

North Scott Community School District

Financial Report

June 30, 2013

Comprehensive Annual Financial Report of the

North Scott Community School District
Eldridge, Iowa

For the Fiscal Year Ended June 30, 2013

Official Issuing Report
Jill Van Roekel – Director of Business Affairs

Office Issuing Report
Business Office

Notice

The North Scott Community School District does not discriminate on the basis of race, color, national origin, religion, sex, disability, sexual orientation, gender identity or marital status in its educational programs, services or employment practices. Inquiries concerning application of this statement should be addressed to:

Kelly Rohlf, Equity Coordinator

*308 North Main Street
Donahue, Iowa 52746*

563-282-9627

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INTRODUCTORY SECTION



North Scott Community Schools

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. . . . a commitment to the community.

December 2, 2013

Mr. Paul Dierickx, President
and Members of the Board of
Education and Citizens of
North Scott Community School District
Eldridge, Iowa

We are delighted to submit to you the Comprehensive Annual Financial Report, (CAFR) of the North Scott Community School District, (the "District") for the year ending June 30, 2013. This report has been prepared to conform to guidelines recommended by the Association of School Business Officials International and the Government Finance Officers Association of the United States and Canada.

The report presents the financial information of the District accurately and concisely. It is comprehensive, yet easily readable. The Comprehensive Annual Financial Report will be submitted to the Association of School Business Officials of the United States and Canada (ASBO) for review for the ASBO Certificate of Excellence and to the Government Finance Officers Association for the GFOA Certificate of Achievement.

This letter of transmittal is designed to complement the Management's Discussion and Analysis included within the financial section of the CAFR and should be read in conjunction with it.

Management Responsibility

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed information is fairly stated in all material respects and is presented in a manner which sets forth the financial position and results of operations of the various funds and account groups of the District in accordance with generally accepted accounting principles, (GAAP). It includes the entire District. The District is not included in any other reporting entity, nor is any other entities included within this report. All disclosures necessary to enable a reader to gain maximum understanding of the District's financial activities have been included.

Basis of Accounting and Accounting System

The District's accounting records for general operations are maintained on a modified accrual basis, with the revenue being accrued when available and measurable. Expenditures are recorded when the services or goods are received and the liabilities are incurred. Accounting records for the District's nutrition and day care programs and internal service fund are maintained on the accrual basis. All the District's funds are presented in this report and have been audited by the District's independent certified public accountants, Bohnsack & Frommelt LLP, Certified Public Accountants.

The chart of accounts used by the District is in conformance with the revised Uniform Accounting System for Iowa Schools and Area Education Agencies 2009 Edition. The chart of accounts manual is updated on an annual basis.

In developing and evaluating the accounting system of the school District, much consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognized that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the internal accounting controls of the school District adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Profile of the Government

North Scott Community School District was incorporated November 1956. The District is supported financially by state aid, property taxes, state and federal grants for special projects and local revenue. The District is governed by a seven-member board of education. The elections are held in September of odd-numbered years. Three and four positions are up for election on alternate odd-numbered years. All board members are elected at large.

The combined financial statements include all funds, organizations, account groups, agencies, boards, commissions and other 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 criteria considered in determining financial accountability include appointing a voting majority of an organization's governing body, and 1) the ability of the District to impose its will on that organization or 2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District.

The District provides a full range of educational services for residents of the North Scott Community School District appropriate to students in early childhood and grades kindergarten through twelve. The District serves approximately 3,000 students. These services include basic, regular and enriched academic education, specialized education for handicapped children, vocational education and many individualized programs such as specialized instruction for students at-risk.

Debt Administration

As of June 30, 2013 the District had \$10,000,000 of debt applicable to its legal debt margin. This amount is well below the District's bonding capacity of \$46,282,177.

Financial Policies

The District invests in only those securities allowed by the Code of Iowa, Chapter 12C. Because of the timing of the state aid payments, a portion of the available cash must be kept in very liquid accounts. To maximize investment return, the District invested in a bank Sweep Account with an average rate of .76%, the Iowa Schools Joint Investment Trust with an average rate of .0100% and IPAS with an average rate of .0124%. Interest revenue of \$32,187 was earned on all investments for the fiscal year ending June 30, 2013. This represents an increase of \$6,003 or 23%. The increase in revenue is attributed to greater deposits being held in interest bearing accounts.

The Iowa Schools Joint Investment Trust and the Education Liquidity Fund are common law trusts established under Iowa Law pursuant to Chapter 28E and Section 279.29, Iowa code (1985), as amended which authorized Iowa schools to jointly invest monies pursuant to a joint investment agreement. The objective of the liquid accounts is to maintain a high degree of liquidity and safety of principal through investment in short-term securities as permitted for Iowa schools under Iowa law. Money may be withdrawn at any time.

The District currently covers property and liability losses with traditional insurance coverage through the Iowa Association of School Board's group plan carried by Employer's Mutual Insurance Company. Worker's Compensation coverage is provided by United Heartland. The group health plan is partially self-funded with stop loss policies purchased for both specific and group aggregate limits. The dental and vision plans are also self-funded with individual limits of the amount the plan will pay annually.

Budgeting

The District's Board of Education annually adopts a budget and approves the related appropriations for the General, Special Revenue, Debt Service, Capital Projects and Enterprise Funds in accordance with provisions outlined in the statutes of the State of Iowa. The budgets are prepared on an accrual basis, which details estimates of GAAP revenues and GAAP expenditures, and use of beginning fund balances, whereas the financial statements of the funds are prepared on either the modified accrual basis or accrual basis of accounting. A statement comparing the budget to actual receipts and disbursements is included in the required supplemental information in aggregate form for fund types for which budgets are required.

For management control, the budget is reviewed on a line item basis for up to a 10% variance. However, since a budget is a plan, overages on a line item basis are allowed if sufficient funds are available on a major function basis.

Enrollment Projections

With the North Scott Community School District being a suburb of a large metropolitan area, growth to the District is dependent on new housing additions and new families moving into the area. In the last few years, the enrollment has been shifting from the rural areas of the District to the center of the District where the junior high and high school are located as well as the major highways to allow for commuting into the larger metropolitan area. It is projected that enrollment will stay steady with a continued shift in enrollment to the center of the District. The District is reviewing options for expenditure reductions as enrollment shifts to the center of the District and reductions in enrollment in the rural attendance centers continues.

Age of School Buildings

The District was incorporated in 1956. A high school was completed in 1958, followed by the construction of five elementary buildings and a Jr. High building between 1967 and 1976. Major building additions were completed on all seven educational buildings between 1998 and 2000. In addition, major interior renovations have been completed in each of these buildings.

Major Initiatives and Achievements

Despite pressures from financial challenges, the 2012-2013 school year was a year of growth, achievement and change. Following are some of the major accomplishments or initiatives from the 2012-2013 year.

- The District has joined a partnership with the Mississippi Bend AEA and University of Northern Iowa's Jacobsen Center for Literacy to train building literacy coaches. Their responsibilities include coaching, modeling and providing professional development for teachers to improve their instructional expertise.
- The staff is continuing unit design incorporating their learning of Iowa Core, Daggett's work, and literacy.
- The District is involved with professional development opportunities focusing on the Iowa Core and Common Core, especially in the core areas of Literacy and Math.
- For the seventh year, the District assessed students in grades 3-10 on the Measures of Academic Progress assessment. This is a computerized individual growth assessment.
- The board and administrators collaborated to write a new literacy goal for the District using BRI data in grades 1-10. Data has been collected and reported on for a second year.
- This year's History Day theme of "Turning Points in History" encompassed hundreds of people, ideas and events. Forty-two North Scott students completed History Day projects and shared them at the local and St. Ambrose regional level during the 2012-2013 school year. Thirty-five students advanced to the state level. Seventeen students represented North Scott at the National History Day competition in June 2013. 2789 students (1413 Junior Division students & 1376 Senior Division students) from all 50 states, Washington D.C., American Samoa, Guam, Department of Defense Schools in Puerto Rico, and International Schools in China, South Korea and Southeast Asia participated in this year's event. Three North Scott students in the Junior Division placed third in the nation with their group exhibit and received a monetary award and two students placed twelfth in the National Senior Division Group Documentary category. One student in Senior Individual Performance shared his play with the Ambassador of Finland and other Embassy employees and guests at the Finnish Embassy in Washington D.C.
- Every school faculty is studying Response to Intervention to respond to individual student's needs in an organized, sequential manner using the multiple resources available within the school, District, and community.
- Every school building has reading specialists to assist with literacy remediation in grades 1-9.
- Continuation of a web-based student records/management system allows parents to view student assignments, grades and progress.
- Apex, a credit recovery program, is offered to students at the high school.
- The District has installed interactive white boards to update technology use with students. Boards are installed in all elementary classrooms and in core content classrooms at the junior and senior high buildings. Also, every building has at least one interactive white board in a common area.

District efforts are focused on supporting and increasing student learning. Listed below is information on student achievement for 2012-13:

- 86% of 4th grade students were proficient in reading.
- 88% of 4th grade students were proficient in math.
- 80% of the 8th grade students were proficient in reading.
- 82% of the 8th grade students were proficient in math.
- 11th grade had 81% of students proficient in reading, and 80% proficient in math.
- The dropout rate of students in grades 7-12 in 2011-2012 was 1.62% (latest data available).
- 100% of 2012-2013 North Scott graduates completed a core program of 4 years of English, and 3 years each of math, science, and social studies.
- The North Scott 2012-2013 grades K-8 Average Daily Attendance rate was 96.9%.
- The 2012 graduation rate for the North Scott Community School District was 82.4%.
- 87.6% of 2013 graduating seniors indicated they intended to pursue post-secondary education or training.

Economic Condition and Outlook

The District's General Fund Balance increased by \$130,071, and the Unassigned Fund Balance increased by \$101,907. This increase in the Unassigned Fund Balance is due to a combination of (1) continuing the cash reserve levy, and (2) limiting expenditures to be comparable to prior year expenditures.

A revenue purpose statement was approved in September 2012. This will allow the District to plan and improve District facilities over the next 10 to 15 years.

As a result of the November 2012 general election, Iowa will have a Republican governor, a Republican House of 53 Republicans and 47 Democrats, and a Senate of 26 Democrats and 24 Republicans. It is projected that unless there is bipartisan cooperation, State spending for school's allowable growth will be limited, with additional categorical aid given to schools to help work towards the Model Core Curriculum and teacher/administrator professional development and evaluation programs.

Division VII of House File 215 established the Teacher Leadership and Compensation System, as well as the Teacher Leadership Supplement (TLS) of categorical funding. There is \$3.5 million of planning grants available for the 2013-14 school year as well as \$50 million available per year for the 2014-15 through 2016-17 school years for phased-in entry to the program. This funding will be distributed on a per-pupil basis which is estimated to be \$310 per student.

Independent Audit

The Code of the State of Iowa requires an annual audit of the District to be performed by an accounting firm selected in a competitively bid process. The annual audit meets the requirements of the Code of Iowa, generally accepted auditing standards and the requirements of the 1996 Amendment to the Single Audit Act, and related OMB Circular A-133. The auditor's report on the general purpose financial statements and combining individual fund statements is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in a separate section for the internal controls and compliance.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting, and the Association of School Business Officials of the United States and Canada (ASBO) awards a Certificate of Excellence in Financial Reporting. The North Scott Community School District received both of these certificates for its comprehensive annual financial report for fiscal year ended June 30, 2012. Each certificate is a prestigious national award, recognizing conformance with the highest standards for preparation of governmental financial reports.

In order to be eligible to receive the Certificates, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

These certificates are valid for a period of one year only. The North Scott Community School District received these awards for the first time for its fiscal year 1983 ASBO Comprehensive Annual Financial Report and the 1985 GFOA Certificate of Achievement for Excellence in Financial Reporting. We believe that our current CAFR conforms to the requirements for both awards and, therefore, we are submitting it to ASBO and GFOA to determine its eligibility for each certificate.

Other Matters

Also included in this report is a statistical section that will give the reader a better understanding of the school system with background and additional financial data. The background information includes the following:

1. Analysis of facilities, classroom and staffing
2. Staffing levels for a ten (10) year period
3. Location and economic profile
4. Major taxpayers of the District
5. Major employers of the District
6. Enrollments by grade level
7. Operating cost per pupil
8. Schedule of insurance coverage
9. History of state aid payments
10. Free and reduced percentages
11. Teacher average salary and education
12. Local regular program budget vs. teacher settlements
13. Other labor settlements
14. Financial solvency ratio

We wish to take this opportunity to thank the administrative office staff who assisted in obtaining and organizing data, the County Auditor and Treasurer offices and the city and town officials who provided much needed information. Without all of the above groups' efforts, the report could not have been completed.

Finally, sincere appreciation is extended to the Board of Directors, where the commitment to excellence begins. It is with great pride that this year's Comprehensive Annual Financial Report is submitted to the Board of Directors.

Very truly yours,



Jill Van Roekel
Director of Business Affairs



Jeff Schwiebert
Superintendent of Schools

Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award
is presented to*

North Scott Community School District

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2012*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, appearing to read "Ron McCulley", written over a horizontal line.

Ron McCulley, CPPB, RSBO
President

A handwritten signature in black ink, appearing to read "John D. Musso", written over a horizontal line.

John D. Musso, CAE, RSBA
Executive Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**North Scott Community
School District, Iowa**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

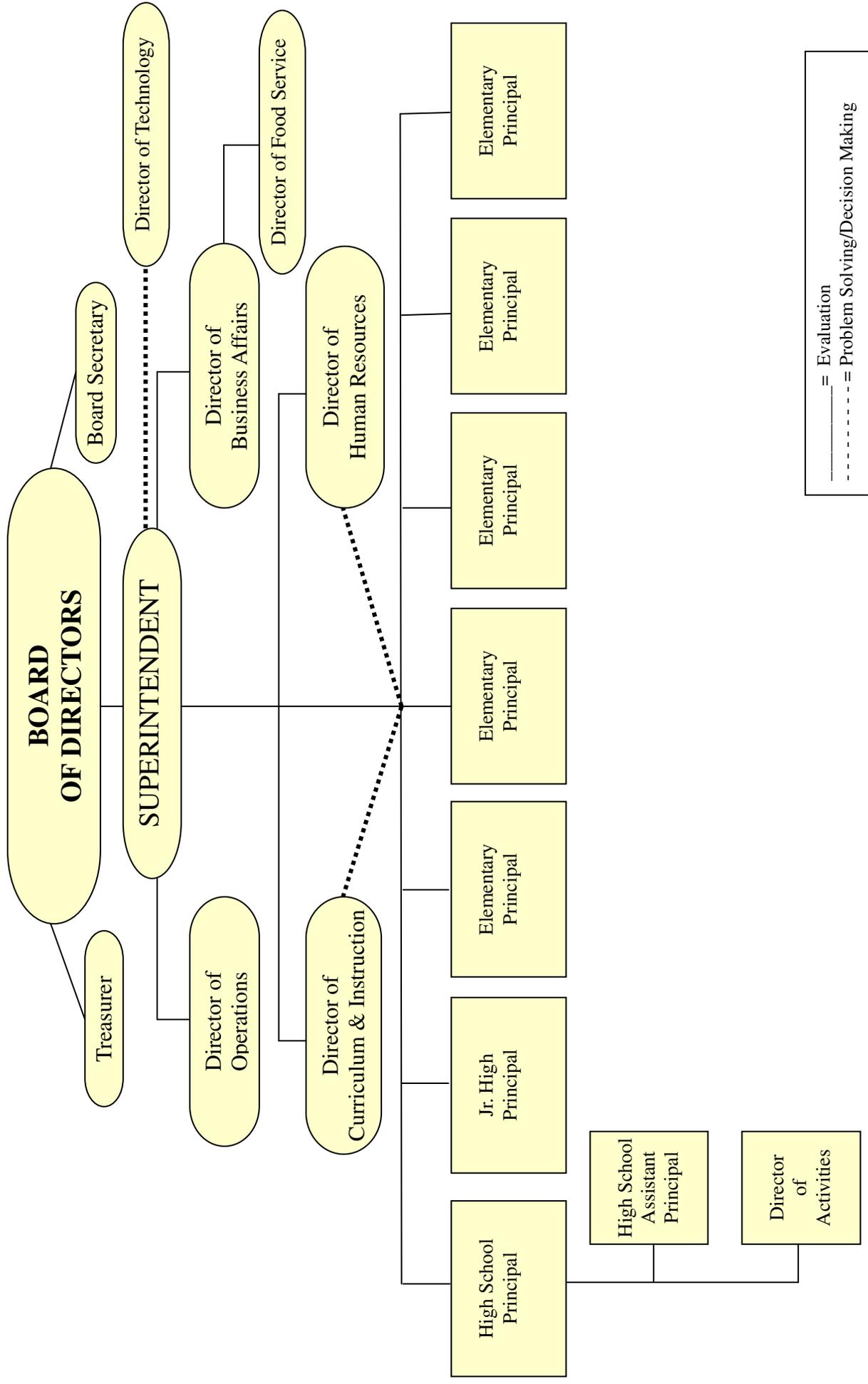
June 30, 2012



Executive Director/CEO

NORTH SCOTT COMMUNITY SCHOOL DISTRICT

Organizational Chart



_____ = Evaluation
 - - - - - = Problem Solving/Decision Making

North Scott Community School District

Board of Education and School District Administration

Year Ended June 30, 2013

Board of Education

	Title	Term Expires
Prior to September 2013:		
Joe Slater	President	2013
Dennis Albertson	Vice President	2015
Elizabeth Bosworth	Director	2013
Mark Kruse	Director	2013
Paul Dierickx	Director	2015
Joni Dittmer	Director	2015
John Maxwell	Director	2015
After September 2013:		
Paul Dierickx	President	2015
Reid Blanche	Vice President	2017
Glen Keppy	Director	2014
Joni Dittmer	Director	2015
John Maxwell	Director	2015
Nick Hansel	Director	2017
Donn Wilmott	Director	2017

School District Administration

Jeff Schwiebert	Superintendent
Kristy Looney	Board Secretary
Steven Fahrenkrog	Treasurer
Jill Van Roekel	Director of Business Affairs
Sue Kane	Director of Curriculum & Instruction
John Netwal	Director of Operation & Transportation
Shane Knoche	Principal
John Hawley	Principal
Curtis Rheingans	Principal
Liz Mashek	Principal
Kelly Rohlf	Principal
Sherri Marceau	Principal
John Langenhan	Principal
Frank Wood	Associate Principal

North Scott Community School District

**Consultants and Advisors
Year Ended June 30, 2013**

Certified Public Accountants

Bohnsack & Frommelt LLP
9911 84th Street West
Taylor Ridge, Illinois 61284

Financial Consultants

Public Financial Management, Inc.
801 Grand Avenue, Suite 3300
Des Moines, Iowa 50309

Personnel Services

Gruhn Law Firm, P.C.
4089 21st Avenue SW, Suite 114
Cedar Rapids, Iowa 52404

Official Depositories

US Bank
PO Box 940
Davenport, Iowa 52805-0940

Blackhawk Bank & Trust
PO Box 1100
Milan, Illinois 61264-1100

Valley Bank
PO Box 405
Eldridge, Iowa 52748

Iowa Schools Joint Investment Trust
453 - 7th Street, PO Box 897
Des Moines, Iowa 50304-0897

Bond Attorneys

Ahlers & Cooney, P.C.
100 Court Avenue, Suite 600
Des Moines, Iowa 50309-2231

General Counsel

Lane & Waterman
220 North Main Street, Suite 600
Davenport, Iowa 52801-1987

Insurance Consultants

R.J. Lees & Associates
1700 - 52nd Avenue, Suite B
Moline, Illinois 61265

Official Depositories

First Central State Bank
PO Box 119
DeWitt, Iowa 52742

The Education Liquidity Fund
1415 - 28th Street, Suite 200
West Des Moines, Iowa 50266

First Trust & Savings Bank
123 South Main Street
Wheatland, Iowa 52777

FINANCIAL SECTION



North Scott
Community Schools

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Independent Auditor's Report

To the Board of Education
North Scott Community School District
Eldridge, Iowa

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 the North Scott Community School District, 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 as 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America 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 entity'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 entity'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 that 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 the North Scott 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 accounting principles generally accepted in the United States of America.

