

Dike-New Hartford Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2014

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Independent Auditor's Report

To the Board of Education of
Dike-New Hartford Community School District:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Dike-New Hartford Community School District, Dike, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Dike-New Hartford 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 that Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 35 through 37 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. I 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 my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

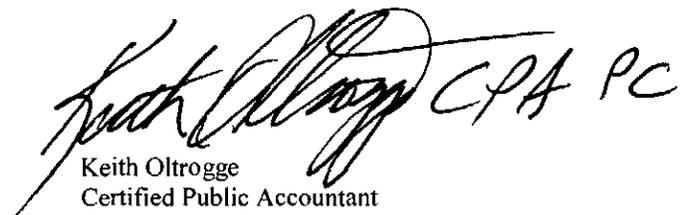
Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dike-New Hartford Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, 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 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 my 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, I have also issued my report dated January 12, 2015 on my consideration of the Dike-New Hartford Community School District's internal control over financial reporting and on my 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 my 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 the Dike-New Hartford Community School District's internal control over financial reporting and compliance.



Keith Oltrogge
Certified Public Accountant

January 12, 2015

Dike-New Hartford Community School District

Management's Discussion and Analysis

Year ended June 30, 2014

Dike-New Hartford 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 increased from \$8,034,755 in fiscal 2013 to \$8,664,879 in fiscal 2014, while General Fund expenditures increased from \$7,708,073 in fiscal 2013 to \$8,186,261 in fiscal 2014. The District's General Fund balance increased from \$1,212,494 in fiscal 2013 to \$1,691,112 in fiscal 2014, a 39.5% increase.
- The increase in General Fund revenues was attributable to an increase in local and state sources in fiscal 2014. The increase in expenditures was due primarily to an increase in instruction and support services.
- An increase in the District's General Fund balance resulted in the District's solvency ratio increasing from 10% in 2013 to 14.2% in fiscal 2014. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

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 Dike-New Hartford 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 Dike-New Hartford Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Dike-New Hartford 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 non-major governmental funds.

