

NORTH POLK COMMUNITY SCHOOL DISTRICT
ALLEMAN, IOWA

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

JUNE 30, 2013

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NORTH POLK COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before and After September 2012 election)		
Keith Muehlenthaler	President	2015
Tim Krehbiel	Vice President	2015
Brett Bruggeman	Board Member	2013
Diane Lackore	Board Member	2013
Gary Reinhart	Board Member	2013
<u>School Officials</u>		
Dan Mart	Superintendent	2013
Deborah Schroeder	District Secretary/Treasurer	2013
Ahlers & Cooney, P.C.	Attorney	Indefinite

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
North Polk 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 Polk Community School District, Alleman, 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 Polk 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 54 through 56 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 Polk 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 two years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the seven years ended June 30, 2010 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 10 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 financials 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 6, 2014 on our consideration of North Polk 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 Polk Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa
March 6, 2014

Hunt & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Polk 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 and other financing sources increased from \$12,157,628 in fiscal 2012 to \$12,442,693 in fiscal 2013; General Fund expenditures and other financing uses also increased from \$11,539,126 in fiscal 2012 to \$12,201,045 in fiscal 2013. The District's General Fund balance increased from \$2,526,854 in fiscal 2012 to \$2,768,502 in fiscal 2013, a 9% increase.
- The increase in General Fund revenues was attributable primarily to increases in state aid revenues in fiscal 2013. The increase in state grant revenue is attributable to an increase in budget enrollment, an increase in additional property tax levy aid, and a decrease in state aid reduction. The increase in expenditures was due primarily to increases in negotiated salary and benefits plus the additional salary, benefits, and other related costs associated with serving fifty-four additional students.
- The increase in the General Fund balance is due primarily to controlling the expected increase in expenditures due to higher enrollment in relation to the available revenues.

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 Polk 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 Polk 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 Polk Community School District acts solely as an agent or custodian for the benefit of those outside of District government.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.
- Supplementary Information provides detailed information about the non-major funds.

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

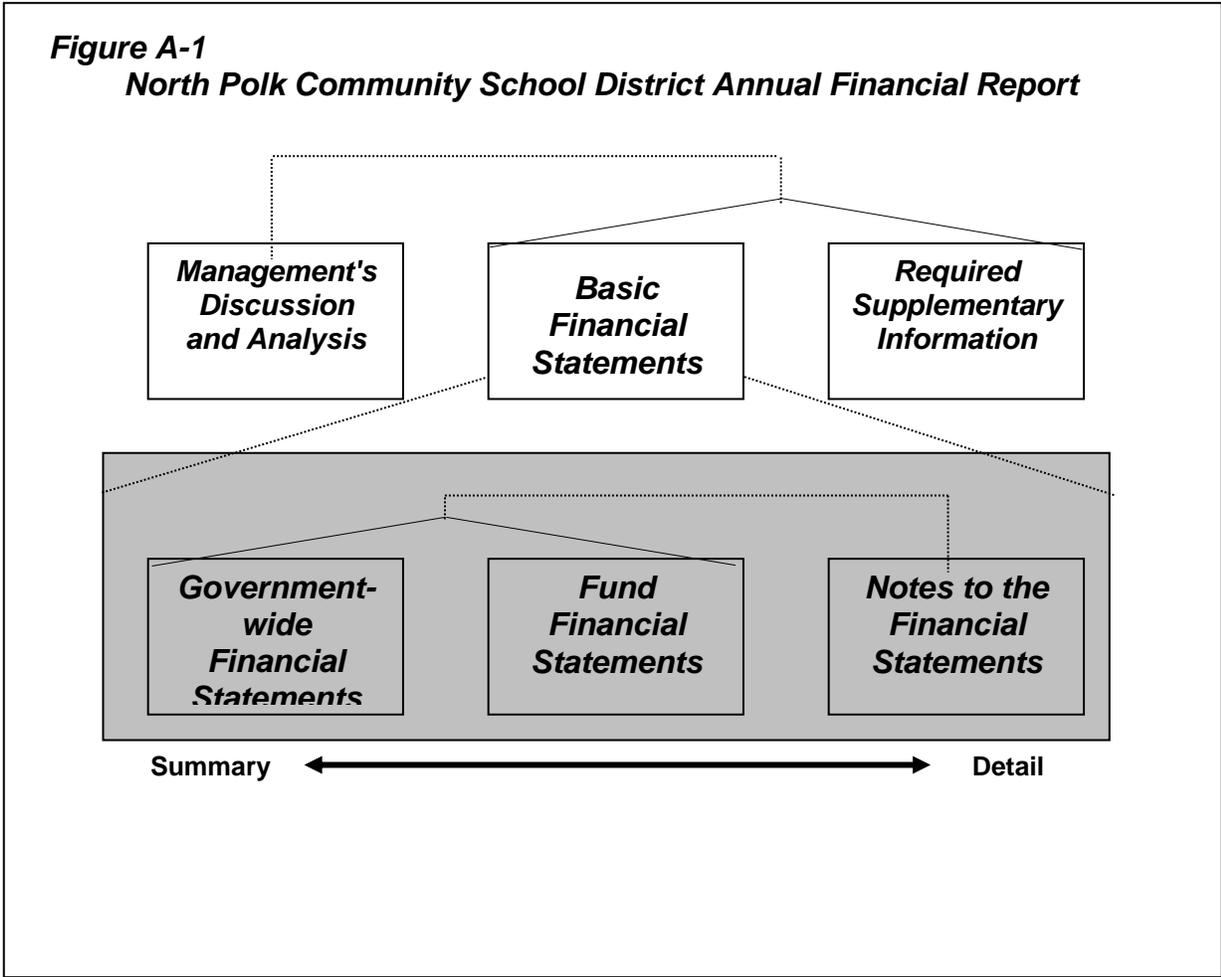


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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: food services and vending	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and employee flex benefit programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position 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 and sales taxes and state foundation 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 the sales and service taxes.

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 governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Employee Flex Benefit Fund – The District accounts for pre-tax contributions by employees and employer contributions for medical and dependent care benefits in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain monies on behalf of other entities.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net position at June 30, 2013 compared to June 30, 2012.

Figure A-3

	Condensed Statement of Net position						Percentage Change 2012-2013 %
	Governmental Activities		Business-type Activities		Total School District		
	2013	2012	2013	2012	2013	2012	
	\$	\$	\$	\$	\$	\$	
Current and other assets	20,347,382	30,526,520	49,489	33,343	20,396,871	30,559,863	-33.3
Capital assets	33,674,177	15,850,048	75,627	84,492	33,749,804	15,934,540	111.8
Total assets	54,021,559	46,376,568	125,116	117,835	54,146,675	46,494,403	16.5
Long-term liabilities	25,977,177	20,875,035	4,014	2,027	25,981,191	20,877,062	24.4
Other liabilities	9,010,297	8,747,735	15,977	25,271	9,026,274	8,773,006	2.9
Total liabilities	34,987,474	29,622,770	19,991	27,298	35,007,465	29,650,068	18.1
Net position:							
Net investment in capital assets	8,204,177	10,219,801	75,627	84,492	8,279,804	10,304,293	-19.6
Restricted	8,926,966	4,997,689	0	0	8,926,966	4,997,689	78.6
Unrestricted	1,902,942	1,536,308	29,498	6,045	1,932,440	1,542,353	25.3
TOTAL NET POSITION	19,034,085	16,753,798	105,125	90,537	19,139,210	16,844,335	13.6

The District's combined total net position increased by \$2,294,875, or 13.6%, over the prior year. The largest portions of the District's net position are cash and pooled investments and the net investment in capital assets (e.g., land, infrastructure, buildings and equipment). The debt related to the investment in capital assets is liquidated with sources 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 increased \$3,929,277 or 78.6% over the prior year. The increase was primarily due to proceeds received on the issuance of general obligation and revenue bonds in fiscal year 2013 but which were not yet expended. The target date for the completion of the capital projects financed with these assets is August 2013.

Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) increased by \$390,087.00 or 25.3%.

Figure A-4 shows the change in net position for the years ended June 30, 2013 and 2012.