Emphasis Of Matter

As discussed in Note 13 to the basic financial statements, the District adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Position and Liabilities* for the year ended June 30, 2013. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress, and budgetary comparison information, on pages 4–15 and 49–52 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 who 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 auditing standards generally accepted in the United States of America, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other information, including the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the

supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013 on our consideration of the 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 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 the District's internal control over financial reporting and compliance.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
December 2, 2013

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North Scott Community School District

Management's Discussion and Analysis Year Ended June 30, 2013

North Scott 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

- The District showed an increase in net position of \$2,095,139 during the year ended June 30, 2013.
- The District's General Fund balance increased by \$130,071, the unassigned fund balance increased by \$101,907 and the nonspendable/restricted/assigned fund balance increased by \$28,164. The increase in the unassigned fund balance is due to a combination of (1) continuing the cash reserve levy, and (2) limiting expenditures to be comparable to prior year expenditures.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

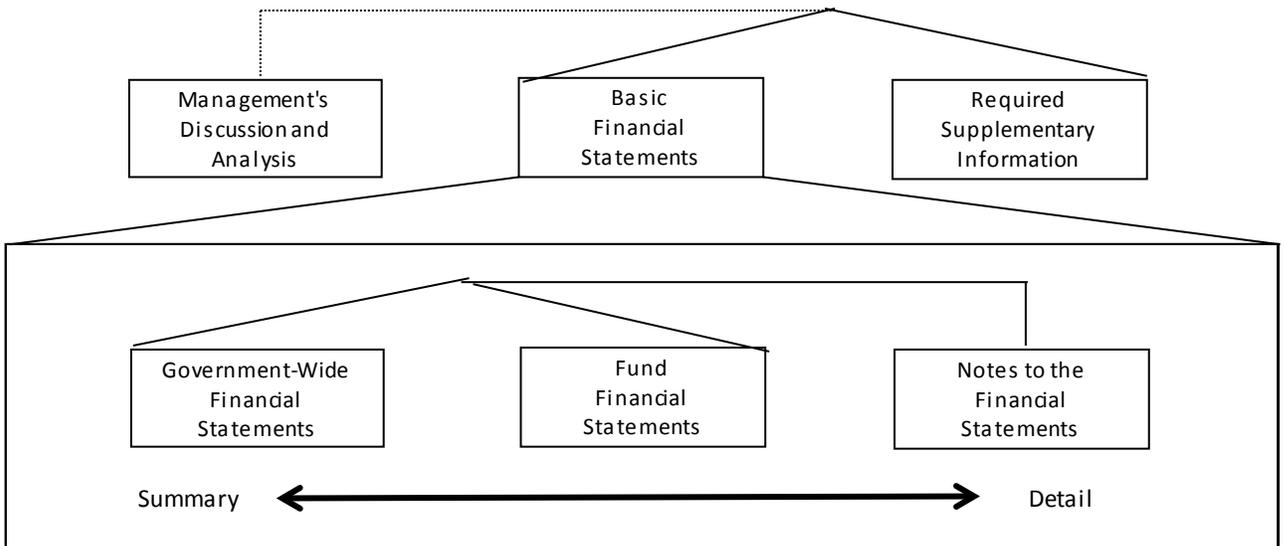
- Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The government-wide financial statements consist of a statement of net position and a statement of activities. These provide information about the activities of North Scott 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 Scott 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 Scott Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.
- Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the Retiree Health Plan.
- Other supplementary information provides detailed information about the nonmajor funds.

North Scott Community School District

**Management's Discussion and Analysis
Year Ended June 30, 2013**

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

Figure A-1
North Scott Community School District Annual Financial Report



North Scott Community School District

Management's Discussion and Analysis Year Ended June 30, 2013

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 child care	Instances in which the District administers resources on behalf of someone else, such as scholarship programs, and student activities monies
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the 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

North Scott Community School District

Management's Discussion and Analysis Year Ended June 30, 2013

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-Wide Financial Statements

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

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 taxes and state aid finance most of these activities.
- **Business-type activities.** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and child care programs are included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

Governmental funds. Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial position 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. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information in the reconciliations following each of the governmental fund statements explains the relationship or differences between the two statements.

North Scott Community School District

Management's Discussion and Analysis Year Ended June 30, 2013

The District's governmental funds include the General Fund and Capital Projects Fund and nonmajor funds including the Management Fund, Student Activities Fund and Debt Service Fund.

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

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 District-wide 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 Child Care Fund. The District uses internal service funds, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund, Self-funded Insurance Fund.

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

Fiduciary funds. The District is the trustee, or fiduciary, for the assets that belong to others. These funds include the agency fund.

Agency fund—These are funds for which the District accounts for certain revenue collected for District employee purchases of pop and related expenditures; and for revenues and expenditures of other various club accounts.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purpose 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 assets and liabilities.

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

North Scott Community School District

Management's Discussion and Analysis Year Ended June 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position – Figure A-3 below provides a summary of the District's net position for the year ended June 30, 2013 compared to June 30, 2012.

Figure A-3 Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	2012-13
	Current and other assets	\$42,685,218	\$32,141,742	\$ 886,596	\$ 889,245	\$43,571,814	\$33,030,987
Capital assets	22,511,601	19,839,922	242,862	253,472	22,754,463	20,093,394	13.2%
Total assets	65,196,819	51,981,664	1,129,458	1,142,717	66,326,277	53,124,381	24.9%
Long-term liabilities	12,150,276	1,283,429	50,440	42,564	12,200,716	1,325,993	820.1%
Other liabilities	4,154,467	3,967,791	45,017	40,333	4,199,484	4,008,124	4.8%
Total liabilities	16,304,743	5,251,220	95,457	82,897	16,400,200	5,334,117	207.5%
Deferred inflows of resources	12,600,233	12,559,559	-	-	12,600,233	12,559,559	0.3%
Net position:							
Net investment in capital assets	21,204,665	19,839,922	242,862	253,472	21,447,527	20,093,394	6.7%
Restricted	9,471,712	8,665,073	-	-	9,471,712	8,665,073	9.3%
Unrestricted	5,615,466	5,665,890	791,139	806,348	6,406,605	6,472,238	-1.0%
Total net position	\$36,291,843	\$34,170,885	\$ 1,034,001	\$ 1,059,820	\$37,325,844	\$35,230,705	5.9%

The District's combined net position increased by 5.9 percent or \$2,095,139 from the prior year. The increase in net position was due primarily to the increased cash on hand due to issuance of revenue bonds at the end of the fiscal year.

The net investment in capital assets (e.g., land, construction in progress, infrastructure, buildings and equipment), less the related debt increased \$1,354,133 or 6.7 percent. The increase in invested in capital assets is primarily due to significant building and equipment additions as well as construction projects in progress.

Restricted net position represent 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 \$806,639 or 9.3 percent over the prior year. The increase was primarily a result of the increased fund balance in the Capital Projects Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$65,633 or 1 percent.

North Scott Community School District

Management's Discussion and Analysis Year Ended June 30, 2013

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

Figure A-4 Changes in Net Position From Operating Results

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change 2012-13
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	
Revenues:							
Program revenues:							
Charges for services	\$ 1,469,872	\$ 1,423,074	\$ 1,086,606	\$ 1,221,598	\$ 2,556,478	\$ 2,644,672	-3.3%
Operating grants and contributions and restricted interest	4,743,405	5,279,988	571,497	600,575	5,314,902	5,880,563	-9.6%
Capital grants	11,986	228,823	-	-	11,986	228,823	100.0%
General revenues:							
Local tax	14,891,306	15,406,574	-	-	14,891,306	15,406,574	-3.3%
Unrestricted state and federal revenues	12,214,669	12,157,291	-	-	12,214,669	12,157,291	0.5%
Other	117,265	140,872	6,818	3,501	124,083	144,373	-14.1%
Total revenues	33,448,503	34,636,622	1,664,921	1,825,674	35,113,424	36,462,296	-3.7%
Program expenses:							
Governmental activities:							
Instruction	19,004,319	19,488,422	1,039	1,022	19,005,358	19,489,444	-2.5%
Support services	9,302,855	10,230,831	192,811	195,910	9,495,666	10,426,741	-8.9%
Noninstructional programs	-	-	1,491,642	1,472,903	1,491,642	1,472,903	1.3%
Other expenditures	3,025,619	2,246,607	-	-	3,025,619	2,246,607	34.7%
Total expenses	31,332,793	31,965,860	1,685,492	1,669,835	33,018,285	33,635,695	-1.8%
Change in net position before transfers	2,115,710	2,670,762	(20,571)	155,839	2,095,139	2,826,601	-25.9%
Transfers	5,248	(113)	(5,248)	113	-	-	
Change in net position	2,120,958	2,670,649	(25,819)	155,952	2,095,139	2,826,601	-25.9%
Beginning net position	34,170,885	31,500,236	1,059,820	903,868	35,230,705	32,404,104	
Ending net position	\$36,291,843	\$34,170,885	\$ 1,034,001	\$ 1,059,820	\$37,325,844	\$35,230,705	

Governmental activities:

Local tax and unrestricted state grants account for 81 percent of the total revenue. The District's expenses primarily relate to instructional and support services which account for 90 percent of the total expenses.

The decrease in operating grants and contributions and restricted interest is due to one-time stimulus money received during the prior year for Education Jobs Fund.

The increase of expenses for the other expenditure program is a result of the District incurring \$221,458 for bond issuance costs related to issuing the \$10,000,000 revenue bond for capital projects. Revenues for governmental activities were \$33,448,503 and expenses were \$31,332,793.

North Scott Community School District

Management's Discussion and Analysis Year Ended June 30, 2013

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

Figure A-7 Net Cost of Governmental Activities

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	June 30, 2013	June 30, 2012	Change	June 30, 2013	June 30, 2012	Change
			2012-2013			2012-2013
Instruction	\$ 19,004,319	\$ 19,488,422	2.55%	\$ 13,997,321	\$ 13,841,707	-1.1%
Support services	9,302,855	10,230,831	9.98%	9,184,725	10,016,056	8.3%
Other expenses	3,025,619	2,246,607	-25.75%	1,925,484	1,176,212	-63.7%
Total	\$ 31,332,793	\$ 31,965,860	2.02%	\$ 25,107,530	\$ 25,033,975	-0.3%

The cost financed by users of the District's programs for the year ended June 30, 2013 was \$1,469,872.

Federal and state governments subsidized certain programs with grants and contributions totaling \$4,755,391.

The net cost of governmental activities was financed with \$14,891,306 in property tax, income surtax and statewide sales, services and use tax, \$12,214,669 in unrestricted state and federal revenue, \$32,187 in unrestricted investment earnings and \$85,078 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$1,664,921 and expenses were \$1,685,492. The District's business-type activities include the School Nutrition Fund and the nonmajor Child Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and transfers.

The School Nutrition Fund had increased revenues due to the increase in meals served. Expenses remained relatively comparable to prior year reflecting a 3% increase. The increase in expenses is primarily due to an increase in salaries and supplies.

North Scott Community School District

Management's Discussion and Analysis Year Ended June 30, 2013

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$22,867,024; an increase of last year's ending fund balances of \$12,753,184. However, the primary reason for the increase in combined fund balances in fiscal 2013 is due to the issuance of \$10,000,000 revenue bonds in the Capital Projects Fund for the purpose of construction of capital asset projects.

Governmental Fund Highlights

The District's increasing General Fund financial position is the product of many factors. The District's General Fund revenues of \$28,838,374 remained consistent with prior revenues of \$28,960,008. Expenditures reflected an increase from \$27,936,637 in 2012 to \$28,725,487 in 2013. The primary reason for the increase is due to purchases of capital assets including buses and technology equipment.

The General Fund balance increased from \$4,980,097 to \$5,110,168.

The Capital Projects Fund balance increased from \$6,698,709 in fiscal year 2012 to \$16,631,098 in fiscal year 2013. The District expended \$3,921,398 for capital items in 2013 compared to \$2,396,285 in 2012. Fund balance increased primarily due to the issuance of the \$10,000,000 revenue bonds.

Proprietary Fund Highlights

The proprietary fund net position decreased from \$1,059,820 as of June 30, 2012 to \$1,034,001 as of June 30, 2013, representing an decrease of 2.4 percent. The school nutrition fund balance decreased from \$782,652 in fiscal 2012 to \$763,426 in fiscal 2013.

North Scott Community School District

Management's Discussion and Analysis Year Ended June 30, 2013

BUDGETARY HIGHLIGHTS

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 its internal service and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for individual funds are not presented in the budgetary comparison.

The District's total actual revenues were \$141,918 less than the total budgeted revenues, a variance of less than 1 percent.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2013, the District had invested \$22,754,463, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. See Figure A-8. This amount represents a net increase of \$2,661,069 from last year. More detailed information about capital assets is available in Note 5 for the financial statements. Depreciation expense for the year was \$2,096,251.

The original cost of the District's capital assets was \$52,339,889. Governmental funds account for \$51,662,972 with the remainder of \$676,917 in the proprietary, school nutrition and child care funds.

North Scott Community School District

Management's Discussion and Analysis Year Ended June 30, 2013

The largest change in capital asset activity during the year occurred with the renovation of several District buildings and purchases of busses and other equipment.

Figure A-8 Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	2013-12
	Land and construction in progress	\$ 2,331,685	\$ 590,594	\$ -	\$ -	\$ 2,331,685	\$ 590,594
Buildings	16,157,267	15,892,465	-	-	16,157,267	15,892,465	1.7%
Land improvements	2,344,031	2,345,323	-	-	2,344,031	2,345,323	-0.1%
Machinery and equipment	1,678,618	1,011,540	242,862	253,472	1,921,480	1,265,012	51.9%
Total	\$22,511,601	\$19,839,922	\$ 242,862	\$ 253,472	\$22,754,463	\$20,093,394	13.2%

Long-Term Debt

As of June 30, 2013, the District had \$12,150,716 in other long-term debt outstanding. See Figure A-9. More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-9 Outstanding Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	2012-13
	Revenue bonds	\$10,136,197	\$ -	\$ -	\$ -	\$10,136,197	\$ -
Early retirement	578,744	141,940	-	-	578,744	141,940	307.7%
Compensated absences	139,936	157,063	14,567	14,209	154,503	171,272	-9.8%
Net OPEB liability	1,245,399	984,426	35,873	28,355	1,281,272	1,012,781	26.5%
Total	\$12,100,276	\$ 1,283,429	\$ 50,440	\$ 42,564	\$12,150,716	\$ 1,325,993	816.3%

The District issued \$10,000,000, which included a premium of \$136,197, in School Infrastructure Sales, Services and Use Tax Revenue Bonds on June 25, 2013. The bonds are to be repaid using statewide sales, services and use tax collected in the Capital Project Fund.

The District had early retirement payable of \$578,744 as of June 30, 2013, which will be paid primarily from the nonmajor, Management Levy Fund.

The District had net OPEB liability payable of \$1,281,272 as of June 30, 2013.

The District also had compensated absences payable of \$154,503 as of June 30, 2013, which will be paid primarily out of the General Fund.

North Scott Community School District

Management's Discussion and Analysis Year Ended June 30, 2013

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

A revenue purpose statement was approved in September 2012. This will allow the District to plan and improve District facilities over the next 10 to 15 years.

As a result of the November 2012 election, Iowa will have a Republican Governor, Republican House and Democrat Senate which will require bipartisan cooperation.

Division VII of House File 215 established the Teacher Leadership and Compensation System, as well as the Teacher Leadership Supplement (TLS) of categorical funding. There is \$3.5 million of planning grants available for the 2013-14 school year as well as \$50 million available per year for the 2014-15 through 2016-17 school years for phased-in entry to the program. This funding will be distributed on a per-pupil basis which is estimated to be \$310 per student.

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 Jill Van Roekel, Director of Business Affairs, North Scott Community School District, 251 E. Iowa St., Eldridge, Iowa 52748.

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North Scott Community School District

**Statement of Net Position
June 30, 2013**

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and pooled investments	\$ 27,825,571	\$ 858,068	\$ 28,683,639
Restricted cash equivalents	789,480	-	789,480
Receivables:			
Property tax:			
Delinquent	113,847	-	113,847
Succeeding year	12,600,233	-	12,600,233
Income surtax	163,197	-	163,197
Accounts	70,860	583	71,443
Due from other governments	1,008,151	209	1,008,360
Inventories	85,939	27,736	113,675
Prepaid items	27,940	-	27,940
Total current assets	42,685,218	886,596	43,571,814
Noncurrent assets:			
Capital assets:			
Capital assets not being depreciated:			
Land and construction in progress	2,331,685	-	2,331,685
Capital assets being depreciated, net of accumulated depreciation:			
Buildings	16,157,267	-	16,157,267
Land improvements	2,344,031	-	2,344,031
Machinery and equipment	1,678,618	242,862	1,921,480
Total noncurrent assets	22,511,601	242,862	22,754,463
Total assets	\$ 65,196,819	\$ 1,129,458	\$ 66,326,277

See Notes to Financial Statements.

	Governmental Activities	Business-Type Activities	Total
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	1,426,146	1,643	1,427,789
Salaries and benefits payable	2,693,171	7,619	2,700,790
Deposits	35,150	35,755	70,905
Noncurrent liabilities:			
Portion due within one year:			
Revenue bonds	540,000	-	540,000
Settlement agreement	50,000	-	50,000
Early retirement	207,717	-	207,717
Compensated absences	139,936	14,567	154,503
Portion due after one year:			
Revenue bonds	9,596,197	-	9,596,197
Early retirement	371,027	-	371,027
Net OPEB liability	1,245,399	35,873	1,281,272
Total liabilities	16,304,743	95,457	16,400,200
Deferred inflows of resources, unavailable revenue:			
Succeeding year property tax	12,600,233	-	12,600,233
Total deferred inflows of resources	12,600,233	-	12,600,233
Net Position:			
Net investment in capital assets	21,204,665	242,862	21,447,527
Restricted for:			
Categorical funding	420,529	-	420,529
School infrastructure	6,536,759	-	6,536,759
Management levy	783,471	-	783,471
Physical plant and equipment levy	1,459,241	-	1,459,241
Student activities	271,712	-	271,712
Unrestricted	5,615,466	791,139	6,406,605
Total net position	\$ 36,291,843	\$ 1,034,001	\$ 37,325,844

North Scott Community School District

Statement of Activities Year Ended June 30, 2013

	Functions/Programs	Expenses
Governmental activities:		
Instruction:		
Regular		\$ 11,841,523
Special		3,275,964
Other		3,886,832
		<u>19,004,319</u>
Support services:		
Student		1,246,859
Instructional staff		1,157,680
Administration		3,366,816
Operation and maintenance of plant		2,523,529
Transportation		1,007,971
		<u>9,302,855</u>
Other expenditures:		
AEA flowthrough		1,100,135
Debt Service		221,458
Depreciation (unallocated) *		1,704,026
		<u>3,025,619</u>
Total governmental activities		<u><u>31,332,793</u></u>
Business-type activities:		
Instruction:		
Regular, child care		1,039
Support services:		
Administration:		
Nutrition		129,750
Child care		4,003
Operation and maintenance of plant:		
Nutrition		58,074
Transportation:		
Child care		984
Noninstructional programs:		
Nutrition		1,257,159
Child care		234,483
		<u>1,685,492</u>
Total business-type activities		<u>1,685,492</u>
Total		<u>\$ 33,018,285</u>
General revenues and transfers:		
General revenues:		
Property tax levied for:		
General purposes		
Capital outlay		
Income surtax		
Statewide sales, services and use tax		
Unrestricted state and federal grants		
Unrestricted investment earnings		
Gain on the sale of capital assets		
Other		
Total general revenues		
Transfers		
Total general revenues and transfers		
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.

Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 790,471	\$ 2,307,032	\$ 11,886	\$ (8,732,134)	\$ -	\$ (8,732,134)
261,957	541,282	-	(2,472,725)	-	(2,472,725)
357,427	736,943	-	(2,792,462)	-	(2,792,462)
<u>1,409,855</u>	<u>3,585,257</u>	<u>11,886</u>	<u>(13,997,321)</u>	<u>-</u>	<u>(13,997,321)</u>
2,668	28,146	-	(1,216,045)	-	(1,216,045)
22,103	1,885	-	(1,133,692)	-	(1,133,692)
7,219	1,623	-	(3,357,974)	-	(3,357,974)
27,309	19,640	100	(2,476,480)	-	(2,476,480)
718	6,719	-	(1,000,534)	-	(1,000,534)
<u>60,017</u>	<u>58,013</u>	<u>100</u>	<u>(9,184,725)</u>	<u>-</u>	<u>(9,184,725)</u>
-	1,100,135	-	-	-	-
-	-	-	(221,458)	-	(221,458)
-	-	-	(1,704,026)	-	(1,704,026)
-	1,100,135	-	(1,925,484)	-	(1,925,484)
<u>1,469,872</u>	<u>4,743,405</u>	<u>11,986</u>	<u>(25,107,530)</u>	<u>-</u>	<u>(25,107,530)</u>
-	-	-	-	(1,039)	(1,039)
-	-	-	-	(129,750)	(129,750)
-	-	-	-	(4,003)	(4,003)
-	-	-	-	(58,074)	(58,074)
-	-	-	-	(984)	(984)
872,889	552,253	-	-	167,983	167,983
213,717	19,244	-	-	(1,522)	(1,522)
<u>1,086,606</u>	<u>571,497</u>	<u>-</u>	<u>-</u>	<u>(27,389)</u>	<u>(27,389)</u>
\$ 2,556,478	\$ 5,314,902	\$ 11,986	(25,107,530)	(27,389)	(25,134,919)
11,342,208	-	-	-	-	11,342,208
1,152,677	-	-	-	-	1,152,677
175,898	-	-	-	-	175,898
2,220,523	-	-	-	-	2,220,523
12,214,669	-	-	-	-	12,214,669
32,187	1,795	-	-	-	33,982
2,838	-	-	-	-	2,838
82,240	5,023	-	-	-	87,263
<u>27,223,240</u>	<u>6,818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,230,058</u>
5,248	(5,248)	-	-	-	-
<u>27,228,488</u>	<u>1,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,230,058</u>
2,120,958	(25,819)	-	-	-	2,095,139
<u>34,170,885</u>	<u>1,059,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,230,705</u>
\$ 36,291,843	\$ 1,034,001	\$ -	\$ -	\$ -	\$ 37,325,844

North Scott Community School District

**Balance Sheet
Governmental Funds
June 30, 2013**

	General	Capital Projects	Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 7,618,978	\$ 15,835,038	\$ 1,193,979	\$ 24,647,995
Restricted cash equivalents	-	789,480	-	789,480
Receivables:				
Property tax:				
Delinquent	99,253	10,735	3,859	113,847
Succeeding year	10,739,534	1,235,701	624,998	12,600,233
Income surtax	163,197	-	-	163,197
Accounts	7,475	44	15,241	22,760
Due from other governments	467,425	540,692	34	1,008,151
Inventories	85,939	-	-	85,939
Prepaid items	21,528	-	6,412	27,940
Total assets	\$ 19,203,329	\$ 18,411,690	\$ 1,844,523	\$ 39,459,542
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 509,503	\$ 414,891	\$ 81,074	\$ 1,005,468
Accrued expenses	2,680,478	-	12,693	2,693,171
Total liabilities	3,189,981	414,891	93,767	3,698,639
Deferred inflows of resources, unavailable revenue:				
Succeeding year property tax	10,739,534	1,235,701	624,998	12,600,233
Income surtax	163,197	-	-	163,197
Other	449	130,000	-	130,449
Total deferred inflows of resources	10,903,180	1,365,701	624,998	12,893,879
Fund balances:				
Nonspendable:				
Inventories	85,939	-	-	85,939
Prepaid items	21,528	-	6,412	27,940
Restricted for:				
Categorical funding	420,529	-	-	420,529
Debt service	-	-	64,163	64,163
Management levy purposes	-	-	783,471	783,471
Student activities	-	-	271,712	271,712
School infrastructure	-	15,171,857	-	15,171,857
Physical plant and equipment levy	-	1,459,241	-	1,459,241
Assigned for special purposes	123,083	-	-	123,083
Unassigned	4,459,089	-	-	4,459,089
Total fund balances	5,110,168	16,631,098	1,125,758	22,867,024
Total liabilities, deferred inflows of resources, and fund balances	\$ 19,203,329	\$ 18,411,690	\$ 1,844,523	\$ 39,459,542

See Notes to Financial Statements.