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

Figure A-1
Dike-New Hartford Community School District Annual Financial Report

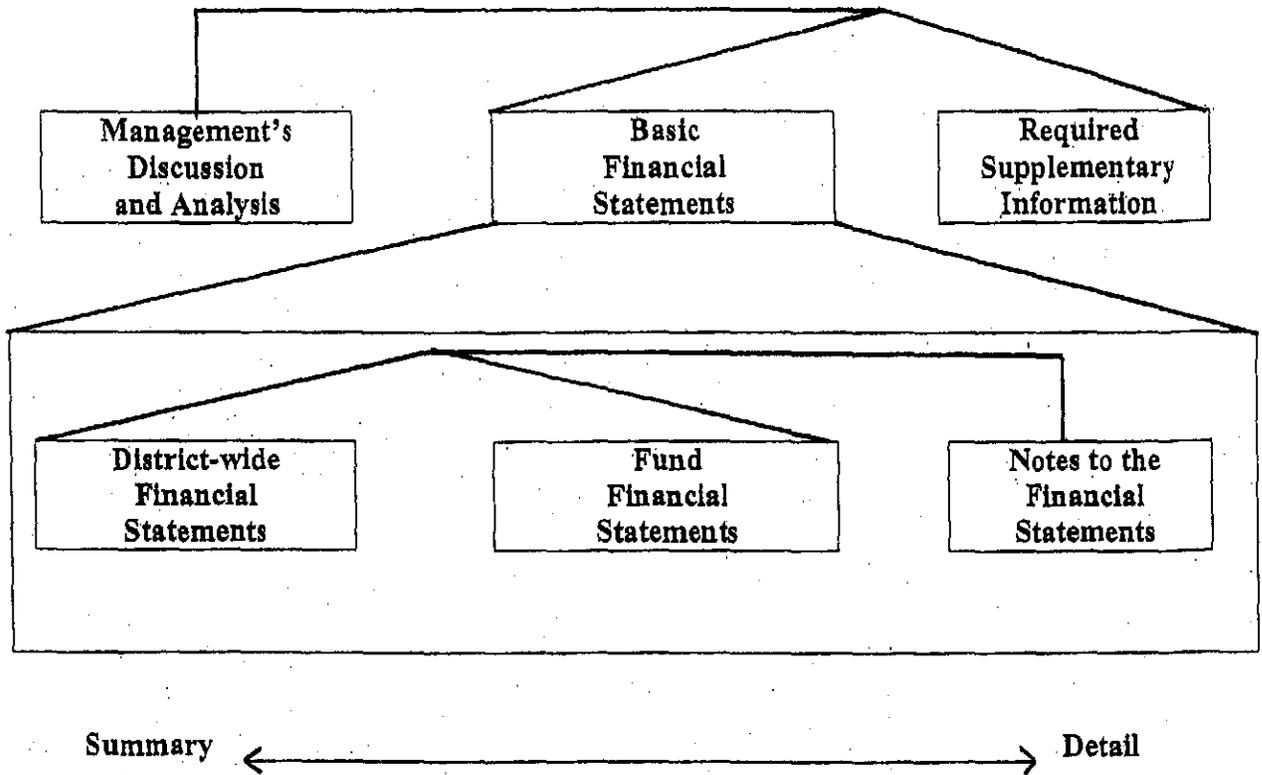


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**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	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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 are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District's Internal Service Fund, another type of proprietary fund, is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis. The District currently has one Enterprise Fund, the School Nutrition Fund, and one Internal Service 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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

**Figure A-3
Condensed Statement of Net Position**

	Governmental Activities		Business Type Activities		Total District		Total Change June 30, 2013-2014
	June 30,		June 30,		June 30,		
	2014	2013	2014	2013	2014	2013	
Current and other assets	\$7,760,333	\$7,070,468	\$136,183	\$143,000	\$7,896,516	\$7,213,468	9.5%
Capital assets	7,850,987	8,235,254	77,669	43,606	7,928,656	8,278,860	-4.2%
Total assets	\$15,611,320	\$15,305,722	\$213,852	\$186,606	\$15,825,172	\$15,492,328	2.1%
Long-term liabilities	\$4,327,602	\$4,828,048	\$-	\$-	\$4,327,602	\$4,828,048	-10.4%
Other liabilities	993,478	943,766	8,905	10,734	1,002,383	954,500	5.0%
Total liabilities	\$5,321,080	\$5,771,814	\$8,905	\$10,734	\$5,329,985	\$5,782,548	7.8%
Deferred inflows of resources	\$3,084,687	\$3,043,581	\$-	\$-	\$3,084,687	\$3,043,581	1.4%
Net position:							
Net investment in capital assets	\$3,828,792	\$3,625,572	\$77,669	\$43,606	\$3,906,461	\$3,669,178	6.5%
Restricted	2,001,144	1,830,312	-	-	2,001,144	1,830,312	9.3%
Unrestricted	1,375,617	1,034,443	127,278	132,266	1,502,895	1,166,709	28.8%
Total net position	\$7,205,553	\$6,490,327	\$204,947	\$175,872	\$7,410,500	\$6,666,199	11.2%

The District’s combined net position increased by nearly 11.2%, or \$744,301, over the prior year. The largest portion of the District’s net position is invested in capital assets (e.g., land, infrastructures, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how it can be used. The District’s restricted net position increased \$170,832, or 9.3%, over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$336,186 or 28.8% over last years, balance due to revenues exceeding expenditures.

Figure A-4 shows the change in net position for the years ended June 30, 2014 and 2013.

**Figure A-4
Changes in Net Position**

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$828,025	\$815,184	\$284,969	\$248,247	\$1,112,994	\$1,063,431	4.7%
Operating grants, contributions and restricted interest	1,444,456	1,280,546	174,600	149,754	1,619,056	1,430,300	13.2%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	3,053,934	2,770,107	-	-	3,053,934	2,770,107	10.2%
Income surtax	421,300	405,624	-	-	421,300	405,624	3.9%
Statewide sale, service and use tax	741,943	428,487	-	-	741,943	428,487	69.2%
Unrestricted state grants	3,870,126	3,924,192	-	-	3,870,126	3,924,192	-1.4%
Unrestricted investment earnings	25,979	22,363	540	722	26,519	23,085	14.9%
Other	33,502	153,882	-	-	33,502	153,882	-78.2%
Total revenues	\$10,419,265	\$9,800,385	\$460,109	\$398,723	\$10,879,374	\$10,199,108	6.7%
Program expenses:							
Governmental activities:							
Instruction	\$6,478,423	\$6,206,225	\$-	\$-	\$6,478,423	\$6,206,225	4.4%
Support services	2,581,155	2,376,550	-	-	2,581,155	2,376,550	8.6%
Non-instructional programs	11,728	10,218	431,034	415,865	442,762	426,083	3.9%
Other expenses	632,733	525,658	-	-	632,733	525,658	20.4%
Total expenses	\$9,704,039	\$9,118,651	\$431,034	\$415,865	\$10,135,073	\$9,534,516	6.3%
Change in net position before other financing sources (uses)	\$715,226	\$681,734	\$29,075	-\$17,142	\$744,301	\$664,592	12.0%
Other financing sources (uses)	-	5,800	-	-7,189	-	-1,389	100%
Change in net position	\$715,226	\$687,534	\$29,075	-\$24,331	\$744,301	\$663,203	12.2%
Net position beginning of year	6,490,327	5,802,793	175,872	200,203	6,666,199	6,002,996	11.0%
Net position end of year	\$7,205,553	\$6,490,327	\$204,947	\$175,872	\$7,410,500	\$6,666,199	11.2%

