Long-Term Debt

At June 30, 2013, the District had \$10,383,955 in general obligation and other long-term debt outstanding. This represents a decrease of 3.35% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$3,775,000 at June 30, 2013.

The District had outstanding revenue bonds of \$6,095,000 at June 30, 2013.

The District had a bus lease payable of \$145,515 at June 30, 2013.

The District had termination benefits payable of \$174,767 at June 30, 2013.

The District had a net OPEB liability of \$193,673 at June 30, 2013.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2013	2012	2012-13
General obligation bonds	\$ 3,775,000	4,090,000	-7.70%
Revenue bonds	6,095,000	6,355,000	-4.09%
Bus lease	145,515	-	100.00%
Termination benefits	174,767	127,881	36.66%
Net OPEB liability	193,673	170,674	13.48%
Totals	\$ 10,383,955	10,743,555	-3.35%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. In future years the District will be working to ensure expenditures are in line with revenues to maintain a positive unspent budget authority.
- Low allowable growth, as mentioned above, will negatively impact the District, but also the one-time payment of 2% will also negatively impact the District. It will not calculate into the total District cost per pupil and it will only be reported in miscellaneous income for one year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Megan Liebe, Business Manager/District Secretary, North Linn Community School District, 3033 Lynx Drive, P.O. Box 200, Troy Mills, Iowa, 52344.

BASIC FINANCIAL STATEMENTS

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments:	\$ 3,672,183	27,539	3,699,722
Receivables:			
Property tax:			
Delinquent	51,053	-	51,053
Succeeding year	2,734,032	-	2,734,032
Income surtax	231,198	-	231,198
Interest	153	-	153
Accounts	19,990	395	20,385
Due from other governments	181,778	-	181,778
Inventories	-	5,537	5,537
Capital assets, net of accumulated depreciation	12,004,050	254,645	12,258,695
TOTAL ASSETS	18,894,437	288,116	19,182,553
LIABILITIES			
Accounts payable	266,244	213	266,457
Salaries and benefits payable	565,840	16,253	582,093
Accrued interest payable	130,423	-	130,423
Retainage payable	62,203	-	62,203
Deferred revenue:			
Succeeding year property tax	2,734,032	-	2,734,032
Other	74,863	-	74,863
Unearned revenue	-	4,786	4,786
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	320,000	-	320,000
Revenue bonds payable	270,000	-	270,000
Bus lease payable	22,860	-	22,860
Termination benefits payable	43,740	-	43,740
Portion due after one year:			
General obligation bonds payable	3,455,000	-	3,455,000
Revenue bonds payable	5,825,000	-	5,825,000
Bus lease payable	122,655	-	122,655
Termination benefits payable	131,027	-	131,027
Net OPEB liability	193,673	-	193,673
TOTAL LIABILITIES	14,217,560	21,252	14,238,812
NET POSITION			
Invested in capital assets, net of related debt	1,988,535	254,645	2,243,180
Restricted for:			
Categorical funding	274,712	-	274,712
Debt service	792,823	-	792,823
Student activities	157,130	-	157,130
School infrastructure	421,885	-	421,885
Physical plant and equipment	51,503	-	51,503
Unrestricted	990,289	12,219	1,002,508
TOTAL NET POSITION	\$ 4,676,877	266,864	4,943,741