North Scott 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	\$ 22,867,024
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.	22,511,601
The Internal Service Fund is used to charge costs of the District's self-funded insurance plan to the governmental funds. The net position of the Internal Service Fund are therefore included under governmental activities.	2,769,848
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	293,646
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Settlement agreement, current	(50,000)
Revenue bonds, current	(540,000)
Revenue bonds, noncurrent	(9,460,000)
Premium on revenue bonds	(136,197)
Early retirement, current	(207,717)
Early retirement, noncurrent	(371,027)
Compensated absences, current	(139,936)
Net OPEB liability	(1,245,399)
Net position of governmental activities	<u>\$ 36,291,843</u>

See Notes to Financial Statements.

North Scott Community School District

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2013**

	General	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 11,083,600	\$ 3,745,200	\$ 424,472	\$ 15,253,272
Tuition	866,875	-	-	866,875
Other	404,825	35,863	850,727	1,291,415
State appropriations	15,612,808	690	288	15,613,786
Federal appropriations	870,266	-	-	870,266
Total revenues	28,838,374	3,781,753	1,275,487	33,895,614
Expenditures:				
Current:				
Instruction:				
Regular	12,117,653	304,874	201,607	12,624,134
Special	3,437,643	-	-	3,437,643
Other	3,263,791	-	803,745	4,067,536
	18,819,087	304,874	1,005,352	20,129,313
Support services:				
Student	1,295,230	-	24,866	1,320,096
Instructional staff	1,216,502	-	9,177	1,225,679
Administration	2,923,295	450,190	46,580	3,420,065
Operation and maintenance of plant	2,341,682	17,522	159,083	2,518,287
Transportation	1,029,556	254,028	33,838	1,317,422
	8,806,265	721,740	273,544	9,801,549
Noninstructional programs	-	-	276	276
Other expenditures:				
Facilities acquisition	-	2,673,326	-	2,673,326
AEA flowthrough	1,100,135	-	-	1,100,135
	1,100,135	2,673,326	-	3,773,461
Debt service, issuance costs	-	221,458	-	221,458
Total expenditures	28,725,487	3,921,398	1,279,172	33,926,057
Excess (deficiency) of revenues over (under) expenditures	112,887	(139,645)	(3,685)	(30,443)
Other financing sources (uses):				
Sale of capital assets	2,838	-	-	2,838
Issuance of long term debt	-	10,000,000	-	10,000,000
Premium on issuance	-	136,197	-	136,197
Transfers in	14,346	-	64,770	79,116
Transfers out	-	(64,163)	(9,705)	(73,868)
Total other financing sources (uses)	17,184	10,072,034	55,065	10,144,283
Net change in fund balances	130,071	9,932,389	51,380	10,113,840
Fund balances, beginning of year	4,980,097	6,698,709	1,074,378	12,753,184
Fund balances, end of year	\$ 5,110,168	\$ 16,631,098	\$ 1,125,758	\$ 22,867,024

See Notes to Financial Statements.

North Scott 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 \$ 10,113,840

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 reported in the statement of net assets 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:

Capital outlay	\$ 4,729,041	
Depreciation expense	<u>(2,057,362)</u>	2,671,679
Gain on sale of capital assets	2,838	
Proceeds from the sale of capital assets	<u>(2,838)</u>	-

The increase in net position of the Internal Service Fund represents an overcharge to the governmental funds and is incorporated into the change in net position of governmental activities. 660,056

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, change in unavailable revenues (457,770)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The issuance of long-term debt increases liabilities in the statement of net position, while the repayment of long-term debt reduces long-term liabilities. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:

Issuance of revenue bonds		(10,000,000)
Premium on issuance of revenue bonds		(136,197)

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:

Settlement agreement		(50,000)
Early retirement		(436,804)
Compensated absences		17,127
Net OPEB liability		<u>(260,973)</u>

Change in net position of governmental activities \$ 2,120,958

See Notes to Financial Statements.

North Scott Community School District

**Statement of Net Position
Proprietary Funds
June 30, 2013**

	Business-Type Activities, Enterprise Fund			Governmental Activities, Internal Service Fund
	School Nutrition	Nonmajor Child Care	Total	
Assets				
Current assets:				
Cash and pooled investments	\$ 572,239	\$ 285,829	\$ 858,068	\$ 3,177,576
Receivables, accounts	1	582	583	48,100
Due from other governments	-	209	209	-
Inventories	27,736	-	27,736	-
Total current assets	599,976	286,620	886,596	3,225,676
Noncurrent assets:				
Capital assets, machinery and equipment, net of accumulated depreciation	239,038	3,824	242,862	-
Total assets	839,014	290,444	1,129,458	3,225,676
Liabilities				
Current liabilities:				
Accounts payable	1,145	498	1,643	420,678
Salaries and benefits payable	1,990	5,629	7,619	-
Deposits	35,755	-	35,755	35,150
Compensated absences	4,669	9,898	14,567	-
Total current liabilities	43,559	16,025	59,584	455,828
Noncurrent liabilities:				
Net OPEB liability	32,029	3,844	35,873	-
Total noncurrent liabilities	32,029	3,844	35,873	-
Total liabilities	75,588	19,869	95,457	455,828
Net Position				
Net investment in capital assets	239,038	3,824	242,862	-
Unrestricted	524,388	266,751	791,139	2,769,848
Total net position	\$ 763,426	\$ 270,575	\$ 1,034,001	\$ 2,769,848

See Notes to Financial Statements.

North Scott Community School District

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 Year Ended June 30, 2013

	Business-Type Activities, Enterprise Fund			Governmental Activities, Internal Service Fund
	School Nutrition	Nonmajor Child Care	Total	
Operating revenues:				
Local sources:				
Charges for service	\$ 872,889	\$ 213,717	\$ 1,086,606	\$ 4,533,394
Miscellaneous	5,023	-	5,023	42,826
Total operating revenues	877,912	213,717	1,091,629	4,576,220
Operating expenses:				
Instruction, regular, other	-	1,039	1,039	-
Support services:				
Administration:				
Salaries	87,343	-	87,343	-
Benefits	37,586	-	37,586	-
Services	4,821	310	5,131	3,923,985
Other	-	3,693	3,693	-
Operation and maintenance of plant:				
Salaries	27,349	-	27,349	-
Benefits	16,652	-	16,652	-
Services	1,644	-	1,644	-
Supplies	12,429	-	12,429	-
Transportation:				
Salaries	-	846	846	-
Benefits	-	138	138	-
Noninstructional programs:				
Salaries	382,458	172,858	555,316	-
Benefits	141,652	44,410	186,062	-
Services	29,828	1,702	31,530	-
Supplies	662,146	14,232	676,378	-
Depreciation	37,608	1,281	38,889	-
Total operating expenses	1,441,516	240,509	1,682,025	3,923,985
Operating income (loss)	(563,604)	(26,792)	(590,396)	652,235
Nonoperating revenues (expenses):				
State sources	11,746	16,228	27,974	-
Federal sources	540,507	3,016	543,523	-
Loss on disposal of capital assets	(3,467)	-	(3,467)	-
Interest on investments	840	955	1,795	7,821
Total nonoperating revenues (expenses)	549,626	20,199	569,825	7,821
Income (loss) before transfers	(13,978)	(6,593)	(20,571)	660,056
Transfers (out)	(5,248)	-	(5,248)	-
Change in net position	(19,226)	(6,593)	(25,819)	660,056
Net position, beginning of year	782,652	277,168	1,059,820	2,109,792
Net position, end of year	\$ 763,426	\$ 270,575	\$ 1,034,001	\$ 2,769,848

See Notes to Financial Statements.

North Scott Community School District

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013**

	Business-Type Activities, Enterprise Fund			Governmental Activities, Internal Service Fund
	School Nutrition	Nonmajor Child Care	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 878,564	\$ 213,967	\$ 1,092,531	\$ -
Cash received from miscellaneous operating activities	5,023	-	5,023	4,571,627
Cash payments to employees for services	(685,922)	(218,710)	(904,632)	-
Cash payments to suppliers for goods and services	(590,714)	(14,157)	(604,871)	(4,020,071)
Net cash provided by (used in) operating activities	(393,049)	(18,900)	(411,949)	551,556
Cash flows from noncapital financing activities:				
State grants received	11,746	16,228	27,974	-
Federal grants received	434,317	3,016	437,333	-
Transfer to General Fund	(5,248)	-	(5,248)	-
Net cash provided by noncapital financing activities	440,815	19,244	460,059	-
Cash flows from capital financing activities and related activities, acquisition of assets	(31,746)	-	(31,746)	-
Cash flows from investing activities, interest on investments	840	955	1,795	7,821
Net increase in cash and cash equivalents	16,860	1,299	18,159	559,377
Cash and cash equivalents, beginning of year	555,379	284,530	839,909	2,618,199
Cash and cash equivalents, end of year	\$ 572,239	\$ 285,829	\$ 858,068	\$ 3,177,576

(Continued)

North Scott Community School District

Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2013

	Business-Type Activities, Enterprise Fund			Governmental Activities, Internal Service Fund
	School Nutrition	Nonmajor Child Care	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (563,604)	\$ (26,792)	\$ (590,396)	\$ 652,235
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Commodities consumed	106,190	-	106,190	-
Depreciation	37,608	1,281	38,889	-
(Increase) decrease in:				
Inventories	13,978	-	13,978	-
Accounts receivable	100	250	350	(4,743)
Due from other governments	-	6,480	6,480	-
Increase (decrease) in:				
Accounts payable	(14)	339	325	(96,086)
Salaries and benefits payable	426	(1,642)	(1,216)	-
Other postemployment benefits	6,712	806	7,518	-
Compensated absences payable	(20)	378	358	-
Deposits	5,575	-	5,575	150
Net cash provided by (used in) operating activities	\$ (393,049)	\$ (18,900)	\$ (411,949)	\$ 551,556
Noncash investing, capital and financing activities:				
Federal commodities	\$ 106,190	\$ -	\$ 106,190	\$ -

See Notes to Financial Statements.

North Scott Community School District

Statement of Assets and Liabilities

Fiduciary Fund

June 30, 2013

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 16,495
Prepaid expenses	2,700
Accounts receivable	60
Total assets	<u>\$ 19,255</u>
Liabilities	
Due to other groups	\$ 19,255
Total liabilities	<u>\$ 19,255</u>

See Notes to Financial Statements.

North Scott Community School District

Notes to Financial Statements Year Ended June 30, 2013

Note 1. Significant Accounting Policies

Reporting entity:

The North Scott Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the cities of Dixon, Maysville, Donahue, Long Grove, Eldridge, McCausland and Princeton, Iowa and the predominate agricultural territory in Scott County. The District is governed by a Board of Education whose members are elected on a nonpartisan 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.

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

Jointly governed organizations: The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Scott County Assessors' Conference Board.

Basis of presentation:

Government-wide financial statements: The statement of net position and the statement of activities report information on all of the nonfiduciary activities of the District. Interfund services provided and used are not eliminated in the process of consolidation. 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 support.

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 that are attributed to the acquisition, construction or improvement of those assets.

North Scott Community School District

Notes to Financial Statements Year Ended June 30, 2013

Note 1. Significant Accounting Policies (Continued)

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements: Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor governmental funds:

The Management Fund, a special revenue fund, is utilized to account for the payment of property insurance as well as early retirement incentives.

The Student Activity Fund, a special revenue fund, is utilized to account for the various student run organizations and athletic accounts of the District.

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Revenue of the fund primarily consists of statewide sales, services and use tax.

North Scott Community School District

Notes to Financial Statements Year Ended June 30, 2013

Note 1. Significant Accounting Policies (Continued)

The District reports the following major and nonmajor proprietary funds:

The District's proprietary funds are the Enterprise Funds, School Nutrition Fund and Child Care Fund and the Internal Service Fund. The School Nutrition Fund is considered a major fund due to public interest. The School Nutrition Fund is used to account for the food service operations of the District. The Child Care Fund is a nonmajor fund used to account for the child care service operations of the District. The Internal Service Fund is used to account for the self-funded health insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the statement of net position and statement of activities. This chargeback is based on a percentage of total employees by the participants' various functional areas.

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 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. Specific accounts which the District maintains in the Agency Fund include special group and various faculty accounts.

Measurement focus and basis of accounting:

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund financial statements are reported using 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.

North Scott Community School District

Notes to Financial Statements Year Ended June 30, 2013

Note 1. Significant Accounting Policies (Continued)

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the District's enterprise fund 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 nonoperating revenues and expenses.

The District maintains its financial records on the accrual basis.

Cash, pooled investments and cash equivalents:

The cash balance of most District funds are pooled and invested. Investments are stated at fair value except for the investments in the Iowa Schools Joint Investment Trust (ISJIT) and The Education Liquidity Fund (TELF) which are valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

North Scott Community School District

Notes to Financial Statements Year Ended June 30, 2013

Note 1. Significant Accounting Policies (Continued)

Property taxes:

Property taxes revenue receivable is recognized in the funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 recorded as a deferred inflow and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½ percent 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.

Inventories:

General Fund inventories are valued at cost using the first-in and first-out method. The inventories consist of supplies. General fund inventories are recorded as expenses when consumed on the government-wide financial statements and some inventories are reported as expenditures when purchased on the fund financial statements.

The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method), or market and food commodities which were received from the federal government and recorded at the contributed value as of the date received.

Prepaid items:

The District accounts for the prepaid items by using the purchases method. Items prepaid include postage, registration, insurance, software package renewals, security and subscriptions.

North Scott Community School District

**Notes to Financial Statements
Year Ended June 30, 2013**

Note 1. Significant Accounting Policies (Continued)

Capital assets:

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

Assets	Amount
Land	\$ 3,000
Buildings	3,000
Land improvements	3,000
Intangibles	100,000
Machinery and equipment	
School Nutrition Fund equipment	500
Other machinery and equipment	3,000

Land is not depreciated. Buildings, land improvements, machinery and equipment and intangibles are depreciated/amortized using the straight-line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20-50 years
Intangibles	5-10 years
Machinery and equipment	5-15 years

Salaries and benefits payable:

Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2013, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2013.

North Scott Community School District

Notes to Financial Statements Year Ended June 30, 2013

Note 1. Significant Accounting Policies (Continued)

Deposits:

Deposits consist primarily of monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the statement of net position in the proprietary, school nutrition fund.

Compensated absences

District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Vacation pay is payable to employees upon retirement or termination. Sick leave does not vest. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the statement of net position and will be paid in the future primarily from the General Fund. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2013. The full balance is shown as due within a year using first-in, first-out basis.

Cash flows:

For the purpose of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Fund balances:

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

Nonspendable: Amounts which cannot be spent either 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 imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts which can be used only for specific purposes 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 intends to use for specific purposes. The authority to assign fund balances has been delegated to the Director of Business Affairs. The District has assigned balances received from donations and parent organizations; that are not specifically restricted, for supplies and other purposes.

North Scott Community School District

Notes to Financial Statements Year Ended June 30, 2013

Note 1. Significant Accounting Policies (Continued)

Unassigned: All amounts not included in other spendable classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of other governmental funds would also be reported as unassigned.

The District's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. 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 – assigned and then unassigned fund balances.

Deferred outflows/inflows of resources:

In addition to assets, the balance sheet and/or statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund balance or net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District does not have deferred outflows of resources as of June 30, 2013.

In addition to liabilities, the balance sheet and/or statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance or net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports unavailable revenue in the governmental funds balance sheet from the statewide sales and services tax, property tax and grants. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. In the District's government-wide statements, only the succeeding year property tax revenues remain as a deferred inflow of resources under the full accrual basis of accounting and will become an inflow in the year for which levied.

Net Position

In the government-wide statement of net position and the proprietary funds, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds of \$8,829,261. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net position restricted through enabling legislation consists of \$420,529 for categorical funding, \$6,536,759 for school infrastructure, \$783,471 for management levy, \$1,459,241 for physical plant and equipment levy and \$271,712 for student activities.

North Scott Community School District

Notes to Financial Statements Year Ended June 30, 2013

Note 1. Significant Accounting Policies (Continued)

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note 2. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the District's Board of Education annually adopts a single district-wide budget and approves the related appropriations following required public notice and hearing for all funds. The budgets and related appropriations as well as the financial statements are prepared on the modified accrual basis or accrual basis of accounting. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of disbursements known as functional areas, not by fund. These four functional areas are instruction, support services, noninstructional programs and other expenditures. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula.

The Board of Education follows these procedures in establishing budgetary data reflected in the financial statements:

- In accordance with the Statutes of the State of Iowa, prior to March 15, the board Secretary submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures or expense and the means of financing them for the upcoming year, along with estimates for the current and actual data for the preceding years. This budget is submitted in summary form, with an administrative control. The legal level of control for the detailed budget is at the functional area level.
- Public hearings are required to be conducted to obtain taxpayer comment.
- Prior to April 15, the budget is legally enacted through certification from the County Auditor.
- Management is authorized to transfer budgeted amounts between departments within any functional area; however, any revisions that alter the total expenditures or expenses of any functional area must be approved by the Board of Education.
- The Board of Education may amend the budget during the year by holding public hearings and certifying the amendment with the County Auditor.
- Appropriations lapse at the end of each fiscal year.
- The budget cannot be amended without the approval of the Board of Education.

North Scott Community School District

Notes to Financial Statements Year Ended June 30, 2013

Note 3. Deposits and Pooled Investments

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities, certificates of deposit and other evidenced 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.

As of June 30, 2013, the District had the following investments:

Investment Type	Amortized Cost	Maturity (in Years) Less Than 1
ISJIT Diversified portfolio	\$ 25,010,274	\$ 25,010,274
TELF Diversified portfolio	1,467,984	1,467,984
	<u>\$ 26,478,258</u>	<u>\$ 26,478,258</u>

The investments are valued at an amortized cost pursuant to Rule 21-7 under the Investment Company Act of 1940.

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District and must also conform to any loan covenant investment maturity restrictions. The maturity of the District's assets in an external investment pool is based on the average maturity of the pool's investments.

Credit risk: The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Rating Service. The investments in The Education Liquidity Fund are registered and not subject to rating. The District's policy relating to credit risk of investments is to have the majority of the District's bank deposits with an AAA/Aaa rated national banking company (by Standard & Poors and Moody's Investors Services).

Custodial credit risk: The risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of June 30, 2013, none of the District's investments were exposed to custodial credit risk and deposits in banks 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.

North Scott Community School District

**Notes to Financial Statements
Year Ended June 30, 2013**

Note 4. Transfers

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

Transfer To	Transfer From	Amount
Nonmajor governmental funds:		
Management	Nonmajor governmental fund, Student Activity	\$ 607
Debt Service	Capital Projects	64,163
General	Nonmajor governmental fund, Student Activity	9,098
General	Nutrition	5,248
Total		<u><u>\$ 79,116</u></u>

The General Fund repaid the Nutrition Fund for the use of nutrition vehicles.

The General Fund moved money donated to the District to various student activity accounts.

The Capital Projects Fund transferred bond proceeds to the Debt Service Fund for payment of principal and interest on the bonds.