In fiscal year 2014, property tax and unrestricted state grants accounted for 66.5% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue.

The District's total revenues were approximately \$10.9 million, of which approximately \$10.4 million was for governmental activities and less than \$0.5 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.7% increase in revenues and a 6.3% increase in expenses. Property tax increased approximately \$284,000. The increase in expenses is related to an increase in instruction and support services.

Governmental Activities

Revenues for governmental activities were \$10,419,265 and expenses were \$9,704,039. It was a difficult budget year. The District was able to balance the budget by trimming expenses to match 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

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$6,478,423	\$6,206,225	4.4%	\$4,212,925	\$4,122,375	2.2%
Support services	2,581,155	2,376,550	8.6%	2,574,172	2,364,670	8.9%
Non-instructional programs	11,728	10,218	14.8%	11,728	10,218	14.8%
Other expenses	632,733	525,658	20.4%	632,733	525,658	20.4%
Totals	\$9,704,039	\$9,118,651	6.4%	\$7,431,558	\$7,022,921	5.8%

- The cost financed by users of the District's programs was \$828,025.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,444,456.
- The net cost of governmental activities was financed with \$4,217,177 in property and other taxes and \$3,870,126 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$460,109 and expenses were \$431,034. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$7,205,553, an increase from last year's ending fund balances of \$6,490,327.

Governmental Fund Highlights

- The General Fund balance increased from \$1,212,494 to \$1,691,112, due in part to an increase in local taxes and state revenue.
- Debt Service Fund balance increased from \$31,038 to \$289,977 due in part to the increase in property taxes.
- The Capital Projects – Statewide Sales, Services and Use Tax Fund balance decreased from \$808,432 in fiscal 2013 to \$704,755 in fiscal 2014 due in part to the increase in expenditures.
- The Capital Projects – Physical Plant and Equipment Levy decreased from \$294,546 to \$259,261 due in part to the increase in expenditures.

Proprietary Fund Highlights

- School Nutrition Fund net position increased from \$175,872 at June 30, 2013 to \$204,947 at June 30, 2014, representing an increase of approximately 16.5%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$14,909 less than budgeted receipts, a variance of 0.1%. The most significant variance resulted from the District receiving less in state revenue than originally anticipated.

The Districts 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$7.9 million, net of accumulated depreciation, in a broad range of capital assets, including buildings, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 4.2% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$633,342.

The original cost of the District's capital assets was \$18.66 million. Governmental funds account for \$18.55 million, with the remainder of \$0.11 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category due to the one on one computers purchased.

Figure A-6
Capital Assets, net of Depreciation

	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	\$110,000	\$110,000	\$-	\$-	\$110,000	\$110,000	-
Construction in process	21,849	-	-	-	21,849	-	100%
Buildings	6,238,459	6,550,935	-	-	6,238,459	6,550,935	-4.8%
Improvements other than buildings	138,855	234,400	-	-	138,855	234,400	-40.8%
Furniture and equipment	1,341,824	1,339,919	77,669	43,606	1,419,493	1,383,525	2.6%
Totals	\$7,850,987	\$8,235,254	\$77,669	\$43,606	\$7,928,656	\$8,278,860	-4.2%

Long-Term Debt

At June 30, 2014, the District had \$4,022,195 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 12.8% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$20.3 million.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-2014
General obligation bonds	\$3,820,000	\$4,085,000	-6.5%
Capital leases	202,195	524,682	-61.5%
Totals	<u>\$4,022,195</u>	<u>\$4,609,682</u>	<u>-12.8%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- State and federal budget cut backs continue to be a concern for the local school districts as these cut backs often affect and flow through to the local district levels as less aid and grant funding.

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 Julie Merfeld, Business Manager, Dike-New Hartford Community School District, 330 Main Street, Dike IA 50624.