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,304,563	207,437	90,612	(3,006,514)	-	(3,006,514)
Special	810,370	86,372	34,847	(689,151)	-	(689,151)
Other	1,076,075	255,912	150,377	(669,786)	-	(669,786)
	<u>5,191,008</u>	<u>549,721</u>	<u>275,836</u>	<u>(4,365,451)</u>	<u>-</u>	<u>(4,365,451)</u>
Support services:						
Student	209,735	-	-	(209,735)	-	(209,735)
Instructional staff	449,633	-	4,858	(444,775)	-	(444,775)
Administration	798,274	-	-	(798,274)	-	(798,274)
Operation and maintenance of plant	455,967	-	-	(455,967)	-	(455,967)
Transportation	470,663	13,036	-	(457,627)	-	(457,627)
	<u>2,384,272</u>	<u>13,036</u>	<u>4,858</u>	<u>(2,366,378)</u>	<u>-</u>	<u>(2,366,378)</u>
Long-term debt interest	350,461	-	-	(350,461)	-	(350,461)
Other expenses:						
AEA flowthrough	268,363	-	268,363	-	-	-
Depreciation(unallocated)*	306,604	-	-	(306,604)	-	(306,604)
	<u>574,967</u>	<u>-</u>	<u>268,363</u>	<u>(306,604)</u>	<u>-</u>	<u>(306,604)</u>
Total governmental activities	<u>8,500,708</u>	<u>562,757</u>	<u>549,057</u>	<u>(7,388,894)</u>	<u>-</u>	<u>(7,388,894)</u>
Business type activities:						
Support services:						
Operation and maintenance of plant	722	-	-	-	(722)	(722)
Non-instructional programs:						
Nutrition services	369,779	203,084	120,003	-	(46,692)	(46,692)
Total business type activities	<u>370,501</u>	<u>203,084</u>	<u>120,003</u>	<u>-</u>	<u>(47,414)</u>	<u>(47,414)</u>
Total	<u>\$ 8,871,209</u>	<u>765,841</u>	<u>669,060</u>	<u>(7,388,894)</u>	<u>(47,414)</u>	<u>(7,436,308)</u>
General Revenues & Transfers:						
Property tax levied for:						
General purposes				\$ 2,458,496	-	2,458,496
Debt service				424,476	-	424,476
Capital outlay				57,752	-	57,752
Income surtax				253,765	-	253,765
Statewide sales, services and use tax				592,151	-	592,151
Nonspecific program federal grants				7,622	-	7,622
Unrestricted state grants				3,505,120	-	3,505,120
Unrestricted investment earnings				38,517	203	38,720
Other				36,968	-	36,968
Transfers				(266,448)	266,448	-
Total general revenues & transfers				<u>7,108,419</u>	<u>266,651</u>	<u>7,375,070</u>
Changes in net position before special item				(280,475)	219,237	(61,238)
Special item(Note 13):						
Loss on sale of capital assets				(54,456)	-	(54,456)
Change in net position				(334,931)	219,237	(115,694)
Net position beginning of year				5,011,808	47,627	5,059,435
Net position end of year				<u>\$ 4,676,877</u>	<u>266,864</u>	<u>4,943,741</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 2,032,560	428,135	915,877	295,611	3,672,183
Receivables:					
Property tax:					
Delinquent	40,494	1,003	7,369	2,187	51,053
Succeeding year	1,996,808	59,976	427,248	250,000	2,734,032
Income surtax	231,198	-	-	-	231,198
Interest	-	-	-	153	153
Accounts	16,036	-	-	3,954	19,990
Due from other funds	1,329	-	-	-	1,329
Due from other governments	62,003	119,775	-	-	181,778
TOTAL ASSETS	\$ 4,380,428	608,889	1,350,494	551,905	6,891,716
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ -	-	-	1,329	1,329
Accounts payable	248,643	13,322	-	4,279	266,244
Salaries and benefits payable	631,662	-	-	-	631,662
Retainage payable	-	62,203	-	-	62,203
Deferred revenue:					
Succeeding year property tax	1,996,808	59,976	427,248	250,000	2,734,032
Income surtax	231,198	-	-	-	231,198
Other	9,041	-	-	-	9,041
Total liabilities	3,117,352	135,501	427,248	255,608	3,935,709
Fund balances:					
Restricted for:					
Categorical funding	274,712	-	-	-	274,712
Debt service	-	-	923,246	-	923,246
Management levy purposes	-	-	-	139,167	139,167
Student activities	-	-	-	157,130	157,130
School infrastructure	-	421,885	-	-	421,885
Physical plant and equipment	-	51,503	-	-	51,503
Unassigned	988,364	-	-	-	988,364
Total fund balances	1,263,076	473,388	923,246	296,297	2,956,007
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,380,428	608,889	1,350,494	551,905	6,891,716