North Scott Community School District

**Notes to Financial Statements
Year Ended June 30, 2013**

Note 5. Capital Assets

A summary of changes in property and equipment comprising capital assets is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 590,594	\$ 249,657	\$ -	\$ 840,251
Construction in progress	-	1,491,434	-	1,491,434
Total capital assets not being depreciated	590,594	1,741,091	-	2,331,685
Capital assets being depreciated:				
Buildings	36,113,613	1,686,078	-	37,799,691
Land improvements	5,754,361	281,458	-	6,035,819
Machinery and equipment	5,035,721	1,020,414	560,358	5,495,777
Total capital assets being depreciated	46,903,695	2,987,950	560,358	49,331,287
Less accumulated depreciation for:				
Buildings	20,221,148	1,421,276	-	21,642,424
Land improvements	3,409,038	282,750	-	3,691,788
Machinery and equipment	4,024,181	353,336	560,358	3,817,159
Total accumulated depreciation	27,654,367	2,057,362	560,358	29,151,371
Total capital assets being depreciated, net	19,249,328	930,588	-	20,179,916
Governmental activities capital assets, net	\$ 19,839,922	\$ 2,671,679	\$ -	\$ 22,511,601

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 670,980	\$ 31,746	\$ 25,809	\$ 676,917
Less accumulated depreciation	417,508	38,889	22,342	434,055
Business-type activities capital assets, net	\$ 253,472	\$ (7,143)	\$ 3,467	\$ 242,862

North Scott Community School District

**Notes to Financial Statements
Year Ended June 30, 2013**

Note 5. Capital Assets (Continued)

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 10,600
Other		10,600
Support services:		
Administration		151,934
Operation and maintenance of plant		162,535
Transportation		17,667
		<u>353,336</u>
Unallocated depreciation		1,704,026
Total governmental activities depreciation expense		<u><u>\$ 2,057,362</u></u>
Business-type activities:		
Food services		37,608
Day care		1,281
Total business-type activities depreciation expense		<u><u>\$ 38,889</u></u>

Note 6. General Long-Term Debt

A summary of changes in general long-term debt for the year ended June 30, 2013:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds, Series 2013	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000	\$ 540,000
Premium on revenue bonds	-	136,197	-	136,197	-
Early retirement	141,940	556,542	119,738	578,744	207,717
Net OPEB liability	984,426	260,973	-	1,245,399	-
Compensated absences	157,063	139,936	157,063	139,936	139,936
Total	<u>\$ 1,283,429</u>	<u>\$ 11,093,648</u>	<u>\$ 276,801</u>	<u>\$ 12,100,276</u>	<u>\$ 887,653</u>
Business-type activities:					
Net OPEB liability	\$ 28,355	\$ 7,518	\$ -	\$ 35,873	\$ -
Compensated absences	14,209	14,567	14,209	14,567	14,567
Total	<u>\$ 42,564</u>	<u>\$ 22,085</u>	<u>\$ 14,209</u>	<u>\$ 50,440</u>	<u>\$ 14,567</u>

North Scott Community School District

Notes to Financial Statements Year Ended June 30, 2013

Note 6. General Long-Term Debt (Continued)

Compensated absences are general liquidated by the General Fund. Net OPEB liability is generally liquidated by the General Fund for governmental activities and the respective funds for business-type activities.

Revenue bonds: On June 25, 2013, the District issued \$10,000,000 in School Infrastructure Sales, Services and Use Tax Revenue Bonds to finance school infrastructure projects. The bonds bear interest at rates ranging from 2.00 percent to 3.20 percent and had an unpaid balance of \$10,000,000. The revenue bonds will be repaid using statewide sales, services and use tax collected in the Capital Project Fund. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District. The bonds are not general obligations of the District.

The total principal and interest remaining to be paid on the bonds is \$12,410,900. During the year ended June 30, 2013, no principal or interest was paid on the bonds. Statewide sales, service and use tax revenues were \$2,592,523.

The resolution providing for the issuance of the revenue bonds included the following provisions:

- All proceeds from the statewide sales, service and use tax shall be deposited into the revenue account.
- Monies in the revenue account shall first be disbursed to make deposits into the sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year. At June 30, 2013, there was \$64,163 deposited into the sinking account.
- Monies in the revenue account shall next be disbursed to maintain a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. At June 30, 2013, there was \$789,480 deposited in the revenue account.
- If monies in the sinking fund exceed the required amount, the excess shall be transferred to the revenue account.

North Scott Community School District

**Notes to Financial Statements
Year Ended June 30, 2013**

Note 6. General Long-Term Debt (Continued)

Annual debt service requirement on the outstanding indebtedness as of June 30, 2013, are as follows:

Year ending June 30:	Rate	Principal	Interest	Total
2014	2.00%	\$ 540,000	\$ 229,955	\$ 769,955
2015	2.00%	545,000	235,580	780,580
2016	2.00%	550,000	224,680	774,680
2017	2.00%	560,000	213,680	773,680
2018	2.00%	565,000	202,480	767,480
2019-2023	2.00-2.35%	3,010,000	836,970	3,846,970
2024-2028	2.75-3.10%	3,465,000	443,075	3,908,075
2029	3.20%	765,000	24,480	789,480
		<u>\$ 10,000,000</u>	<u>\$ 2,410,900</u>	<u>\$ 12,410,900</u>

The June 30, 2013 debt issued by the District did not exceed its legal debt margin computed as follows:

Total assessed valuation	<u>\$ 925,643,543</u>
Debt limit, 5% of total assessed valuation	\$ 46,282,177
Amount of debt applicable to debt limit, total general obligation bonded debt	<u>10,000,000</u>
Excess of debt limit over bonded debt outstanding, legal debt margin	<u>\$ 36,282,177</u>

Early retirement:

The District offered a voluntary early retirement plan to selected employee classifications. Eligible employees must be at least age 55 and have completed at least 10 years of consecutive service to the District. Employees must complete an application which is required to be approved by the Board of Education. The retirement benefit is 60 percent of the retiree’s base wage at the time of their retirement. This amount is deposited into a Health Reimbursement Account and is intended to be used on a pretax basis for the retired employee’s eligible medical expenses and/or health insurance premiums. The benefit to the Premium Plan will be paid in January 2014 and January 2015.

As of June 30, 2013, the District has obligations to 13 participants with a total liability of \$578,744. The early retirement program is funded through a property tax assessment. Early retirement incentives are paid primarily out of the nonmajor special revenue, Management Levy Fund. The cost of early retirement payments expected to be liquidated currently are recorded as a liability in the statement of net position. A liability has been recorded in the statement of net position representing the District’s commitment to fund noncurrent early retirement.

North Scott Community School District

Notes to Financial Statements Year Ended June 30, 2013

Note 7. Other Postemployment Benefits (OPEB)

Plan description: The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 336 active and 31 retired members in the plan. Participants must be age 55 or older at retirement. The District does not have a separate, audited GAAP-basis postemployment benefit plan report.

The medical/prescription drug coverage is provided through a self-funded plan with stop-loss limits from First Administrators. 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. Liabilities of the District's OPEB are paid primarily from the General Fund.

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

The following table shows the components of the District's annual OPEB costs 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	\$ 367,848
Interest on net OPEB obligation	25,320
Adjustment to annual required contribution	<u>(77,019)</u>
Annual OPEB cost	316,149
Contributions made	<u>47,658</u>
Increase in net OPEB obligation	268,491
Net OPEB obligation beginning of year	<u>1,012,781</u>
Net OPEB obligation end of year	<u><u>\$ 1,281,272</u></u>

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

For the year ended June 30, 2013, the District contributed \$47,658 to the medical plan. Plan members eligible for benefits contributed \$0 or 0 percent of the premium costs.

North Scott Community School District

Notes to Financial Statements Year Ended June 30, 2013

Note 7. Other Postemployment Benefits (OPEB) (Continued)

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 238,230	21.5%	\$ 748,854
June 30, 2012	315,415	16.4%	1,012,781
June 30, 2013	316,149	15.1%	1,281,272

Funded status and funding progress: As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$2,302,124, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,302,124. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$17,325,506, and the ratio of the UAAL to covered payroll was 13.29 percent. As of June 30, 2013, there were no trust fund assets.

Actuarial methods and assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, 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 liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2011 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 2.5 percent discount rate based on the District's funding policy. The projected annual medical trend rate is 6 percent. The ultimate medical trend rate is 3.5 percent. The salary increase rate was assumed to be 2% per year.

Mortality rates are from the 94 Group Annuity Mortality Table (projected to 2000), applied on a gender-specific basis. Annual retirement probabilities were developed based upon recent North Scott Community School District experience.

North Scott Community School District

**Notes to Financial Statements
Year Ended June 30, 2013**

Note 7. Other Postemployment Benefits (OPEB) (Continued)

Termination probabilities were based upon national termination studies performed by the Society of Actuaries and were adjusted to reflect the recent lower termination rates experienced by North Scott Community School District. Projected claim costs of the medical plan are \$1196 per month for family coverage or \$565 per month for single coverage for retirees. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

The District has a self-funded health insurance plan, reported as an internal service fund. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125 percent of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$80,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in any of the past three calendar plan years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The change in the unpaid claims liability for the two years ended June 30, 2013 and 2012 is as follows:

	2013	2012
Balance, beginning of year	\$ 491,917	\$ 285,072
Incurred claims and claim adjustments	3,074,509	4,152,047
Payment of claims	3,145,748	3,945,202
Balance, end of year	<u>\$ 420,678</u>	<u>\$ 491,917</u>

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

North Scott Community School District

Notes to Financial Statements Year Ended June 30, 2013

Note 9. Pension and Retirement Benefits

North Scott Community School 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, PO Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78 percent of their annual salary and the District was required to contribute 8.67 percent of annual covered payroll for the year ended June 30, 2013. Plan members were required to contribute 5.38 percent of their annual salary and the District was required to contribute 8.07 percent of annual covered payroll for the year ended June 30, 2012. Plan members were required to contribute 4.5 percent of their annual salary and the District is required to contribute 6.95 percent of annual covered payroll for the year ended June 30, 2011. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$1,563,663, \$1,398,169, and \$1,176,730, respectively, equal to the required contributions for each year.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,100,135 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 11. Categorical Funding

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

Program	Amount
Gifted and talented	\$ 111,495
Dropout and dropout prevention	57,647
Teacher salary supplement	13,770
Educator quality, professional development	11,245
Four-year old preschool	226,372
Total restricted for categorical funding	\$ 420,529

North Scott Community School District

Notes to Financial Statements Year Ended June 30, 2013

Note 12. Commitments and Contingencies

The District has financial commitments relating to school additions and remodeling projects of approximately \$10,540,000 as of June 30, 2013 of which, approximately \$1,541,000 of costs have been incurred. Bond proceeds will fund the majority of these commitments.

Note 13. New Governmental Accounting Standards Board (GASB) Statements

The District adopted the following statements during the year ended June 30, 2013:

GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnerships.

GASB Statement No 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34. This Statement is intended to improve financial reporting for governmental financial reporting entities by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity.

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statement in the future.

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources.

The implementation of the above statements did not have a material impact to the District's financial statements other than GASB Statement No. 63 and No. 65. The adoption of these statements changed the presentation of the basic financial statements to a statement of net position format.

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North Scott Community School District

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Actual to Budget - All Governmental Funds and Enterprise Funds
Required Supplementary Information
Year Ended June 30, 2013**

	Governmental Funds - Actual	Enterprise Funds - Actual
Revenues:		
Local sources	\$ 17,411,562	\$ 1,093,424
State sources	15,613,786	27,974
Federal sources	870,266	543,523
Total revenues	33,895,614	1,664,921
Expenditures/expenses:		
Instruction	20,129,313	1,039
Support services	9,801,549	192,811
Noninstructional programs	276	1,488,175
Other expenditures	3,994,919	3,467
Total expenditures/expenses	33,926,057	1,685,492
(Deficiency) of revenues (under) expenditures/expenses	(30,443)	(20,571)
Other financing sources (uses):		
Sale of capital assets	2,838	-
Issuance of long term debt	10,000,000	-
Premium on issuance	136,197	-
Interfund transfers in	79,116	-
Interfund transfers out	(73,868)	(5,248)
Total other financing sources (uses)	10,144,283	(5,248)
Net change in fund balance/net position	10,113,840	(25,819)
Balance, beginning of year	12,753,184	1,059,820
Balance, end of year	\$ 22,867,024	\$ 1,034,001

See Note to Required Supplementary Information.

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
\$ 18,504,986	\$ 18,661,560	\$ 18,661,560	\$ (156,574)
15,641,760	15,818,960	15,818,960	(177,200)
1,413,789	1,221,933	1,221,933	191,856
35,560,535	35,702,453	35,702,453	(141,918)
20,130,352	21,933,676	21,600,000	1,469,648
9,994,360	10,416,794	11,784,490	1,790,130
1,488,451	1,695,000	1,650,000	161,549
3,998,386	4,133,236	5,340,135	1,341,749
35,611,549	38,178,706	40,374,625	4,763,076
(51,014)	(2,476,253)	(4,672,172)	4,621,158
2,838	5,000	5,000	(2,162)
10,000,000	-	-	10,000,000
136,197	-	-	136,197
79,116	70,000	70,000	9,116
(79,116)	-	-	(79,116)
10,139,035	75,000	75,000	10,064,035
10,088,021	(2,401,253)	(4,597,172)	14,685,193
13,813,004	13,813,004	13,813,004	-
\$ 23,901,025	\$ 11,411,751	\$ 9,215,832	\$ 14,685,193

North Scott 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 Government 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 the internal service fund and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year-end.

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

North Scott Community School District

**Required Supplementary Information
Schedule of Funding Progress for the Retiree Health Plan**

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)
2009	7/1/2007	\$ -	\$ 1,956,717	\$ 1,956,717	0.00%	\$ 17,477,134	11.20%
2010	7/1/2009	-	1,726,861	1,726,861	0.00%	17,509,735	9.86%
2011	7/1/2009	-	1,733,811	1,733,811	0.00%	17,303,349	10.02%
2012	7/1/2011	-	2,302,124	2,302,124	0.00%	17,325,506	13.29%
2013	7/1/2011	-	2,302,124	2,302,124	0.00%	17,325,506	13.29%

See Note 7 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

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North Scott Community School District

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013**

	Special Revenue			Total
	Management Fund	Student Activity	Debt Service	
Assets				
Cash and pooled investments	\$ 816,674	\$ 313,142	\$ 64,163	\$ 1,193,979
Receivables:				
Property tax:				
Delinquent	3,859	-	-	3,859
Succeeding year	624,998	-	-	624,998
Accounts	-	15,241	-	15,241
Intergovernmental	34	-	-	34
Prepaid items	-	6,412	-	6,412
Total assets	\$ 1,445,565	\$ 334,795	\$ 64,163	\$ 1,844,523
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 37,096	\$ 43,978	\$ -	\$ 81,074
Accrued expenses	-	12,693	-	12,693
Total liabilities	37,096	56,671	-	93,767
Deferred inflows of resources, unavailable revenue:				
Succeeding year property tax	624,998	-	-	624,998
Fund balances				
Nonspendable, prepaid items	-	6,412	-	6,412
Restricted for:				
Debt service	-	-	64,163	64,163
Management levy purposes	783,471	-	-	783,471
Student activities	-	271,712	-	271,712
Total fund balances	783,471	278,124	64,163	1,125,758
Total liabilities, deferred inflows of resources and fund balances	\$ 1,445,565	\$ 334,795	\$ 64,163	\$ 1,844,523

North Scott Community School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2013

	Special Revenue		Debt Service	Total
	Management Fund	Student Activity		
Revenues:				
Local sources:				
Local tax	\$ 424,472	\$ -	\$ -	\$ 424,472
Other	47,472	803,255	-	850,727
State appropriation	288	-	-	288
Total revenues	472,232	803,255	-	1,275,487
Expenditures:				
Current:				
Instruction:				
Regular	201,607	-	-	201,607
Other	-	803,745	-	803,745
Support services:				
Student	24,866	-	-	24,866
Instructional staff	-	9,177	-	9,177
Administration	44,681	1,899	-	46,580
Operating and maintenance of plant	144,119	14,964	-	159,083
Transportation	22,080	11,758	-	33,838
Noninstructional programs	276	-	-	276
Total expenditures	437,629	841,543	-	1,279,172
Excess (deficiency) of revenues over (under) expenditures	34,603	(38,288)	-	(3,685)
Other financing sources (uses):				
Transfers in	607	-	64,163	64,770
Transfers out	-	(9,705)	-	(9,705)
	607	(9,705)	64,163	55,065
Net change in fund balances	35,210	(47,993)	64,163	51,380
Fund balances, beginning of year	748,261	326,117	-	1,074,378
Fund balances, end of year	\$ 783,471	\$ 278,124	\$ 64,163	\$ 1,125,758

North Scott Community School District

**Schedule of Combining Balance Sheet
Capital Project Fund - By Account
June 30, 2013**

	Capital Projects Accounts		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 14,363,067	\$ 1,471,971	\$ 15,835,038
Restricted cash and equivalents	789,480	-	789,480
Receivables:			
Property tax:			
Delinquent	-	10,735	10,735
Succeeding year	-	1,235,701	1,235,701
Accounts	44	-	44
Due from other governments	540,603	89	540,692
Total assets	\$ 15,693,194	\$ 2,718,496	\$ 18,411,690
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities, accounts payable	391,337	23,554	414,891
Deferred inflows of resources, unavailable revenue:			
Succeeding year property tax	-	1,235,701	1,235,701
Statewide sales and services tax	130,000	-	130,000
Total deferred inflows of resources	130,000	1,235,701	1,365,701
Fund Balances:			
Restricted for:			
School infrastructure	15,171,857	-	15,171,857
Physical plant and equipment	-	1,459,241	1,459,241
Total fund balances	15,171,857	1,459,241	16,631,098
Total liabilities, deferred inflows of resources and fund balances	\$ 15,693,194	\$ 2,718,496	\$ 18,411,690

North Scott Community School District

Schedule of Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Capital Project Fund - By Account
 Year Ended June 30, 2013

	Capital Projects Accounts		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ 2,592,523	\$ 1,152,677	\$ 3,745,200
Other	29,042	6,821	35,863
State appropriations	-	690	690
Total revenues	2,621,565	1,160,188	3,781,753
Expenditures:			
Current:			
Instruction, regular	92,550	212,324	304,874
Support services:			
Administration	351,514	98,676	450,190
Operation and maintenance of plant	-	17,522	17,522
Transportation	-	254,028	254,028
Other expenditures:			
Facilities acquisition	2,219,077	454,249	2,673,326
Debt service, issuance costs	221,458	-	221,458
Total expenditures	2,884,599	1,036,799	3,921,398
Excess (deficiency) of revenues over (under) expenditures	(263,034)	123,389	(139,645)
Other financing sources (uses):			
Transfers out	(64,163)	-	(64,163)
Issuance of long-term debt	10,000,000	-	10,000,000
Premium on issuance	136,197	-	136,197
Total other financing sources (uses)	10,072,034	-	10,072,034
Net change in fund balance	9,809,000	123,389	9,932,389
Fund balance, beginning of year	5,362,857	1,335,852	6,698,709
Fund balance, end of year	\$ 15,171,857	\$ 1,459,241	\$ 16,631,098

North Scott Community School District

Statement of Changes in Assets and Liabilities

Agency Fund

Year Ended June 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 14,282	\$ 16,495	\$ 14,282	\$ 16,495
Prepaid Expenses	-	2,700	-	2,700
Accounts receivable	-	60	-	60
Total assets	\$ 14,282	\$ 19,255	\$ 14,282	\$ 19,255
Liabilities				
Due to other groups	\$ 14,282	\$ 19,255	\$ 14,282	\$ 19,255
Total liabilities	\$ 14,282	\$ 19,255	\$ 14,282	\$ 19,255

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STATISTICAL SECTION



North Scott Community Schools

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North Scott Community School District

Statistical Section Contents

The statistical section of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the District's overall financial health.

Contents	Page
Financial Trends	59 - 72
These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	
Revenue Capacity	73 - 77
These schedules contain trend information to help the reader assess the factors affecting the District's ability to generate its property taxes.	
Debt Capacity	78 - 84
These schedules contain trend information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic and Economic Information	85 - 88
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments	
Operating Information	89 - 95
These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.	
Miscellaneous Information	96 - 114
These schedules offer additional insight to pertinent District data to inform the reader about the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.	