Figure A-4

	Change in Net Position						Percentage Change
	Governmental Activities		Business-type Activities		Total School District		
	2013	2012	2013	2012	2013	2012	
	\$	\$	\$	\$	\$	\$	%
Program Revenues:							
Charges for services	977,400	890,897	465,363	439,191	1,442,763	1,330,088	8.5
Operating grants & contributions	1,612,210	1,562,968	166,721	130,171	1,778,931	1,693,139	5.1
Capital grants & contributions	0	0	0	17,653	0	17,653	-100.0
General Revenues:							
Property taxes	5,568,116	5,460,879	0	0	5,568,116	5,460,879	2.0
Income surtax	393,780	378,835	0	0	393,780	378,835	3.9
Statewide sales tax	1,130,393	1,070,247	0	0	1,130,393	1,070,247	5.6
Unrestricted state grants	6,032,969	5,925,944	0	0	6,032,969	5,925,944	1.8
Unrestricted investment earnings	380,839	343,857	726	779	381,565	344,636	10.7
Other revenue	229,395	277,052	0	0	229,395	277,052	-17.2
Total Revenues	16,325,102	15,910,679	632,810	587,794	16,957,912	16,498,473	2.8
Expenses:							
Instruction	7,942,345	7,728,708	0	0	7,942,345	7,728,708	2.8
Support services	4,589,654	4,308,266	36,942	39,771	4,626,596	4,348,037	6.4
Non-instructional programs	13,383	17,906	581,280	540,626	594,663	558,532	6.5
Other expenditures	1,499,433	1,653,189	0	0	1,499,433	1,653,189	-9.3
Total expenses	14,044,815	13,708,069	618,222	580,397	14,663,037	14,288,466	2.6
CHANGE IN NET POSITION	2,280,287	2,202,610	14,588	7,397	2,294,875	2,210,007	3.8
Net position beginning of year	16,753,798	14,551,188	90,537	83,140	16,844,335	14,634,328	15.1
Net position end of year	19,034,085	16,753,798	105,125	90,537	19,139,210	16,844,335	13.6

Property tax and unrestricted state grants account for 68.4% of the total revenues. The District’s expenses primarily relate to instruction and support services, which account for 85.7% of the total expenses.

As shown in figure A-4 the District, as a whole, experienced a 2.8% increase in revenues and a 2.6% increase in expenses. An increase of \$182,328 in tax revenues and \$287,839 in program revenues and unrestricted state grants were used to fund increases in expenses. The increase in expenses relates to costs associated with negotiated salaries and benefits and additional staff and materials required to provide educational services to additional students.

Governmental Activities

Revenues from governmental activities were \$16,325,102 and net expenses were \$14,044,815. Total revenues exceeded expenditures in the governmental activities by \$2,280,287.

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

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2013 \$	2012 \$	Percent Change 2012-2013 %	2013 \$	2012 \$	Percent Change 2012-2013 %
Instruction	7,942,345	7,728,708	2.8	5,881,315	5,797,434	1.4
Support Services	4,589,654	4,308,266	6.5	4,532,626	4,237,354	7.0
Non-instructional Programs	13,383	17,906	-25.3	13,383	17,906	-25.3
Other Expenses	1,499,433	1,653,189	-9.3	1,027,881	1,201,510	-14.5
TOTAL	14,044,815	13,708,069	2.5	11,455,205	11,254,204	1.8

For the year ended June 30, 2013:

- The cost financed by users of the District’s programs was \$977,400. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,612,210.
- The net cost of governmental activities was financed with \$7,092,289 in property and other local taxes, \$6,032,969 in unrestricted state grants, and \$610,234 in other unrestricted sources.

Business Type Activities

Revenues for business type activities were \$632,810 and expenses were \$618,222. The District’s business type activities include the School Nutrition Fund and the Vending Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income. The District monitors its business type activities to ensure revenues are sufficient to cover expenses.

INDIVIDUAL FUND ANALYSIS

As previously noted, the North Polk 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 a combined fund balance of \$11,116,185, 48.4% less than last year's fund balance of \$21,527,809. The decrease is reflected primarily in the Capital Projects Fund for work completed on construction projects, even though the majority of the Capital Projects were still works in progress as of June 30, 2013.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Growth during the year in state foundation aid and grants resulted in an increase in General Fund revenues. The General Fund balance increased from \$2,526,854 to \$2,768,502 due primarily to an increase in unrestricted state aid along with careful control of expenditures.
- The Capital Projects Fund balance decreased from \$18,731,236 in fiscal year 2012 to \$8,035,719 in fiscal year 2013. The decrease is a result of the near completion of the High School and Outdoor Athletic Facility. The fund balance is reserved for future construction, capital asset acquisitions, and building and grounds repairs and improvements.
- The Debt Service Fund balance increased \$12,708 from fiscal year 2012 to \$25,857 due mainly to the interest income during the construction process.

Proprietary Fund Highlights

The District's Enterprise Funds net position increased from \$90,537 in fiscal year 2012 to \$105,125 in fiscal year 2013, representing an increase of approximately 16.1%. This increase was primarily due to increases in participation, meal prices, and revenues from federal and state sources.

BUDGETARY HIGHLIGHTS

The District's revenues were approximately \$86,310 less than budgeted revenues, a variance of .5%. Total expenditures/expenses were over by 7% or 2,308,077 of budgeted expenditures/expenses. The overage was in the other expenditures function which was due to construction expenditure timing.

It is the District's practice to budget revenues conservatively and expenditures at the maximum authorized spending authority. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested approximately \$33.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

The net increase in capital asset activity during the year is primarily due to construction of new facilities.

Figure A-7

	Capital Assets (net of depreciation)						Percent Change 2012-2013
	Governmental Activities		Business type Activities		Total School District		
	2013	2012	2013	2012	2013	2012	
	\$	\$	\$	\$	\$	\$	
Land	932,370	932,370	0	0	932,370	932,370	0
Construction in progress	23,625,466	5,832,207	0	0	23,625,466	5,832,207	305
Buildings	8,371,707	8,212,198	0	0	8,371,707	8,212,198	2
Improvements	179,502	182,358	0	0	179,502	182,358	-2
Equipment & furniture	565,132	690,915	75,627	84,492	640,759	775,407	-17
TOTAL	33,674,177	15,850,048	75,627	84,492	33,749,804	15,934,540	112

Long-Term Debt

At June 30, 2013 the District had \$25,981,191 in general obligation, revenue and other long-term debt outstanding. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District issued \$6,100,000 of general obligation bonds, with interest rates ranging between 1.4% and 2.0%.

Figure A-8

	Outstanding Long-Term Debt Obligations		
	Total School District		Percentage Change
	2013	2012	2013-2012
	\$	\$	%
General Obligation Bonds	15,040,000	9,720,000	55
Revenue Bonds	10,000,000	10,000,000	0
Capital Loan Notes	430,000	560,000	-23
Capital Leases	0	29,591	-100
Early Retirement	202,184	308,641	-34
Compensated Absences	30,007	28,421	6
Net OPEB Liability	279,000	230,409	21
	25,981,191	20,887,062	24

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Budget enrollment increased by fifty four additional students between the 2012 and 2013 certified enrollment date. The District expects the increased enrollment trend to continue as the metro area population growth moves into District boundaries.
- The District levied an additional \$1,395,480 in fiscal year 2014 to provide cash reserve funds to be used to fund the various requests for SBRC allowable growth and to provide for future adequate cash flow reserves.
- The District also issued an additional \$10,000,000 in revenue bonds in March 2012 in connection with the construction of the new high school building, the construction of a new outdoor activities campus, and the replacement of the District's wastewater treatment facility. Construction of the outdoor activities campus commenced in the fall of October 2012. Construction of the wastewater treatment facility is expected to begin in fiscal 2014. These projects are still in process as of the end of June 2013 and will be completed in fiscal 2014.
- The District will negotiate a new contract agreement with the North Polk Education Association during the coming fiscal year. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

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 Jacob Ballard, Board Secretary/Treasurer and Business Manager, North Polk Community School District, 13930 NE 6th Street, Alleman, Iowa 50007.