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds (page 20)	\$	2,956,007
 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.		12,004,050
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		231,198
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.		(130,423)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, bus lease payable, termination benefits payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(10,383,955)
		<hr style="border-top: 1px solid black;"/>
Net position of governmental activities (page 18)	\$	<u><u>4,676,877</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,567,845	649,903	424,476	125,970	3,768,194
Tuition	254,793	-	-	-	254,793
Other	152,597	37,598	19	254,559	444,773
State sources	3,878,984	33	246	73	3,879,336
Federal sources	121,139	-	-	-	121,139
Total revenues	<u>6,975,358</u>	<u>687,534</u>	<u>424,741</u>	<u>380,602</u>	<u>8,468,235</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	3,091,387	-	-	54,364	3,145,751
Special	769,649	-	-	-	769,649
Other	768,188	-	-	249,888	1,018,076
	<u>4,629,224</u>	<u>-</u>	<u>-</u>	<u>304,252</u>	<u>4,933,476</u>
Support services:					
Student	199,196	-	-	-	199,196
Instructional staff	269,623	157,416	-	-	427,039
Administration	720,708	-	-	3,000	723,708
Operation and maintenance of plant	624,909	-	-	108,972	733,881
Transportation	372,513	172,580	-	-	545,093
	<u>2,186,949</u>	<u>329,996</u>	<u>-</u>	<u>111,972</u>	<u>2,628,917</u>
Non-instructional programs:					
Food service operations	-	2,057	-	-	2,057
Capital outlay	-	4,850,858	-	-	4,850,858
Long-term debt:					
Principal	-	-	575,000	-	575,000
Interest and fiscal charges	-	-	356,107	-	356,107
	<u>-</u>	<u>-</u>	<u>931,107</u>	<u>-</u>	<u>931,107</u>
Other expenditures:					
AEA flowthrough	268,363	-	-	-	268,363
TOTAL EXPENDITURES	<u>7,084,536</u>	<u>5,182,911</u>	<u>931,107</u>	<u>416,224</u>	<u>13,614,778</u>
Excess(Deficiency) of revenues over(under) expenditures	(109,178)	(4,495,377)	(506,366)	(35,622)	(5,146,543)
Other financing sources(uses):					
Transfer in	-	-	512,437	-	512,437
Transfer out	-	(512,437)	-	-	(512,437)
Proceeds from bus lease	-	145,515	-	-	145,515
Sale of real property	-	8,201	-	-	8,201
Total other financing sources(uses)	<u>-</u>	<u>(358,721)</u>	<u>512,437</u>	<u>-</u>	<u>153,716</u>
Change in fund balances	(109,178)	(4,854,098)	6,071	(35,622)	(4,992,827)
Fund balance beginning of year	<u>1,372,254</u>	<u>5,327,486</u>	<u>917,175</u>	<u>331,919</u>	<u>7,948,834</u>
Fund balance end of year	<u>\$ 1,263,076</u>	<u>473,388</u>	<u>923,246</u>	<u>296,297</u>	<u>2,956,007</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds (page 22) \$ (4,992,827)

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

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

Capital outlay	\$ 4,740,236	
Depreciation expense	(411,576)	4,274,204
Loss on disposal of capital assets	(54,456)	

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 debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position.

Issued	\$ (145,515)	
Repaid	575,000	429,485

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

18,446

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

5,646

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.

Termination benefits	\$ (46,886)	
Other postemployment benefits	(22,999)	(69,885)

Change in net position of governmental activities (page 19) \$ (334,931)

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	School Nutrition
ASSETS	
Cash and cash equivalents	\$ 27,539
Accounts receivable	395
Inventories	5,537
Capital assets, net of accumulated depreciation	254,645
TOTAL ASSETS	288,116
LIABILITIES	
Accounts payable	213
Salaries and benefits payable	16,253
Unearned revenue	4,786
TOTAL LIABILITIES	21,252
NET POSITION	
Invested in capital assets	254,645
Unrestricted	12,219
TOTAL NET POSITION	\$ 266,864

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 203,084
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Services	722
Non-instructional programs:	
Food service operations:	
Salaries	113,595
Benefits	21,048
Services	29,656
Supplies	166,440
Depreciation	24,873
	355,612
TOTAL OPERATING EXPENSES	356,334
OPERATING LOSS	(153,250)
NON-OPERATING REVENUES (EXPENSES):	
Loss on disposal of capital assets	(14,167)
State sources	2,995
Federal sources	117,008
Interest income	203
TOTAL NON-OPERATING REVENUES (EXPENSES)	106,039
Change in net position before other financing sources	(47,211)
Other financing sources:	
Capital contribution	266,448
Change in net position	219,237
Net position beginning of year	47,627
Net position end of year	\$ 266,864

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 203,449
Cash payments to employees for services	(137,852)
Cash payments to suppliers for goods or services	(181,893)
Net cash used in operating activities	(116,296)
Cash flows from non-capital financing activities:	
State grants received	2,995
Federal grants received	102,906
Net cash provided by non-capital financing activities	105,901
Cash flows from investing activities:	
Interest on investments	203
Net decrease in cash and cash equivalents	(10,192)
Cash and cash equivalents at beginning of year	37,731
Cash and cash equivalents at end of year	\$ 27,539
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (153,250)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	14,102
Depreciation	24,873
Decrease in inventories	610
Increase in accounts receivable	(155)
Increase in accounts payable	213
Decrease in salaries and benefits payable	(3,209)
Increase in unearned revenue	520
Net cash used in operating activities	\$ (116,296)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$14,102.

During the year ended June 30, 2013, the District's Nutrition Fund received \$266,448 of contributed capital from the Capital Projects: Revenue Bond Construction Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2013

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	\$ 43,801	114
LIABILITIES		
Due to other groups	-	114
NET POSITION		
Restricted for scholarships	\$ 43,801	-

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 29,910
Interest	207
Total additions	30,117
 Deductions:	
Instruction:	
Regular:	
Scholarships awarded	3,925
Change in net position	26,192
Net position beginning of year	17,609
Net position end of year	\$ 43,801

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH LINN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

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

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Benton, Buchanan, Delaware and Linn Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position 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 three categories:

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

Restricted net 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 that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental fund:

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

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

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

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

The District also reports fiduciary funds which focus on net 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.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 and Due to Other Funds - To the extent that certain transactions between funds had not been paid or received as of June 30, 2013, balances of interfund accounts receivable or payable have been recorded.