Basic Financial Statements

Dike-New Hartford Community School District

Statement of Net Position

June 30, 2014

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 3,837,480	\$ 122,565	\$ 3,960,045
Receivables:			
Property tax:			
Delinquent	30,665	-	30,665
Succeeding year	3,084,687	-	3,084,687
Income surtax	343,490	-	343,490
Accounts	25,921	2,934	28,855
Due from other governments	438,090	1,307	439,397
Inventories	-	9,377	9,377
Capital assets, net of accumulated depreciation	7,850,987	77,669	7,928,656
Total Assets	\$ 15,611,320	\$ 213,852	\$ 15,825,172
Liabilities			
Accounts payable	\$ 258,319	\$ 570	\$ 258,889
Salaries and benefits payable	717,138	572	717,710
Accrued interest payable	13,496	-	13,496
Advances from grantors	4,525	-	4,525
Unearned revenue	-	7,763	7,763
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	275,000	-	275,000
Early retirement	44,991	-	44,991
Capital lease	19,921	-	19,921
Portion due after one year:			
General obligation bonds payable	3,545,000	-	3,545,000
Early retirement	144,076	-	144,076
Capital lease	182,274	-	182,274
Net OPEB liability	116,340	-	116,340
Total Liabilities	\$ 5,321,080	\$ 8,905	\$ 5,329,985
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 3,084,687	\$ -	\$ 3,084,687
Net Position			
Net investment in capital assets	\$ 3,828,792	\$ 77,669	\$ 3,906,461
Restricted for:			
Categorical funding	529,149	-	529,149
Management levy purposes	51,770	-	51,770
Physical plant and equipment	259,261	-	259,261
Student activities	166,239	-	166,239
Debt service	289,970	-	289,970
Capital projects	704,755	-	704,755
Unrestricted	1,375,617	127,278	1,502,895
Total Net Position	\$ 7,205,553	\$ 204,947	\$ 7,410,500

See notes to financial statements.

Dike-New Hartford Community School District

Statement of Activities

Year Ended June 30, 2014

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 4,256,173	\$ 326,523	\$ 1,218,273	\$ -
Special instruction	909,441	30,326	150,936	-
Other instruction	1,312,809	470,309	69,131	-
	<u>\$ 6,478,423</u>	<u>\$ 827,158</u>	<u>\$ 1,438,340</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 167,798	\$ -	\$ 4,582	\$ -
Instructional staff services	308,871	-	-	-
Administration services	959,257	-	-	-
Operation and maintenance of plant services	703,971	867	-	-
Transportation services	441,258	-	1,534	-
	<u>\$ 2,581,155</u>	<u>\$ 867</u>	<u>\$ 6,116</u>	<u>\$ -</u>
Non-instructional programs	<u>\$ 11,728</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 98,480	\$ -	\$ -	\$ -
Long-term debt interest	184,149	-	-	-
AEA flow-through	350,104	-	-	-
	<u>\$ 632,733</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 9,704,039</u>	<u>\$ 828,025</u>	<u>\$ 1,444,456</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 431,034	\$ 284,969	\$ 174,600	\$ -
Total	<u>\$ 10,135,073</u>	<u>\$ 1,112,994</u>	<u>\$ 1,619,056</u>	<u>\$ -</u>

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities		Business Type Activities		Total
\$	-2,711,377	\$	-	\$ -2,711,377
	-728,179		-	-728,179
	-773,369		-	-773,369
\$	-4,212,925	\$	-	\$ -4,212,925
\$	-163,216	\$	-	\$ -163,216
	-308,871		-	-308,871
	-959,257		-	-959,257
	-703,104		-	-703,104
	-439,724		-	-439,724
\$	-2,574,172	\$	-	\$ -2,574,172
\$	-11,728	\$	-	\$ -11,728
\$	-98,480	\$	-	\$ -98,480
	-184,149		-	-184,149
	-350,104		-	-350,104
\$	-632,733	\$	-	\$ -632,733
\$	-7,431,558	\$	-	\$ -7,431,558
\$	-	\$	28,535	\$ 28,535
\$	-7,431,558	\$	28,535	\$ -7,403,023

Dike-New Hartford Community School District

Statement of Activities

Year Ended June 30, 2014

	<u>Program Revenues</u>		
	Charges	Operating	Capital
	for	Grants,	Grants,
	Services	Contributions	Contributions
		and	and
		Restricted	Restricted
		Interest	Interest
<u>Expenses</u>			
General Revenues:			
Property Tax Levied For:			
General purposes			
Debt service			
Capital outlay			
Income surtax			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
 Total General Revenues			
 Change in net position			
 Net position beginning of year			
 Net position end of year			

