

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

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

YEAR ENDED JUNE 30, 2014

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

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2013 Election)

Rande Giesking	President	2015
Michael Holstad	Vice President	2015
Julie Balvance	Board Member	2013
Matt Duve	Board Member	2015
Jamie Price	Board Member	2015
Tom Rygh	Board Member	2013
Renaë Sachs	Board Member	2013

(After September 2013 Election)

Rande Giesking	President	2015
Michael Holstad	Vice President	2015
Julie Balvance	Board Member	2017
Matt Duve	Board Member	2015
Jamie Price	Board Member	2015
Renaë Sachs	Board Member	2017
Rachel Wubben	Board Member	2017

School Officials

Cory Myer	Superintendent	2014
Sara Meinders	District Secretary/Treasurer and Business Manager	2014
Engel Law	Attorney	2014

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

Certified Public Accountants

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Iowa Community School District, Buffalo Center, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

Basis for Disclaimer of Opinion on Discretely Presented Component Unit

The financial statements of the North Iowa Athletic Boosters have not been audited, and we were not engaged to audit the North Iowa Athletic Boosters' financial statements as part of our audit of the District's basic financial statements. The North Iowa Athletic Boosters' financial activities are included in the Districts basic financial statements as a discretely presented component unit.

Disclaimer of Opinion on Discretely Presented Component Unit

Because the North Iowa Athletic Boosters' financial statements have not been audited, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit. Accordingly, we do not express an opinion on the financial statements of the discretely presented component unit of North Iowa Community School District, as of and for the year ended June 30, 2014.

Unmodified Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Iowa Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 17 and 52 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational,

economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Iowa Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other auditors previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2011 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2015 on our consideration of North Iowa Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering North Iowa Community School District's internal control over financial reporting and compliance.

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

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

March 5, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Iowa Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,055,151 in fiscal 2013 to \$4,964,228 in fiscal 2014, while General Fund expenditures increased from \$4,810,344 in fiscal 2013 to \$5,112,056 in fiscal 2014. The District's General Fund balance decreased from \$1,235,883 at the end of fiscal 2013 to \$1,088,055 at the end of fiscal 2014, a 12% decrease.

- The decrease in General Fund revenues was attributable to decreases in property tax and state and federal revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of North Iowa Community School District as a whole and present an overall view of the District's finances.

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

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

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

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

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

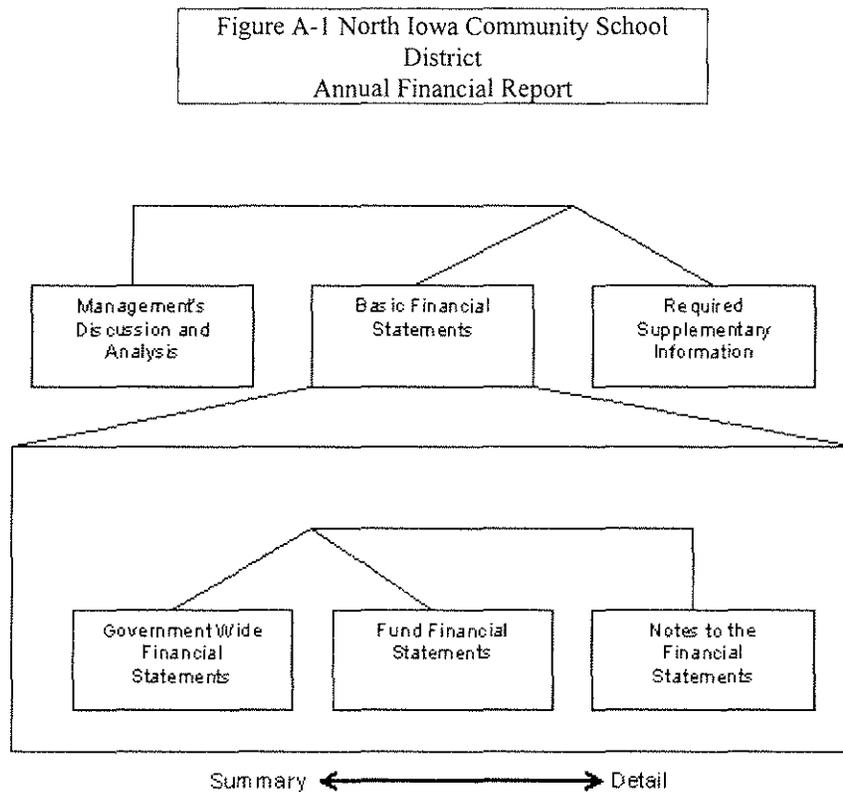


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employees.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3							
Condensed Statement of Net Position							
(Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 6,104	7,527	88	103	6,192	7,630	-18.8%
Capital assets	<u>7,725</u>	<u>6,649</u>	<u>10</u>	<u>13</u>	<u>7,735</u>	<u>6,662</u>	<u>16.1%</u>
Total assets	<u>13,829</u>	<u>14,176</u>	<u>98</u>	<u>116</u>	<u>13,927</u>	<u>14,292</u>	<u>-2.6%</u>
Long-term liabilities	3,675	3,953	---	---	3,675	3,953	-7.0%
Other liabilities	<u>665</u>	<u>908</u>	<u>9</u>	<u>12</u>	<u>674</u>	<u>920</u>	<u>-26.7%</u>
Total liabilities	<u>4,340</u>	<u>4,861</u>	<u>9</u>	<u>12</u>	<u>4,349</u>	<u>4,873</u>	<u>-10.7%</u>
Deferred inflows of resources	<u>2,830</u>	<u>2,876</u>	<u>---</u>	<u>---</u>	<u>2,830</u>	<u>2,876</u>	<u>-1.6%</u>
Net position:							
Net investment in capital assets	4,170	3,944	10	13	4,180	3,957	5.6%
Restricted	942	798	---	---	942	798	18.0%
Unrestricted	<u>1,547</u>	<u>1,697</u>	<u>79</u>	<u>91</u>	<u>1,626</u>	<u>1,788</u>	<u>-9.1%</u>
Total net position	<u>\$ 6,659</u>	<u>6,439</u>	<u>89</u>	<u>104</u>	<u>6,748</u>	<u>6,543</u>	<u>31.3%</u>

The District's total net position increased 31% or approximately \$205,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$144,000 or 18%, from the prior year. The increase was primarily a result of changes 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 approximately \$162,000 or 9%. This decrease in unrestricted net position was a result of Capital Projects expenditures exceeding revenues.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4							
Changes in Net Position							
(Expressed in Thousands)							
	Governmental		Business Type		Total School		Total
	Activities		Activities		District		Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$ 484	450	232	195	716	645	11.0%
Operating grants, contributions and restricted interest	813	755	135	124	948	879	7.8%
Capital grants, contributions and restricted interest	361	658	---	---	361	658	-45.1%
General revenues:							
Property tax	2,882	3,103	---	---	2,882	3,103	-7.1%
Statewide sales, services and use tax	399	405	---	---	399	405	-1.5%
Income surtax	364	273	---	---	364	273	33.3%
Unrestricted state grants	1,274	1,383	---	---	1,274	1,383	-7.9%
Unrestricted investment earnings	3	1	---	---	3	1	200.0%
Other	<u>27</u>	<u>9</u>	<u>---</u>	<u>---</u>	<u>27</u>	<u>9</u>	<u>200.0%</u>
Total revenues	<u>6,607</u>	<u>7,037</u>	<u>367</u>	<u>319</u>	<u>6,974</u>	<u>7,356</u>	<u>-5.2%</u>
Program expenses:							
Instruction	3,677	3,559	81	56	3,758	3,615	4.0%
Support services	1,954	1,770	17	23	1,971	1,793	9.9%
Non-instructional programs	40	39	284	253	324	292	11.0%
Other expenses	<u>648</u>	<u>610</u>	<u>---</u>	<u>---</u>	<u>648</u>	<u>610</u>	<u>6.2%</u>
Total expenses	<u>6,319</u>	<u>5,978</u>	<u>382</u>	<u>332</u>	<u>6,701</u>	<u>6,310</u>	<u>6.2%</u>
Increase (decrease) in net position	288	1,059	(15)	(13)	273	1,046	-73.9%
Net position beginning of year, as restated	<u>6,371</u>	<u>5,380</u>	<u>104</u>	<u>117</u>	<u>6,475</u>	<u>5,497</u>	<u>17.8%</u>
Net position end of year	<u>\$ 6,659</u>	<u>6,439</u>	<u>89</u>	<u>104</u>	<u>6,748</u>	<u>6,543</u>	<u>3.1%</u>