Basic Financial Statements

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 13,580,566	\$ 11,696	\$ 13,592,262
Receivables:			
Property tax:			
Current year	36,984	-	36,984
Succeeding year	5,821,736	-	5,821,736
Income surtax	363,227	-	363,227
Accrued interest	1,322	-	1,322
Accounts	22,173	4,296	26,469
Due from other governments	424,262	18,448	442,710
Inventories	4,131	13,910	18,041
Prepaid expenses	92,981	1,139	94,120
Capital assets, net of accumulated depreciation (note 4)	33,674,177	75,627	33,749,804
Total assets	54,021,559	125,116	54,146,675
Liabilities			
Accounts payable	1,981,777	89	1,981,866
Salaries and benefits payable	1,063,057	1,339	1,064,396
Accrued interest payable	142,827	-	142,827
Deferred revenue:			
Succeeding year property tax	5,821,736	-	5,821,736
Other	900	14,549	15,449
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	61,908	-	61,908
Bonds payable	675,000	-	675,000
Notes payable	135,000	-	135,000
Compensated absences	30,007	-	30,007
Portion due after one year:			
Early retirement	140,276	-	140,276
Bonds payable	24,365,000	-	24,365,000
Notes payable	295,000	-	295,000
Net OPEB liability	274,986	4,014	279,000
Total liabilities	34,987,474	19,991	35,007,465

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 8,204,177	\$ 75,627	\$ 8,279,804
Restricted for:			
Categorical funding	821,887	-	821,887
Physical plant and equipment levy purposes	115,125	-	115,125
Student activities	186,330	-	186,330
Debt service	736,981	-	736,981
Capital projects	7,066,643	-	7,066,643
Unrestricted	<u>1,902,942</u>	<u>29,498</u>	<u>1,932,440</u>
Total net position	<u>\$ 19,034,085</u>	<u>\$ 105,125</u>	<u>\$ 19,139,210</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular instruction	\$ 5,238,402	\$ 464,422	\$ 820,972
Special instruction	1,175,673	225,100	105,507
Other instruction	1,528,270	273,757	171,272
	<u>7,942,345</u>	<u>963,279</u>	<u>1,097,751</u>
Support services:			
Student	466,707	-	-
Instructional staff	783,289	62	36,600
Administration	1,272,344	-	-
Operation and maintenance of plant	1,316,702	12,149	-
Transportation	750,612	1,910	6,307
	<u>4,589,654</u>	<u>14,121</u>	<u>42,907</u>
Non-instructional programs	<u>13,383</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Long-term debt interest and fiscal charges	696,227	-	-
AEA flowthrough	471,552	-	471,552
Depreciation (unallocated) *	331,654	-	-
	<u>1,499,433</u>	<u>-</u>	<u>471,552</u>
Total governmental activities	<u>14,044,815</u>	<u>977,400</u>	<u>1,612,210</u>
Business-Type Activities:			
Support services:			
Food service operations	36,930	-	-
Other operations	12	-	-
	<u>36,942</u>	<u>-</u>	<u>-</u>

Net (Expense) Revenue
and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (3,953,008)	\$ -	\$ (3,953,008)
(845,066)	-	(845,066)
(1,083,241)	-	(1,083,241)
<u>(5,881,315)</u>	<u>-</u>	<u>(5,881,315)</u>
(466,707)	-	(466,707)
(746,627)	-	(746,627)
(1,272,344)	-	(1,272,344)
(1,304,553)	-	(1,304,553)
(742,395)	-	(742,395)
<u>(4,532,626)</u>	<u>-</u>	<u>(4,532,626)</u>
<u>(13,383)</u>	<u>-</u>	<u>(13,383)</u>
(696,227)	-	(696,227)
-	-	-
(331,654)	-	(331,654)
<u>(1,027,881)</u>	<u>-</u>	<u>(1,027,881)</u>
<u>(11,455,205)</u>	<u>-</u>	<u>(11,455,205)</u>
-	(36,930)	(36,930)
-	(12)	(12)
<u>-</u>	<u>(36,942)</u>	<u>(36,942)</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Business-Type Activities (continued):			
Non-instructional programs:			
Food service operations	\$ 580,552	\$ 464,589	\$ 166,721
Other operations	728	774	-
	581,280	465,363	166,721
Total business-type activities	618,222	465,363	166,721
Total	\$ 14,663,037	\$ 1,442,763	\$ 1,778,931

General revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state and federal grants
Unrestricted investment earnings
Other

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		<u>Total</u>
\$	-	\$ 50,758	\$	50,758
	-	46		46
	-	50,804		50,804
	-	13,862		13,862
	(11,455,205)	13,862		(11,441,343)
\$	3,910,788	-	\$	3,910,788
	1,155,016	-		1,155,016
	502,312	-		502,312
	393,780	-		393,780
	1,130,393	-		1,130,393
	6,032,969	-		6,032,969
	380,839	726		381,565
	229,395	-		229,395
	13,735,492	726		13,736,218
	2,280,287	14,588		2,294,875
	16,753,798	90,537		16,844,335
\$	<u>19,034,085</u>	<u>\$ 105,125</u>	\$	<u>19,139,210</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 3,908,026	\$ 18,171	\$ 9,366,045	\$ 288,324	\$ 13,580,566
Receivables:					
Property tax:					
Current year	24,320	7,667	3,334	1,663	36,984
Succeeding year	3,912,255	1,085,391	524,091	299,999	5,821,736
Income surtax	363,227	-	-	-	363,227
Accrued interest	-	-	1,322	-	1,322
Accounts	9,550	-	-	12,623	22,173
Due from other governments	243,950	19	180,293	-	424,262
Inventories	4,131	-	-	-	4,131
Prepaid expenses	84,683	-	-	8,298	92,981
	<hr/>				
Total assets	<u>\$ 8,550,142</u>	<u>\$ 1,111,248</u>	<u>\$ 10,075,085</u>	<u>\$ 610,907</u>	<u>\$ 20,347,382</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 442,201	\$ -	\$ 1,515,275	\$ 24,301	\$ 1,981,777
Salaries and benefits payable	1,063,057	-	-	-	1,063,057
Deferred revenue:					
Succeeding year property tax	3,912,255	1,085,391	524,091	299,999	5,821,736
Other	364,127	-	-	-	364,127
Total liabilities	<u>5,781,640</u>	<u>1,085,391</u>	<u>2,039,366</u>	<u>324,300</u>	<u>9,230,697</u>
Fund balances:					
Nonspendable:					
Inventories	4,131	-	-	-	4,131
Prepaid expenses	84,683	-	-	8,298	92,981
Restricted for:					
Categorical funding (note 10)	814,086	-	-	-	814,086
Local grants	7,801	-	-	-	7,801
Revenue bond reserve fund	-	-	746,718	-	746,718
Debt service	-	25,857	107,233	-	133,090
Management levy purposes	-	-	-	91,979	91,979
Student activities	-	-	-	186,330	186,330
Other capital projects	-	-	6,878	-	6,878
School infrastructure	-	-	7,059,765	-	7,059,765
Physical plant and equipment	-	-	115,125	-	115,125
Committed:					
Building start-up costs	800,000	-	-	-	800,000
Assigned:					
Local projects	72,307	-	-	-	72,307
Unassigned	985,494	-	-	-	985,494
Total fund balances	<u>2,768,502</u>	<u>25,857</u>	<u>8,035,719</u>	<u>286,607</u>	<u>11,116,685</u>
Total liabilities and fund balances	<u>\$ 8,550,142</u>	<u>\$ 1,111,248</u>	<u>\$ 10,075,085</u>	<u>\$ 610,907</u>	<u>\$ 20,347,382</u>

See notes to financial statements.

NORTH POLK 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	\$ 11,116,685
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.	33,674,177
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	363,227
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.	(142,827)
Long-term liabilities, including early retirement, bonds and notes payable, compensated absences, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(25,977,177)</u>
Net position of governmental activities	<u>\$ 19,034,085</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 4,045,067	\$ 1,154,653	\$ 1,632,547	\$ 249,295	\$ 7,081,562
Tuition	481,569	-	-	-	481,569
Other	221,374	11,120	306,240	330,506	869,240
Intermediate sources	6,812	-	-	-	6,812
State sources	7,292,529	363	158	84	7,293,134
Federal sources	391,913	-	-	-	391,913
Total revenues	<u>12,439,264</u>	<u>1,166,136</u>	<u>1,938,945</u>	<u>579,885</u>	<u>16,124,230</u>
Expenditures:					
Current:					
Instruction:					
Regular	5,457,483	-	24,923	56,709	5,539,115
Special	1,171,173	-	-	2,358	1,173,531
Other	1,217,542	-	32,794	288,602	1,538,938
	<u>7,846,198</u>	<u>-</u>	<u>57,717</u>	<u>347,669</u>	<u>8,251,584</u>
Support services:					
Student	446,845	-	-	16,007	462,852
Instructional staff	399,952	-	607,743	8,424	1,016,119
Administration	1,274,889	-	3,091	29,083	1,307,063
Operation and maintenance of plant	1,180,845	-	366,494	104,731	1,652,070
Transportation	580,653	-	71,902	32,447	685,002
	<u>3,883,184</u>	<u>-</u>	<u>1,049,230</u>	<u>190,692</u>	<u>5,123,106</u>
Non-instructional programs	<u>111</u>	<u>-</u>	<u>1,785</u>	<u>11,487</u>	<u>13,383</u>
Other expenditures:					
Facilities acquisition	-	-	17,371,359	-	17,371,359
Long term debt:					
Principal	-	939,591	-	-	939,591
Interest and fiscal charges	-	579,695	77,056	-	656,751
AEA flowthrough	471,552	-	-	-	471,552
	<u>471,552</u>	<u>1,519,286</u>	<u>17,448,415</u>	<u>-</u>	<u>19,439,253</u>
Total expenditures	<u>12,201,045</u>	<u>1,519,286</u>	<u>18,557,147</u>	<u>549,848</u>	<u>32,827,326</u>
Excess (deficiency) of revenues over (under) expenditures	<u>238,219</u>	<u>(353,150)</u>	<u>(16,618,202)</u>	<u>30,037</u>	<u>(16,703,096)</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Sale of equipment	\$ 3,429	\$ -	\$ -	\$ -	\$ 3,429
Compensation for loss of capital assets	-	-	142,817	-	142,817
General obligation bonds issued	-	-	6,100,000	-	6,100,000
Bond premium	-	-	45,726	-	45,726
Interfund transfers in (note 3)	-	365,858	-	-	365,858
Interfund transfers out (note 3)	-	-	(365,858)	-	(365,858)
Total other financing sources (uses)	<u>3,429</u>	<u>365,858</u>	<u>5,922,685</u>	<u>-</u>	<u>6,291,972</u>
Net change in fund balances	241,648	12,708	(10,695,517)	30,037	(10,411,124)
Fund balances beginning of year	<u>2,526,854</u>	<u>13,149</u>	<u>18,731,236</u>	<u>256,570</u>	<u>21,527,809</u>
Fund balances end of year	<u>\$ 2,768,502</u>	<u>\$ 25,857</u>	<u>\$ 8,035,719</u>	<u>\$ 286,607</u>	<u>\$ 11,116,685</u>