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

	Governmental Activities	Business Type Activities		Total
\$	2,650,886	-	\$	2,650,886
	202,374	-		202,374
	200,674	-		200,674
	421,300	-		421,300
	741,943	-		741,943
	3,870,126	-		3,870,126
	25,979	540		26,519
	33,502	-		33,502
<hr/>				
\$	8,146,784	\$ 540	\$	8,147,324
<hr/>				
\$	715,226	\$ 29,075	\$	744,301
<hr/>				
	6,490,327	175,872		6,666,199
<hr/>				
\$	7,205,553	\$ 204,947	\$	7,410,500

Dike-New Hartford Community School District

Balance Sheet
Governmental Funds

June 30, 2014

	General	Debt Service	Capital Projects	Non-major	Total
Assets					
Cash and Pooled Investments	\$ 2,556,026	\$ 287,979	\$ 575,376	\$ 418,099	\$ 3,837,480
Receivables:					
Property Tax:					
Delinquent	25,209	1,977	1,961	1,518	30,665
Succeeding year	2,551,488	167,280	205,918	160,001	3,084,687
Income surtax	343,490	-	-	-	343,490
Accounts	21,571	-	4,350	-	25,921
Due from other governments	42,951	14	395,115	10	438,090
Total Assets	\$ 5,540,735	\$ 457,250	\$ 1,182,720	\$ 579,628	\$ 7,760,333
Liabilities, deferred inflows of resources and fund balances					
Liabilities:					
Accounts payable	\$ 232,982	\$ -	\$ 12,786	\$ 12,551	\$ 258,319
Salaries and benefits payable	717,138	-	-	-	717,138
Advances from grantors	4,525	-	-	-	4,525
Total liabilities	\$ 954,645	\$ -	\$ 12,786	\$ 12,551	\$ 979,982
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	\$ 2,551,488	\$ 167,280	\$ 205,918	\$ 160,001	\$ 3,084,687
Other	343,490	-	-	-	343,490
Total deferred inflows of resources	\$ 2,894,978	\$ 167,280	\$ 205,918	\$ 160,001	\$ 3,428,177
Fund Balances:					
Restricted for:					
Categorical funding	\$ 529,149	\$ -	\$ -	\$ -	\$ 529,149
Debt service	-	289,970	-	-	289,970
Management levy purposes	-	-	-	240,837	240,837
Student activities	-	-	-	166,239	166,239
School infrastructure	-	-	704,755	-	704,755
Physical plant and equipment	-	-	259,261	-	259,261
Unassigned	1,161,963	-	-	-	1,161,963
Total Fund Balances	\$ 1,691,112	\$ 289,970	\$ 964,016	\$ 407,076	\$ 3,352,174
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,540,735	\$ 457,250	\$ 1,182,720	\$ 579,628	\$ 7,760,333

See notes to financial statements.

Dike-New Hartford Community School District
Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Position

June 30, 2014

Total fund balances of governmental funds (page 16)	\$ 3,352,174
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,850,987
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	343,490
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.	-13,496
Long-term liabilities, including bonds and notes payable, early retirement and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>-4,327,602</u>
Net position of governmental activities (page 13)	<u>\$ 7,205,553</u>