In fiscal year 2014, property tax and unrestricted state grants accounted for 62.9% of governmental activities revenue while charges for service and operating grants and contributions account for 100% of the revenue from business type activities. The District's total revenues were approximately \$7.0 million, of which approximately \$7.0 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.2% decrease in revenues and a 6.2% increase in expenses. The decrease in revenues is related to property tax and state and federal revenue. The increase in expenses is related to negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$6,607,388 and expenses were \$6,319,638 for the year ended June 30, 2014. In a difficult budget year, the District was able to balance the budget by trimming expenses below available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$ 3,677	3,559	3.3%	2,656	2,592	2.5%
Support services	1,954	1,770	10.4%	1,874	1,674	10.1%
Non-instructional programs	40	39	2.6%	40	39	2.6%
Other expenses	648	610	6.2%	91	(190)	147.9%
Total	\$ 6,319	5,978	5.7%	4,661	4,115	13.3%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$484,396.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$813,004.
- The net cost of governmental activities was financed with \$3,644,811 in property and other taxes and \$1,273,665 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$367,254, representing a 14.9% increase over the prior year, while expenses totaled \$382,144, a 15.1% increase over the prior year. The District's business type activities include the School Nutrition Fund, Preschool Fund, Wellness Center Fund and FFA Projects Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,388,544, below last year's ending fund balances of \$3,489,301. However, the primary reason for the decrease in combined fund balances at the end of fiscal year 2014 is due to an increase in facilities acquisition expenditures during fiscal 2014.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,235,883 to \$1,088,055 due, in part, to increasing expenditures.
- The Debt Service Fund balance increased from \$340,581 at the end of fiscal year 2013 to \$463,079 at the end of fiscal 2014 due to revenues exceeding expenditures.
- The Capital Projects Fund balance decreased due to an increase in facilities acquisition expenditures during fiscal year 2014. The District ended fiscal year 2013 with a balance of \$1,647,513. Fiscal year 2014 ended with a balance of \$650,509.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$65,749 at June 30, 2013 to \$33,027 at June 30, 2014, representing a decrease of approximately 50% due, in part, to an increase in expenditures.

BUDGETARY HIGHLIGHTS

Over the course of the year, North Iowa Community School District amended its budget one time to reflect changes in expenditures associated with technology, staffing, other supplies and a decrease in capital project activity.

The District's total revenues were \$732,044 more than total budgeted revenues, a variance of 11.8%. The majority of the variance was with state and federal sources due to the FEMA grant for the safe room project not being included in the budget at the time it was prepared.

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

exceed actual expenditures for the year. Also, the capital project did not progress as anticipated, so less was spent in fiscal year 2014 than was planned.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$7.7 million, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and intangible assets. (See Figure A-6) This represents a net increase of 16.1% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation/amortization expense for the year was \$343,017.

The original cost of the District's capital assets was approximately \$13.2 million. Governmental funds accounted for approximately \$13.1 million with the remainder of approximately \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District had no construction in progress at June 30, 2014, compared to \$1,637,373 reported at June 30, 2013. This significant decrease resulted from the completion of the safe room construction project.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 37	37	---	---	37	37	0.0%
Art	52	52	---	---	52	52	0.0%
Construction in progress	---	1,637	---	---	---	1,637	-100.0%
Buildings	7,018	4,288	---	---	7,018	4,288	63.7%
Improvements other than buildings	189	197	---	---	189	197	-4.0%
Furniture and equipment	<u>429</u>	<u>438</u>	<u>10</u>	<u>13</u>	<u>439</u>	<u>451</u>	<u>- 2.7%</u>
Totals	<u>\$ 7,725</u>	<u>6,649</u>	<u>10</u>	<u>13</u>	<u>7,735</u>	<u>6,662</u>	<u>16.1%</u>

Long-Term Debt

At June 30, 2014, the District had \$3,578,575 in long-term debt outstanding. (See Figure A-7) This represents a decrease of approximately 8% from last year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

In October 2012, the District issued \$2,220,000 of Statewide Sales, Services and Use Tax revenue bonds for the safe room project. The District had total outstanding bonded indebtedness at June 30, 2014 of \$3,578,575.

	Total District		Total Change
	June 30,		June 30,
	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
General obligation bonds	\$ 1,435	1,640	-12.5%
Revenue bonds	<u>2,120</u>	<u>2,220</u>	<u>-4.5%</u>
Total	\$ 3,555	3,860	-7.9%
	=====	=====	=====

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District's enrollment has stabilized, but with a low allowable growth rate from the state, the District will have to maintain expenditures, this becomes a difficult task with rising insurance, salary and instructional materials costs.
- Continued upgrades to the District's transportation vehicles, building improvements, and technology upgrades will significantly impact the Statewide Sales, Services and Use Tax and the Physical Plant and Equipment Funds balances.
- Every year the District negotiates new agreements with the North Iowa Education Association (NIEA) for teachers. Any settlements in excess of "New Money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related funds balance.
- The District has one unused school building that continues to cost General Fund dollars for maintenance and heat. The District continues to look for ways the unused school buildings can benefit the community while not costing the District resources.
- The District is planning to renovate the roof over the gymnasium along with adjoining roof lines due normal to wear and aging. The District will use the Sales Tax Fund to pay for this renovation over the summer of 2015.

- The Affordable Care Act (ACA) will require the District to offer group health benefits to all employees working more than 30 hours per week while limiting employee premium contributions to 9.5% of compensation, beginning July 1, 2016. This will include a large number of support staff that are currently being offered group health benefits but not within the 9.5% of compensation. The impact to the District has yet to be determined and will depend on employee participation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sara Meinders, District Secretary/Treasurer and Business Manager, North Iowa Community School District, 111 3rd Ave NW, Buffalo Center, Iowa 50424.

Basic Financial Statements

North Iowa Community School District
Buffalo Center, Iowa

Exhibit A

Statement of Net Position

June 30, 2014

	Primary Government			Component
	Governmental Business Type			Unit
	Activities	Activities	Total	North Iowa Athletic Boosters
Assets				
Cash, cash equivalents and pooled investments	\$ 2,702,145	74,129	2,776,274	14,279
Receivables:				
Property tax:				
Delinquent	33,068	-	33,068	-
Succeeding year	2,829,848	-	2,829,848	-
Accounts	90,417	4,333	94,750	-
Due from other governments	447,794	2,000	449,794	-
Inventories	-	7,844	7,844	-
Capital assets, net of accumulated depreciation/amortization	7,725,057	10,071	7,735,128	-
Total assets	<u>13,828,329</u>	<u>98,377</u>	<u>13,926,706</u>	<u>14,279</u>
Liabilities				
Accounts payable	145,777	3,283	149,060	-
Salaries and benefits payable	472,443	820	473,263	-
Unearned revenue	-	4,956	4,956	-
Advances from grantors	798	-	798	-
Due to other governments	16,168	-	16,168	-
Accrued interest payable	29,844	-	29,844	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds	210,000	-	210,000	-
Revenue bonds	115,000	-	115,000	-
Portion due after one year:				
General obligation bonds	1,225,000	-	1,225,000	-
Revenue bonds	2,005,000	-	2,005,000	-
Bond premium	23,575	-	23,575	-
Net OPEB liability	96,223	-	96,223	-
Total liabilities	<u>4,339,828</u>	<u>9,059</u>	<u>4,348,887</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable property tax revenue	2,829,848	-	2,829,848	-
Total deferred inflows of resources	<u>2,829,848</u>	<u>-</u>	<u>2,829,848</u>	<u>-</u>