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

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

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

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

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

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

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

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Control

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 support services and non-instructional programs functional areas.

(2) Cash and Pooled Investments

The District's deposits 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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$299,642 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Student Activity	\$ 1,329

The Student Activity Fund is repaying the General Fund for salaries and benefits not repaid before year end.

(4) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects Statewide Sales, Services and Use Tax	\$ 512,437

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

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 97,545	266,448	34,788	329,205
Less accumulated depreciation	70,308	24,873	20,621	74,560
Business type activities capital assets, net	\$ 27,237	241,575	14,167	254,645

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 30,487	-	10,487	20,000
Construction in progress	4,041,235	4,496,165	8,537,400	-
Total capital assets not being depreciated	4,071,722	4,496,165	8,547,887	20,000
Capital assets being depreciated:				
Buildings	6,005,489	8,537,400	570,488	13,972,401
Land improvements	635,338	6,750	44,833	597,255
Machinery and equipment	1,478,104	245,522	213,952	1,509,674
Total capital assets being depreciated	8,118,931	8,789,672	829,273	16,079,330
Less accumulated depreciation for:				
Buildings	2,760,054	285,816	548,070	2,497,800
Land improvements	443,979	20,788	15,081	449,686
Machinery and equipment	1,256,774	104,972	213,952	1,147,794
Total accumulated depreciation	4,460,807	411,576	777,103	4,095,280
Total capital assets being depreciated, net	3,658,124	8,378,096	52,170	11,984,050
Governmental activities capital assets, net	\$ 7,729,846	12,874,261	8,600,057	12,004,050

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 17,745
Other	4,134
Support services:	
Administration	4,106
Operation and maintenance of plant	9,677
Transportation	69,310
	104,972
Unallocated depreciation	306,604
Total governmental activities depreciation expense	\$ 411,576
Business type activities:	
Food service operations	\$ 24,873

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 4,090,000	-	315,000	3,775,000	320,000
Revenue bonds	6,355,000	-	260,000	6,095,000	270,000
Bus lease	-	145,515	-	145,515	22,860
Termination benefits	127,881	80,737	33,851	174,767	43,740
Net OPEB liability	170,674	22,999	-	193,673	-
Total	\$ 10,743,555	249,251	608,851	10,383,955	656,600

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of June 1, 2011			Bond Issue of March 1, 2012			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2014	- % \$	-	98,818	0.50 % \$	320,000	7,430	320,000	106,248	426,248
2015	-	-	98,818	0.60	320,000	5,830	320,000	104,648	424,648
2016	-	-	98,817	0.80	320,000	3,910	320,000	102,727	422,727
2017	-	-	98,818	1.00	135,000	1,350	135,000	100,168	235,168
2018	2.55	140,000	98,816	-	-	-	140,000	98,816	238,816
2019-2023	2.85-3.50	805,000	429,112	-	-	-	805,000	429,112	1,234,112
2024-2028	3.65-4.00	1,010,000	273,382	-	-	-	1,010,000	273,382	1,283,382
2029-2031	4.10-4.25	725,000	61,885	-	-	-	725,000	61,885	786,885
Total		\$ 2,680,000	1,258,466		\$ 1,095,000	18,520	\$ 3,775,000	1,276,986	5,051,986

Revenue Bonds Payable

Details of the District's June 30, 2013 revenue bond indebtedness is as follows:

Year Ending June 30,	Bond Issue of June 1, 2011			
	Interest Rates	Principal	Interest	Total
2014	2.00 % \$	270,000	239,737	509,737
2015	2.00	280,000	234,237	514,237
2016	2.40	290,000	227,957	517,957
2017	2.70	300,000	220,428	520,428
2018	3.00	310,000	211,728	521,728
2019-2023	3.25-4.20	1,690,000	889,072	2,579,072
2024-2028	4.40-5.00	2,025,000	489,960	2,514,960
2029-2030	5.05	930,000	47,470	977,470
Total		\$ 6,095,000	2,560,589	8,655,589

The District has pledged future statewide sales, services and use tax revenues to repay the \$6,355,000 bonds issued in June 2011. The bonds were issued for the purpose of financing school renovations. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 86% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$8,655,589. For the current year, \$260,000 of principal and \$245,037 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$592,151.

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

- a) \$528,274 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.