See notes to financial statements.

NORTH POLK 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

Net change in fund balances - total governmental funds \$ (10,411,124)

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

Expenditures for capital assets	\$ 18,384,090	
Depreciation expense	<u>(559,961)</u>	17,824,129

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. 8,900

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 and does not affect the Statement of Activities. (6,100,000)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 939,591

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, however, interest expense is recognized as the interest accrues, regardless of when it is due. (39,476)

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

Early retirement	106,457	
Compensated absences	(1,586)	
Net OPEB liability	<u>(46,604)</u>	<u>58,267</u>

Change in net position of governmental activities \$ 2,280,287

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2013

	<u>Nonmajor Enterprise Funds</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 11,696
Accounts receivable	4,296
Due from other governments	18,448
Inventories	13,910
Prepaid expense	1,139
Total current assets	<u>49,489</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation (note 4)	<u>75,627</u>
Total assets	<u>125,116</u>
Liabilities	
Current liabilities:	
Accounts payable	89
Salaries and benefits payable	1,339
Deferred revenue	14,549
Total current liabilities	<u>15,977</u>
Noncurrent liabilities:	
Net OPEB liability (note 5)	<u>4,014</u>
Total liabilities	<u>19,991</u>
Net Position	
Net investment in capital assets	75,627
Unrestricted	<u>29,498</u>
Total net position	<u>\$ 105,125</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

	<u>Nonmajor Enterprise Funds</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>465,363</u>
Operating expenses:	
Support services:	
Salaries	12,014
Benefits	1,972
Purchased services	6,886
Supplies	11,356
Other	4,714
	<u>36,942</u>
Non-instructional programs:	
Salaries	207,196
Benefits	48,425
Purchased services	2,752
Supplies	312,774
Depreciation	10,018
Other	115
	<u>581,280</u>
Total expenses	<u>618,222</u>
Operating loss	(152,859)
Non-operating revenues:	
Interest on investments	726
State sources	5,378
Federal sources	161,343
Total non-operating revenues	<u>167,447</u>
Change in net position	14,588
Net position beginning of year	<u>90,537</u>
Net position end of year	<u>\$ <u>105,125</u></u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Nonmajor Enterprise Funds
	<u> </u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 457,023
Cash received from miscellaneous operating activities	10,880
Cash payments to employees for services	(273,920)
Cash payments to suppliers for goods or services	<u>(317,373)</u>
Net cash used by operating activities	<u>(123,390)</u>
Cash flows from non-capital financing activities:	
State grants received	5,378
Federal grants received	<u>118,311</u>
Net cash provided by non-capital financing activities	<u>123,689</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,153)</u>
Cash flows from investing activities:	
Interest on investments	<u>726</u>
Net decrease in cash and cash equivalents	(128)
Cash and cash equivalents beginning of year	<u>11,824</u>
Cash and cash equivalents end of year	<u>\$ 11,696</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Nonmajor Enterprise Funds
	<u> </u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (152,859)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	10,018
Commodities used	24,584
Decrease in accounts receivable	2,152
Decrease in inventories	624
(Decrease) in accounts payable	(5,369)
(Decrease) in salaries and benefits payable	(4,313)
Increase in deferred revenue	388
Increase in net OPEB liability	1,987
(Increase) in prepaid expense	<u>(602)</u>
Net cash used by operating activities	<u>\$ (123,390)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$24,584 of federal commodities.

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	Employee Flex Benefit Trust	Private Purpose Trust <u>Scholarship</u>	<u>Agency</u>
Assets:			
Cash and pooled investments	\$ 9,208	\$ 5,311	\$ (1,774)
Receivables:			
Other	<u>5,426</u>	<u>-</u>	<u>(247)</u>
Total assets	<u>14,634</u>	<u>5,311</u>	<u>(2,021)</u>
Liabilities:			
Other payables	<u>360</u>	<u>-</u>	<u>(2,021)</u>
Net position:			
Reserved for scholarships	-	5,311	-
Reserved for employee flex benefits	<u>14,274</u>	<u>-</u>	<u>-</u>
Total net position	<u>\$ 14,274</u>	<u>\$ 5,311</u>	<u>\$ -</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2013

	<u>Employee Flex Benefit Trust</u>	<u>Private Purpose Trust Scholarship</u>
Additions:		
Local sources:		
Employer flex contributions	\$ 9,710	\$ -
Employee flex contributions	207,643	-
Gifts and contributions	-	2,003
Interest	242	90
Total additions	<u>217,595</u>	<u>2,093</u>
Deductions:		
Support services:		
Employee flex benefits paid	216,340	-
Scholarships awarded	-	750
Total deductions	<u>216,340</u>	<u>750</u>
Change in net position	1,255	1,343
Net position beginning of year	<u>13,019</u>	<u>3,968</u>
Net position end of year	<u>\$ 14,274</u>	<u>\$ 5,311</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies

North Polk Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through twelve. The geographic area served includes the Cities of Alleman, Elkhart and Polk City, Iowa, and agricultural territory in Boone, Polk and Story 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 Polk 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. North Polk 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 does 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 Polk County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

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

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

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

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

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

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

The District's nonmajor proprietary funds include the Enterprise, School Nutrition Fund, used to account for the food service operations of the District, and the Enterprise, Vending Fund, used to account for vending revenues and expenses.

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 Funds are used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards and to account for the District's Employee Flex Benefit Plan.

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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 funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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, have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. 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 District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-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	\$ 1
Buildings	2,000
Improvements other than buildings	2,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Intangibles	3-10 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible 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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current 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, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

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

Long-term Liabilities – In the District-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.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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 are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

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

Unassigned – All amounts not included in the preceding classifications.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures in the other expenditures function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

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

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

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>62</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>365,858</u>

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 4. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 932,370	\$ -	\$ -	\$ 932,370
Construction in progress	5,832,207	18,201,213	407,954	23,625,466
Total capital assets not being depreciated	<u>6,764,577</u>	<u>18,201,213</u>	<u>407,954</u>	<u>24,557,836</u>
Capital assets being depreciated:				
Buildings	13,488,545	479,621	-	13,968,166
Improvements other than buildings	236,826	8,686	-	245,512
Furniture and equipment	3,087,772	102,524	10,000	3,180,296
Total capital assets being depreciated	<u>16,813,143</u>	<u>590,831</u>	<u>10,000</u>	<u>17,393,974</u>
Less accumulated depreciation for:				
Buildings	5,276,347	320,112	-	5,596,459
Improvements other than buildings	54,468	11,542	-	66,010
Furniture and equipment	2,396,857	228,307	10,000	2,615,164
Total accumulated depreciation	<u>7,727,672</u>	<u>559,961</u>	<u>10,000</u>	<u>8,277,633</u>
Total capital assets being depreciated, net	<u>9,085,471</u>	<u>30,870</u>	<u>-</u>	<u>9,116,341</u>
Governmental activities capital assets, net	<u>\$ 15,850,048</u>	<u>\$ 18,232,083</u>	<u>\$ 407,954</u>	<u>\$ 33,674,177</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business-type activities:				
Furniture and equipment	\$ 186,400	\$ 1,153	\$ -	\$ 187,553
Less accumulated depreciation	101,908	10,018	-	111,926
Business-type activities capital assets, net	<u>\$ 84,492</u>	<u>\$ (8,865)</u>	<u>\$ -</u>	<u>\$ 75,627</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$	37,185
Special		2,142
Other		3,608