North Iowa Community School District
Buffalo Center, Iowa

Exhibit A

Statement of Net Position

June 30, 2014

	Primary Government			Component
	Governmental Business Type			Unit
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>North Iowa Athletic Boosters</u>
Net Position				
Net investment in capital assets	4,170,057	10,071	4,180,128	-
Restricted for:				
Categorical funding	105,560	-	105,560	-
Management levy purposes	94,664	-	94,664	-
Physical plant and equipment	37,728	-	37,728	-
School infrastructure	612,781	-	612,781	-
Student activities	91,433	-	91,433	-
Athletic booster purposes	-	-	-	14,279
Unrestricted	<u>1,546,430</u>	<u>79,247</u>	<u>1,625,677</u>	-
Total net position	<u>\$ 6,658,653</u>	<u>89,318</u>	<u>6,747,971</u>	<u>14,279</u>

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa
Statement of Activities
Year ended June 30, 2014

	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Revenues</u>	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,029,091	158,599	345,725	-
Special instruction	694,769	113,608	53,427	-
Other instruction	953,557	207,648	142,070	-
	<u>3,677,417</u>	<u>479,855</u>	<u>541,222</u>	<u>-</u>
Support services:				
Student	156,703	-	5,285	-
Instructional staff	273,419	2,020	59,983	-
Administration	667,125	-	3,734	-
Operation and maintenance of plant	578,114	2,521	6,256	-
Transportation	278,729	-	78	-
	<u>1,954,090</u>	<u>4,541</u>	<u>75,336</u>	<u>-</u>
Non-instructional programs	40,140	-	-	-
Other expenditures:				
Facilities acquisition	91,759	-	-	361,050
Long-term debt interest	126,511	-	-	-
AEA flowthrough	196,446	-	196,446	-
Depreciation/amortization (unallocated)*	233,275	-	-	-
	<u>647,991</u>	<u>-</u>	<u>196,446</u>	<u>361,050</u>
Total governmental activities	<u>6,319,638</u>	<u>484,396</u>	<u>813,004</u>	<u>361,050</u>
Business type activities:				
Instruction:				
FFA Project	76,524	80,196	-	-
Preschool	4,175	8,720	-	-
Support services:				
Administration	17,447	-	-	-
Non-instructional programs:				
Wellness Center	5,396	15,010	-	-
Food service operations	278,602	128,261	135,060	-
Total business type activities	<u>382,144</u>	<u>232,187</u>	<u>135,060</u>	<u>-</u>
Total	<u>\$ 6,701,782</u>	<u>716,583</u>	<u>948,064</u>	<u>361,050</u>
Component Unit:				
Athletic boosters	\$ 34,927	14,752	18,148	-
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Public education and recreation purposes				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Sale of fixed assets				
Total general revenues				
Change in net position				
Net position beginning of year, as restated				
Net position end of year				

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	North Iowa Athletic Boosters
(1,524,767)	-	(1,524,767)	-
(527,734)	-	(527,734)	-
(603,839)	-	(603,839)	-
(2,656,340)	-	(2,656,340)	-
(151,418)	-	(151,418)	-
(211,416)	-	(211,416)	-
(663,391)	-	(663,391)	-
(569,337)	-	(569,337)	-
(278,651)	-	(278,651)	-
(1,874,213)	-	(1,874,213)	-
(40,140)	-	(40,140)	-
269,291	-	269,291	-
(126,511)	-	(126,511)	-
-	-	-	-
(233,275)	-	(233,275)	-
(90,495)	-	(90,495)	-
(4,661,188)	-	(4,661,188)	-
-	3,672	3,672	-
-	4,545	4,545	-
-	(17,447)	(17,447)	-
-	9,614	9,614	-
-	(15,281)	(15,281)	-
-	(14,897)	(14,897)	-
(4,661,188)	(14,897)	(4,676,085)	-
-	-	-	(2,027)
2,327,665	-	2,327,665	-
409,221	-	409,221	-
107,037	-	107,037	-
37,674	-	37,674	-
363,943	-	363,943	-
399,271	-	399,271	-
1,273,665	-	1,273,665	-
3,479	7	3,486	-
29,364	-	29,364	-
(2,381)	-	(2,381)	-
4,948,938	7	4,948,945	-
287,750	(14,890)	272,860	(2,027)
6,370,903	104,208	6,475,111	16,306
\$ 6,658,653	89,318	6,747,971	14,279

North Iowa Community School District
Buffalo Center, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Assets					
Cash, cash equivalents and pooled investments	\$ 1,473,047	567,567	458,935	202,596	2,702,145
Receivables:					
Property tax:					
Delinquent	26,510	1,084	4,144	1,330	33,068
Succeeding year	2,102,769	111,626	402,445	213,008	2,829,848
Accounts	90,417	-	-	-	90,417
Due from other governments	317,345	130,449	-	-	447,794
Total assets	<u>\$ 4,010,088</u>	<u>810,726</u>	<u>865,524</u>	<u>416,934</u>	<u>6,103,272</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Excess of warrants issued over bank balance					
Accounts payable	\$ 80,161	48,591	-	17,025	145,777
Salaries and benefits payable	472,443	-	-	-	472,443
Advances from grantors	798	-	-	-	798
Due to other governments	16,168	-	-	-	16,168
Total liabilities	<u>569,570</u>	<u>48,591</u>	<u>-</u>	<u>17,025</u>	<u>635,186</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,102,769	111,626	402,445	213,008	2,829,848
Income surtax	249,694	-	-	-	249,694
Total deferred inflows of resources	<u>2,352,463</u>	<u>111,626</u>	<u>402,445</u>	<u>213,008</u>	<u>3,079,542</u>
Fund balances:					
Restricted for:					
Categorical funding	105,560	-	-	-	105,560
Debt service	-	-	463,079	-	463,079
Management levy purposes	-	-	-	94,664	94,664
Student activities	-	-	-	92,237	92,237
School infrastructure	-	612,781	-	-	612,781
Physical plant and equipment	-	37,728	-	-	37,728
Assigned	21,651	-	-	-	21,651
Unassigned	960,844	-	-	-	960,844
Total fund balances	<u>1,088,055</u>	<u>650,509</u>	<u>463,079</u>	<u>186,901</u>	<u>2,388,544</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,010,088</u>	<u>810,726</u>	<u>865,524</u>	<u>416,934</u>	<u>6,103,272</u>

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit D

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

June 30, 2014

Total fund balances of governmental funds (page 22) \$ 2,388,544

*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. 7,725,057

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 249,694

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (29,844)

Long-term liabilities, including bonds, compensated absences, termination benefits, lease obligations, and other postemployment benefits payable, are not due and payable in the current year and therefore, are not reported in the governmental funds. (3,674,798)