North Scott Community School District

**Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)**

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities:				
Net investment in capital assets	\$ 15,378,575	\$ 17,053,299	\$ 16,338,609	\$ 16,136,426
Restricted	4,671,828	4,203,806	6,446,875	8,105,764
Unrestricted	2,740,041	2,431,642	2,921,963	4,617,192
Business-type activities				
Net investment in capital assets	212,679	238,699	202,183	190,535
Unrestricted	527,089	548,723	638,238	689,930
Total primary government net position	\$ 23,530,212	\$ 24,476,169	\$ 26,547,868	\$ 29,739,847

Source: District financial records

							Fiscal Year				
2008		2009		2010		2011		2012		2013	
\$	21,323,720	\$	21,698,241	\$	21,381,552	\$	20,646,639	\$	19,839,922	\$	21,204,665
	4,426,103		5,091,379		5,632,202		6,435,472		8,665,073		9,471,712
	5,280,876		4,651,368		3,311,949		4,418,125		5,665,890		5,615,466
	180,418		172,715		298,759		278,305		253,472		242,862
	742,578		684,130		533,078		625,563		806,348		791,139
\$	31,953,695	\$	32,297,833	\$	31,157,540	\$	32,404,104	\$	35,230,705	\$	37,325,844

North Scott Community School District

Expenses, Program Revenues and Net (Expense)/ Revenue
 Last Ten Fiscal Years
(accrual basis of accounting)
 (Unaudited)

	Fiscal Year			
	2004	2005	2006	2007
Expenses:				
Governmental activities:				
Regular instruction	\$ 8,872,102	\$ 9,087,347	\$ 8,881,122	\$ 9,496,767
Special instruction	3,860,845	3,330,825	3,312,774	3,533,485
Other instruction	1,900,640	2,776,028	3,143,272	2,725,782
Student services	960,019	996,404	1,053,450	983,375
Instructional staff services	1,112,320	1,081,274	959,041	911,261
Administration services	2,288,419	2,540,841	2,774,473	2,778,116
Operation and maintenance of plant services	2,994,156	2,802,972	2,719,579	3,153,906
Transportation services	820,488	914,674	943,077	1,030,894
Food service operations	5,568	34,870	-	-
Community service and education program	630	-	-	-
Interest on long-term debt	431,572	389,471	365,211	324,270
AEA flowthrough	806,571	821,910	866,735	939,091
Debt service	-	-	-	-
Depreciation (unallocated)	674,973	1,024,602	1,073,479	1,084,326
Total governmental activities	24,728,303	25,801,218	26,092,213	26,961,273
Business-type activities:				
Nutrition services	1,143,070	1,156,314	1,259,809	1,264,732
Child care services	179,277	204,050	235,201	261,488
Total business-type activities	1,322,347	1,360,364	1,495,010	1,526,220
Total primary government expenses	26,050,650	27,161,582	27,587,223	28,487,493
Program revenues:				
Governmental activities:				
Charges for services:				
Instruction:				
Regular instruction	1,093,438	443,417	512,323	806,523
Special instruction	120,400	330,015	273,558	281,413
Other instruction	764,146	1,203,530	1,254,117	701,453
Support services	3,148	2,090	-	4,330
Operating grants and contributions	2,118,635	2,255,327	2,518,129	3,048,452
Capital grants and contributions	-	47,050	49,299	28,000
Total governmental activities	4,099,767	4,281,429	4,607,426	4,870,171
Business-type activities:				
Charges for services:				
Nutrition	794,201	806,014	851,999	845,185
Child care	200,787	251,391	270,407	284,236
Operating grants and contributions	406,631	416,149	418,974	417,065
Total business-type activities	1,401,619	1,473,554	1,541,380	1,546,486
Total primary government revenues	5,501,386	5,754,983	6,148,806	6,416,657
Net (expense) revenues:				
Total governmental activities	(20,628,536)	(21,519,789)	(21,484,787)	(22,091,102)
Total business-type activities	79,272	113,190	46,370	20,266
Total primary government revenues	\$ (20,549,264)	\$ (21,406,599)	\$ (21,438,417)	\$ (22,070,836)

Source: District financial records

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	10,697,340	\$	11,620,059	\$	11,921,193	\$	11,333,300	\$	12,962,232	\$	11,841,523
	3,710,766		4,195,848		3,769,151		3,427,940		2,752,196		3,275,964
	3,011,542		3,370,952		3,812,434		3,800,547		3,773,994		3,886,832
	1,143,007		1,215,673		1,201,957		1,256,107		1,245,261		1,246,859
	967,017		1,048,118		1,039,929		922,396		995,987		1,157,680
	3,184,685		3,366,550		3,210,646		3,296,030		3,323,786		3,366,816
	3,388,922		3,862,589		3,744,279		3,839,322		3,632,525		2,523,529
	1,101,054		1,107,742		1,059,243		1,080,198		1,033,272		1,007,971
	11,788		226		8,546		-		-		-
	459		-		-		-		-		-
	-		-		-		-		-		-
	995,597		1,046,272		1,139,829		1,172,973		1,070,395		1,100,135
	-		-		-		-		-		221,458
	1,092,839		1,130,158		1,259,236		1,168,591		1,176,212		1,704,026
	29,305,016		31,964,187		32,166,443		31,297,404		31,965,860		31,332,793
	1,309,288		1,422,093		1,455,862		1,401,846		1,395,843		1,444,983
	288,282		252,096		292,580		290,628		273,992		240,509
	1,597,570		1,674,189		1,748,442		1,692,474		1,669,835		1,685,492
	30,902,586		33,638,376		33,914,885		32,989,878		33,635,695		33,018,285
	812,765		905,111		808,902		810,688		823,426		790,471
	310,133		311,204		249,992		285,627		207,798		261,957
	657,460		773,922		690,228		778,201		324,945		357,427
	2,854		3,698		4,682		4,701		66,905		60,017
	3,691,583		4,349,626		5,832,697		4,159,219		5,279,988		4,743,405
	4,380		67,500		-		-		228,823		11,986
	5,479,175		6,411,061		7,586,501		6,038,436		6,931,885		6,225,263
	870,443		863,464		890,407		862,141		935,785		872,889
	328,260		271,354		304,391		301,696		285,813		213,717
	434,389		483,117		549,257		580,797		600,575		571,497
	1,633,092		1,617,935		1,744,055		1,744,634		1,822,173		1,658,103
	7,112,267		8,028,996		9,330,556		7,783,070		8,754,058		7,883,366
	(23,825,841)		(25,553,126)		(24,579,942)		(25,258,968)		(25,033,975)		(25,107,530)
	35,522		(56,254)		(4,387)		52,160		152,338		(27,389)
\$	(23,790,319)	\$	(25,609,380)	\$	(24,584,329)	\$	(25,206,808)	\$	(24,881,637)	\$	(25,134,919)

North Scott Community School District

**General Revenues and Total Change in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)**

	Fiscal Year			
	2004	2005	2006	2007
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes levied for general purposes*	9,171,635	8,901,542	9,168,880	9,527,903
Property taxes levied for capital projects	2,303,861	878,876	901,676	935,394
Income surtax	-	-	-	146,216
Sales tax	-	2,371,557	2,460,328	2,676,941
Unrestricted grants and contributions	9,693,706	9,970,358	10,558,269	11,154,999
Miscellaneous	8,426	1,685	9,575	126,534
Investment earnings	76,699	214,830	389,759	655,050
Transfers	-	-	-	-
Total governmental activities	21,254,327	22,338,848	23,488,487	25,223,037
Business-type activities:				
Miscellaneous	350	-	-	-
Investment earnings	3,823	13,708	21,629	39,778
Transfers	-	-	-	-
Total business-type activities	4,173	13,708	21,629	39,778
Total primary government	21,258,500	22,352,556	23,510,116	25,262,815
Change in net position:				
Total governmental activities	625,791	819,059	2,003,700	3,131,935
Total business-type activities	83,445	126,898	67,999	60,044
Total primary government	\$ 709,236	\$ 945,957	\$ 2,071,699	\$ 3,191,979

* Changes in property tax revenues are a product of underlying changes in property values and tax rates.

Source: District financial records

Fiscal Year					
2008	2009	2010	2011	2012	2013
9,703,082	10,197,282	10,396,804	10,834,882	11,091,158	11,342,208
949,985	1,034,846	1,075,899	1,108,639	1,152,677	1,152,677
132,922	168,821	168,421	153,782	165,387	175,898
2,805,605	2,676,227	2,145,184	2,375,804	2,997,352	2,220,523
11,688,064	11,516,615	9,495,352	11,788,613	12,157,291	12,214,669
253,692	105,997	130,007	143,944	108,858	85,078
442,867	241,577	29,932	40,891	32,014	32,187
20,941	22,050	23,058	(13,054)	(113)	5,248
25,997,158	25,963,415	23,464,657	26,433,501	27,704,624	27,228,488
-	-	-	4,307	1,629	5,023
27,950	12,153	2,437	2,510	1,872	1,795
(20,941)	(22,050)	(23,058)	13,054	113	(5,248)
7,009	(9,897)	(20,621)	19,871	3,614	1,570
26,004,167	25,953,518	23,444,036	26,453,372	27,708,238	27,230,058
2,171,317	410,289	(1,115,285)	1,174,533	2,670,649	2,120,958
42,531	(66,151)	(25,008)	72,031	155,952	(25,819)
\$ 2,213,848	\$ 344,138	\$ (1,140,293)	\$ 1,246,564	\$ 2,826,601	\$ 2,095,139

North Scott Community School District

**Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)**

	Fiscal Year			
	2004	2005	2006	2007
General Fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Reserved	10,360	135,873	140,555	166,182
Unreserved	1,430,053	885,762	1,224,856	2,422,773
Total General Fund	1,440,413	1,021,635	1,365,411	2,588,955
All other governmental funds:				
Nonspendable	-	-	-	-
Restricted for:				
Capital projects funds	-	-	-	-
Debt service	-	-	-	-
Special revenue funds	-	-	-	-
Reserved	-	-	8,063	3,028
Unreserved, reported in:				
Capital projects funds	3,373,117	4,214,303	4,738,445	6,317,073
Special revenue funds	1,742,652	1,850,071	1,811,434	1,735,447
Total all other governmental funds	5,115,769	6,064,374	6,557,942	8,055,548
Total governmental funds	\$ 6,556,182	\$ 7,086,009	\$ 7,923,353	\$ 10,644,503

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, implemented in fiscal year 2011

Source: District financial records

Fiscal Year						
2008	2009	2010	2011	2012	2013	
\$ -	\$ -	\$ -	\$ 124,788	\$ 117,332	\$ 107,467	
-	-	-	353,255	389,986	420,529	
-	-	-	106,733	115,597	123,083	
-	-	-	3,343,328	4,357,182	4,459,089	
204,353	221,275	301,975	-	-	-	
3,359,636	3,686,423	2,820,900	-	-	-	
3,563,989	3,907,698	3,122,875	3,928,104	4,980,097	5,110,168	
-	-	-	13,428	19,222	6,412	
-	-	-	5,336,481	6,698,709	16,631,098	
-	-	-	-	-	64,163	
-	-	-	940,806	1,055,156	1,055,183	
250,000	250,960	1,522	-	-	-	
2,217,166	2,638,503	3,094,362	-	-	-	
1,878,877	2,086,400	2,518,877	-	-	-	
4,346,043	4,975,863	5,614,761	6,290,715	7,773,087	17,756,856	
\$ 7,910,032	\$ 8,883,561	\$ 8,737,636	\$ 10,218,819	\$ 12,753,184	\$ 22,867,024	

North Scott Community School District

**Governmental Funds Revenues
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)**

	Fiscal Year			
	2004	2005	2006	2007
Local sources:				
Property taxes	\$ 9,183,015	\$ 9,776,747	\$ 10,070,556	\$ 10,463,297
Income surtax	-	-	-	123,750
Local option sales and services taxes	2,303,861	2,371,557	2,460,328	2,676,941
Interest income	76,699	214,830	389,759	655,050
Other revenues	1,981,132	2,026,102	2,089,297	2,253,911
Total local sources	13,544,707	14,389,236	15,009,940	16,172,949
Intermediate sources, other revenues	-	14,596	4,550	1,195
State sources:				
State education finance program	9,554,699	9,860,688	10,418,253	10,981,156
Other state grants	1,649,543	1,675,568	1,917,782	2,152,949
Total state sources	11,204,242	11,536,256	12,336,035	13,134,105
Federal sources, federal grants	608,099	674,833	735,813	751,496
Total revenues	\$ 25,357,048	\$ 26,614,921	\$ 28,086,338	\$ 30,059,745

Source: District financial records

Fiscal Year						
	2008	2009	2010	2011	2012	2013
\$	10,653,067	\$ 11,232,128	\$ 11,472,703	\$ 11,943,521	\$ 12,016,744	\$ 12,312,301
	132,922	150,476	150,847	153,136	163,183	165,864
	2,805,605	2,676,227	2,145,184	2,375,804	2,495,351	2,592,523
	442,867	105,997	29,932	40,891	32,014	32,187
	2,226,444	2,430,793	2,248,226	2,296,268	2,675,815	2,308,687
	16,260,905	16,595,621	16,046,892	16,809,620	17,383,107	17,411,562
	811	-	-	-	-	-
	11,587,694	11,516,615	11,249,874	13,138,014	11,955,282	12,164,429
	2,808,961	2,998,035	1,317,854	1,352,764	3,509,495	3,449,357
	14,396,655	14,514,650	12,567,728	14,490,778	15,464,777	15,613,786
	692,074	1,108,142	2,383,405	1,168,598	1,166,881	870,266
\$	31,350,445	\$ 32,218,413	\$ 30,998,025	\$ 32,468,996	\$ 34,014,765	\$ 33,895,614

North Scott Community School District

**Governmental Funds Expenditures and Debt Service Ratio
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)**

	Fiscal Year			
	2004	2005	2006	2007
Regular instruction	\$ 9,234,071	\$ 9,316,756	\$ 9,022,917	\$ 9,751,985
Special instruction	3,947,774	3,382,905	3,343,311	3,644,447
Other instruction	1,915,423	2,771,396	3,139,649	2,735,006
Student services	967,602	1,015,187	1,059,475	1,007,146
Instructional staff services	1,097,792	1,111,963	976,259	937,307
Administration services	2,230,184	2,363,462	2,695,929	2,702,672
Operation and maintenance of plant services	2,209,956	2,247,570	2,194,131	2,231,316
Transportation services	968,457	1,054,730	1,131,221	1,244,113
Food service operations	13,903	1,404	22,166	10,956
Community service and education program	630	-	-	-
Capital outlay, facilities acquisition/construction	924,800	994,402	1,733,138	1,082,444
AEA flowthrough	806,571	821,910	866,735	939,091
Debt service:				
Principal	655,000		715,000	750,000
Interest and fiscal charges	424,736	396,638	373,638	333,109
Issuance costs	-	-	-	-
Total expenditures	\$ 25,396,899	\$ 25,478,323	\$ 27,273,569	\$ 27,369,592
Debt service as a percentage of noncapital expenditures	4.34%	4.25%	4.23%	4.04%

Source: District financial records

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	10,598,784	\$	11,208,853	\$	11,563,369	\$	11,474,729	\$	13,000,074	\$	12,624,134
	3,647,700		3,971,755		3,643,387		3,529,914		2,823,007		3,437,643
	2,992,708		3,377,600		3,785,481		3,817,797		3,843,811		4,067,536
	1,129,497		1,167,667		1,175,015		1,256,477		1,278,688		1,320,096
	948,964		993,594		1,003,039		960,571		1,013,092		1,225,679
	3,104,724		3,092,005		3,061,198		3,181,411		3,168,979		3,420,065
	2,285,424		2,400,995		2,338,122		2,580,887		2,646,448		2,518,287
	1,399,385		1,341,413		1,280,324		1,344,075		1,023,349		1,317,422
	41		226		2,966		10,871		781		276
	-		-		-		-		-		-
	1,176,980		2,432,222		1,821,779		1,683,577		1,625,806		2,673,326
	995,597		1,046,272		1,139,829		1,172,973		1,070,395		1,100,135
	5,930,000		350,000		365,000		-		-		-
	1,000		-		-		-		-		-
	-		-		-		-		-		221,458
\$	34,210,804	\$	31,382,602	\$	31,179,509	\$	31,013,282	\$	31,494,430	\$	33,926,057
	17.69%		1.17%		1.20%		0.00%		0.00%		0.76%

North Scott Community School District

Other Financing Sources and Uses and Net Change in Fund Balances

Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	2004	2005	2006	2007
Excess (deficiency) of revenues over (under) expenditures	\$ (39,851)	\$ 448,898	\$ 812,769	\$ 2,690,153
Other financing sources (uses):				
Proceeds from the sale of capital assets	8,321	1,685	9,575	10,997
Insurance proceeds	105	-	-	-
Premium on issuance	-	-	-	-
Transfers in	1,089,736	1,178,578	1,110,129	1,131,315
Transfers out	(1,079,736)	(1,099,334)	(1,095,129)	(1,111,315)
Total other financing sources (uses)	18,426	80,929	24,575	30,997
Net change in fund balances	\$ (21,425)	\$	\$ 837,344	\$ 2,721,150

Source: District financial records

Fiscal Year						
2008	2009	2010	2011	2012	2013	
\$ (2,860,359)	\$ 835,811	\$ (181,484)	\$ 1,455,714	\$ 2,520,335		\$ (30,443)
-	-	8,721	7,524	14,143		2,838
104,947	115,668	3,780	7,825	-		10,000,000
-	-	-	-	-		136,197
6,138,648	454,898	420,199	32,328	15,183		79,116
(6,117,707)	(432,848)	(397,141)	(22,208)	(15,296)		(73,868)
125,888	137,718	35,559	25,469	14,030		10,144,283
\$ (2,734,471)	\$ 973,529	\$ (145,925)	\$ 1,481,183	\$ 2,534,365		\$ 10,113,840

North Scott Community School District

**Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Actual Value			Less Exemptions	Total Taxable Value - Actual	Total Direct Rate (a)
	Residential Property	Commercial Property	Other Property			
2004	\$ 256,445,451	\$ 172,132,325	\$ 161,673,916	\$ 1,507,528	\$ 588,744,164	\$ 15.03382
2005	277,731,374	204,509,254	142,744,853	1,536,850	623,448,631	15.12320
2006	291,046,294	204,959,840	143,959,212	1,548,270	638,417,076	15.17814
2007	307,576,363	215,835,281	147,204,843	1,563,084	669,053,403	15.18338
2008	318,991,324	223,452,153	146,622,429	1,601,976	687,463,930	15.12311
2009	349,808,854	254,925,672	138,682,265	1,635,312	741,781,479	14.76476
2010	374,361,097	256,196,590	145,752,234	1,640,868	774,669,053	14.51584
2011	395,248,768	256,029,785	140,927,148	1,666,796	790,538,905	14.75964
2012	416,974,917	255,224,493	143,458,280	1,674,204	813,983,486	14.75525
2013	456,576,305	253,216,138	137,398,822	1,668,648	845,522,617	14.50592

Source: Iowa Department of Management and Scott County Auditor.

Notes: Property is assessed on a calendar year basis. The assessments finalized as of January 1 of each year are applied to the second fiscal year following the tax assessment year.

(a) Per \$1,000 of assessed value.

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North Scott Community School District

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(rate per \$1,000 of assessed value)

(Unaudited)

Fiscal Year	District Direct Rates				Overlapping Rates				
	General Purposes	Capital Purposes	Debt Service	Total	Scott County	College Area IX	City of Bettendorf	City of Davenport	City of Dixon
2004	\$ 14.02122	\$ 1.30000	\$ -	\$ 15.32122	\$ 4.48067	\$ 0.62633	\$ 11.85000	\$ 14.63000	\$ 8.09986
2005	13.73382	1.30000	-	15.03382	4.75497	0.59216	12.34932	15.24000	8.09986
2006	13.82320	1.30000	-	15.12320	5.56513	0.59269	12.34952	15.24000	8.10000
2007	13.87814	1.30000	-	15.17814	5.51106	0.61277	12.60000	15.56702	8.10000
2008	13.58231	1.30000	-	14.88231	5.54040	0.60785	12.95000	15.24000	8.10000
2009	13.46476	1.30000	-	14.76476	5.33791	0.60635	12.85000	15.57584	8.10000
2010	13.21584	1.30000	-	14.51584	5.47607	0.87714	12.85000	15.58000	8.10000
2011	13.45964	1.30000	-	14.75964	6.37607	0.92444	12.60000	15.53000	8.10000
2012	13.45525	1.30000	-	14.75525	6.37759	1.01724	12.60000	15.53000	8.10000
2013	13.20592	1.30000	-	14.50592	6.30156	0.91511	12.55000	16.78000	8.10000

Source: Iowa Department of Management and Scott County Auditor.

Note:

* Includes levies for operating and debt service costs.

The District has certain restrictions on raising the property tax rate.

General Fund - the District's enrollment as well as District property value and state aid is formula calculated to determine the maximum amount of allowable funding.

Special Revenue Funds - The Special Revenue Fund, PPEL has a restriction from voters of \$1.00 and board imposed levy up to \$0.33

Overlapping Rates

	City of Donahue	City of Eldridge	City of Long Grove	City of Maysville	City of McCausland	City of Princeton
\$	5.15138	\$ 6.37555	\$ 7.89977	\$ 4.85690	\$ 7.91705	\$ 9.30739
	5.15138	6.37555	7.89977	4.85690	7.91705	9.30739
	5.42517	6.64795	8.10000	5.16097	8.10000	9.02314
	5.43321	6.64800	8.39529	5.16094	8.10000	8.97804
	5.42517	6.64795	8.10000	5.16097	8.10000	9.02314
	5.96370	6.64880	9.76863	5.16100	8.10000	8.94763
	5.96079	6.64916	11.15854	5.16094	8.10000	9.58243
	7.21883	6.74852	11.03125	5.16962	9.25982	9.58242
	7.22080	6.75418	10.90085	5.16951	9.21668	9.58242
	7.22267	6.75396	10.74199	5.16957	9.22504	10.26832

North Scott Community School District

**Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)**

Taxpayer	2013			2004		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Deere & Company, Inc.	\$ 28,673,100	1	3.3912 %	10,056,731	5	1.5699 %
ARCP JDDPTIA01	19,868,300	2	2.3498	-		-
Petersen Properties, LC	11,348,420	3	1.3422	15,054,790	2	2.3501
Murray Enterprises LTD	7,941,460	4	0.9392	4,754,420	3	0.8220
Sir Properties Trust	6,533,080	5	0.7727	-		-
Callahan Construction Inc	6,290,760	6	0.7440	-		-
Genesis Systems Group LTD	4,841,850	7	0.5726	-		-
Modern Woodmen of America	4,604,400	8	0.5446	-		-
Earle M Jorgensen Co	4,382,860	9	0.5184	-		-
Hardi, Inc.	4,355,910	10	0.5152	-		-
Alliance Pipeline	-		-	18,252,267	1	2.8492
Northern Border Pipeline Co.	-		-	10,073,269	4	1.5725
Mid America Energy	-		-	9,098,053	6	1.4202
The Bawden Corporation	-		-	6,875,220	7	1.0732
Steel House LLC	-		-	6,516,230	8	1.0172
Central Scott Telephone Co.	-		-	6,263,723	9	0.9778
Edward Schwartz	-		-	5,623,250	10	0.8778
Total	98,840,140		11.6898 %	92,567,953		16.0042 %

Source: Scott County Auditor

North Scott Community School District

**Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date*	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 9,141,191	\$ 9,110,869	95.37%	\$ 30,322	\$ 9,141,191	100.00%
2005	9,676,444	9,620,854	99.43%	55,590	9,676,444	100.00%
2006	9,967,028	9,678,833	97.11%	14,298	9,693,131	97.25%
2007	10,443,492	10,440,329	99.97%	3,163	10,443,492	100.00%
2008	10,657,685	10,651,152	99.94%	6,533	10,657,685	100.00%
2009	11,239,357	11,231,395	99.93%	7,962	11,239,357	100.00%
2010	11,520,353	11,472,412	99.58%	7,559	11,472,412	99.58%
2011	11,942,957	11,935,962	99.94%	4,267	11,940,229	99.98%
2012	12,307,354	12,251,578	99.55%	2,484	12,254,062	99.57%
2013	12,559,559	12,549,859	99.92%	N/A	12,549,859	99.92%

Source: Iowa Department of Management, Scott County Auditor and School District financial records.