Support services:

Instructional staff		9,459
Administration		1,553
Operation and maintenance of plant		39,724
Transportation		<u>134,636</u>

228,307

Unallocated depreciation

331,654

Total depreciation expense - governmental activities

\$ 559,961

Business-type activities:

Food service operations	\$	<u><u>10,018</u></u>
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NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 308,641	\$ -	\$ 106,457	\$ 202,184	\$ 61,908
General obligation bonds	9,720,000	6,100,000	780,000	15,040,000	675,000
Revenue bonds	10,000,000	-	-	10,000,000	-
Notes payable	560,000	-	130,000	430,000	135,000
Capital leases payable	29,591	-	29,591	-	-
Compensated absences	28,421	30,007	28,421	30,007	30,007
Net OPEB liability	228,382	46,604	-	274,986	-
Total	\$ <u>20,875,035</u>	\$ <u>6,176,611</u>	\$ <u>1,074,469</u>	\$ <u>25,977,177</u>	\$ <u>901,915</u>
	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business-type activities:					
Net OPEB liability	\$ <u>2,027</u>	\$ <u>1,987</u>	\$ <u>-</u>	\$ <u>4,014</u>	\$ <u>-</u>

Early Retirement

The District offered a one-time voluntary early retirement incentive to administrators for the year ended June 30, 2012. Eligible employees must have completed at least fifteen years of continuous service to the District and must have reached the age of fifty-five at the actual retirement date. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits consisted of a cash benefit of \$15,000 paid in July of 2012. In certain circumstances, the administrator would also be paid \$20/day for unused sick days up to a maximum of \$2,600. The District will also provide full family health insurance coverage until the retiree reaches age 62. Upon reaching age 62, the current family rate for the previous year will be paid until the retiree becomes Medicare eligible.

The District offered various other early retirement plans in prior years. Details of those plans are available upon request of District management.

At June 30, 2013, the District has obligations to 13 participants with a total liability of \$202,184. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$106,457. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds

On January 1, 2013, the District issued \$6,100,000 in General Obligation School Bonds. The bonds are payable through the year ending June 30, 2027 and have interest rates ranging from 1.00% to 2.00%. The bonds will be used for construction and equipping of a new high school building.

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

Year Ending June 30,	Issue dated September 15, 2011			Issue dated January 1, 2013			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2014	2.00 %	\$ 295,000	\$ 321,706	1.40 %	\$ 380,000	\$ 87,685	\$ 675,000	\$ 409,391
2015	2.000	305,000	315,806	1.40	380,000	82,365	685,000	398,171
2016	2.000	315,000	309,706	1.40	380,000	77,045	695,000	386,751
2017	2.500	320,000	303,406	1.40	390,000	71,725	710,000	375,131
2018	3.000	330,000	295,406	1.40	390,000	66,265	720,000	361,671
2019	4.000	340,000	285,506	1.00	395,000	60,805	735,000	346,311
2020	4.000	350,000	271,906	1.20	405,000	56,855	755,000	328,761
2021	3.250	365,000	257,906	1.35	405,000	51,995	770,000	309,901
2022	3.250	375,000	246,044	1.50	415,000	46,528	790,000	292,572
2023	3.500	390,000	233,856	1.65	420,000	40,302	810,000	274,158
2024	3.500	400,000	220,206	1.75	430,000	33,373	830,000	253,579
2025	3.500	415,000	206,206	1.85	435,000	25,847	850,000	232,053
2026	3.500	430,000	191,682	2.00	440,000	17,800	870,000	209,482
2027	3.500	445,000	176,631	2.00	450,000	9,000	895,000	185,631
2028	3.500	1,005,000	161,056	-	-	-	1,005,000	161,056
2029	3.625	1,045,000	125,881	-	-	-	1,045,000	125,881
2030	4.000	-	88,000	-	-	-	-	88,000
2031	4.000	2,200,000	88,000	-	-	-	2,200,000	88,000
		<u>\$ 9,325,000</u>	<u>\$ 4,098,910</u>		<u>\$ 5,715,000</u>	<u>\$ 727,590</u>	<u>\$ 15,040,000</u>	<u>\$ 4,826,500</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities (continued)

Revenue Bonds

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	1.25 %	\$ -	\$ 214,455	\$ 214,455
2015	1.25	510,000	211,278	721,278
2016	1.25	515,000	204,871	719,871
2017	1.25	520,000	198,403	718,403
2018	1.25-1.40	530,000	191,840	721,840
2019	1.40-1.60	555,000	184,643	739,643
2020	1.60-1.80	565,000	176,238	741,238
2021	1.80-2.00	575,000	166,543	741,543
2022	2.00-2.15	585,000	155,518	740,518
2023	2.15-2.30	595,000	143,271	738,271
2024	2.30-2.45	605,000	129,918	734,918
2025	2.45-2.50	620,000	115,365	735,365
2026	2.50-2.60	635,000	99,833	734,833
2027	2.60-2.75	650,000	83,445	733,445
2028	2.75-3.00	670,000	65,783	735,783
2029	3.00	690,000	46,220	736,220
2030	3.00-3.10	1,180,000	25,220	1,205,220
		<u>\$ 10,000,000</u>	<u>\$ 2,412,844</u>	<u>\$ 12,412,844</u>

The District pledged future local option (statewide) sales and services tax revenues to repay the \$10,000,000 of bonds issued in March of 2012. The bonds were issued for the purpose of financing a portion of the construction of and equipping a new high school. The bonds are payable solely from the proceeds of the local option statewide sales, and services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require 19 to 64 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$12,412,844. For the current year, payments of interest made on the bonds totaled \$178,721 and total statewide sales and service tax revenues were \$1,130,393.

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

- a) Bonds maturing after January 1, 2019, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

- b) \$746,718 of the proceeds from the bonds issued have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- c) Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

Capital Loan Notes

Details of the District's June 30, 2013 capital loan note indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	4.100 %	\$ 135,000	\$ 17,742	\$ 152,742
2015	4.125	145,000	12,206	157,206
2016	4.150	150,000	6,226	156,226
		<u>\$ 430,000</u>	<u>\$ 36,174</u>	<u>\$ 466,174</u>

During the year ended June 30, 2013 the District made principal and interest payments totaling \$153,136 under the note agreement.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 107 active and 13 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Other Postemployment Benefits (OPEB) (continued)

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

Annual required contribution	\$	82,505
Interest on net OPEB obligation		5,760
Adjustment to annual required contribution		<u>20,627</u>
Annual OPEB cost		67,638
Contributions made		<u>19,047</u>
Increase in net OPEB obligation		48,591
Net OPEB obligation beginning of year		<u>230,409</u>
 Net OPEB obligation end of year	 \$	 <u><u>279,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$19,047 to the medical plan.

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 154,406	53.7%	\$ 140,599
June 30, 2012	164,971	45.6%	230,409
June 30, 2013	67,638	28.2%	279,000

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 \$475,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$475,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,758,000, and the ratio of the UAAL to covered payroll was 17.2%. As of June 30, 2013, there were no trust fund assets.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 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 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000 and applied on a gender-specific basis.

The UAAL is being amortized as a level dollar cost over service of the group over 30 years.

Note 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 payroll for the year ended June 30, 2013. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$639,970, \$578,514, and \$477,226, respectively, equal to the required contributions for each year.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 8. Risk Management

North Polk Community School District is exposed to various risks of loss related to tarts; 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.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$471,552 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.

Note 10. Categorical Funding

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

Program	Amount
Returning dropout and dropout prevention program	\$ 507,149
Statewide voluntary preschool	127,988
Salary improvement program	60,424
Home school assistance program	47,951
Professional development for core curriculum	26,927
Professional development	26,792
Limited English proficiency	7,434
Early intervention	6,719
Market factor incentives	2,699
Additional teacher contract day	3
Total	\$ 814,086

Note 11. Construction Commitments

The District has entered into various contracts totaling \$24,923,880 for a new high school and an outdoor activity facility. As of June 30, 2013, costs of \$20,929,642 had been incurred against the contracts. The balance of \$3,994,238 remaining at June 30, 2013 will be paid as work on the project progresses.