Net position of governmental activities (page 19) \$ 6,658,653

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2014

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 2,588,334	107,037	409,221	112,861	3,217,453
Tuition	243,864	-	-	-	243,864
Other	45,859	13,925	1,669	213,022	274,475
State sources	1,910,628	441,747	-	-	2,352,375
Federal sources	175,543	322,833	-	-	498,376
Total revenues	<u>4,964,228</u>	<u>885,542</u>	<u>410,890</u>	<u>325,883</u>	<u>6,586,543</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,929,481	90,878	-	2,564	2,022,923
Special	692,273	-	-	-	692,273
Other	749,915	-	-	199,767	949,682
	<u>3,371,669</u>	<u>90,878</u>	<u>-</u>	<u>202,331</u>	<u>3,664,878</u>
Support services:					
Student	155,760	-	-	-	155,760
Instructional staff	105,486	179,751	-	-	285,237
Administration	576,198	5,461	2,000	77,229	660,888
Operation and maintenance of plant	477,328	35,263	-	78,054	590,645
Transportation	227,125	3,501	-	8,596	239,222
	<u>1,541,897</u>	<u>223,976</u>	<u>2,000</u>	<u>163,879</u>	<u>1,931,752</u>
Non-instructional programs	2,044	-	-	38,096	40,140
Other expenditures:					
Facilities acquisition	-	1,410,248	-	-	1,410,248
Long-term debt:					
Principal	-	-	305,000	-	305,000
Interest and fiscal charges	-	-	138,836	-	138,836
AEA flowthrough	196,446	-	-	-	196,446
	<u>196,446</u>	<u>1,410,248</u>	<u>443,836</u>	<u>-</u>	<u>2,050,530</u>
Total expenditures	<u>5,112,056</u>	<u>1,725,102</u>	<u>445,836</u>	<u>404,306</u>	<u>7,687,300</u>
Deficiency of revenues under expenditures	<u>(147,828)</u>	<u>(839,560)</u>	<u>(34,946)</u>	<u>(78,423)</u>	<u>(1,100,757)</u>
Other financing sources (uses):					
Operating transfers in	-	-	157,444	-	157,444
Operating transfers out	-	(157,444)	-	-	(157,444)
Total other financing sources (uses)	<u>-</u>	<u>(157,444)</u>	<u>157,444</u>	<u>-</u>	<u>-</u>
Change in fund balances	(147,828)	(997,004)	122,498	(78,423)	(1,100,757)
Fund balances beginning of year	<u>1,235,883</u>	<u>1,647,513</u>	<u>340,581</u>	<u>265,324</u>	<u>3,489,301</u>
Fund balances end of year	<u>\$ 1,088,055</u>	<u>650,509</u>	<u>463,079</u>	<u>186,901</u>	<u>2,388,544</u>

See notes to financial statements.

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

Year ended June 30, 2014

Change in fund balances - total governmental funds (page 24) \$ (1,100,757)

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

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

Expenditures for capital assets	\$ 1,418,042	
Depreciation/amortization expense	(339,853)	
Loss on sale of fixed assets	<u>(2,381)</u>	1,075,808

Certain delinquent property tax and income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 23,226

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments and bond premium amortization is as follows:

Premium on bonds amortized	993	
Repaid	<u>305,000</u>	305,993

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 11,332

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:

Other postemployment benefits	<u>(27,852)</u>	<u>(27,852)</u>
-------------------------------	-----------------	-----------------

Change in net position of governmental activities (page 21) \$ 287,750

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2014

	Nonmajor Enterprise Funds
Assets	
Current assets:	
Cash and cash equivalents	\$ 74,129
Accounts receivable	4,333
Due from other governments	2,000
Inventories	7,844
Total current assets	<u>88,306</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>10,071</u>
Total noncurrent assets	<u>10,071</u>
Total assets	<u>98,377</u>
Liabilities	
Current liabilities:	
Accounts payable	3,283
Salaries and benefits payable	820
Unearned revenue	4,956
Total current liabilities	<u>9,059</u>
Total liabilities	<u>9,059</u>
Net Position	
Net investment in capital assets	10,071
Unrestricted	<u>79,247</u>
Total net position	<u>\$ 89,318</u>

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit H

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

Year ended June 30, 2014

	Nonmajor Enterprise <u>Funds</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 231,743
Miscellaneous	444
Total operating revenues	<u>232,187</u>
Operating expenses:	
Instruction:	
Other	<u>80,699</u>
Support services:	
Administration	<u>17,447</u>
	<u>17,447</u>
Non-instructional programs:	
Salaries	81,601
Benefits	14,839
Purchased services	910
Supplies	183,484
Depreciation	<u>3,164</u>
	<u>283,998</u>
Total operating expenses	<u>382,144</u>
Operating loss	<u>(149,957)</u>
Non-operating revenues:	
State sources	2,196
Federal sources	132,864
Interest income	<u>7</u>
Total non-operating revenues	<u>135,067</u>
Decrease in net position	(14,890)
Net position beginning of year	<u>104,208</u>
Net position end of year	<u>\$ 89,318</u>

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

	Nonmajor Enterprise <u>Funds</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 224,729
Cash received from other services	444
Cash paid to employees for services	(178,845)
Cash paid to suppliers for goods or services	<u>(183,956)</u>
Net cash used by operating activities	<u>(137,628)</u>
Cash flows from non-capital financing activities:	
State grants received	2,196
Federal grants received	<u>114,997</u>
Net cash provided by non-capital financing activities	<u>117,193</u>
Cash flows from investing activities:	
Interest on investments	<u>7</u>
Net decrease in cash and cash equivalents	(20,428)
Cash and cash equivalents beginning of year	<u>94,557</u>
Cash and cash equivalents end of year	<u>\$ 74,129</u>

(continued)

North Iowa Community School District
Buffalo Center, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

	Nonmajor Enterprise <u>Funds</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (149,957)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	16,810
Depreciation	3,164
(Increase) in accounts receivable	(6,333)
Decrease in inventories	1,075
Decrease in accounts payable	(2,270)
Increase in salaries and benefits payable	563
Decrease in unearned revenue	(680)
Net cash used by operating activities	<u>\$ (137,628)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$16,810 of federal commodities.

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit J

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2014

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash, cash equivalents and pooled investments	\$ 1,235,865	3,011
Land held in scholarship trust	<u>1,463,902</u>	<u>-</u>
Total assets	<u>2,699,767</u>	<u>3,011</u>
Liabilities		
Accounts payable	2,500	-
Other payables	<u>-</u>	<u>3,011</u>
Total liabilities	<u>2,500</u>	<u>3,011</u>
Net position		
Reserved for scholarships	<u>\$ 2,697,267</u>	<u>-</u>

See notes to financial statements.

North Iowa Community School District
Buffalo Center, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2014

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 13,951
Increase in fair value of investments	4,045
Land rent	52,045
Interest and dividend income	<u>17,086</u>
Total additions	<u>87,127</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	88,214
Support services:	
Operation and maintenance of plant	<u>5,094</u>
Total deductions	<u>93,308</u>
Change in net position	(6,181)
Net position beginning of year	<u>2,703,448</u>
Net position end of year	<u>\$2,697,267</u>

See notes to financial statements.

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(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, North Iowa Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

The financial statements presents the North Iowa Community School District and its component unit, the North Iowa Athletic Boosters. The component unit, discussed below, is included in the District's reporting entity because of the nature and significance of its operational or financial relationship with the District.

Discretely Presented Component Unit – The North Iowa Athletic Boosters is a separate nonprofit organization whose purpose is to help defray costs of the North Iowa Community School District by helping to finance the cost of equipment and other items. The records are maintained on the cash basis of receipts and disbursements, with July 31 as its year end. The North Iowa Athletic Boosters meets the definition of a component unit which should be discretely presented. The North Iowa Athletic Booster Clubs' financial statements have not been audited and we do not express an opinion on them.

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Jointly Governed Organizations - The District participates in jointly governed organizations that provide services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Kossuth and Winnebago County Assessor's Conference boards.

B. Basis of Presentation

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

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

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

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or

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privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

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

The District's proprietary funds include the Enterprise, School Nutrition Fund, Preschool Fund, Wellness Center Fund and the FFA Projects Fund. The School Nutrition Fund is used to account for the food service operations of the District, the Preschool Fund is used to account for preschool operations, the Wellness Center Fund is used to account for community recreation memberships and the FFA Projects Fund is used to account for the business type activities of the FFA.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

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The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

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

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

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

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

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

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

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Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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

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

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

Assigned – Amounts the District intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

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E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2014, the District's Fiduciary Funds, Private Purpose Trust held the following investments that were gifted to the District for scholarship awards to students:

	Fair <u>Value</u>	<u>Maturity</u>
Bank of America Corp Subordinated Note	\$15,403	March 2017
Ford Motor Credit Co. LLC Senior Note	42,005	April 2015
682 Shares General Electric Co. Common Stock	17,918	N/A
66 Shares Mid Cap SPDR Trust Unit Series 1	17,114	April 2020
21 Shares SPDR Trust Unit Series 1	4,110	January 2118
481 Shares American Capital World Growth	22,856	N/A

At June 30, 2014, the District's governmental and proprietary funds had investments in the Iowa School Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$2,002,247 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in

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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.