Note: N/A = not available.

North Scott Community School District

**Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	General Obligation Bonds	Revenue Bonds	Total Primary Government	Percentage of Personal Income*	Per Capita*
2004	\$ 6,825,000	\$ 1,970,000	\$ 8,795,000	30.44%	\$ 658
2005	6,435,000	1,675,000	8,110,000	26.07	606
2006	6,025,000	1,370,000	7,395,000	22.17	553
2007	5,595,000	1,050,000	6,645,000	18.10	497
2008	-	715,000	715,000	1.91	53
2009	-	365,000	365,000	N/A	27
2010	-	-	-	N/A	-
2011	-	-	-	N/A	-
2012	-	-	-	N/A	-
2013	-	10,000,000	10,000,000	N/A	N/A

Source: District financial records

Notes: Details of the District's outstanding debt can be found in Note 6 in the notes to the financial statements.

* See page 84 for personal income and population data. These rates are calculated using personal income and population for the prior calendar year.

N/A = not available.

North Scott Community School District

**Ratio of Net Bonded Debt to Assessed Values
Last Ten Fiscal Years
(Unaudited)**

Year of Collection	Estimated Actual Value of Taxable Property	Total Primary Government Outstanding Debt	Net Bonded Debt	Amount Restricted for Repayment of Outstanding Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita*
2004-05	\$ 640,604,822	\$ 9,389,334	\$ 8,795,000	\$ 250,000	1.37%	\$ 658
2005-06	654,803,524	8,504,625	8,110,000	250,000	1.24	606
2006-07	685,318,055	7,602,377	7,395,000	250,000	1.08	553
2007-08	702,812,685	6,803,992	6,645,000	250,000	0.95	497
2008-09	757,042,952	868,749	715,000	250,000	0.09	53
2009-10	795,215,860	746,264	365,000	250,000	0.05	27
2010-11	831,024,323	896,474	-	-	-	-
2011-12	852,712,206	1,096,658	-	-	-	-
2012-13	891,184,204	1,325,993	-	-	-	-
2013-14	925,643,543	12,014,519	-	853,643	-	-

Source: Iowa Department of Management, Scott County Auditor and School District financial records.

Notes: Details of the District's outstanding debt can be found in Note 6 in the notes to the financial statements.

* See page 84 for personal income and population data. These rates are calculated using personal income and population for the prior calendar year.

N/A = not available.

North Scott Community School District

**Ratio of Annual Debt Service Principal and Interest for General Bonded Debt
to Total General Expenditures
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Principal	Interest	Total Debt Service Principal and Interest	Total General Fund Expenditures	Ratio of Debt Service to Total General Expenditures
2004	\$ 655,000	\$ 424,736	\$ 1,079,736	\$ 21,743,927	4.97%
2005	685,000	396,038	1,081,038	22,391,442	4.83
2006	715,000	367,638	1,082,638	22,851,808	4.74
2007	750,000	333,109	1,083,109	23,758,050	4.56
2008	5,930,000	173,647	6,103,647	25,178,119	24.24
2009	350,000	25,213	375,213	26,847,088	1.40
2010	365,000	8,669	373,669	27,240,869	1.37
2011	-	-	-	27,303,824	-
2012	-	-	-	27,936,637	-
2013	-	-	-	28,725,487	-

Source: District financial records.

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North Scott Community School District

Legal Debt Margin Information

Last Ten Fiscal Years

(Unaudited)

	2004	2005	2006	2007
Debt limit	\$ 32,030,241	\$ 32,740,176	\$ 34,695,901	\$ 35,867,384
Total net debt applicable to limit	8,795,000	8,110,000	7,395,000	6,645,000
Legal debt margin	\$ 23,235,241	\$ 24,630,176	\$ 27,300,901	\$ 29,222,384
Total net debt applicable to the limit as a percentage of debt	27.46%	24.77%	21.31%	18.53%

Source: Iowa Department of Management, Scott County Auditor's Office and School District financial records.

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	\$ 925,643,543
Debt limit (5% of assessed value)	\$ 46,282,177
Debt applicable to limit	10,000,000
Legal debt margin	<u>\$ 36,282,177</u>

2008	2009	2010	2011	2012	2013
\$ 36,577,179	\$ 39,760,793	\$ 41,551,216	\$ 42,635,610	\$ 44,559,210	\$ 46,282,177
715,000	365,000	-	-	-	10,000,000
<u>\$ 35,862,179</u>	<u>\$ 39,395,793</u>	<u>\$ 41,551,216</u>	<u>\$ 42,635,610</u>	<u>\$ 44,559,210</u>	<u>\$ 36,282,177</u>
1.95%	0.92%	0.00%	0.00%	0.00%	21.61%

North Scott Community School District

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2013
(Unaudited)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Direct and Overlapping Debt
Scott County	\$ 50,095,000	11.77%	\$ 5,898,495
Eastern Iowa Community College	64,240,000	6.95%	4,465,089
City of Bettendorf	107,920,000	0.11%	116,349
City of Davenport	205,045,000	2.95%	6,055,688
City of Eldridge	4,015,000	100.00%	4,015,000
City of Princeton	1,690,000	100.00%	1,690,000
City of Donahue	176,000	100.00%	176,000
City of Long Grove	872,000	100.00%	872,000
City of Maysville	-	0.00%	-
City of McCausland	-	0.00%	-
Subtotal, overlapping debt			<u>23,288,620</u>
District direct debt			<u>10,000,000</u>
Total direct and overlapping debt			<u><u>\$ 33,288,620</u></u>

Source: Scott County Auditor.

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This statistical page estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the District. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and business should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

* The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the District's boundaries and dividing it by each unit's total taxable value. (Calculated by dividing the amount of the value applicable to the North Scott School District by the total value for that taxing authority; 2012 assessed values are used.)

North Scott Community School District

**Pledged-Revenue Coverage
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Revenue Bonds*			Coverage
	Revenue	Debt Service		
		Principal	Interest	
2004	\$ 2,303,861	\$ 280,000	\$ 92,895	6.18%
2005	2,371,557	295,000	81,966	6.29
2006	2,460,328	305,000	69,425	6.57
2007	2,676,941	320,000	55,362	7.13
2008	2,805,605	335,000	40,625	7.47
2009	2,676,227	350,000	25,213	7.13
2010	2,145,184	365,000	8,669	5.74
2011	2,375,804	-	-	-
2012	2,495,352	-	-	-
2013	2,592,523	-	-	-

Source: District financial records

Notes: Details regarding the District's outstanding debt can be found in Note 6 of the notes to the financial statements.

* These bonds are backed by a one-cent statewide sales, service and use tax.

North Scott Community School District

**Demographic and Economic Statistics
Last Ten Calendar Years
(Unaudited)**

Calendar Year	Population (a)	Personal Income (b) (Thousands of Dollars)	Per Capita Personal Income	Scott County Area Unemployment Rate (c) *
2004	13,372	\$ 288,967,490	\$ 21,610	4.6%
2005	13,372	311,086,171	23,264	4.6
2006	13,372	333,573,979	24,946	3.8
2007	13,372	367,219,947	27,462	3.6
2008	13,372	374,350,241	27,995	4.0
2009	13,372	375,188,378	28,058	7.3
2010	13,372	N/A	N/A	7.5
2011	15,203	N/A	N/A	6.9
2012	15,203	N/A	N/A	6.7
2013	15,203	N/A	N/A	6.1

Source:

(a) U.S. Census Bureau

(b) Iowa Department of Revenue

(c) Iowa Workforce Development

Notes: N/A = not available.

* Based on a ten-month period, January through October.

North Scott Community School District

Principal Employers Current Year and Nine Years Ago (Unaudited)

Employer	2013			2004		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Scott County						
Genesis Health System	5,100	1	3.34 %	*	4	* %
Davenport CSD	2,645	2	1.73			
Alcoa Inc	2,200	3	1.44	*	1	*
Oscar Mayer Foods Inc	2,000	4	1.31			
Genesis Medical Center	1,500	5	1.05			
APAC Customer Services Inc	1,295	6	0.85	*	5	*
Isle Capri Casino Hotel Bettendorf	1,200	7	0.79	*	7	*
City of Davenport	1,000	8	0.65			
Rhythm City Casino	985	9	0.65	*	8	*
St. Ambrose University	840	10	0.55			
Kraft Foods, Inc.				*	2	*
Mid American Energy Company				*	3	*
Deere and Company				*	6	*
Nestle Purina Company				*	9	*
Von Hoffman Graphics, Inc.				*	10	*
Total for Scott County	18,765		12.36 %	-		%
Rock Island County						
Rock Island Arsenal	7,900	1	5.17 %	6,000	2	3.95 %
Deere & Company	5,800	2	3.80	7,317	1	4.82
Trinity Medical Center	2,573	3	1.68	2,500	3	1.65
Tyson Fresh Meats	2,500	4	1.64			
Group O Companies	1,100	5	0.72			
XPAC	1,000	6	0.65	*	7	*
Genesis Medical Center - Silvis	970	7	0.64			
Rock Island County	802	8	0.53			
Blackhawk College	825	9	0.54	*	4	*
Exelon	700	10	0.46			
Kone				*	5	*
Walmart				*	6	*
Casino Rock Island				*	8	*
Modern Woodman of America				*	9	*
Servus Footwear Company				*	10	*
Total for Rock Island County	24,170		15.83 %	15,817		10.42 %

Source:

2013 Information from Bi-State Planning and Iowa Workforce Development Web Site/Labor Force.

2004 Information is received from Bi-State Regional Commission.

* Information is not available.

Note: Arsenal Employees include military personnel, tenants and contractors.

North Scott Community School District

Full-Time Equivalent District Employees By Type Last Ten Fiscal Years (Unaudited)

	Full-Time Equivalent Employees as of June 30			
	2004	2005	2006	2007
Supervisory:				
Superintendent	1.0	1.0	1.0	1.0
Principals	7.0	7.5	8.0	7.0
Assistant principals	2.0	2.0	2.0	2.0
District secretary	0.3	0.3	0.3	0.3
Business Manager	1.0	1.0	1.0	1.0
Other officials/administrators	2.0	2.0	-	-
Total supervisory	13.3	13.8	12.3	11.3
Instruction:				
Classroom teachers	160.1	179.1	147.6	144.0
Special education teachers	-	-	35.5	35.2
Special programs	51.0	38.8	2.4	2.8
Vocational teachers	-	-	11.0	10.2
Teacher aides	58.9	-	71.2	67.2
Instructional technology technicians	-	-	2.0	2.0
Other instruction programs*	3.3	2.0	12.5	10.9
Total instruction	273.3	219.9	282.2	272.3
Student services:				
Social workers	-	-	1.0	-
Counselors	11.0	11.0	11.0	10.0
Library/media specialists	5.3	4.6	4.6	4.2
Nurses	4.9	5.4	5.3	5.3
Total student services	21.2	21.0	21.9	19.5
Support and administration:				
Other support services	-	8.8	2.0	2.0
Office/clerical personnel	22.5	24.5	21.9	23.2
Other professional employees	-	1.0	1.5	-
Technology specialist	-	-	1.0	0.6
Other technical personnel	11.3	2.3	2.5	2.3
Crafts and trades personnel	5.5	5.5	6.6	5.5
Laborers	3.0	5.8	3.0	3.0
Service workers	52.4	58.4	53.4	54.8
Operative personnel	17.0	18.0	16.8	15.5
Total support and administration	111.7	124.3	108.7	106.9
Total	419.5	379.0	425.1	410.0

Source: District financial records

Notes:

* In 2009, there was a change in the way the District allocated FTE areas due to account code changes required by the Iowa Department of Education.

Full-Time Equivalent Employees as of June 30							Percentage Change 2004 - 2013
2008	2009	2010	2011	2012	2013		
1.0	1.0	1.0	1.0	1.0	1.0	-	
7.0	7.0	7.0	6.9	6.9	6.9	0.02	
2.0	2.0	2.0	2.0	2.0	2.0	-	
0.3	0.3	0.3	0.3	0.3	0.3	-	
1.0	1.0	1.0	1.0	1.0	1.0	-	
-	-	-	2.0	2.0	2.0	-	
11.3	11.3	11.3	13.2	13.2	13.2	0.01	
150.4	150.3	151.5	147.3	149.6	151.6	0.05	
32.0	30.8	29.8	28.0	26.0	24.0	100.00	
2.8	14.4	15.9	16.4	15.8	14.9	0.71	
10.0	10.9	10.2	10.8	11.3	11.2	100.00	
67.6	69.0	70.4	64.8	61.2	57.9	0.02	
3.0	3.0	2.5	3.0	3.0	3.0	100.00	
11.1	1.0	1.4	1.5	1.5	2.9	0.12	
276.9	279.4	281.7	271.8	268.5	265.4	0.03	
-	1.0	1.0	1.0	1.0	1.0	100.00	
10.0	11.0	10.0	10.0	10.0	10.0	0.09	
4.3	4.3	4.3	5.1	4.8	5.1	0.04	
5.3	5.6	5.5	5.5	5.5	5.3	(0.09)	
19.6	21.9	20.8	21.6	21.2	21.4	(0.01)	
2.0	1.0	1.0	2.2	1.2	1.2	100.00	
26.2	26.6	25.5	22.7	24.4	25.3	(0.13)	
-	-	-	-	-	-	-	
1.0	1.0	1.0	1.0	1.0	1.0	100.00	
3.5	2.5	3.0	2.0	2.0	2.0	0.82	
5.5	5.5	6.5	5.5	6.5	5.5	-	
3.0	3.0	3.0	3.0	3.0	3.0	-	
55.3	56.3	56.6	53.9	54.8	54.7	(0.04)	
16.5	17.2	16.5	15.5	15.5	13.2	0.22	
113.0	113.1	113.1	105.8	108.3	105.9	0.05	
420.8	425.7	426.9	412.4	411.1	405.9	0.03	

North Scott Community School District

**Operating Statistics
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Daily Average Attendance	Operating Expenditures	Cost Per Pupil	Percentage Change
2004	2,879	\$ 21,743,927	\$ 7,553	(3.06) %
2005	2,777	22,391,442	8,063	(6.76)
2006	3,013	22,851,808	7,584	5.94
2007	2,992	23,758,050	7,941	(4.70)
2008	2,912	25,178,119	8,646	(8.89)
2009	2,941	26,847,088	9,129	(5.58)
2010	2,910	27,240,869	9,361	(2.55)
2011	2,900	27,303,824	9,415	(0.58)
2012	3,004	27,936,637	9,300	(0.65)
2013	2,952	28,725,487	9,731	3.35

Source: Nonfinancial information from District records. District financial records.

Notes: N/A = not available. Operating expenditures are total expenditures in the General Fund.

	Governmental				Pupil-Teacher
	Expenses	Cost Per Pupil	Percentage Change	Teaching Staff	Ratio
\$	26,050,650	\$ 9,049	(2.35)%	231.2	12.89
	25,801,218	9,291	2.68	235.5	12.85
	26,092,213	8,660	(6.79)	226.7	12.84
	26,961,273	9,011	4.06	217.3	13.77
	34,210,804	11,748	30.37	220.6	13.20
	31,964,187	10,868	(7.49)	222.6	13.21
	32,166,443	11,054	1.70	218.7	13.31
	31,297,404	10,792	(2.37)	219.3	13.22
	31,494,430	10,484	(5.16)	216.0	13.91
	33,926,057	11,493	6.49	219.6	13.44

North Scott Community School District

**Free and Reduced Students
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Reduced Students	Reduced Percentage	Free Students	Free Percentage	Total Free and Reduced Students	Total Free and Reduced Percentage
2004	163	5.46%	405	13.57%	568	19.03%
2005	151	4.97	448	14.76	599	19.73
2006	165	5.38	478	15.58	643	20.95
2007	161	5.26	448	14.64	609	19.84
2008	189	6.24	476	15.72	665	21.96
2009	212	6.93	531	17.35	743	24.28
2010	220	7.23	582	19.12	802	26.35
2011	164	5.38	598	19.62	762	25.00
2012	135	4.47	610	20.18	745	24.64
2013	145	4.81	539	17.88	684	22.68

Source: District financial records.

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North Scott Community School District

School Building Information Last Ten Fiscal Years (Unaudited)

School	Fiscal Year			
	2004	2005	2006	2007
Armstrong				
Square feet	41,095	41,095	41,095	41,095
Capacity*	720	720	720	720
Enrollment	271	280	276	285
Playgrounds	2	2	2	2
Glenn				
Square feet	26,297	26,297	26,297	26,297
Capacity*	480	480	480	480
Enrollment	258	265	261	259
Playgrounds	2	2	2	2
Grisson				
Square feet	29,209	29,209	29,209	29,209
Capacity*	480	480	480	480
Enrollment	203	209	232	231
Playgrounds	2	2	2	2
Shepard				
Square feet	39,609	39,609	39,609	39,609
Capacity*	720	720	720	720
Enrollment	322	305	311	321
Playgrounds	2	2	2	2
White				
Square feet	42,546	42,546	42,546	42,546
Capacity*	780	780	780	780
Enrollment	425	402	437	446
Playgrounds	2	2	2	2
Jr. High				
Square feet	104,270	104,270	104,270	104,270
Capacity*	960	960	960	960
Enrollment	475	489	487	459
Playgrounds	-	-	-	-
High School				
Square feet	199,143	199,143	199,143	199,143
Capacity*	1,740	1,740	1,740	1,740
Enrollment	1,027	1,074	1,054	1,050
Playgrounds	-	-	-	-

Source: District records.

Notes: * Capacity calculation is number of possible classrooms times maximum of 30 students each (as suggested by architect).

Fiscal Year						
2008	2009	2010	2011	2012	2013	
41,095	41,095	41,095	41,095	41,095	41,095	41,095
720	720	720	720	720	720	720
299	325	343	329	326	316	316
2	2	2	2	2	2	2
26,297	26,297	26,297	26,297	26,297	26,297	26,297
480	480	480	480	480	480	480
259	234	248	277	256	239	239
2	2	2	2	2	2	2
29,209	29,209	29,209	29,209	29,209	29,209	29,209
480	480	480	480	480	480	480
252	229	222	222	207	194	194
2	2	2	2	2	2	2
39,609	39,609	39,609	39,609	39,609	39,609	39,609
720	720	720	720	720	720	720
305	306	326	338	355	366	366
2	2	2	2	2	2	2
42,546	42,546	42,546	42,546	42,546	42,546	42,546
780	780	780	780	780	780	780
456	486	490	498	446	452	452
2	2	2	2	2	2	2
104,270	104,270	105,714	105,714	105,714	105,714	105,714
960	960	960	960	960	960	960
442	445	472	484	475	478	478
-	-	-	-	-	-	-
199,143	199,143	199,143	199,143	199,143	199,143	199,143
1,740	1,740	1,740	1,740	1,740	1,740	1,740
1,049	990	985	940	971	942	942
-	-	-	-	-	-	-

North Scott Community School District

Capital Asset Information Last Ten Fiscal Years (Unaudited)

School	Fiscal Year			
	2004	2005	2006	2007
Elementary				
Buildings	5	5	5	5
Square feet	178,756	178,756	178,756	178,756
Capacity	3,180	3,180	3,180	3,180
Enrollment	1,479	1,461	1,517	1,542
Playgrounds	10	10	10	10
Junior High				
Buildings	1	1	1	1
Square feet	104,270	104,270	104,270	104,270
Capacity	960	960	960	960
Enrollment	475	489	487	459
High School				
Buildings	2	2	2	2
Square feet	199,143	199,143	199,143	199,143
Capacity	1,740	1,740	1,740	1,740
Enrollment	1,027		1,054	1,050
Administrative				
Admin building	1	1	1	1
Square feet	5,188	5,188	5,188	5,188
Warehouse/printsop	1	1	1	1
Square feet	9,900	9,900	9,900	9,900
Service buildings	19	19	19	19
Transportation				
Bus garage	1	1	1	1
Square feet	5,250	5,250	5,250	5,250
Buses	38	38	38	38
Athletics				
Football fields	1	1	1	1
Soccer fields	1	1	1	1
Running tracks	1	1	1	1
Baseball/softball	2	2	2	2
Tennis courts	1	1	1	1

Source: District records.

Fiscal Year						
2008	2009	2010	2011	2012	2013	
5	5	5	5	5	5	5
178,756	178,756	178,756	178,756	178,756	178,756	178,756
3,180	3,180	3,180	3,180	3,180	3,180	3,180
1,571	1,580	1,627	1,664	1,753	1,567	1,567
10	10	10	10	10	10	10
1	1	1	1	1	1	1
104,270	104,270	105,714	105,714	105,714	105,714	105,714
960	960	960	960	960	960	960
442	445	472	484	469	478	478
2	2	2	2	2	2	2
199,143	199,143	199,143	199,143	199,143	199,143	199,143
1,740	1,740	1,740	1,740	1,740	1,740	1,740
1,049	990	985	940	962	942	942
1	1	1	1	1	1	1
5,188	5,188	5,188	5,188	5,188	5,188	5,188
1	1	1	1	1	1	1
9,900	9,900	9,900	9,900	9,900	9,900	9,900
19	19	19	19	19	19	19
1	1	1	1	1	1	1
5,250	5,250	5,250	5,250	5,250	5,250	5,250
38	38	38	38	38	38	38
1	1	1	1	1	1	1
1	1	1	1	1	1	1
1	1	1	1	1	1	1
2	2	2	2	2	2	2
1	1	1	1	1	1	1

North Scott Community School District Miscellaneous Demographic Statistics

The North Scott Community School District was incorporated in 1956, and includes portions of Winfield, Butler, Sheridan, Princeton, Lincoln, Allens Grove and Hickory Grove townships, in the County of Scott, in the State of Iowa. The District encompasses an area of 220 square miles. Included in the District are the towns of Dixon, Maysville, Donahue, Long Grove, Eldridge, McCausland and Princeton and the unincorporated communities of Mt. Joy and Park View. The District office is located at 251 East Iowa Street, Eldridge, Iowa.