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Required Supplementary Information

NORTH POLK COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year Ended June 30, 2013

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 8,432,371	\$ 466,089	\$ 8,898,460	\$ 8,907,087	\$ (8,627)
Intermediate sources	6,812	-	6,812	6,825	(13)
State sources	7,293,134	5,378	7,298,512	7,545,940	(247,428)
Federal sources	391,913	161,343	553,256	383,498	169,758
Total revenues	16,124,230	632,810	16,757,040	16,843,350	(86,310)
EXPENDITURES/EXPENSES:					
Instruction	8,251,584	-	8,251,584	8,648,165	396,581
Support services	5,123,106	36,942	5,160,048	5,181,735	21,687
Non-instructional programs	13,383	581,280	594,663	677,584	82,921
Other expenditures	19,439,253	-	19,439,253	16,629,987	(2,809,266)
Total expenditures/expenses	32,827,326	618,222	33,445,548	31,137,471	(2,308,077)
Excess (deficiency) of revenues over (under) expenditures/ expenses	(16,703,096)	14,588	(16,688,508)	(14,294,121)	(2,394,387)
Other financing sources, net	6,291,972	-	6,291,972	(7,108,050)	13,400,022
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(10,411,124)	14,588	(10,396,536)	(21,402,171)	11,005,635
Balance beginning of year	21,527,809	90,537	21,618,346	24,038,597	(2,420,251)
Balance end of year	\$ 11,116,685	\$ 105,125	\$ 11,221,810	\$ 2,636,426	\$ 8,585,384

See accompanying independent auditor's report.

NORTH POLK 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 comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2013, expenditures in the other expenditures function exceeded the amount budgeted.

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 1,285	\$ 1,285	0.0%	\$ 5,370	23.9%
2011	July 1, 2009	-	1,283	1,283	0.0%	6,880	18.6%
2012	July 1, 2009	-	1,238	1,238	0.0%	7,138	17.3%
2013	July 1, 2012	-	475	475	0.0%	2,758	17.2%

See note 6 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 POLK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2013

	Special Revenue		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 88,511	\$ 199,813	\$ 288,324
Receivables:			
Property tax:			
Current year	1,663	-	1,663
Succeeding year	299,999	-	299,999
Accounts	1,805	10,818	12,623
Prepaid expenses	8,298	-	8,298
Total assets	<u>\$ 400,276</u>	<u>\$ 210,631</u>	<u>\$ 610,907</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 24,301	\$ 24,301
Deferred revenue:			
Succeeding year property tax	299,999	-	299,999
Total liabilities	<u>299,999</u>	<u>24,301</u>	<u>324,300</u>
Fund balances:			
Nonspendable:			
Prepaid expenses	8,298	-	8,298
Restricted for:			
Management levy purposes	91,979	-	91,979
Student activities	-	186,330	186,330
Total fund balances	<u>100,277</u>	<u>186,330</u>	<u>286,607</u>
Total liabilities and fund balances	<u>\$ 400,276</u>	<u>\$ 210,631</u>	<u>\$ 610,907</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2013

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local sources:			
Local tax	\$ 249,295	\$ -	\$ 249,295
Other	6,329	324,177	330,506
State sources	84	-	84
Total revenues	<u>255,708</u>	<u>324,177</u>	<u>579,885</u>
Expenditures:			
Current:			
Instruction:			
Regular	56,709	-	56,709
Special	2,358	-	2,358
Other	-	288,602	288,602
Support services:			
Student	10,413	5,594	16,007
Instructional staff	5,393	3,031	8,424
Administration	27,304	1,779	29,083
Operation and maintenance of plant	98,897	5,834	104,731
Transportation	32,447	-	32,447
Non-instructional programs	11,487	-	11,487
Total expenditures	<u>245,008</u>	<u>304,840</u>	<u>549,848</u>
Excess of revenues over expenditures	10,700	19,337	30,037
Fund balances beginning of year	<u>89,577</u>	<u>166,993</u>	<u>256,570</u>
Fund balances end of year	<u>\$ 100,277</u>	<u>\$ 186,330</u>	<u>\$ 286,607</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF NET POSITION
NONMAJOR ENTERPRISE FUNDS

June 30, 2013

	Enterprise Funds		
	School Nutrition	Vending	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 9,436	\$ 2,260	\$ 11,696
Accounts receivable	4,296	-	4,296
Due from other governments	18,448	-	18,448
Inventories	13,910	-	13,910
Prepaid expenses	1,139	-	1,139
Total current assets	<u>47,229</u>	<u>2,260</u>	<u>49,489</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	75,627	-	75,627
Total assets	<u>122,856</u>	<u>2,260</u>	<u>125,116</u>
Liabilities			
Current liabilities:			
Accounts payable	89	-	89
Salaries and benefits payable	1,339	-	1,339
Deferred revenue	14,549	-	14,549
Total current liabilities	<u>15,977</u>	<u>-</u>	<u>15,977</u>
Noncurrent liabilities:			
Net OPEB liability	4,014	-	4,014
Total liabilities	<u>19,991</u>	<u>-</u>	<u>19,991</u>
Net Position			
Net investment in capital assets	75,627	-	75,627
Unrestricted	27,238	2,260	29,498
Total net position	<u>\$ 102,865</u>	<u>\$ 2,260</u>	<u>\$ 105,125</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2013

	Enterprise Funds		Total
	School Nutrition	Vending	
Operating revenues:			
Local sources:			
Charges for services	\$ 464,589	\$ 774	\$ 465,363
Operating expenses:			
Support services:			
Salaries	12,014	-	12,014
Benefits	1,972	-	1,972
Purchased services	6,886	-	6,886
Supplies	11,356	-	11,356
Other	4,702	12	4,714
	<u>36,930</u>	<u>12</u>	<u>36,942</u>
Non-instructional programs:			
Salaries	207,196	-	207,196
Benefits	48,425	-	48,425
Purchased services	2,752	-	2,752
Supplies	312,046	728	312,774
Depreciation	10,018	-	10,018
Other	115	-	115
	<u>580,552</u>	<u>728</u>	<u>581,280</u>
Total operating expenses	<u>617,482</u>	<u>740</u>	<u>618,222</u>
Operating income (loss)	(152,893)	34	(152,859)
Non-operating revenues:			
Interest on investments	675	51	726
State sources	5,378	-	5,378
Federal sources	161,343	-	161,343
Total non-operating revenues	<u>167,396</u>	<u>51</u>	<u>167,447</u>
Net income	14,503	85	14,588
Net position beginning of year	<u>88,362</u>	<u>2,175</u>	<u>90,537</u>
Net position end of year	<u>\$ 102,865</u>	<u>\$ 2,260</u>	<u>\$ 105,125</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2013

	Enterprise Funds		
	School Nutrition	Vending	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 457,023	\$ -	\$ 457,023
Cash received from miscellaneous operating activities	10,106	774	10,880
Cash payments to employees for services	(273,920)	-	(273,920)
Cash payments to suppliers for goods or services	(316,633)	(740)	(317,373)
Net cash provided by (used by) operating activities	<u>(123,424)</u>	<u>34</u>	<u>(123,390)</u>
Cash flows from non-capital financing activities:			
State grants received	5,378	-	5,378
Federal grants received	118,311	-	118,311
Net cash provided by non-capital financing activities	<u>123,689</u>	<u>-</u>	<u>123,689</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(1,153)</u>	<u>-</u>	<u>(1,153)</u>
Cash flows from investing activities:			
Interest on investments	<u>675</u>	<u>51</u>	<u>726</u>
Net increase (decrease) in cash and cash equivalents	(213)	85	(128)
Cash and cash equivalents beginning of year	<u>9,649</u>	<u>2,175</u>	<u>11,824</u>
Cash and cash equivalents end of year	<u>\$ 9,436</u>	<u>\$ 2,260</u>	<u>\$ 11,696</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2013

	<u>Enterprise Funds</u>		
	<u>School</u>		
	<u>Nutrition</u>	<u>Vending</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ (152,893)	\$ 34	\$ (152,859)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Depreciation	10,018	-	10,018
Commodities used	24,584	-	24,584
Decrease in accounts receivable	2,152	-	2,152
Decrease in inventories	624	-	624
(Decrease) in accounts payable	(5,369)	-	(5,369)
(Decrease) in salaries and benefits payable	(4,313)	-	(4,313)
Increase in deferred revenue	388	-	388
Increase in net OPEB liability	1,987	-	1,987
(Increase) in prepaid expense	(602)	-	(602)
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used by) operating activities	\$ <u>(123,424)</u>	\$ <u>34</u>	\$ <u>(123,390)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$24,584 of federal commodities.