Dike-New Hartford Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2014

	General	Debt Service	Capital Projects	Non-Major	Total
Revenues:					
Local Sources:					
Local tax	\$ 2,924,816	\$ 202,374	\$ 942,617	\$ 150,513	\$ 4,220,320
Tuition	230,922	-	-	-	230,922
Other	194,851	151	6,123	455,459	656,584
Intermediate sources	-	-	-	-	-
State sources	5,079,005	106	105	81	5,079,297
Federal sources	235,285	-	-	-	235,285
Total Revenues	\$ 8,664,879	\$ 202,631	\$ 948,845	\$ 606,053	\$ 10,422,408
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 3,698,009	\$ -	\$ -	\$ 52,058	\$ 3,750,067
Special instruction	909,441	-	-	-	909,441
Other instruction	873,320	-	-	433,908	1,307,228
	\$ 5,480,770	\$ -	\$ -	\$ 485,966	\$ 5,966,736
Support Services:					
Student services	\$ 167,798	\$ -	\$ -	\$ -	\$ 167,798
Instructional staff services	319,400	-	69,428	-	388,828
Administration services	903,231	780	10,843	10,263	925,117
Operation and maintenance of plant services	612,086	-	-	72,077	684,163
Transportation services	\$ 352,615	-	31,904	28,353	412,872
	\$ 2,355,130	\$ 780	\$ 112,175	\$ 110,693	\$ 2,578,778
Non-instructional programs	\$ 257	\$ -	\$ -	\$ 9,201	\$ 9,458
Other Expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 143,506	\$ -	\$ 143,506
Long-Term Debt:					
Principal	-	593,088	-	-	593,088
Interest and fees	-	187,556	-	-	187,556
AEA flow-through	350,104	-	-	-	350,104
	\$ 350,104	\$ 780,644	\$ 143,506	\$ -	\$ 1,274,254
Total Expenditures	\$ 8,186,261	\$ 781,424	\$ 255,681	\$ 605,860	\$ 9,829,226
Excess (deficiency) of revenues over (under) expenditures	\$ 478,618	\$ -578,793	\$ 693,164	\$ 193	\$ 593,182
Other Financing Sources (Uses):					
Capital lease proceeds	\$ -	\$ -	\$ 5,601	\$ -	\$ 5,601
Operating transfer in (out)	-	837,727	-837,727	-	-
	\$ -	\$ 837,727	\$ -832,126	\$ -	\$ 5,601
Net change in fund balances	\$ 478,618	\$ 258,934	\$ -138,962	\$ 193	\$ 598,783
Fund balances beginning of year	1,212,494	31,036	1,102,978	406,883	2,753,391
Fund Balances End of Year	\$ 1,691,112	\$ 289,970	\$ 964,016	\$ 407,076	\$ 3,352,174

See notes to financial statements.

Dike-New Hartford Community School District
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities

Year Ended June 30, 2014

Net change in fund balances – total governmental funds (page 18) \$ 598,783

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, these costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 249,075	
Depreciation expense	-633,342	-384,267

Income surtax revenue not received until several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. -3,143

Proceeds from the 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 exceeded issuance, as follows:

Issued	\$ -5,601	
Repaid	593,088	587,487

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,407

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

Early retirement	\$ -37,915	
Other postemployment benefits	-49,126	-87,041

Change in Net Position of Governmental Activities (page 15) **\$ 715,226**

Dike-New Hartford Community School District

Statement of Net Position
Proprietary Funds

June 30, 2014

	School Nutrition	Internal Service
Assets		
Current Assets:		
Cash and cash equivalents	\$ 122,565	\$ 85,898
Accounts receivable	2,934	-
Due from other government	1,307	-
Inventories	9,377	-
Total current assets	\$ 136,183	\$ 85,898
Non-Current Assets:		
Capital assets, net of accumulated depreciation	\$ 77,669	\$ -
Total non-current assets	\$ 77,669	\$ -
Total Assets	\$ 213,852	\$ 85,898
Liabilities		
Current Liabilities:		
Accounts payable	\$ 570	\$ -
Salaries and benefits	572	-
Unearned revenue	7,763	-
Total current liabilities	\$ 8,905	\$ -
Total Liabilities	\$ 8,905	\$ -
Net Position		
Net investment in capital assets	\$ 77,669	\$ -
Restricted	-	85,898
Unrestricted	127,278	-
Total Net Position	\$ 204,947	\$ 85,898

Dike-New Hartford Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund

Year Ended June 30, 2014

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 284,969
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 130,700
Benefits	43,381
Purchased services	4,655
Supplies	242,342
Depreciation	9,766
Other	190
Total operating expenses	<u>\$ 431,034</u>
Operating loss	<u>\$ -146,065</u>
Non-operating revenues:	
State sources	\$ 3,361
Federal sources	171,239
Interest income	540
Total non-operating revenues	<u>\$ 175,140</u>
Change in net position	\$ 29,075
Net position beginning of year	<u>175,872</u>
Net Position End of Year	<u>\$ 204,947</u>

Dike-New Hartford Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 287,013
Cash paid to employees for services	-174,500
Cash paid to suppliers for goods or services	-207,240
Net cash used by operating activities	<u>\$ -94,727</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,361
Federal grants received	127,334
Net cash provided by non-capital financing activities	<u>\$ 130,695</u>
Cash flows from financing activities:	
Purchase of equipment	<u>\$ -43,830</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 540</u>
Net decrease in cash and cash equivalents	\$ -7,322
Cash and cash equivalents beginning of year	<u>129,887</u>
Cash and Cash Equivalents End of Year	<u>\$ 122,565</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -146,065
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	42,598
Depreciation	9,766
(Increase) in inventories	-1,541
Decrease in accounts receivable	2,344
(Decrease) in accounts payable	-1,111
(Decrease) in unearned revenue	-299
(Decrease) in accrued salaries and benefits	-419
Net Cash Used by Operating Activities	<u>\$ -94,727</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$42,598 of federal commodities.