- b) Monthly transfers from the statewide sales, services and use tax shall be placed in the revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

Bus Lease Payable

On May 24, 2013 the District entered into a lease agreement with De Lage Landen Public Finance, LLC for the lease/purchase of buses. Principal and interest payments will be made from the Capital Projects: Physical, Plant, and Equipment Levy Fund. Details of the District's June 30, 2013 bus lease indebtedness are as follows:

Year Ending June 30,	Bus Lease Dated May 24, 2013				
	Interest Rates	Principal	Interest	Total	
2014	2.89 %	\$ 22,860	4,205	27,065	
2015	2.89	23,520	3,545	27,065	
2016	2.89	99,135	2,865	102,000	
Total		\$ 145,515	10,615	156,130	

Termination Benefits (Early Retirement)

During the year ended June 30, 2013, the District offered a voluntary early retirement plan to its licensed employees. The early retirement plan is offered by the District at the Board's discretion. Employees should have no expectation that the plan will be offered.

Eligible employees must be at least age fifty-five and must have completed at least fifteen years of consecutive service to the District including the last year of employment. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement incentive for each eligible employee is equal to one-half of the employee's contracted teaching salary. Contracted extra-curricular salary, Phase II, Phase III, and Teacher Quality payments are excluded from the salary schedule for determining the employee's contracted salary. In addition to the cash payment, the retiree will have the option to receive \$400 per month deposited into a Health Reimbursement Account to be used for eligible medical expenses as defined by IRS Code 213 or receive \$400 per month for 48 months deposited into an employer approved 403(b) account. Employees will receive early retirement benefits in four equal installments beginning in January and each January thereafter the year following separation from the District.

At June 30, 2013, the District had obligations to nine participants with a total liability of \$174,767. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$33,851.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% 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 contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$360,979, \$338,709, and \$287,569, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 61 active and 6 retired members in the plan. Employees must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 57,936
Interest on net OPEB obligation	4,267
Adjustment to annual required contribution	<u>(18,836)</u>
Annual OPEB cost	43,367
Contributions made	<u>(20,368)</u>
Increase in net OPEB obligation	22,999
Net OPEB obligation - beginning of year	<u>170,674</u>
Net OPEB obligation - end of year	<u>\$ 193,673</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2013.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	111,908	58.13%	98,965
2012	116,439	38.41%	170,674
2013	43,367	46.97%	193,673

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 \$283,390, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$283,390. The covered payroll (annual payroll of active employees covered by the plan) was \$3,402,789 and the ratio of the UAAL to the covered payroll was 8.33%. 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 healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 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 assumptions were developed using tables contained in the 2006 Society of Actuaries Study.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$268,363 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.

(11) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 367
Limited english proficient weighting	1,219
Dropout and dropout prevention	87,378
Teacher salary supplement	72,372
At-risk supplementary weighting	11,570
Four-year-old preschool state aid	86,346
Professional development model core curriculum	7,260
Professional development	6,671
Market factor incentives	1,529
Total	<u>\$ 274,712</u>

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2013, expenditures in the support services and non-instructional programs functional areas exceeded the budgeted amounts.

(13) Special Item

During the year ended June 30, 2013, the District closed Walker Elementary and Coggon Elementary. On March 14, 2013, the District's Board of Directors approved the sale of the two properties for \$8,201. With the disposition of the land, buildings and land improvements the District recognized a loss on sale of capital assets of \$54,456 in the Statement of Activities.

(14) Preschool Service Agreement

The District participates in a preschool service agreement with Bear Cubs Preschool (BCP) to provide a preschool program pursuant to the Statewide Voluntary Preschool Program for four-year-old children. The service agreement is effective July 1, 2012 through June 30, 2013 with an option for annual renewals or change of terms.

The following are the terms agreed upon by the District and BCP concerning the preschool program:

BCP agrees to provide a private preschool program that meets the requirements of 281 Iowa Administrative Code Chapter 16. Full day classes will be provided according to the District's school calendar for each day that classes are in session for other students enrolled in the District.

BCP is responsible for providing liability and worker's compensation insurance separate from the District's for operation of the preschool.

BCP shall provide and be responsible for maintenance and repair of all furnishings and equipment for the operation of the preschool.

BCP agrees to rent one classroom located at Coggon Elementary and one classroom at Walker Elementary for a total of \$1,500 per month for the operation of the preschool.

The District agrees to pay BCP eleven monthly installments of \$7,674 for preschool services due on the 20th of each month.