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Assets				
Cash and pooled investments	\$ 9,083,952	\$ 275,215	\$ 6,878	\$ 9,366,045
Receivables:				
Property tax:				
Current year	-	3,334	-	3,334
Succeeding year	-	524,091	-	524,091
Accrued interest	1,322	-	-	1,322
Due from other governments	180,285	8	-	180,293
	<u>\$ 9,265,559</u>	<u>\$ 802,648</u>	<u>\$ 6,878</u>	<u>\$ 10,075,085</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,351,843	\$ 163,432	\$ -	\$ 1,515,275
Deferred revenue:				
Succeeding year property tax	-	524,091	-	524,091
Total liabilities	<u>1,351,843</u>	<u>687,523</u>	<u>-</u>	<u>2,039,366</u>
Fund balances:				
Restricted for:				
Revenue bond reserve fund	746,718	-	-	746,718
Debt service	107,233	-	-	107,233
Other capital projects	-	-	6,878	6,878
School infrastructure	7,059,765	-	-	7,059,765
Physical plant and equipment	-	115,125	-	115,125
Total fund balances	<u>7,913,716</u>	<u>115,125</u>	<u>6,878</u>	<u>8,035,719</u>
Total liabilities and fund balances	<u>\$ 9,265,559</u>	<u>\$ 802,648</u>	<u>\$ 6,878</u>	<u>\$ 10,075,085</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS ACCOUNTS
Year Ended June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 1,130,393	\$ 502,154	\$ -	\$ 1,632,547
Other	250,834	10,704	44,702	306,240
State sources	-	158	-	158
Total revenues	<u>1,381,227</u>	<u>513,016</u>	<u>44,702</u>	<u>1,938,945</u>
Expenditures:				
Current:				
Instruction:				
Regular	-	24,923	-	24,923
Other	-	32,794	-	32,794
Support services:				
Instructional staff	434,059	173,684	-	607,743
Administration	-	2,623	468	3,091
Operation and maintenance of plant	307,213	59,281	-	366,494
Transportation	71,902	-	-	71,902
Non-instructional programs	1,785	-	-	1,785
Other expenditures:				
Facilities acquisition	4,062,788	49,110	13,259,461	17,371,359
Debt service:				
Interest and other charges	-	-	77,056	77,056
Total expenditures	<u>4,877,747</u>	<u>342,415</u>	<u>13,336,985</u>	<u>18,557,147</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS ACCOUNTS
Year Ended June 30, 2013

	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Other Construction Projects</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	(3,496,520)	170,601	(13,292,283)	(16,618,202)
Other financing sources (uses):				
Compensation for loss of capital assets	2,107	32,985	107,725	142,817
General obligation bonds issued	-	-	6,100,000	6,100,000
Bond premium	-	-	45,726	45,726
Intrafund transfers in*	-	-	2,395,957	2,395,957
Intrafund transfers out*	(2,395,957)	-	-	(2,395,957)
Interfund transfers out	(180,221)	(185,637)	-	(365,858)
Total other financing sources (uses)	<u>(2,574,071)</u>	<u>(152,652)</u>	<u>8,649,408</u>	<u>5,922,685</u>
Net change in fund balances	(6,070,591)	17,949	(4,642,875)	(10,695,517)
Fund balances beginning of year	<u>13,984,307</u>	<u>97,176</u>	<u>4,649,753</u>	<u>18,731,236</u>
Fund balances end of year	<u>\$ 7,913,716</u>	<u>\$ 115,125</u>	<u>\$ 6,878</u>	<u>\$ 8,035,719</u>

* = These amounts have been eliminated from the basic financial statements.

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics				
All Sports	\$ 16,678	\$ 26,529	\$ 23,694	\$ 19,513
Weight Lifting	(1,521)	2,000	961	(482)
Cross Country	(91)	2,929	2,660	178
Cheerleading	3,654	3,683	7,863	(526)
Senior Moms	66	-	-	66
Boys Tennis	643	80	182	541
Coed Golf	1,621	2,280	2,527	1,374
Boys Basketball	7,128	11,572	9,825	8,875
Football	19,148	31,752	31,160	19,740
Soccer	2,741	3,054	4,739	1,056
Baseball	(1,469)	23,688	13,969	8,250
Boys Track	(971)	3,625	3,089	(435)
Wrestling	8,327	8,222	9,022	7,527
Girls Basketball	5,819	8,388	10,969	3,238
Volleyball	4,087	7,581	6,378	5,290
Girls Soccer	(1,429)	1,351	3,133	(3,211)
Girls Tennis	5,187	1,574	2,050	4,711
Softball	6,572	7,701	11,130	3,143
Girls Track	555	3,032	2,042	1,545
	76,745	149,041	145,393	80,393
Activities				
Misc. Activity				
Interest on Investments	22,906	5	3,380	19,531
Elementary Academic Excellence	1,117	-	-	1,117
Camp Hantesa	(454)	4,101	267	3,380
HS Yearbook	4,113	8,993	9,385	3,721
Elementary Yearbook	2,753	2,287	975	4,065
National Honor Society	(5)	480	475	-
Student Council	3,662	2,100	752	5,010
Student Council - Character Counts	132	-	-	132
MS Student Council	3,091	5,155	3,527	4,719
Key Club	1,734	809	1,278	1,265
Drama	4,260	2,210	745	5,725
HS Musical	731	1,729	1,219	1,241
HS Vocal Music	(263)	807	544	-
HS Instrumental Music	(318)	5,509	5,191	-
Speech	(123)	1,804	1,681	-
Show Choir	2,589	1,856	3,530	915
HS Dance	5,067	7,502	7,173	5,396

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Activities (continued)				
Flags	\$ (187)	\$ 348	161	\$ -
FFA	3,481	47,833	41,225	10,089
Horticulture	636	1,748	604	1,780
Tag/Mock Trial	13	-	-	13
National Art Honor Society	470	290	410	350
HOIAC Fine Arts Fest	(492)	492	-	-
Spanish Club	758	824	649	933
Class of 2011	2,024	-	-	2,024
Class of 2012	8,198	-	-	8,198
Class of 2013	11,482	43,647	50,264	4,865
Class of 2014	6,595	1,648	1,111	7,132
Class of 2015	2,270	353	-	2,623
Class of 2016	2,298	405	-	2,703
Class of 2017	367	361	-	728
Class of 2018	-	441	-	441
Junior-Senior High Academic Excellence	328	370	-	698
West Running Club	592	3,585	995	3,182
Concessions	423	17,834	14,272	3,985
MS Comet Pride	-	-	24	(24)
Baseball Concessions	-	9,610	9,610	-
	<u>90,248</u>	<u>175,136</u>	<u>159,447</u>	<u>105,937</u>
 Total	 <u>\$ 166,993</u>	 <u>\$ 324,177</u>	 <u>\$ 304,840</u>	 <u>\$ 186,330</u>

See accompanying independent auditor's report.

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NORTH POLK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2013

	<u>Admin. Pop</u>	<u>Jr./Sr. Teacher Pop</u>	<u>Central Teacher Pop</u>	<u>West Teacher Pop</u>
Balance beginning of year	\$ 66	\$ (105)	\$ (657)	\$ (85)
Additions:				
Collections	91	65	118	167
Deductions:				
Miscellaneous	178	795	743	344
Balance end of year	<u>\$ (21)</u>	<u>\$ (835)</u>	<u>\$ (1,282)</u>	<u>\$ (262)</u>

See accompanying independent auditor's report.

<u>Activity Host Account</u>	<u>Wellness</u>	<u>High School Project</u>	<u>Total</u>
\$ 463	\$ 178	\$ 290	\$ 150
21,560	82	-	22,083
21,738	166	290	24,254
<u>\$ 285</u>	<u>\$ 94</u>	<u>\$ -</u>	<u>\$ (2,021)</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues:				
Local sources:				
Local tax	\$ 7,081,562	\$ 6,891,670	\$ 6,134,612	\$ 5,480,433
Tuition	481,569	402,825	384,328	406,505
Other	869,240	860,697	648,902	549,255
Intermediate sources	6,812	6,446	6,191	6,061
State sources	7,293,134	6,905,962	6,456,463	5,141,864
Federal sources	391,913	581,138	537,555	1,068,579
	<u>\$ 16,124,230</u>	<u>\$ 15,648,738</u>	<u>\$ 14,168,051</u>	<u>\$ 12,652,697</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 5,539,115	\$ 5,316,150	\$ 5,133,596	\$ 4,926,965
Special instruction	1,173,531	1,022,118	884,169	1,036,813
Other instruction	1,538,938	1,370,378	1,538,918	1,270,689
Support services:				
Student	462,852	454,272	420,799	406,682
Instructional staff	1,016,119	588,895	501,029	512,060
Administration	1,307,063	1,202,040	1,181,327	972,391
Operation and maintenance of plant	1,652,070	1,200,207	1,122,173	1,106,351
Transportation	685,002	743,973	631,611	660,852
Non-instructional programs	13,383	17,906	15,552	33,084
Other expenditures:				
Facilities acquisition	17,371,359	6,454,172	286,396	259,186
Long-term debt:				
Principal	939,591	1,218,766	566,009	1,140,263
Interest and fiscal charges	656,751	685,344	71,458	116,019
AEA flowthrough	471,552	451,679	473,163	441,730
	<u>\$ 32,827,326</u>	<u>\$ 20,725,900</u>	<u>\$ 12,826,200</u>	<u>\$ 12,883,085</u>

See accompanying independent auditor's report.