See notes to financial statements.

Dike-New Hartford Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund

Year Ended June 30, 2014

	Internal Service
Operating revenues:	
Local sources:	
Other revenue	\$ -
Operating expenses:	
Instruction:	
Supplies	\$ 600
Total operating expenses	\$ 600
Operating loss	\$ -600
Change in net position	\$ -600
Net position beginning of year	86,498
Net Position End of Year	\$ 85,898

Dike-New Hartford Community School District

Notes to Financial Statements

June 30, 2014

(I) Summary of Significant Accounting Policies

Dike-New Hartford Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Dike and New Hartford, Iowa and portions of the predominately agricultural territories in Butler, Grundy and Black Hawk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. Facilities are located in New Hartford for Grades K-8. Grades K-4 and Grades 9-12 attend the Dike attendance centers.

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, Dike-New Hartford 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. Dike-New Hartford Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 non-fiduciary 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 and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

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

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

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 non-major governmental funds. Combing 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 that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating 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 principle 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 reports the following major proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service Fund is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 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.

Capital Assets – Capital assets, which include property, furniture and equipment, 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.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 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.

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

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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of unspent grant proceeds as well as 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 imposed by law through constitutional provisions or enabling legislation.

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

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

(2) **Cash 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.

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Total	<u>\$ 66,983</u>

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

Credit risk - The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) **Inter-fund Transfers**

The detail of inter-fund transfers for the year ending June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects – Statewide Sales, Services and Use Tax	\$ 818,368
Debt Service	Capital Projects – Physical Plant and Equipment Levy	19,359
		<u>\$ 837,727</u>

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

(4) Capital Assets

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

	Balance Beginning Of Year	Increases	Decreases	Re- classified	Balance End Of Year
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 110,000	\$ -	\$ -	\$ -	\$ 110,000
Construction in process	-	21,849	-	-	21,849
Total capital assets not being depreciated	\$ 110,000	\$ 21,849	\$ -	\$ -	\$ 131,849
Capital assets being depreciated:					
Buildings	\$ 11,251,568	\$ 45,026	\$ -	\$ -191,626	\$ 11,104,968
Improvements other than buildings	904,735	-	-	-111,323	793,412
Furniture and equipment	6,039,254	182,200	-	302,949	6,524,403
Total capital assets being depreciated	\$ 18,195,557	\$ 227,226	\$ -	\$ -	\$ 18,422,783
Less accumulated depreciation for:					
Buildings	\$ 4,700,633	\$ 204,902	\$ -	\$ -39,026	\$ 4,866,509
Improvements other than buildings	670,335	9,512	-	-25,290	654,557
Furniture and equipment	4,699,335	418,928	-	64,316	5,182,579
Total accumulated depreciation	\$ 10,070,303	\$ 633,342	\$ -	\$ -	\$ 10,703,645
Total capital assets being depreciated, net	\$ 8,125,254	\$ -406,116	\$ -	\$ -	\$ 7,719,138
Governmental Activities Capital Assets, Net	\$ 8,235,254	\$ -384,267	\$ -	\$ -	\$ 7,850,987

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 64,156	\$ 43,830	\$ -	\$ 107,986
Less accumulated depreciation	20,551	9,766	-	30,317
Business Type Activities Capital Assets, Net	\$ 43,605	\$ 34,064	\$ -	\$ 77,669

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 470,750
Other	40,448

Support services:

Instructional support	9,382
Administration	34,359
Operation and maintenance of plant	16,407
Transportation	59,610
Non-instructional	2,386

Total Depreciation Expense – Governmental Activities \$ 633,342

Business Type Activities:

Food service operations \$ 9,766

(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
General obligation bonds	\$ 4,085,000	\$ -	\$ 265,000	\$ 3,820,000	\$ 275,000
Early retirement	151,152	73,500	35,585	189,067	44,991
Capital lease	524,682	5,601	328,088	202,195	19,921
Net OPEB liability	67,214	49,126	-	116,340	-
Total	<u>\$ 4,828,048</u>	<u>\$ 128,227</u>	<u>\$ 628,673</u>	<u>\$ 4,327,602</u>	<u>\$ 339,912</u>

Early Retirement

The District offers a voluntary early retirement plan to its licensed employees. Eligible employees must be at least age fifty-five and must have completed twenty years of service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is \$1,000 per year of actual service. The payout sum shall be applied to the employee's monthly single or family insurance premiums. Current year early retirement was \$10,600 to be used to pay insurance premiums or to be contributed to a 403b account in equal installments over five years. Early retirement expenditures for the year ended June 30, 2014 totaled \$35,585.