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

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. More than 5% of the District's investments are in the Iowa Schools Joint Investment Trust. The District's investment in the Iowa Schools Joint Investment Trust is 94% of the District's total investments.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 157,444</u>

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

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(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 36,797	---	---	36,797
Work of art	52,000	---	---	52,000
Construction in progress	<u>1,637,373</u>	---	(1,637,373)	---
Total capital assets not being depreciated	<u>1,726,170</u>	---	(1,637,373)	88,797
Capital assets being depreciated/amortized:				
Buildings	7,881,383	2,946,655	---	10,828,038
Improvements other than buildings	520,373	9,207	---	529,580
Intangible assets	27,620	---	---	27,620
Furniture and equipment	<u>1,566,739</u>	99,553	(5,500)	1,660,792
Total capital assets being depreciated/amortized	<u>9,996,115</u>	<u>3,055,415</u>	(5,500)	13,046,030
Less accumulated depreciation/amortization for:				
Buildings	3,593,052	216,890	---	3,809,942
Improvements other than buildings	323,913	16,386	---	340,299
Intangible assets	27,620	---	---	27,620
Furniture and equipment	<u>1,128,451</u>	106,577	(3,119)	1,231,909
Total accumulated depreciation/amortization	<u>5,073,036</u>	<u>339,853</u>	(3,119)	5,409,770
Total capital assets being depreciated/amortized, net	<u>4,923,079</u>	<u>2,715,562</u>	(2,381)	7,636,260
Governmental activities capital assets, net	<u>\$ 6,649,249</u>	<u>2,715,562</u>	(1,639,754)	<u>7,725,057</u>
Business type activities:				
Furniture and equipment	\$ 97,163	---	---	97,163
Less accumulated depreciation	<u>83,928</u>	3,164	---	87,092
Business type activities capital assets, net	<u>\$ 13,235</u>	<u>(3,164)</u>	---	<u>10,071</u>

North Iowa Community School District
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Depreciation/amortization expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 57,869
Other	375

Support services:

Instructional staff	2,190
Operation and maintenance of plant	6,896
Transportation	<u>39,248</u>
	106,578

Unallocated 233,275

Total depreciation/amortization expense – governmental activities \$ 339,853

Business type activities:

Food service operations \$ 3,164

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,640,000	---	205,000	1,435,000	210,000
Revenue bonds	2,244,568	---	100,993	2,143,575 (1)	115,000
Net OPEB liability	<u>68,371</u>	<u>27,852</u>	<u>---</u>	<u>96,223</u>	<u>---</u>
Total	<u>\$ 3,952,939</u>	<u>27,852</u>	<u>305,993</u>	<u>3,674,798</u>	<u>325,000</u>

(1) Bonds were sold at a premium, unamortized premium at June 30, 2014 totaled \$23,575.

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General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending <u>June 30</u>	Bond Issue of March 15, 2001			
	Interest Rate	Principal	Interest	Total
2015	4.70%	\$ 210,000	67,445	277,445
2016	4.70	220,000	57,575	277,575
2017	4.70	230,000	47,235	277,235
2018	4.70	245,000	36,425	281,425
2019	4.70	255,000	24,910	279,910
2020	4.70	275,000	12,925	287,925
Total		\$1,435,000	246,515	1,681,515

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending <u>June 30</u>	Bond Issue of October 23, 2012			
	Interest Rates	Principal	Interest	Total
2015	2.00%	\$ 115,000	48,448	163,448
2016	2.00	115,000	46,147	161,147
2017	2.00	120,000	43,848	163,848
2018	2.00	120,000	41,447	161,447
2019	2.00	120,000	39,048	159,048
2020-2024	2.00-2.20	645,000	157,678	802,678
2025-2029	2.40-2.80	730,000	80,908	810,908
2030	2.80	155,000	4,340	159,340
Total		\$2,120,000	461,864	2,581,864

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The District has pledged future statewide sales, services and use tax revenues to repay the \$2,220,000 of bonds issued in October 2012. The bonds were issued for the purpose of financing a portion of a safe room. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 40 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,581,864. For the current year total statewide sales, services and use tax revenues were \$399,271.

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

- a) \$163,848 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

(6) Pension and Retirement Benefits

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

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Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$272,399, \$252,185 and \$242,379, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

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

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

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

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

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The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 48,665
Interest on net OPEB obligation	1,709
Adjustment to annual required contribution	<u>(6,719)</u>
Annual OPEB cost	43,655
Contributions made	<u>(15,803)</u>
Increase in net OPEB obligation	27,852
Net OPEB obligation beginning of year	<u>68,371</u>
 Net OPEB obligation end of year	 \$ 96,223 <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, 2014.

For the year ended June 30, 2014, the District contributed \$15,803 to the medical plan. Plan members eligible for benefits contributed \$71,232, or 82% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 34,358	64.8%	\$ 39,873
2013	44,119	35.4	68,371
2014	43,655	36.2	96,223

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Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$250,664, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$250,664. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,244,000 and the ratio of the UAAL to covered payroll was 11.2%. As of June 30, 2014, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

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

Projected claim costs of the medical plan are \$629 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

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(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$196,446 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Operating Leases

The District entered into an operating lease with Access Systems Leasing for the rental of copiers and printers on June 15, 2010 for a period of 63 months. On November 13, 2013 the District entered into a new operating lease with Access Systems Leasing for the rental of ten Hewlett-Packard printers and six Sharp copiers for a period of five years. The amount paid for the fiscal year ended June 30, 2014 was \$20,331. The future rentals are as follows:

Year Ending <u>June 30,</u>	
2015	\$ 22,488
2016	22,488
2017	22,488
2018	22,488
2019	<u>11,244</u>
Total	\$ <u>101,196</u>

The District entered into a lease with Little Bison Childcare Center Inc. to rent space for the preschool program. The lease is for 60 months commencing January 1, 2013 and terminating December 31, 2017. The lease is \$1,850 per month. The rent paid on this lease for the year ended June 30, 2014 was \$22,200.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2014

Future minimum rentals are as follows:

<u>June 30,</u>	
2015	\$ 22,200
2016	22,200
2017	22,200
2018	<u>11,100</u>
Total	\$ <u>77,700</u>

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Mentoring - Teacher	\$ 1,752
Teacher Salary Supplement	27,545
Mentoring – Administration	147
Early Literacy	14,480
Teacher Leadership Grant	6,688
Home School Assistance Program	9,194
Dropout Prevention	24,885
Preschool	1,271
Limited English Proficient	<u>19,598</u>
Total	\$ <u>105,560</u>

(12) Scholarship Trust Contribution

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

The land had a fair value of \$1,463,902 at June 30, 2014 based on comparable land values from the Iowa State Extension office, and is reported as an investment in the District's Private-Purpose Trust Fund.

North Iowa Community School District
Buffalo Center, Iowa

Notes to Financial Statements

June 30, 2014

(13) Litigation

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

(14) Prior Period Adjustment – Accounting Change

During the year ended June 30, 2014, the District implemented Governmental Accounting Standards Board Statement No. 65 and the District has restated the beginning net position in the Statement of Activities. In previous years, bond issuance costs were deferred and amortized over the term of the bonds. GASB 65 now requires these costs to be recognized in the period the loan originated. This results in decreasing the July 1, 2013 beginning net position by \$68,214.

Government-Wide Financial Statements

	<u>Statement of Activities</u>
Beginning Net Position, as previously reported	\$ 6,439,117
Accounting Change – Bond Costs	<u>(68,214)</u>
Beginning Net Position, as restated	\$ <u>6,370,903</u>

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

(16) Subsequent Events

Subsequent events have been evaluated through March 5, 2015 which is the date the financial statements were available to be issued.