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$	5,471,896	\$ 5,063,894	\$ 4,579,249	\$ 4,439,507	\$ 3,887,528	\$ 3,662,930
	385,067	377,427	373,556	453,526	461,602	454,535
	590,844	682,738	644,800	528,220	388,150	337,436
	7,077	-	11,188	-	-	-
	5,594,749	5,613,106	4,807,369	4,384,723	3,889,212	3,767,570
	201,505	122,121	116,978	120,573	115,493	134,184
	<u>\$ 12,251,138</u>	<u>\$ 11,859,286</u>	<u>\$ 10,533,140</u>	<u>\$ 9,926,549</u>	<u>\$ 8,741,985</u>	<u>\$ 8,356,655</u>
\$	4,759,848	\$ 4,064,653	\$ 4,094,113	\$ 3,863,762	\$ 3,553,496	\$ 3,270,362
	851,649	1,114,651	874,811	586,063	575,500	635,666
	1,133,653	1,033,253	911,227	855,463	571,095	543,787
	580,964	366,617	318,675	334,752	321,212	314,519
	427,478	281,882	222,144	192,359	194,186	166,126
	1,007,788	909,889	867,148	876,731	816,337	753,917
	1,258,570	1,093,517	1,003,448	839,188	648,104	643,084
	535,704	586,689	441,554	398,838	401,656	336,161
	6,934	-	-	-	-	-
	442,816	965,308	65,258	17,497	80,599	51,113
	1,087,375	1,044,152	895,700	860,451	800,144	555,000
	151,701	180,526	169,461	198,610	225,299	257,537
	377,956	363,229	317,861	283,630	254,187	253,854
	<u>\$ 12,622,436</u>	<u>\$ 12,004,366</u>	<u>\$ 10,181,400</u>	<u>\$ 9,307,344</u>	<u>\$ 8,441,815</u>	<u>\$ 7,781,126</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Polk 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 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Polk 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 Polk Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Polk Community School District's internal control over financial reporting.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify and deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in Part I of the accompanying Schedule of Findings as items I-A-13 through I-E-13, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Polk 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, noncompliance 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 noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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

North Polk Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. North Polk 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 Polk 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.

Oskaloosa, Iowa
March 6, 2014

Hunt + Associates, P.C.

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-13 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. A second individual now reviews all general ledger postings. A second individual is not, however, reviewing the bank reconciliations or journal entries.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring procedures to obtain the maximum internal control possible under the circumstances. A second individual separate from the bank reconciliation process should review the bank reconciliations and an individual independent of journal entries should review journal entries.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

I-B-13 Fundraisers – We noted in our testing of Special Revenue, Student Activity Fund fundraisers that no fundraiser reconciliations are prepared by the activity sponsors. We also noted that no gate ticket reconciliations were prepared for football games.

Recommendation – The District should adopt and enforce a policy which requires a fundraiser reconciliation to be completed by sponsors for all fundraisers. This reconciliation should tie total sales receipts to the related bank deposits and reconcile receipts to the related disbursements. This would help to determine if the fundraiser met the expected profit margin and to ensure all sales money has been collected and deposited. Gate tickets should be issued for all major District sporting events and gate ticket reconciliations should be prepared to tie total sales of tickets to the total event revenue and subsequent cash deposit to the bank.

Response – We will consider implementing these recommended fundraiser procedures in the Activity Fund and we will investigate and implement controls over Activity sporting event revenues.

Conclusion – Response accepted.

I-C-13 Disbursements – Out of forty disbursements tested, one was not supported by an invoice or receipt prior to a check being released for payment.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation prior to the check being released for payment.

Response – We will make sure that all future disbursements are properly supported prior to the check being released for payment.

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part I: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

I-C-13 Disbursements (continued)

Conclusion – Response accepted.

I-D-13 Financial Reporting – We noted that the District receives a patronage dividend from the local cooperative. The District nets these receipts against an expenditure account and records an offsetting miscellaneous asset. We also noted that the District nets some Activity Fund revenues related to booster club reimbursements to student concessions expenditure accounts. These practices bypass the budgeting process by understating expenditures, and the patronage dividend process understates the related cash account. The General Fund cash was understated by \$5,671 due to the above noted process but entries were made to the District's financial records to properly reflect the true cash balances at June 30, 2013.

Recommendation – The District should properly record all future patronage dividends as cash in and an associated local revenue to properly reflect the transaction in the District's financial records. The District should also properly record future booster reimbursements as revenue to the applicable fund. These changes will properly reflect cash transactions and balances in the financial statements and general ledger, and will avoid bypassing the budgeting process by avoiding the understatement of District expenditures through netting revenues to expenditure accounts. The underlying assets will be better protected by easing the user's ability to track transactions through the District's financial records.

Response – We have already corrected the processes related to the patronage dividend receipts and will properly record those receipts in the future. We will also avoid netting any other revenue items to expenditure accounts in the future.

Conclusion – Response accepted.

I-E-13 General Ledger – We noted in our testing of year end receivable and payable accruals and inventory balances that several accrual accounts and inventory accounts had not been properly adjusted to reflect accurate year end levels. We noted that some receivables and payables were improperly reversed, and we noted that several inventory account balances had not been adjusted to reflect any current year activity.

Recommendation – All accrual accounts should be adjusted at year end to reflect the accurate levels of current year accruals. All inventory accounts should also be adjusted to reflect current year changes in those inventory levels. These practices will help to ensure more accurate financial statement presentation and will help to protect the underlying assets.

Response – We will make the proper changes to these general ledger accounts in the future so that all accounts properly reflect the current year changes and balances.

Conclusion – Response accepted.

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting:

II-A-13 Certified Budget – Expenditures for the year ended June 30, 2013, exceeded the amount budgeted in the other expenditures functions.

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

Response – We will amend our budget in sufficient amounts before expenditures exceed the budget in the future.

Conclusion – Response accepted.

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

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 or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Julie Krehbiel, Spouse of Board Member Tim Krehbiel	Teacher associate	\$10,055
Deb Reinhart, Spouse of Board Member Gary Reinhart	Secretary	\$9,860

In accordance with an Attorney General’s opinion dated November 9, 1976, the transaction with the Board Members’ spouses 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 ensure that the coverage is adequate for current operations.

II-F-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted. However, we noted that some Board minutes are being published later than the two-week period required by Chapter 279.35-36 of the Code of Iowa.

Recommendation – The District should publish all Board minutes within two weeks after the meetings to comply with Code of Iowa requirements.

Response – This was an oversight on our part and we will timely publish all minutes in the future.

Conclusion – Response accepted.

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting (continued):

- II-G-13 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-13 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales and Services Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$ 13,984,307
Revenues and other financing sources:		
Sales tax revenues	\$ 1,130,393	
Interest	250,834	
Compensation for loss of capital assets	2,107	1,383,334
Expenditures/transfers out:		
School infrastructure construction	3,804,301	
Equipment	635,030	
Other	438,416	
Transfers to other funds:		
Debt Service Fund	180,221	
Intrafund transfers	2,395,957	7,453,925
Ending balance		\$ 7,913,716

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.

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting (continued):

- II-M-13 Student Activity Fund – We noted in our testing of the Special Revenue, Student Activity Fund that the District has a stand-alone account which receives all interest revenues. The balance of that account at June 30, 2013 was \$19,530.

Recommendation – The District should either allocate all interest revenues received by the Activity Fund amongst all activity accounts or the Board should assign the interest to particular groups as need arises.

Response – We will investigate this situation and will properly allocate interest revenues in the future.

Conclusion – Response accepted.

- II-N-13 Financial Condition – We noted that the District’s Agency Fund had an overall deficit balance of \$2,021. The Agency Fund should consist of assets held by the District solely as an agent for other entities. This makes the Agency Fund custodial in nature and assets should always equal liabilities. Once the associated asset is consumed by the Agency, no further expenses can be made from the Agency Fund. The District therefore has covered an Agency’s over expenditure with District funds.

Recommendation – The District should contact the appropriate Agencies and request the funds to cover the deficit balances. In the future, once an Agency’s assets have been consumed, the District should make no further disbursements on behalf of the Agency.

Response – We will investigate this situation and take the appropriate measures to avoid this situation in the future.

Conclusion – Response accepted.