The District agrees to provide access and routine custodial services to the two classrooms whenever preschool activities are scheduled.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH LINN COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,467,760	203,287	4,671,047	4,563,635	4,563,635	107,412
Intermediate sources	-	-	-	24,000	24,000	(24,000)
State sources	3,879,336	2,995	3,882,331	3,912,893	3,912,893	(30,562)
Federal sources	121,139	117,008	238,147	325,000	325,000	(86,853)
Total revenues	8,468,235	323,290	8,791,525	8,825,528	8,825,528	(34,003)
Expenditures/Expenses:						
Instruction	4,933,476	-	4,933,476	5,200,000	5,200,000	266,524
Support services	2,628,917	722	2,629,639	2,323,500	2,323,500	(306,139)
Non-instructional programs	2,057	369,779	371,836	305,000	305,000	(66,836)
Other expenditures	6,050,328	-	6,050,328	6,233,983	6,233,983	183,655
Total expenditures/expenses	13,614,778	370,501	13,985,279	14,062,483	14,062,483	77,204
Deficiency of revenues under expenditures/expenses	(5,146,543)	(47,211)	(5,193,754)	(5,236,955)	(5,236,955)	43,201
Other financing sources, net	153,716	266,448	420,164	-	-	420,164
Excess(Deficiency) of revenues over(under) expenditures/expenses	(4,992,827)	219,237	(4,773,590)	(5,236,955)	(5,236,955)	463,365
Balance beginning of year	7,948,834	47,627	7,996,461	7,811,803	7,811,803	184,658
Balance end of year	\$ 2,956,007	266,864	3,222,871	2,574,848	2,574,848	648,023

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
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 comparison for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2013, expenditures in the support services and non-instructional programs functional areas exceeded the amounts budgeted.

NORTH LINN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			
2010	July 1, 2009	\$ -	\$ 1,074,498	\$ 1,074,498	0.0%	\$ 3,429,162	31.3%
2011	July 1, 2009	\$ -	\$ 985,357	\$ 985,357	0.0%	\$ 3,492,585	28.2%
2012	July 1, 2009	\$ -	\$ 890,357	\$ 890,357	0.0%	\$ 3,457,825	25.7%
2013	July 1, 2012	\$ -	\$ 283,390	\$ 283,390	0.0%	\$ 3,402,789	8.33%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

NORTH LINN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 136,980	158,631	295,611
Receivables:			
Property tax:			
Delinquent	2,187	-	2,187
Succeeding year	250,000	-	250,000
Interest	-	153	153
Accounts	-	3,954	3,954
TOTAL ASSETS	\$ 389,167	162,738	551,905
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ -	1,329	1,329
Accounts payable	-	4,279	4,279
Deferred revenue:			
Succeeding year property tax	250,000	-	250,000
Total liabilities	250,000	5,608	255,608
Fund balances:			
Restricted for:			
Management levy purposes	139,167	-	139,167
Student activities	-	157,130	157,130
Total fund balances	139,167	157,130	296,297
TOTAL LIABILITIES AND FUND BALANCES	\$ 389,167	162,738	551,905

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue		
	Management Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 125,970	-	125,970
Other	3,680	250,879	254,559
State sources	73	-	73
TOTAL REVENUES	<u>129,723</u>	<u>250,879</u>	<u>380,602</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	54,364	-	54,364
Other	-	249,888	249,888
Support services:			
Administration	3,000	-	3,000
Operation and maintenance of plant	108,972	-	108,972
TOTAL EXPENDITURES	<u>166,336</u>	<u>249,888</u>	<u>416,224</u>
Change in fund balances	(36,613)	991	(35,622)
Fund balance beginning of year	<u>175,780</u>	<u>156,139</u>	<u>331,919</u>
Fund balance end of year	<u>\$ 139,167</u>	<u>157,130</u>	<u>296,297</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 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 and pooled investments	\$ 373,635	54,500	428,135
Receivables:			
Property tax:			
Delinquent	-	1,003	1,003
Succeeding year	-	59,976	59,976
Due from other governments	119,775	-	119,775
TOTAL ASSETS	\$ 493,410	115,479	608,889
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 9,322	4,000	13,322
Retainage payable	62,203	-	62,203
Deferred revenue:			
Succeeding year property tax	-	59,976	59,976
Total liabilities	71,525	63,976	135,501
Fund balances:			
Restricted for:			
School infrastructure	421,885	-	421,885
Physical plant and equipment	-	51,503	51,503
Total fund balances	421,885	51,503	473,388
TOTAL LIABILITIES AND FUND BALANCES	\$ 493,410	115,479	608,889

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects			Total
	Statewide Sales, Service and Use Tax	Revenue Bond Construction	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ 592,151	-	57,752	649,903
Other	2,308	35,290	-	37,598
State sources	-	-	33	33
TOTAL REVENUES	594,459	35,290	57,785	687,534
EXPENDITURES:				
Current:				
Support services:				
Instructional staff	157,416	-	-	157,416
Transportation	-	-	172,580	172,580
Non-instructional programs:				
Food service operations	-	-	2,057	2,057
Capital outlay	522,284	4,294,917	33,657	4,850,858
TOTAL EXPENDITURES	679,700	4,294,917	208,294	5,182,911
Excess(Deficiency) of revenues over(under) expenditures	(85,241)	(4,259,627)	(150,509)	(4,495,377)
Other financing sources(uses):				
Transfer out	(512,437)	-	-	(512,437)
Proceeds from bus lease	-	-	145,515	145,515
Sale of real property	-	-	8,201	8,201
Total other financing sources(uses)	(512,437)	0	153,716	(358,721)
Change in fund balances	(597,678)	(4,259,627)	3,207	(4,854,098)
Fund balance beginning of year	1,019,563	4,259,627	48,296	5,327,486
Fund balance end of year	\$ 421,885	-	51,503	473,388