The District owns and operates seven schools plus an administration building, vehicle maintenance facility, District copy center and maintenance complex. The following data provides the grade levels housed in each building.

Schools	12-13	11-12	10-11	09-10	08-09	07-08	06-07	05-06	04-05	03-04
Alan Shepard Elem.	K-6	K-6	K-7	K-8	K-9	K-10	K-11	K-12	K-13	K-14
Alan Shepard Elem.	PS	PS	PS							
Edward White Elem.	K-5	K-5	K-5	K-5	K-6	K-6	K-6	K-6	K-6	K-6
Edward White Elem.				PS	PS	PS	PS	PS	PS	PS
John Glenn Elem.	PreK-6	PreK-6	PreK-6	K-6	K-6	K-6	K-6	K-6	K-6	K-6
Neil Armstrong Elem.	K-6	K-6	K-6	K-6	K-6	K-6	K-6	K-6	K-6	K-6
Neil Armstrong Elem.	PS	PS	PS	PS						
Virgil Grissom Elem.	PreK-6	PreK-6	PreK-6	PreK-6	PreK-6	PreK-6	K-6	K-6	K-6	K-6
Junior High	*6-8	*6-8	*6-8	*6-8	*7-8	7-8	7-8	7-8	7-8	7-8
High School	9-12	9-12	9-12	9-12	9-12	9-12	9-12	9-12	9-12	9-12

*Approximately 58 sixth graders 07-08; approximately 71 sixth graders 08-09; approximately 73 sixth graders 09-10; approximately 63 sixth graders 10-11; approximately 63 sixth graders 11-12; approximately 78 sixth graders 12-13

Schools

North Scott High School, located in Eldridge, was opened in the fall of 1958. Major additions to this building were completed in 1980, 1982 and 2000 that included an 800-seat performing arts auditorium, six fully equipped science classrooms and a modernized and expanded vocal and instrumental music complex. Major interior renovation and enlargement of the girls' locker room was completed in October 2006, as well as the replacement of the original gymnasium floor. In 2008, a major renovation and enlargement of the high school nurse's office and other support offices was completed. An 864-square foot free-standing greenhouse was added to support the vocational agriculture and science departments. In 2009, a major track and football field renovation was completed.

The North Scott Junior High School, for grades seven and eight, was completed for occupancy January 3, 1976. Major interior remodeling was completed in 1991 and 2000 that included two fully equipped science classrooms and a second full-sized gymnasium. A major kitchen/cafeteria renovation and 1,444-square foot addition was completed in September 2009. A security camera system was added in 2009.

The John Glenn Elementary School at Donahue, the Virgil Grissom Elementary School at Princeton, the Alan Shepard Elementary School at Long Grove and the Edward White Elementary School at Eldridge were opened in 1967. These buildings replaced 32 buildings, which were mostly one-room, rural schools. Major additions to these elementary buildings were finished in 1967, 1969, 1971, 1993 and 2000. The Neil Armstrong Elementary School at Park View was opened on August 30, 1976 with a major addition completed in 2000. A major interior renovation project was completed in two phases. The District started on a playground safety program, replacing existing playground equipment and adding rubber tile fall protection surfaces at four of the District's elementary buildings.

A major sports complex was completed in the fall of 2002, which includes 12 lighted tennis courts and a lighted soccer complex.

A district-wide web-based HVAC control system upgrade was started in the spring of 2009.

Staff and Curriculum

The North Scott Schools take pride in their excellent workforce. The seven buildings and central office are staffed by 13 administrators, 219.60 FTE certified staff and 173.30 FTE support staff. The teaching staff includes classroom teachers, media specialists, nurses and teacher specialists in the areas of reading, art, music, physical education and guidance. The support staff of teacher aides, secretarial and clerical staff, bus drivers and mechanics, custodial/maintenance, child care, food service, print shop and grounds staff all contributes to creating a positive, safe learning environment for students.

Following are listed a variety of activities that were directed and/or coordinated by the Superintendent for the continuous improvement of the learning experiences and environment provided to students and staff:

- All teachers and administrators are involved in grade level and content area meetings to align curriculum, assessment and instruction.
- The District hosted an accreditation team from the Iowa Department of Education for a three-day site visit in January 2013.
- The District completed the C-Plan document to report on 2012-13 school year and document plans for the upcoming year in implementing the Iowa Common Core.
- The District has identified long-range goals and annual improvement goals with specific action plans to meet the identified needs of students and staff within the District.
- The District has identified long-term reading goals for all students in grades 1-10.
- The District employs reading specialists who provide academic support in reading for students in grades K-3, 4-6 and 7-9.
- A state endorsed, research based reading program “Second Chance Reading” is provided for students in need of reading assistance at the junior high and high school.
- The Comprehensive Intervention Model is being introduced to reading specialists and special education teachers in grades K-6.
- Curriculum reports are made during the school year to the Board of Directors.
- The District has a Curriculum Cabinet, which meets once or twice a month to discuss issues directly related to curriculum, instruction and assessment. Members of the Cabinet include the Superintendent, the Curriculum Director, a board member and two elementary principals and the JH and HS principals. Minutes of the Curriculum Cabinet are provided to the entire staff after each meeting as well as reports made at School Board meetings.
- Each building annually identifies building improvement goals based upon student data. Action plans are developed at the building level to make improvements at the site level.
- Parent/teacher conferences are held in grades kindergarten through twelve twice a year with a high parent participation rate. The junior high conducts student led conferences.
- The District provides a well-articulated K-12 counseling program to address the increasing needs of students. All elementary buildings have full time guidance personnel.

- The District continues to provide regular professional development opportunities to all staff in the areas of reading, math, science, utilization of technology, and meeting the needs of diverse learners. In 2012-13, an emphasis was placed on using literacy in all subject areas. Training was primarily provided by AEA consultants.
- The District has been involved with staff development on the Iowa Core.
- Graduate level professional development courses are made available to teaching staff annually to support their professional development and licensure renewal.
- The District has developed a five-year building and grounds maintenance plan to ensure facilities that enhance educational opportunities for students and provide for a safe learning environment.
- A full-time technology director and three computer technicians are employed by the District to assist in the placement of technology in all classrooms. 100 percent of the District's classrooms are connected to the Internet. All staff members have e-mail addresses. There are more than 3,000 computers across the District. The district has started a 1:1 initiative at the high school. The District maintains a web page.
- The District administration and board identified a reading goal to focus instruction and assessment in the District. Data collection began in the spring 2011 and will be collected bi-annually.
- The District has introduced interactive white boards into elementary, junior high and high school classrooms. Phase I has been completed with the placement of Prometheans in all 4-6 classrooms, 7-12 core content areas and at least one board in a common area. A second wave of installations has been completed with the addition of boards at the primary grade levels.
- The Central Office and administrative staff use a web-based personnel software system for hiring new staff.
- The District employs a full time curriculum director to coordinate the K-12 curriculum, instruction, assessments and school improvement initiatives.
- The District has an active mentoring program for beginning teachers. "Journey to Excellence" provides each beginning teacher with a trained mentor for a two-year period.
- In a joint venture with the North Scott Press, the District published two volumes of *North Scott, The Magazine*.
- Both the junior high and high school provide a student advisory time each school day.

Population

The population of the North Scott Community School District is estimated at approximately 15,203. The enrollment in October 2012 was 3172 students – 971 senior high students, 475 junior high students, 1,726 elementary students, 123 4-year-olds, including students who are open enrolled or tuitioned into the District. Less than 5 percent of the school parents earn their livelihood from farming. The remaining 95 percent live in towns or housing developments within the District. The largest industry within the District is John Deere.

A fleet of 35 buses is owned by the District to serve its transportation needs. A total of 26 regular bus routes operate daily, with 3 activity routes operating in the evening. The District also has 6 special education routes operating daily.

Student lunches are prepared at two central locations, North Scott High School and North Scott Junior High and number approximately 365,013 annually.

The North Scott Board of Education meets on the second and fourth Monday of each month, and complete minutes are published in the North Scott Press and on the North Scott web page.

District Awards Over the Last Several Years

The following is a summary of various awards and positions held by specific individuals, buildings, school organizations and as a District, over the last several years.

Individuals

District individuals have served and been awarded the following recognition in the last 10 years.

- Presenters, University of Iowa Reading Recovery Spring Conference & Summer Academy, 2013
- Teacher of the Year Finalist, 2012
- Member of North Scott Kiwanis
- Past-President of North Scott Kiwanis
- Member of North Scott Rotary
- Mayor of the City of Eldridge
- City of Eldridge Councilman
- Member of State's C4K Committee
- Iowa State Representative
- Iowa State Senator
- Committee member, Leadership Committee, IASBO
- Member of the Iowa High School Athletic Association Representative Council, 2002
- AEA IX Elementary Principal of the Year – 2008/09
- Iowa's nominee for National High School "Wrestling Coach of the Year", 2003
- Presenter at the Iowa Technology Educator's Conference, 2003
- 3 National merit semi-finalist at North School High School, 2004
- "Teacher of the Year – Senior Division" award from National History Day in Iowa, 2005
- "Teacher of the Year – Senior Division" award from Iowa History Day, 2009
- Presenter – Iowa Department of Education Professional Development Seminar in 2005
- Presenter at State School Board, 2002 convention on Activity Fund Management
- Presenter – School Administration of Iowa 2002 – Fall Activity Fund Workshop
- Presenter – State School Board Conference 2007 – Board Leadership
- Presenter – School Administrators of Iowa 2007 Fall Activity Fund Workshop
- Presenter – School Administrators of Iowa 2009 Fall Activity Fund Workshop
- Presenter – School Administrators of Iowa 2011 Fall Activity Fund Workshop

- Presenter – Iowa Association of School Business Officials Fall 2007 Conference
- Southeast District High School Athletic Director of the Year, 2005
- Iowa State Distribution Advisory Council
- Presenter at Middle Level Education Southeast Sectional Conference
- Two teachers named WalMart “Teacher of the Year”, 2006
- SAI District IX Elementary Principal of the Year, 2006
- Iowa Association of School Business Officials 2008 Professional Leadership Award
- National PBS Teacher of Merit Award, 2009
- Instructor – Iowa Superintendent and Leadership Consortium 2009 – Facility Construction: Planning to Finish
- Instructor – Iowa Superintendent and Leadership Consortium 2010 – Understanding & Managing Special Revenue Funds

Building Awards

- Five Elementaries Receive the 2012-2014 USDA Healthier US School Challenge Award
- Junior High Educational Equity Recognition Award – Iowa State Board of Education
- Junior High “Employer Support of the Guard and Reserve” ESGR Award
- “Outstanding School of the Year – Jr. High Division” award from the National History Day in Iowa, 2005
- John Glenn Elementary 2007 No Child Left Behind Blue Ribbon School

Grounds Awards

- Presenter at Iowa Turf Grass Conference, 2003
- 2004 Iowa Sports Turf Manager’s Association of the Year
- 2004 National Sports Turf Manager’s Association High School & Parks Soccer Field of the Year
- 2004 Iowa Soccer Field of the Year, Iowa Sports Turf Manager’s Association
- Presenter at National Sports Turf Manager’s Conference, 2004, 2009 and 2012
- 2005 National Sports Turf Manager’s Association High School and Parks Sports Complex of the Year
- Presenter at Iowa Turfgrass Conference, 2005
- Presenter at Northern Illinois Turf Manager’s Association, 2007
- Presenter at Iowa Buildings and Grounds Association, 2007
- Presenter at National Sports Turf Manager’s Conference, 2009
- Presenter at Sports Manager’s Regional Conference, 2009
- Hosted & Presented Turf & Technology Workshop, 2010
- 2010 National Sports Turf Manager’s Association High School & Parks Football Field of the Year

Grants

- Scott County Regional Authority Grant, \$25,000 for Notification Curriculum & Resource Expansion
- Scott County Regional Authority Grant, \$7,498 for iPad Charging/Synching Station
- Scott County Regional Authority Grant, \$6,762 for 3-D Printer and Plotter
- Scott County Regional Authority Grant, \$23,696 for Junior High Technology
- Scott County Regional Authority Grant, \$15,000 for Benchmark Books for Assessment Library
- Scott County Regional Authority Grant, \$14,095 for Leveled Literacy Intervention System

Statistical Review

Area – 220 square miles

Altitude – 793 feet above sea level

Parks – Scott County Park, a total of 1,450 acres. Each small town in the District has their own small park.

Location – Distance in miles from Eldridge (center of District):

Chicago	162	Los Angeles	1,605	Omaha	300
Dallas	799	Minneapolis	334	St. Louis	240
Denver	777	Detroit	425	Kansas City	300
Des Moines	167	Milwaukee	199		

Churches – 13, representing five denominations.

Fitness Center, Roller Skating Rink, Golf Course (in City of Eldridge).

Public Library – Scott County Public Library and Bookmobile provide services to the seven communities located in North Scott.

Newspapers – 1 weekly, 1 daily (morning and evening) in metropolitan area. Also 1 weekly trade paper.

Climate:

Average winter temperature	24.6
Average summer temperature	72.7
Average annual rainfall	24.6
Average annual snowfall	32.9

Municipal Services

Council/City Managers; all volunteer fire department personnel in cities; full-time police officers-Eldridge and Princeton; part-time police officers-Princeton. All other cities are patrolled by the County; industrial waste pickup service.

Notice of Nondiscrimination

The North Scott Community School District does not discriminate on the basis of race, color, creed, gender, sexual orientation, marital status, national origin, religion, age or disability in its educational programs, services or employment practices. Inquiries concerning application of this statement should be address to:

Kelly Rohlf, Equity Coordinator
John Glenn Elementary
308 N Main Street
Donahue, Iowa 52746
Phone 563.282.9862

North Scott Community School District

**Property Values, Construction and Bank Deposits
Last Ten Fiscal Years
(Unaudited)**

Year	Insured Property Values	Expenditures for Construction	Bank Deposit*
2012-13	\$ 99,516,364	\$ 3,480,508	\$ 2,907,201
2011-12	91,387,744	1,625,806	2,109,219
2010-11	91,387,744	1,683,577	4,962,663
2009-10	91,003,994	1,821,779	7,038,116
2008-09	85,451,876	2,432,222	2,043,635
2007-08	71,744,554	1,176,980	2,316,991
2006-07	74,597,277	1,082,444	5,057,042
2005-06	65,670,495	1,733,138	2,122,229
2004-05	56,508,413	994,402	3,311,277
2003-04	55,364,899	924,800	3,141,369

* School district's bank deposit as of June 30.

Sources: District financial and insurance records.

North Scott Community School District

**Enrollment by Grade and Certified Enrollment
Last Ten Fiscal Years
(Unaudited)**

Grade	2012-13	2011-12	2010-11	2009-10
Enrollment by Grade				
Kindergarten	237.0	236.0	265.0	231.0
1	218.0	240.0	210.0	214.0
2	234.0	211.0	216.0	209.0
3	206.0	218.0	217.0	230.0
4	224.0	225.0	231.0	230.0
5	226.0	238.0	233.0	213.0
6	237.0	238.0	219.0	235.0
7	245.0	228.0	235.0	245.0
8	226.0	236.0	245.0	227.0
9	238.0	267.0	236.0	242.0
10	260.0	228.0	239.0	223.0
11	215.0	236.0	212.0	234.0
12	248.0	221.0	245.0	286.0
	<u>3,014.0</u>	<u>3,022.0</u>	<u>3,003.0</u>	<u>3,019.0</u>
Certified enrollment	<u>2,978.5</u>	<u>2,986.6</u>	<u>2,964.5</u>	<u>2,978.0</u>

Source: Basic Educational Data Survey (BEDS) and Certified Enrollment

2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
239.0	231.0	234.0	208.0	208.0	196.0
205.0	220.0	213.0	180.0	201.0	177.0
230.0	225.0	192.0	215.0	201.0	179.0
228.0	195.0	224.0	221.0	196.0	181.0
206.0	227.0	228.0	208.0	194.0	209.0
232.0	235.0	215.0	213.0	219.0	224.0
233.0	221.0	223.0	215.0	240.0	216.0
221.0	224.0	221.0	230.0	220.0	243.0
224.0	222.0	239.0	254.0	243.0	249.0
220.0	245.0	275.0	262.0	280.0	266.0
244.0	269.0	262.0	274.0	257.0	279.0
267.0	250.0	268.0	247.0	263.0	246.0
251.0	278.0	265.0	264.0	231.0	224.0
3,000.0	3,042.0	3,059.0	2,991.0	2,953.0	2,889.0
2,968.0	3,000.0	3,002.0	3,007.0	2,973.0	2,946.0

North Scott Community School District

**Schedule of Insurance Coverage
July 1, 2012 - June 30, 2013
(Unaudited)**

Detail of Coverage	Number	From	To
PROPERTY			
Coverage A - Buildings	9A5-88-74-13	7/1/2012	7/1/2013
Coverage B - Personal property			
Coverage C - Extra expense			
LIABILITY			
Premises, contractual, personal injury, teachers liability, nurses professional liability, garage keepers, employee benefits, additional insured.	9D5-88-74-13	7/1/2012	7/1/2013
FLEET			
Bodily injury, property damage, medical uninsured motorist, comprehensive, collision. Includes non-owned.	9E5-88-74-13	7/1/2012	7/1/2013
WORKERS' COMPENSATION			
	140-000-4122	7/1/2012	7/1/2013
INLAND MARINE			
All risk coverage based on statement of values.	9C5-88-74-13/ 9M5-88-74-13	7/1/2012	7/1/2013
COMMERCIAL UMBRELLA (EXCESS LIABILITY)			
	9J5-88-74-13	7/1/2012	7/1/2013
SCHOOL DISTRICT LEGAL LIABILITY			
Includes prior acts, 36-month discovery period extension, teacher negotiation-covers school board and all employees.	9K5-88-74-13	7/1/2012	7/1/2013
PUBLIC SCHOOL EMPLOYEES BLANKET BOND			
	9F5-88-74-13	7/1/2012	7/1/2013
POLLUTION			
	9P5-88-74-13	7/1/2012	7/1/2013
GROUP EXCESS LIABILITY			
	9Y5-88-74-13	7/1/2012	7/1/2013
DATA COMPROMISE			
	9Q5-88-74-13	1/0/1900	1/0/1900

Source: School District insurance records.

Liability Limits	Premium
Coverages A and B - 90% of full replacement cost as per statement of values - \$25,000 deductible. Coverage C - As per schedule.	70,464
\$1,000,000 bodily injury and property damage each occurrence, \$2,000,000 aggregate.	13,884
\$1,000,000 combined single limit liability, \$5,000 medical payment, ACV comprehensive no deductible, buses \$250 deductible, small vehicles \$100 deductible and automobiles uninsured and underinsured motorist \$1,000,000	27,770
Statutory.	141,515
As per schedule.	2,758
\$10,000,000 occurrence and aggregate.	15,032
\$2,000 deductible, \$1,000,000 each loss, \$1,000,000 aggregate.	6,146
Blanket coverage \$1,000,000 all employees w/ \$10,000 deductible	2,396
\$500,000 each incident, \$1,000,000 aggregate	1,125
\$15,000,000 occurrence limit and \$15,000,000 aggregate limit	5,062
As per schedule.	670

North Scott Community School District

**History of State Aid Payments
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Budgeted State Aid	Actual Revenue	Difference State Aid to Actual	Difference % of Budget Variance**
2013	\$ 15,395,627	\$ 15,308,497	\$ 87,130	0.57%
2012	15,904,254	14,321,192	1,583,062	9.95%
2011	14,597,704	14,508,670	89,034	0.61%
2010	14,959,728	13,359,462	1,600,266	10.70%
2009	12,933,164	12,424,224	508,940	3.94%
2008	12,578,595	12,489,454	89,141	0.71%
2007	12,007,420	11,920,247	87,173	0.73%
2006	11,378,765	11,284,988	93,777	0.82%
2005	10,718,450	10,682,395	36,055	0.34%
2004	10,539,379	10,286,488	252,891	2.40%
Average	\$ 13,101,309	\$ 12,658,562	\$ 442,747	3.38%

* Includes ARRA dollars as State Aid Replacement and categorical per code.

** The % of budget variance indicates the percent that actual revenues were below those projected by use of the state's foundation formula used in calculations to prepare the certified school district budget.

Source: District Budget Documents and Financial Records.

North Scott Community School District

**Local Regular Program Budget vs. Teacher Settlements
New Money the Last Ten Years - Percent Increase
(Unaudited)**

Budget Year	Enrollment	(A) North Scott New Money	(B) North Scott Settlement	(C) New Money State Trend	(D) Settlement State Trend	(E) Certified Teaching Staff (FTE)
2012-13	2,978.5	1.70%	3.85%	1.28%	3.70%	219.60
2011-12	2,986.6	1.30%	3.76%	0.13%	3.70%	216.68
2010-11	2,964.5	-0.40%	3.60%	-0.60%	3.33%	223.46
2009-10	2,977.5	2.34%	3.80%	1.38%	2.84%	218.69
2008-09	2,967.5	2.89%	4.69%	3.23%	2.19%	222.44
2007-08	2,999.7	3.91%	4.77%	2.77%	4.50%	220.33
2006-07	3,002.1	3.84%	4.46%	2.66%	4.67%	216.90
2005-06	3,006.6	5.16%	4.19%	2.25%	4.49%	227.70
2004-05	2,973.3	4.98%	5.74%	1.99%	4.36%	230.70
2003-04	2,945.7	2.80%	3.92%	1.02%	3.83%	229.20
Ten-year average						
Percent variance (B-A)/B		33.33%		(D-C)/C		133.46%

* Source IASB reports.