Required Supplementary Information

North Iowa Community School District
Buffalo Center, Iowa

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

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 3,735,792	232,194
State sources	2,352,375	2,196
Federal sources	<u>498,376</u>	<u>132,864</u>
Total revenues	<u>6,586,543</u>	<u>367,254</u>
Expenditures/Expenses:		
Instruction	3,664,878	80,699
Support services	1,931,752	17,447
Non-instructional programs	40,140	283,998
Other expenditures	<u>2,050,530</u>	<u>-</u>
Total expenditures/expenses	<u>7,687,300</u>	<u>382,144</u>
Deficiency of revenues under expenditures/expenses	(1,100,757)	(14,890)
Balances beginning of year	<u>3,489,301</u>	<u>104,208</u>
Balances end of year	<u>\$ 2,388,544</u>	<u>89,318</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
3,967,986	4,120,278	4,120,278	(152,292)
2,354,571	1,808,975	1,808,975	545,596
631,240	292,500	292,500	338,740
<u>6,953,797</u>	<u>6,221,753</u>	<u>6,221,753</u>	<u>732,044</u>
3,745,577	3,731,500	4,056,500	310,923
1,949,199	1,956,550	2,006,550	57,351
324,138	311,330	361,330	37,192
<u>2,050,530</u>	<u>2,615,352</u>	<u>2,415,352</u>	<u>364,822</u>
<u>8,069,444</u>	<u>8,614,732</u>	<u>8,839,732</u>	<u>770,288</u>
(1,115,647)	(2,392,979)	(2,617,979)	1,502,332
<u>3,593,509</u>	<u>3,648,747</u>	<u>3,648,747</u>	<u>(55,238)</u>
<u>2,477,862</u>	<u>1,255,768</u>	<u>1,030,768</u>	<u>1,447,094</u>

North Iowa Community School District
Buffalo Center, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$225,000.

North Iowa Community School District

Buffalo Center, Iowa

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 370,519	370,519	0.0%	\$2,321,000	16.0%
2011	Jul 1, 2009	-	352,007	352,007	0.0%	2,340,000	15.0%
2012	Jul 1, 2009	-	331,897	331,897	0.0%	2,417,000	13.7%
2013	Jul 1, 2012	-	263,817	263,817	0.0%	2,326,000	11.3%
2014	Jul 1, 2012	-	250,664	250,664	0.0%	2,244,000	11.2%

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

See accompanying independent auditor's report.

Supplementary Information

North Iowa Community School District
Buffalo Center, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

	Special Revenue				
	Manage- ment <u>Levy</u>	Student Activity <u>Activity</u>	Public Education and Recreation <u>Levy</u>	District Support Trust <u>Trust</u>	<u>Total</u>
Assets					
Cash, cash equivalents and pooled investments	\$ 93,778	93,407	14,607	804	202,596
Receivables:					
Property tax:					
Delinquent	886	-	444	-	1,330
Succeeding year	<u>175,000</u>	<u>-</u>	<u>38,008</u>	<u>-</u>	<u>213,008</u>
Total assets	<u>269,664</u>	<u>93,407</u>	<u>53,059</u>	<u>804</u>	<u>416,934</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	<u>-</u>	<u>1,974</u>	<u>15,051</u>	<u>-</u>	<u>17,025</u>
Total liabilities	<u>-</u>	<u>1,974</u>	<u>15,051</u>	<u>-</u>	<u>17,025</u>
Deferred inflows of resources:					
Succeeding year property tax	<u>175,000</u>	<u>-</u>	<u>38,008</u>	<u>-</u>	<u>213,008</u>
Total deferred inflows of resources	<u>175,000</u>	<u>-</u>	<u>38,008</u>	<u>-</u>	<u>213,008</u>
Fund balances:					
Restricted for:					
Management levy purposes	94,664	-	-	-	94,664
Student activities	<u>-</u>	<u>91,433</u>	<u>-</u>	<u>804</u>	<u>92,237</u>
Total fund balances	<u>94,664</u>	<u>91,433</u>	<u>-</u>	<u>804</u>	<u>186,901</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 269,664</u>	<u>93,407</u>	<u>53,059</u>	<u>804</u>	<u>416,934</u>

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 2

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

Year ended June 30, 2014

	Special Revenue				
	Manage- ment <u>Levy</u>	Student Activity <u>Activity</u>	Public Education and Recreation <u>Levy</u>	District Support <u>Trust</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 75,187	-	37,674	-	112,861
Other	9,382	203,640	-	-	213,022
State sources	-	-	-	-	-
Total revenues	84,569	203,640	37,674	-	325,883
Expenditures:					
Current:					
Instruction:					
Regular	2,564	-	-	-	2,564
Other	-	199,767	-	-	199,767
Support services:					
Administration	77,229	-	-	-	77,229
Operation and maintenance of plant	78,054	-	-	-	78,054
Transportation	8,596	-	-	-	8,596
Non-instructional programs	-	-	38,096	-	38,096
Total expenditures	166,443	199,767	38,096	-	404,306
Excess (deficiency) of revenues over (under) expenditures	(81,874)	3,873	(422)	-	(78,423)
Fund balances beginning of year	176,538	87,560	422	804	265,324
Fund balances end of year	\$ 94,664	91,433	-	804	186,901

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Towel Fee	\$ 100	-	-	-	100
Activity Tickets	5,526	39,871	22,937	(19,510)	2,950
Interest	441	30	-	-	471
Drama	8,222	7,350	5,794	-	9,778
Speech	800	1,193	1,446	153	700
Vocal Music	99	-	39	-	60
Choir Robe	300	5,000	5,300	-	-
Instrumental Music	2,350	-	30	-	2,320
HS/MS Uniform	-	50	6,620	6,570	-
Annual	1,491	10,586	7,240	-	4,837
Cross Country	800	-	494	394	700
Boys Basketball	2,667	2,856	3,002	46	2,567
Football	6,047	10,061	11,251	1,866	6,723
District Football	-	336	410	74	-
Baseball	2,172	4,221	5,713	2,444	3,124
Boys Track	2,529	1,957	2,280	415	2,621
Boys Golf	250	825	1,299	524	300
Boys Bowling	250	-	18	(32)	200
Wrestling	250	-	8	(42)	200
Girls Basketball	1,000	796	1,506	1,010	1,300
Volleyball	3,334	4,924	4,041	981	5,198
Girls Softball	3,979	1,971	4,480	1,658	3,128
Girls Track	2,466	1,552	2,426	966	2,558
Girls Golf	250	316	812	546	300
Girls Bowling	250	-	18	(32)	200
Trapshooting	-	2,335	2,335	-	-
Spanish Club	100	-	-	-	100
Cheerleading	1,566	6,195	3,609	-	4,152
FCCLA	-	1,709	1,430	-	279
Student Council	8,165	7,688	8,899	-	6,954
Honor Society	525	486	191	-	820
Tournament All Sport Fund	2,508	769	1,530	-	1,747
Class of 2014	2,852	395	2,701	(546)	-
Class of 2015	965	5,335	4,152	-	2,148
Class of 2016	620	887	-	-	1,507

(continued)

North Iowa Community School District
Buffalo Center, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	Balance Beginning of Year	Revenues and Interfund Transfers	<u>Expenditures</u>	Intra- Fund Transfers	Balance End of Year
Class of 2017	480	150	-	-	630
Class of 2018	280	150	-	-	430
Class of 2019	155	125	-	-	280
Class of 2020	-	165	-	-	165
Quiz Bowl	100	-	125	125	100
MS Archery	2,231	200	-	-	2,431
MS Student Council	2,871	2,156	1,750	-	3,277
MS Music Club	7,255	9,252	12,342	-	4,165
MS Annual	564	1,731	2,500	205	-
MS Officials	2,500	-	2,270	2,270	2,500
MS Field Trips	231	-	-	-	231
MS Football	250	-	-	-	250
MS Girls Basketball	250	-	10	(40)	200
MS Boys Basketball	250	-	10	(40)	200
MS Wrestling	250	-	-	(50)	200
MS Volleyball	250	-	201	151	200
MS Girls Track	400	330	427	(103)	200
MS Boys Track	400	330	527	(3)	200
Destination DC	5,969	69,357	67,594	-	7,732
Total	<u>\$ 87,560</u>	<u>203,640</u>	<u>199,767</u>	<u>-</u>	<u>91,433</u>