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Track	\$ -	11,111	11,111	-
Golf	-	1,819	1,819	-
Boys Basketball	12,340	8,862	9,588	11,614
Football	15,803	11,528	9,816	17,515
Baseball	-	5,787	5,787	-
Wrestling	29,882	19,117	14,831	34,168
Girls Basketball	12,960	14,731	12,238	15,453
Volleyball	7,064	4,238	4,897	6,405
Softball	-	2,371	2,371	-
Class of 2012	142	149	291	-
Class of 2013	3,104	-	3,104	-
Class of 2014	-	11,965	10,298	1,667
Speech	1,962	552	659	1,855
Vocal Music	4,988	28,277	31,792	1,473
Instrumental Music	2,100	2,213	3,382	931
Entrepreneurship	539	-	-	539
Publication	11,689	9,028	7,318	13,399
Cheerleaders	1,463	5,276	6,739	-
Pom Pon Squad	945	2,374	3,077	242
Peer Groups	1	-	-	1
National Honor Society	4,467	921	634	4,754
HS Student Council	11,426	1,802	1,638	11,590
FFA	15,454	59,677	51,456	23,675
FCCLA	180	1,065	1,245	-
Weight Room	6,575	781	7,263	93
MS Student Council	1,583	18,502	20,085	-
FBLA	3,848	18,299	18,957	3,190
Junior Honor Society	7,124	1,254	645	7,733
Interest	-	2,352	2,352	-
Activity Passes	-	4,933	4,933	-
Milk Machine	500	1,365	1,562	303
Science Club	-	530	-	530
Total	\$ 156,139	250,879	249,888	157,130

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund						
	Arnold Scholarship	Mills Scholarship	McKinley Scholarship	Betebender Scholarship	Meggers Scholarship	Kinley Scholarship	Total
ASSETS							
Cash and pooled investments	\$ 33,140	369	5,412	1,444	900	2,536	43,801
LIABILITIES							
	-	-	-	-	-	-	-
NET POSITION							
Restricted for scholarships	\$ 33,140	369	5,412	1,444	900	2,536	43,801

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund						Total
	Arnold Scholarship	Mills Scholarship	McKinley Scholarship	Betenbender Scholarship	Meggers Scholarship	Kinley Scholarship	
Additions:							
Local sources:							
Gifts and contributions	\$ 28,260	-	-	750	900	-	29,910
Interest	103	3	36	13	-	52	207
Total additions	28,363	3	36	763	900	52	30,117
Deductions:							
Instruction:							
Regular:							
Scholarships awarded	1,500	100	200	125	-	2,000	3,925
Change in net position	26,863	(97)	(164)	638	900	(1,948)	26,192
Net position beginning of year	6,277	466	5,576	806	-	4,484	17,609
Net position end of year	\$ 33,140	369	5,412	1,444	900	2,536	43,801

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH LINN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 114	-	-	114
LIABILITIES				
Due to other groups	\$ 114	-	-	114

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 3,768,194	3,678,848	3,517,472	3,314,250	3,060,992	2,996,485	2,441,432	2,406,429	2,356,926	2,318,829
Tuition	254,793	304,900	323,640	297,250	286,111	294,485	289,849	292,486	237,936	198,987
Other	444,773	363,456	357,228	392,816	356,610	364,678	314,405	238,821	319,973	252,767
State sources	3,879,336	4,182,970	4,145,535	3,499,843	4,009,063	4,029,917	3,468,493	3,328,149	3,268,618	3,050,813
Federal sources	121,139	270,314	210,266	602,868	209,065	143,541	132,745	146,804	127,656	146,379
Total	\$ 8,468,235	8,800,488	8,554,141	8,107,027	7,921,841	7,829,106	6,646,924	6,412,689	6,311,109	5,967,775
Expenditures:										
Instruction:										
Regular	\$ 3,145,751	3,213,347	3,253,486	3,223,071	3,138,219	3,007,751	2,840,464	2,791,580	2,461,292	2,534,032
Special	769,649	679,256	757,970	776,459	854,547	772,213	815,700	704,901	639,555	754,462
Other	1,018,076	1,001,724	962,021	955,416	809,352	744,696	597,184	425,199	641,595	475,431
Support services:										
Student	199,196	177,763	222,226	205,391	209,469	129,828	122,142	128,534	123,198	115,550
Instructional staff	427,039	371,875	327,952	292,861	275,602	250,903	206,936	199,810	232,046	186,579
Administration	723,708	718,377	769,417	667,190	679,165	665,138	681,308	606,137	549,813	541,624
Operation and maintenance										
of plant	733,881	617,680	680,777	602,022	588,438	602,917	595,059	601,239	592,889	506,464
Transportation	545,093	355,186	382,290	288,518	370,050	349,304	283,171	351,768	258,706	219,151
Central support	-	-	-	-	-	-	-	-	-	300
Non-instructional programs	2,057	-	-	-	477	-	-	-	-	-
Capital outlay	4,850,858	3,936,724	386,284	170,917	189,399	109,603	159,217	147,017	91,831	131,972
Long-term debt:										
Principal	575,000	1,640,000	260,000	255,000	240,000	235,000	225,000	225,000	215,000	195,000
Interest and fiscal charges	356,107	300,228	66,925	73,580	80,780	87,830	94,580	101,330	107,780	124,574
Other expenditures:										
AEA flow-through	268,363	271,391	300,338	290,858	263,980	253,961	231,745	219,341	217,479	214,176
Total	\$ 13,614,778	13,283,551	8,369,686	7,801,283	7,699,478	7,209,144	6,852,506	6,501,856	6,131,184	5,999,315