North Scott Community School District

**Average Salary by Education Level
Last Ten Fiscal Years
(Unaudited)**

Education Level	Fiscal Year			
	2004	2005	2006	2007
BA				
Total FTE	63.83	69.83	54.00	44.00
Average salary	27,502.69	27,948.79	28,897.89	30,173.11
BA + 15				
Total FTE	31.87	28.87	35.37	29.41
Average salary	34,884.42	36,107.38	35,734.07	38,317.58
BA + 30				
Total FTE	39.00	40.00	36.00	36.50
Average salary	40,029.76	40,999.54	42,984.14	43,526.74
MA				
Total FTE	55.50	52.00	52.00	53.00
Average salary	37,909.70		40,701.17	41,155.04
MA + 15				
Total FTE	11.00	14.00	16.00	24.00
Average salary	43,013.73	44,183.71	46,433.19	47,448.58
MA + 30				
Total FTE	27.00	27.00	31.00	30.00
Average salary	49,701.56	50,112.37	50,928.32	52,785.83
Grand total FTE	228.20	231.70	224.37	216.91
Total average salary	36,579.75	37,247.99	39,265.49	41,246.70

Source: District personnel records.

Notes:

Full-time instructional employees of the District are employed for all 192 work days, at eight hours per day or 1,536 hours per year. This schedule includes the local instructional salary schedule only. Not included are state appropriations to increase salaries, i.e., Teacher Quality or Phase II Funds.

Fiscal Year						
2008	2009	2010	2011	2012	2013	
54.85	61.00	62.69	59.75	55.96	55.63	
31,062.15	32,464.02	33,827.71	34,792.46	37,148.84	36,955.78	
22.41	16.96	21.94	27.34	26.40	25.40	
39,772.78	42,031.11	40,838.74	39,644.48	41,056.06	42,295.08	
37.57	37.50	31.50	32.50	24.00	24.00	
44,354.51	45,646.35	46,324.83	46,096.71	62,422.63	48,339.25	
48.50	53.00	54.00	51.00	56.66	61.07	
42,654.80	43,351.94	44,548.39	45,159.83	40,648.62	47,017.08	
22.00	21.00	22.00	21.00	22.00	22.00	
47,330.64	49,191.67	49,541.36	48,823.05	46,603.82	50,887.18	
35.00	33.00	28.00	26.00	31.00	32.00	
54,214.46	55,641.73	56,087.14	55,181.70	46,281.42	56,768.81	
220.33	222.46	220.13	217.59	216.02	220.10	
42,068.73	43,026.91	43,346.46	43,310.96	43,625.73	45,877.97	

North Scott Community School District

**Total Package Settlement
Last Ten Fiscal Years
(Unaudited)**

	Fiscal Year			
	2013-14	2012-13	2011-12	2010-11
Certified	3.85%	3.76%	3.60%	3.80%
Classified	3.06%	3.38%	3.60%	3.85%
Bus drivers	3.12%	3.52%	2.50%	1.60%
Administrators	3.78%	3.38%	3.30%	1.80%
Midmanagement	3.00%	3.38%	3.60%	3.80%
Print shop	3.00%	3.38%	3.60%	3.88%
Exempt	3.00%	3.38%	3.60%	3.88%

Source: District records.

Fiscal Year							10-Year Average
2009-10	2008-09	2007-08	2006-07	2005-06	2004-05		
4.69%	4.77%	4.46%	4.19%	5.74%	3.90%	4.28%	
3.26%	4.30%	3.80%	3.50%	3.65%	3.15%	3.56%	
3.60%	3.91%	3.50%	3.50%	3.00%	3.00%	3.13%	
3.00%	3.50%	3.50%	2.80%	3.25%	2.54%	3.09%	
3.25%	4.30%	3.50%	3.20%	3.25%	3.03%	3.43%	
4.10%	4.30%	3.50%	3.20%	3.60%	3.03%	3.56%	
3.25%	4.30%	3.50%	3.28%	3.60%	3.04%	3.48%	

North Scott Community School District

**Financial Solvency Ratio
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	General Fund Balance	Actual Revenues	Financial Solvency Ratio
2013	\$ 4,582,172	\$ 28,838,374	15.89%
2012	4,472,779	28,960,008	15.44%
2011	3,450,061	26,940,253	12.81%
2010	2,714,737	24,460,186	10.26%
2009	3,629,572	27,190,797	13.35%
2008	3,359,636	26,153,153	12.85%
2007	2,422,773	24,981,594	9.70%
2006	1,204,763	23,195,583	5.19%
2005	866,268	21,972,664	3.94%
2004	1,428,482	20,471,792	6.98%

Source: District financial records.

2002-2010 financial solvency = $\frac{\text{unreserved undesignated general fund balance}}{\text{actual revenues}}$

2011-2013 financial solvency = $\frac{\text{assigned + (plus) unassigned general fund balances (numerator)}}{\text{actual general fund revenues}}$

Note: The formula changed due to changes to GASB 54.

COMPLIANCE SECTION



North Scott
Community Schools

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North Scott Community School District

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Number	Federal Expenditures
U.S. Department of Agriculture:			
Direct:			
Team Nutrition Grant	10.574	FY13 4307	\$ 5,000
Indirect:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY13 4552	64,364
Commodities (Noncash)	10.555	FY13 4951	66,193
Commodities- DOD (Noncash)	10.555	FY13 4951	39,997
National School Lunch Program	10.555	FY13 4553	364,705
			<u>535,259</u>
Child and Adult Care Food Program	10.558	FY13 4554	3,016
Team Nutrition Grant	10.574	FY13 4558	248
Total U.S. Department of Agriculture Programs			<u>543,523</u>
U.S. Department of Education:			
Indirect:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY13 4501	217,347
Special Education Grants to States, I.D.E.A. Part B	84.027	FY13 4513	16,356
Career and Technical Education-Basic Grants to States	84.048	FY13 4539	122
Title IIA Improving Teacher Quality State Grants	84.367	FY13 4643	79,985
Grants for State Assessments and Related Activities (Title VI A)	84.369	FY13 4648	19,643
ARRA-Education Jobs Fund	84.410	FY12 4041	1,765

(Continued)

North Scott Community School District

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Number	Federal Expenditures
U.S. Department of Education:			
Indirect (continued):			
Mississippi Bend Area Education Agency:			
Special Education - Grants to States I.D.E.A Part B	84.027	FY13 4521	150,431
Career and Technical Education-Basic Grants to States	84.048	FY13 4521	5,800
Special Education Preschool Grants	84.173	FY13	616
Total U.S. Department of Education Programs			492,065
U.S. Department of Health and Human Services:			
Indirect:			
Community Action of Eastern Iowa:			
Headstart	93.600	FY13 4321	36,652
Total Expenditures of Federal Awards			\$ 1,072,240

Basis of presentation: The Schedule of Expenditures of Federal Awards includes the federal grant activity of the North Scott Community School District under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Because the schedule presents only a selected portion of the operations of North Scott Community School District, it is not intended to and does not present the financial position, changes in net position or cash flows of North Scott Community School District.

Summary of significant accounting policies: Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the modified accrual or accrual basis of accounting based on the fund-type of the program. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles of State and Local Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

North Scott Community School District

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013**

<u>Finding</u>	<u>Status</u>	<u>Corrective Action or Other Explanation</u>
Findings Related to the Basic Financial Statements		
Significant deficiencies:		
II-A-12 The District does not have a complete inventory listing of capital assets and does not have a system in place to depreciate capital assets.	Partially corrected.	See corrective action at 2013-001.
II-B-12 The District has insufficient segregation of duties over the payroll process.	Partially corrected.	See corrective action at 2013-002.
II-C-12 The District has insufficient segregation of duties over the cash disbursement function.	Partially corrected.	See corrective action at 2013-003.
II-D-12 Access rights within Software Unlimited are not properly tailored to those rights required to complete job duties.	Not corrected.	See corrective action at 2013-004.
II-E-12 The District has insufficient documentation to support the completeness of collections. In addition, the District is not following the policies and procedures in place over event receipts.	Corrected.	
Other Findings Related to Required Statutory Reporting		
IV-F-12 One board meeting selected for testing did not have the meeting minutes published as required by Chapter 279.35.	Corrected.	
IV-H-12 Two variances regarding supplementary weighting certified to the Iowa Department of Education were noted.	Corrected.	

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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
North Scott Community School District
Eldridge, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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 Scott Community School District (the District) 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 and have issued our report thereon dated December 2, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of North Scott Community School District's internal control.

A deficiency in internal control exists when the design or operation of a 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 that 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 any 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 the accompanying Schedule of Findings and Questioned Costs as 2013-001 through 2013-004 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The 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 results 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.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
December 2, 2013

**Independent Auditor's Report on Compliance For
Each Major Federal Program and Report on Internal Control
Over Compliance in Accordance with OMB Circular A-133**

To the Board of Education
North Scott Community School District
Eldridge, Iowa

Report on Compliance for Each Major Federal Program

We have audited North Scott Community School District's (the District) compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2013-005 that we consider to be a significant deficiency.

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

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

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
December 2, 2013

North Scott Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

Part I: Summary of the Independent Auditor's Results

- a) Unmodified opinions were issued on the financial statements.
- b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any noncompliance which is material to the financial statements.
- d) No material weaknesses in internal control over major programs were noted; however, a significant deficiency was identified.
- e) Type of auditor's reports issued on compliance for each major program: Unmodified.
- f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) Major programs were as follows:
 - Child Nutrition Program Cluster:
 - CFDA 10.553 School Breakfast Program
 - CFDA 10.555 National School Lunch Program
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) North Scott Community School District qualified as a low-risk auditee.

(Continued)

North Scott Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

Part II: Findings Related to the Basic Financial Statements

Instances of noncompliance:

No matters were reported.

Internal control deficiencies:

2013-001

Finding: The District does not currently have a complete inventory listing of capital assets and does not have a system in place to depreciate capital assets.

Condition: The District had an inventory valuation of capital assets completed in 1998 and has since annually completed a listing of assets purchased and disposed of during the fiscal year. However, the District does not have a detail listing of capital assets owned by the District as of year-end. The District does not currently maintain depreciation schedules for assets owned by the District in accordance with accounting principles generally accepted in the United States (GAAP).

Context: Capital assets are required to be accounted for and depreciated in accordance with GAAP.

Effect: Capital assets are not properly inventoried and depreciated and could be misstated.

Cause: The software available has not been properly utilized and resources have not been allocated.

Recommendation: The District should update the capital asset module maintained by the District to include all assets including land, buildings, land improvements, and machinery and equipment. Assets should be designated within the system as to function served, asset lives and depreciation method fields within the software should be populated allowing the District to properly calculate depreciation.

Response and Corrective Action Plan: The District will continue to update the capital asset module of the District software.

2013-002

Finding: The District has insufficient segregation of duties over the payroll process.

Condition: Two individuals at the District have access to change the employee master file, including entering new employees, modifying pay rates and adding deductions; enter time to the payroll system, process the payroll and generate the payroll checks and direct deposits. These positions also have general ledger access. One of the individuals also reconciles the bank statements.

Context: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to its completion.

Effect: Misappropriations of assets could occur and not be detected in a timely basis.

North Scott Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

Cause: A limited number of personnel are involved in the payroll function.

Recommendation: Ideally, the position responsible for processing the payroll should be segregated from access to make employee master file changes. The District should evaluate the payroll software to determine if password protections within applications in regard to the master file could be limited to another position in office. If capabilities do not exist to restrict access, we provide the following recommendations to strengthen the District's internal control system:

- Another position should review the payroll checks and direct deposit listing to look for any unknown employees and any unusual pay amounts. This position should compare the total pay amount to the prior payroll period and investigate any unusual variances in the total amount paid from one pay period to the next and compare totals to budget for any variances.
- The District should determine if a payroll change/edit report can be printed from the payroll system. This report should list all changes made to the employee master files as well as extra pays or leave time added for the pay period. The changes on this report should be reviewed by a position independent from the payroll processing position.
- An employee independent of payroll processing should receive the monthly bank statement and review the cancelled checks to look for any unusual payees, amounts and to ensure the signatures were proper. This position should review the monthly bank reconciliations and compare the bank balances to the monthly bank statement, book balance to the general ledger system and make sure there are no unusual reconciling items listed on the reconciliation.

Response and Corrective Action Plan: The District will review options in the payroll software for additional password protection and has assigned other personnel to review payroll checks, payroll changes and edit reports, and leave processing.

2013-003

Finding: The District has insufficient segregation of duties over the cash disbursement function.

Condition: Two positions have the responsibility and access rights to set up new vendors in the system, enter a purchase order into the system, receive invoices, enter invoices into the system to be paid, prints checks and after Board approval mail checks. These positions also have general ledger access.

Context: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to its completion.

Effect: Misappropriations of assets could occur and not be detected in a timely basis.

Cause: Access rights are not limited in the cash disbursement cycle.

North Scott Community School District

Schedule of Findings and Questioned Costs Year Ended June 30, 2013

Recommendation: In general, authorization of new vendors, entering invoices into the accounting system, and processing of checks should be segregated from each other. While we realize the District has limited staff, we provide the following recommendations to strengthen the District's internal control system:

- We recommend the District remove the access to the vendor master file and remove the general ledger access so that the position is unable to void checks and post to the general ledger.
- We recommend that check sequence be tracked by someone independent of the cash disbursement function to ensure all checks are appropriately approved and accounted for. Any gaps in sequence should be accounted for and investigated. The person accounting for check sequence should also ensure that all checks accounted for are listed on the Bills Listing sent to the Board for review each month, including any manual checks written between Board meetings or payroll deduction checks written on expenditure check stock.

Response and Corrective Action Plan: The District has assigned other personnel to more formally review new vendors/vendor change reports, review checks and invoices, review void checks and check registers.

2013-004

Finding: Access rights within Software Unlimited are not properly tailored to those rights required to complete job duties.

Condition: The personnel in the Business Office have full supervisor rights to Software Unlimited. The Board Secretary has Administrator rights.

Context: A good internal control contemplates an adequate segregation of duties so that no one individual has access rights to handle a transaction from its inception to its completion.

Effect: Misappropriations of assets could occur and not be detected in a timely basis.

Cause: Positions within the business office are given supervisor rights within the Software Unlimited software. Supervisor rights give the position the ability to access all modules and all rights within a module of the software.

Recommendation: Administrator rights within the Software Unlimited software should be moved to the District's Information Technology Director. Each position that currently has supervisor rights should be modified to give access to specific modules and screen permissions within modules that are necessary to complete assigned job duties.

Response and Corrective Action Plan: The District will review options to move the administration right to the Information Technology Director or Superintendent.

North Scott Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

Part III: Findings and Questioned Costs for Federal Awards

Instances of noncompliance:

No matters were reported.

Internal control deficiencies:

2013-005

**U.S. Department of Agriculture
Passed Through Iowa Department of Education
Child Nutrition Cluster Program:
School Breakfast Program (CFDA 10.553)
National School Lunch Program (CFDA 10.555)
Federal Award Year 2013**

Finding: The District does not have adequate documentation for suspension and debarment requirements.

Criteria: The Office of Management and Budget requires federal programs that enter into procurement contracts expected to equal or exceed \$25,000 to obtain verification that the vendor has not been suspended or debarred. This verification may be accomplished by documenting results of searching the excluded parties list on the federal government database site or collecting a certification from the vendor.

Condition: The District did not require vendors bidding on goods and services outside of the consortium for the Child Nutrition Cluster Program to provide evidence that they have not been suspended or debarred. The District did not document a search of the federal government database site.

Context: There were three invitations to vendors for bids outside of the consortium.

Effect: The District may contract with a vendor that has been suspended and debarred.

Cause: The District was not aware that this requirement applied to vendors outside of the purchasing consortium process.

Recommendation: We recommend the District require bidders to include a certification that they have not been suspended or debarred in their response.

Response and Corrective Action Plan: The District will require vendors to provide the required certification or maintain documentation that a search was performed on the federal database site prior to entering into a contract.

North Scott Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

Part IV: Other Findings Related to Statutory Reporting

IV-A-13

Certified Budget: Expenditures for the year ended June 30, 2013 did not exceed the certified budget amounts.

IV-B-13

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

IV-C-13

Travel Expense: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-13

Business Transactions: No business transactions between the District and District officials or management were noted.

IV-E-13

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

IV-F-13

Board Minutes: No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-13

Certified Enrollment:

Finding: Two variances regarding certified enrollment certified to the Iowa Department of Education were noted.

Recommendation: We recommend the District review current processes.

Response: The District will ensure certified enrollment is properly reported.

Conclusion: Response accepted.

IV-H-13

Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-13

Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

North Scott Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

IV-J-13

Certified Annual Report: The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-K-13

Categorical Funding: No instances of categorical funding being used to supplant rather than supplement other funds were noted.

IV-L-13

Statewide Sales and Services Tax: No instances of noncompliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services 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 and services tax revenue in the District's CAR:

Beginning balance		\$	5,362,857
Revenue / transfers in:			
Statewide sales and services tax revenue	2,592,523		
Interest	9,498		
Issuance of long-term debt	10,000,000		
Bond premium	136,197		
Other	19,544		12,757,762
Expenditures/transfers out:			
Debt service	221,458		
School infrastructure:			
Land	249,657		
Buildings and improvements	2,211,009		
Equipment	202,475		
Transfers out	64,163		2,948,762
Ending balance		\$	<u>15,171,857</u>

For the year ended June 30, 2013, the District reduced the tax levy by not having a debt service levy of \$3.02 per \$1,000 of taxable valuation as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

North Scott Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

IV-M-13

Student Activity Fund:

Finding: We noted the following expenditures in the Student Activity Fund

- July 10, 2012 \$2,640 for cheerleading camp
- July 22, 2012 \$9,540 for football camp

The Iowa Department of Education and the Office of Auditor of State issued guidance over activities of the Student Activity Fund in May 2013. The guidance states, "No district funds can be used for any student to pay for a student's participation, either in whole or in part, in any out of season camp or clinic." The above noted expenditures are not proper allowable expenditures of the fund.

Recommendation: We recommend the District follow the guidance issued in May 2013 by the Iowa Department of Education and Office of Auditor of State for expenditures charged to the Student Activity fund.

Response: The District will comply with the requirements of the Iowa Department of Education and the Office of Auditor of State.

Conclusion: Response accepted.

North Scott Community School District

Corrective Action Plan Year Ended June 30, 2013

Findings	Corrective Action Plan	Anticipated Date of Completion
Significant Deficiencies over Financial Reporting:		
2013-001: The District does not have a complete inventory listing of capital assets and does not have a system in place to depreciate capital assets.	See response and corrective action plan at 2013-001	Fiscal Year 2014 Jill Van Roekel
2013-002: The District has insufficient segregation of duties over the payroll process.	See response and corrective action plan at 2013-002	Fiscal Year 2014 Jill Van Roekel
2013-003: The District has insufficient segregation of duties over the cash disbursement function.	See response and corrective action plan at 2013-003	Fiscal Year 2014 Jill Van Roekel
2013-004: Access rights within Software Unlimited are not properly tailored to those rights required to complete job duties.	See response and corrective action plan at 2013-004	Fiscal Year 2014 Jill Van Roekel
Significant Deficiency over Federal Awards:		
2013-005: The District does not have adequate documentation over suspension and debarment requirements.	See response and corrective action plan at 2013-005	Fiscal Year 2014 Jill Van Roekel
Other Findings Related to Required Statutory Reporting:		
IV-G-13: Two variances regarding certified enrollment were identified.	See response at IV-G-13	Fiscal Year 2014 Jill Van Roekel
IV-M-13: The District paid for camps from the Student Activity Fund.	See response at IV-M-13	Fiscal Year 2014 Jill Van Roekel



To the Board of Education
North Scott Community School District
Eldridge, Iowa

In connection with our audit of the financial statements of the North Scott Community School District as of and for the year ended June 30, 2013, we identified deficiencies in internal control over financial reporting (control deficiencies).

A control deficiency exists when the design or operation of a 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 deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

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

Following is a description of identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

Child Nutrition Program

1. The state procurement procedures require at least three distributors to be contacted for bid invitations. The District only invited two distributors for the milk bid. We recommend the District invite at least three distributors or document the exception to the requirements.
2. To improve monitoring controls over the District's nutrition program, we recommend monthly reconciling unearned student account balances to ensure amounts collected for the nutrition program are being properly deposited.

Treasury Cycle

1. The bank reconciliation is prepared by the Board Secretary and reviewed by the Director of Business Affairs. Subsequent to fiscal year-end, the Director of Business Affairs also obtained the bank statements and compared the bank balance to the bank balance indicated on the bank reconciliation. In addition, the canceled check listing is now scanned by the Director of Business

Affairs for unusual payees or amounts. We wish to stress the importance of these compensating controls over the bank reconciliation process and encourage them to be performed regularly.

2. The position responsible for the monthly bank reconciliation is also responsible for posting all journal entries to the general ledger system and cash transfers and wire transfers. This position also has administrator rights on the Software Unlimited software. Beginning in fiscal year 2014, the Director of Business Affairs began to print off all journal entries posted for the month and review the entries, including obtaining supporting detail. All transfers on the bank statements are now being traced between banks to ensure no unauthorized transfers are made. We believe that these steps by the Director of Business Affairs positively add to the control environment surrounding the Treasury Cycle.
3. For most of the fiscal year, the bank reconciliation had unidentified reconciling items due to the new InTouch receipting system when implemented in July 2012. We understand that beginning in July 2013 the items were reconciled and that a process has been implemented to reconcile the receipting system to general ledger cash postings each month so that any discrepancies can be resolved timely.

This communication is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
December 2, 2013