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 527,629	39,938	567,567
Receivables:			
Property tax:			
Delinquent	-	1,084	1,084
Succeeding year	-	111,626	111,626
Due from other governments	<u>130,449</u>	<u>-</u>	<u>130,449</u>
Total assets	<u><u>658,078</u></u>	<u><u>152,648</u></u>	<u><u>810,726</u></u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	<u>45,297</u>	<u>3,294</u>	<u>48,591</u>
Total liabilities	<u>45,297</u>	<u>3,294</u>	<u>48,591</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	<u>-</u>	<u>111,626</u>	<u>111,626</u>
Total deferred inflows of resources	<u>-</u>	<u>111,626</u>	<u>111,626</u>
Fund balances:			
Restricted for:			
School infrastructure	612,781	-	612,781
Physical plant and equipment	<u>-</u>	<u>37,728</u>	<u>37,728</u>
Total fund balances	<u>612,781</u>	<u>37,728</u>	<u>650,509</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 658,078</u></u>	<u><u>152,648</u></u>	<u><u>810,726</u></u>

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 5

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

Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	107,037	107,037
Other	561	13,364	13,925
State sources	441,747	-	441,747
Federal sources	318,574	4,259	322,833
Total revenues	760,882	124,660	885,542
Expenditures:			
Instruction:			
Regular	78,683	12,195	90,878
Support services:			
Instructional staff	179,751	-	179,751
Administration	1,761	3,700	5,461
Operation and maintenance of plant	9,772	25,491	35,263
Transportation	2,530	971	3,501
Other expenditures:			
Facilities acquisition	1,351,799	58,449	1,410,248
Total expenditures	1,624,296	100,806	1,725,102
Excess (deficiency) of revenues over (under) expenditures	(863,414)	23,854	(839,560)
Other financing sources (uses):			
Operating transfers out	(157,444)	-	(157,444)
Total other financing sources (uses)	(157,444)	-	(157,444)
Change in fund balances	(1,020,858)	23,854	(997,004)
Fund balances beginning of year	1,633,639	13,874	1,647,513
Fund balances end of year	\$ 612,781	37,728	650,509

See accompanying independent auditor's report.

Combining Schedule of Net Position
Nonmajor Proprietary Funds

June 30, 2014

	<u>School Nutrition</u>	<u>Preschool</u>	<u>Wellness Center</u>	<u>FFA Project</u>	<u>Total</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ 17,837	1,372	9,614	45,306	74,129
Accounts receivable	2,313	2,020	-	-	4,333
Due from other governments	-	2,000	-	-	2,000
Inventories	7,844	-	-	-	7,844
Total current assets	<u>27,994</u>	<u>5,392</u>	<u>9,614</u>	<u>45,306</u>	<u>88,306</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation	10,071	-	-	-	10,071
Total noncurrent assets	<u>10,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,071</u>
Total assets	<u>38,065</u>	<u>5,392</u>	<u>9,614</u>	<u>45,306</u>	<u>98,377</u>
Liabilities					
Current liabilities:					
Accounts payable	59	49	-	3,175	3,283
Salaries and benefits payable	23	797	-	-	820
Unearned revenue	4,956	-	-	-	4,956
Total current liabilities	<u>5,038</u>	<u>846</u>	<u>-</u>	<u>3,175</u>	<u>9,059</u>
Total liabilities	<u>5,038</u>	<u>846</u>	<u>-</u>	<u>3,175</u>	<u>9,059</u>
Net Position					
Net investment in capital assets	10,071	-	-	-	10,071
Unrestricted	22,956	4,546	9,614	42,131	79,247
Total net position	<u>\$ 33,027</u>	<u>4,546</u>	<u>9,614</u>	<u>42,131</u>	<u>89,318</u>

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Schedule 7

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

Year ended June 30, 2014

	<u>School</u>	<u>Preschool</u>	<u>Wellness</u>	<u>FFA</u>	<u>Total</u>
	<u>Nutrition</u>		<u>Center</u>	<u>Project</u>	
Operating revenues:					
Local sources:					
Charges for service	\$ 127,826	8,721	15,000	80,196	231,743
Miscellaneous	434	-	10	-	444
Total operating revenues	<u>128,260</u>	<u>8,721</u>	<u>15,010</u>	<u>80,196</u>	<u>232,187</u>
Operating expenses:					
Instruction:					
Other	-	4,175	-	76,524	80,699
Support services:					
Administration	17,447	-	-	-	17,447
Non-instructional programs:					
Salaries	81,601	-	-	-	81,601
Benefits	14,839	-	-	-	14,839
Purchased services	910	-	-	-	910
Supplies	178,088	-	5,396	-	183,484
Depreciation	3,164	-	-	-	3,164
	<u>278,602</u>	<u>-</u>	<u>5,396</u>	<u>-</u>	<u>283,998</u>
Total operating expenses	<u>296,049</u>	<u>4,175</u>	<u>5,396</u>	<u>76,524</u>	<u>382,144</u>
Operating income (loss)	<u>(167,789)</u>	<u>4,546</u>	<u>9,614</u>	<u>3,672</u>	<u>(149,957)</u>
Non-operating revenues:					
State sources	2,196	-	-	-	2,196
Federal sources	132,864	-	-	-	132,864
Interest income	7	-	-	-	7
Total non-operating revenues	<u>135,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,067</u>
Increase (decrease) in net position	(32,722)	4,546	9,614	3,672	(14,890)
Net position beginning of year	65,749	-	-	38,459	104,208
Net position end of year	<u>\$ 33,027</u>	<u>4,546</u>	<u>9,614</u>	<u>42,131</u>	<u>89,318</u>

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

Combining Schedule of Cash Flows
Nonmajor Proprietary Funds

Year ended June 30, 2014

	<u>School Nutrition</u>	<u>Preschool</u>
Cash flows from (used in) operating activities:		
Cash received from sale of lunches and breakfasts	\$ 124,833	4,700
Cash received from other services	434	-
Cash paid to employees for services	(96,723)	(3,328)
Cash paid to suppliers for goods or services	<u>(178,560)</u>	<u>-</u>
Net cash provided by (used by) operating activities	<u>(150,016)</u>	<u>1,372</u>
Cash flows from non-capital financing activities:		
State grants received	2,196	-
Federal grants received	<u>114,997</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>117,193</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>7</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(32,816)	1,372
Cash and cash equivalents beginning of year	<u>50,653</u>	<u>-</u>
Cash and cash equivalents end of year	<u>\$ 17,837</u>	<u>1,372</u>

Schedule 8

<u>Wellness Center</u>	<u>FFA Project</u>	<u>Total</u>
15,000	80,196	224,729
10	-	444
-	(78,794)	(178,845)
<u>(5,396)</u>	<u>-</u>	<u>(183,956)</u>
<u>9,614</u>	<u>1,402</u>	<u>(137,628)</u>
-	-	2,196
<u>-</u>	<u>-</u>	<u>114,997</u>
<u>-</u>	<u>-</u>	<u>117,193</u>
<u>-</u>	<u>-</u>	<u>7</u>
9,614	1,402	(20,428)
<u>-</u>	<u>43,904</u>	<u>94,557</u>
<u>9,614</u>	<u>45,306</u>	<u>74,129</u>

(continued)

North Iowa Community School District
Buffalo Center, Iowa

Combining Schedule of Cash Flows
Nonmajor Proprietary Funds

Year ended June 30, 2014

	<u>School Nutrition</u>	<u>Preschool</u>
Reconciliation of operating income (loss) to net cash from (used by) operating activities:		
Operating income (loss)	\$ (167,789)	4,546
Adjustments to reconcile operating income (loss) to net cash from (used by) operating activities:		
Commodities used	16,810	-
Depreciation	3,164	-
(Increase) decrease in accounts receivable	(2,313)	(4,020)
(Increase) decrease in inventories	1,075	-
Increase (decrease) in accounts payable	-	-
Increase (decrease) in salaries and benefits payable	(283)	846
Increase (decrease) in unearned revenue	(680)	-
Net cash provided by (used by) operating activities	<u>\$ (150,016)</u>	<u>1,372</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$16,810 of federal commodities.