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental 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 Linn 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 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Linn 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 Linn Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of North Linn 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, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-13 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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 Linn Community School District's Responses to Findings

North Linn Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. North Linn 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 Linn Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2014
Newton, Iowa

NORTH LINN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, custody of investments and reconciling earnings.
- 3) Receipts - recording, depositing, journalizing, posting and reconciling.
- 4) Wire transfers - processing and approving.
- 5) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, and posting.
- 6) Financial reporting - preparing and reconciling.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.
- 8) School lunch program - collecting and recording; journalizing, posting, reconciling, and mailing.

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

Response - The District will review procedures and implement changes to improve internal control as deemed necessary.

Conclusion - Response accepted.

I-B-13 Student Activity Fund - We noted during our audit that as part of the District's FFA program, there are scholarships awarded to students from proceeds from fundraising during the year. Currently, these scholarships are being paid from the Student Activity Fund.

Recommendation - When fundraising takes place the revenues should be recorded in the fund that may legally pay for the purpose of the fundraiser. Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds from the scholarship fundraising should be placed and expended from the Private Purpose Trust Fund.

Response - The District will receipt and expend the proceeds from fundraising for scholarships into the Private Purpose Trust Fund.

Conclusion - Response accepted.

OTHER MATTERS:

I-C-13 Cell Phone Policy - We noted during our audit that the District does not have a Board policy in place for the District owned cell phones.

Recommendation - The District should adopt a board policy in regard to district owned cell phones. The policy should identify who has district cell phones and include an additional review of usage to ensure cell phones are not being abused.

Response - The District will adopt a Board policy in regards to the District owned cell phones.

Conclusion - Response accepted.

NORTH LINN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013, exceeded the amounts budgeted in the support services and non-instructional programs functional areas.

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 District will monitor expenditures and will amend the certified budget when necessary in accordance with Chapter 24.9 of the Code of Iowa before expenditures exceed budgeted amounts.

Conclusion - Response accepted.

II-B-13 Questionable Disbursements - We noted during our audit that the District paid for prizes for Homecoming and contest winners out of the Student Activity Fund. Giving prizes to students as incentives or prizes does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will review the Attorney General's opinion dated April 25, 1979 and review procedures to implement necessary changes to comply.

Conclusion - Response accepted.

II-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.

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

Name, Title and Business Connection	Transaction Description	Amount
Jim Meisheid, Board Member Spouse owns Sherbon's Market	Supplies	\$764
Dave Lasley, Technology Director Owns Net Tech Consulting	Services	\$1,035

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

In accordance with Attorney General's Opinion dated July 2, 1990, the above transactions with the technology director do not appear to represent a conflict of interest.

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

- II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-13 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, we noted no significant deficiencies in amounts reported.
- II-K-13 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of statewide sales, services and use tax revenue provided in Chapter 423F of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning Balance		\$ 1,019,563
Revenues:		
Sales tax revenues	\$ 592,151	
Other local revenues	2,308	594,459
		<u>1,614,022</u>
Expenditures/transfers out:		
School infrastructure	\$ 515,434	
Equipment	157,416	
Other	6,850	
Transfers to other funds:		
Debt Service Fund	512,437	1,192,137
		<u>1,192,137</u>
Ending Balance		<u>\$ 421,885</u>

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

- II-M-13 Contract Signing - We noted during our audit that the Board President did not sign the lease agreement entered into by the District for buses nor athletic officiating contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into, to comply with Chapter 291.1 of the Code of Iowa.

Response - The District will have the Board President sign all contracts the District enters into to comply with Chapter 291.1 of the Code of Iowa.

Conclusion - Response accepted.