See accompanying independent auditor's report.

Schedule 8

<u>Wellness Center</u>	<u>FFA Project</u>	<u>Total</u>
9,614	3,672	(149,957)
-	-	16,810
-	-	3,164
-	-	(6,333)
-	-	1,075
-	(2,270)	(2,270)
-	-	563
-	-	(680)
<u>9,614</u>	<u>1,402</u>	<u>(137,628)</u>

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2014

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 4,130	963	2,082	3,011
Total assets	<u>\$ 4,130</u>	<u>963</u>	<u>2,082</u>	<u>3,011</u>
Liabilities				
Other payables	\$ 4,130	963	2,082	3,011
Total liabilities	<u>\$ 4,130</u>	<u>963</u>	<u>2,082</u>	<u>3,011</u>

See accompanying independent auditor's report.

North Iowa Community School District
Buffalo Center, Iowa

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

For the Last Ten Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:				
Local sources:				
Local tax	\$ 3,217,453	3,788,466	3,879,876	3,802,253
Tuition	243,864	180,580	138,565	139,991
Other	274,475	289,946	351,768	361,036
State sources	2,352,375	2,023,428	2,127,208	2,137,078
Federal sources	498,376	773,098	267,970	256,059
Total	<u>\$ 6,586,543</u>	<u>7,055,518</u>	<u>6,765,387</u>	<u>6,696,417</u>
Expenditures:				
Instruction:				
Regular	\$ 2,022,923	2,069,957	2,074,096	2,140,177
Special	692,273	706,648	687,602	658,358
Other	949,682	877,627	891,896	761,184
Support services:				
Student	155,760	141,927	150,288	145,567
Instructional staff	285,237	221,104	192,936	166,510
Administration	660,888	568,538	538,907	567,176
Operation and maintenance of plant	590,645	617,706	432,838	365,463
Transportation	239,222	419,487	306,428	345,095
Non-instructional programs	40,140	39,010	36,398	49,831
Other expenditures:				
Facilities acquisition	1,410,248	1,772,910	308,298	484,372
Long-term debt:				
Principal	305,000	195,000	185,000	175,000
Interest and other charges	138,836	160,250	95,958	104,395
AEA flowthrough	196,446	192,272	200,090	225,243
Total	<u>\$ 7,687,300</u>	<u>7,982,436</u>	<u>6,100,735</u>	<u>6,188,371</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
3,411,163	3,238,342	2,878,809	2,854,275	2,787,187	2,761,408
182,284	153,744	182,149	256,213	243,246	206,412
190,166	240,412	331,872	337,536	288,193	289,144
1,846,942	2,443,215	2,493,550	2,479,592	2,461,232	2,323,331
475,038	283,172	144,216	165,971	171,962	210,967
<u>6,105,593</u>	<u>6,358,885</u>	<u>6,030,596</u>	<u>6,093,587</u>	<u>5,951,820</u>	<u>5,791,262</u>
2,318,175	2,485,066	2,248,623	2,281,676	2,149,499	1,941,389
635,308	668,822	694,825	738,855	711,412	1,100,194
617,457	628,455	639,912	628,095	588,239	419,702
143,238	167,604	134,662	101,660	103,702	125,241
161,047	126,313	145,872	139,482	190,493	196,184
692,217	660,954	707,982	696,755	617,282	592,754
479,629	531,554	491,841	580,382	578,829	549,257
233,793	243,069	302,843	277,501	393,127	282,481
44,724	40,516	40,063	37,260	40,010	18,117
218,944	124,170	98,189	231,566	432,351	269,932
165,000	155,000	145,000	140,000	130,000	125,000
111,237	118,445	125,188	131,698	137,743	146,555
225,553	199,417	192,471	189,574	184,267	181,961
<u>6,046,322</u>	<u>6,149,385</u>	<u>5,967,471</u>	<u>6,174,504</u>	<u>6,256,954</u>	<u>5,948,767</u>

North Iowa Community School District
Buffalo Center, Iowa

Schedule 11

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY14	\$ 16,264
National School Lunch Program	10.555	FY14	<u>115,044</u> *
			<u>131,308</u>
Team Nutrition Grant	10.574	FY14	<u>1,842</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY14	<u>86,870</u>
Career and Technical Education - Basic Grants to States	84.048	FY14	<u>3,149</u>
Rural Education	84.358	FY14	<u>23,510</u>
Improving Teacher Quality State Grants	84.367	FY14	<u>20,327</u>
Grants for State Assessments	84.369	FY14	<u>2,387</u>
University of Northern Iowa:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Investing in Innovation Fund (I3), Recovery Act	84.396	FY14	<u>1,370</u>
Area Education Agency 267:			
Special Education - Grants to States	84.027	FY14	<u>21,345</u>

(continued)

North Iowa Community School District
Buffalo Center, Iowa

Schedule 11

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

U.S. Department of Health and Human Services:

Iowa Department of Education:

Cooperative Agreement to Support Comprehensive
School Health Programs to Prevent the Spread of
HIV and Other Important Health Problems

93.938 FY14 85

U.S. Department of Homeland Security:

Iowa Department of Homeland Security and
Emergency Management

Hazard Mitigation Grants

97.039 FY14 321,491

Total

\$ 613,684

* - Includes \$16,810 of non-cash awards.

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

See accompanying independent auditor's report.

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

Certified Public Accountants

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Iowa Community School District as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 5, 2015. Our report expressed unmodified opinions on the financial statements except for a disclaimer of opinion on the component unit, North Iowa Athletic Boosters, which was not audited.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-14 and II-B-14 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Iowa Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

North Iowa Community School District's Responses to the Findings

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

Purpose of this Report

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

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

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

March 5, 2015

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

Certified Public Accountants

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Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited North Iowa Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. North Iowa Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, North Iowa Community School District complied, in all material respects, with 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, 2014.

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or 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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-14 to be a material weakness.

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

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

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

March 5, 2015

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) There was one major program as follows:
 - CFDA Number 97.039 – Hazard Mitigation Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) North Iowa Community School District did not qualify as a low-risk auditee.

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

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

II-B-14 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to North Iowa Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 97.039: Hazard Mitigation Grants

Federal Award Year: 2013

U.S. Department of Homeland Security

Passed through the Iowa Department of Homeland Security and Emergency Management

III-A-14 (2014-001) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

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

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget – Expenditures for the year ended June 30, 2014 did not exceed the amounts budgeted.

IV-B-14 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-14 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-14 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Larry Lawson, Employee, Co-owner L & T Construction	Repairs	\$2,200

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

IV-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.

IV-F-14 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-14 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- IV-I-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

- IV-J-14 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

- IV-K-14 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

- IV-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,633,639
Revenues/transfers in:		
Sales tax revenues	\$ 441,747	
Other local revenues	561	
Federal revenues	<u>318,574</u>	<u>760,882</u>
		2,394,521
Expenditures/transfer out:		
School infrastructure construction	1,298,001	
Equipment	112,477	
Other	213,818	
Transfers to other funds:		
Debt service fund	<u>157,444</u>	<u>1,781,740</u>
Ending balance		\$ <u>612,781</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the money received under Chapter 423E or 423F of the Code of Iowa.

North Iowa Community School District
Buffalo Center, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

IV-M-14 Music Booster Club – We noted the Music Booster Club was using the District’s federal identification number on its bank account, but the District does not keep the Club’s financial records. Bank accounts not owned or controlled by the District should not be set up at the bank using the District’s federal identification number.

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

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

Conclusion – Response accepted.