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issued June 16, 2006			
	Interest Rate	Principal	Interest	Total
2015	5.000%	\$275,000	\$161,956	\$436,956
2016	5.000%	290,000	148,206	438,206
2017	4.000%	300,000	133,706	433,706
2018	4.000%	315,000	121,706	436,706
2019	4.000%	330,000	109,106	439,106
2020	4.000%	345,000	95,906	440,906
2021	4.125%	360,000	82,106	442,106
2022	4.125%	375,000	67,256	442,256
2023	4.125%	390,000	51,788	441,788
2024	4.250%	410,000	35,700	445,700
2025	4.250%	430,000	18,276	448,276
Total		<u>\$3,820,000</u>	<u>\$1,025,712</u>	<u>\$4,845,712</u>

During the year ended June 30, 2014, the District made principal, interest and fee payments totaling \$440,706 under the agreements.

Capital Leases

The District entered into a twenty-eight month copier lease on November 1, 2013, monthly payment are \$1,660.25 with no interest.

The District entered into a computer lease on April 20, 2013 for \$464,443. An annual payment of \$159,789.31, with a 2.6173% interest rate, is due July 15 for three years. Details are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2016	2.6173%	\$155,714	\$4,075	\$159,789
Total		\$155,714	\$4,075	\$159,789

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered payroll for the years ended June 30, 2014, 2013 and 2012. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$437,298, \$397,030, and \$317,475, 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 87 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Health Care. Retirees under age 65 pay the same premium for the medical/prescription drug benefit 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.

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 obligations:

Annual required contribution	\$ 77,427
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>\$ 77,427</u>
Contributions made	<u>-28,301</u>
Increase in net OPEB obligation	\$ 49,126
Net OPEB obligation beginning of year	<u>67,214</u>
 Net OPEB obligation end of year	 <u>\$ 116,340</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. 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 \$639,069 to the medical plan. Plan members eligible for benefits contributed \$94,177, or 13.4% 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	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$51,000	96%	\$2,000
June 30, 2011	\$51,000	104%	-
June 30, 2012	\$51,000	65%	\$18,000
June 30, 2013	\$72,891	32.6%	\$67,214
June 30, 2014	\$77,427	36.6%	\$116,340

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 \$788,772, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$788,772. The covered payroll (annual payroll of active employees covered by the plan) was \$3,785,250 and the ratio of the UAAL to covered payroll was 20.8%. 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, 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 unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 9.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$641 per month for retirees less than age 65 and \$626 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(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 \$350,104 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) Categorical Funding

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

Program	Amount
At Risk	\$ 70,138
Gifted and Talented Programs	239,676
Teacher Salary Supplement	93,790
Core Curriculum	58,041
Professional Development	6,188
Market Factor (08)	2,069
Home School	7,060
Preschool	26,934
Dropout	6,395
Early Literacy	17,322
Teacher Leadership	1,536
Total	<u>\$ 529,149</u>

(11) Subsequent Events

The District has evaluated subsequent events through January 12, 2015 which is the date that the financial statements were available to be issued.

(12) Construction Commitment

The District entered into a contract totaling \$119,600 for cabinetry. As of June 30, 2014, costs of \$4,184 have been incurred, the balance of \$115,416 will be paid as work on the project progresses.

(13) 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 disclosure 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.

Required Supplementary Information

Dike-New Hartford Community School District

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

Required Supplementary Information

Year Ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 5,107,826	\$ 285,509
Intermediate sources	-	-
State sources	5,079,297	3,361
Federal sources	235,285	171,238
Total Receipts	<u>\$ 10,422,408</u>	<u>\$ 460,108</u>
Disbursements:		
Instruction	\$ 5,966,736	\$ -
Support services	2,578,778	-
Non-instructional programs	9,458	431,034
Other expenditures	1,274,254	-
Total Disbursements	<u>\$ 9,829,226</u>	<u>\$ 431,034</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ 593,182	\$ 29,074
Other financing sources, net	5,601	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	\$ 598,783	\$ 29,074
Balances beginning of year	<u>2,753,391</u>	<u>175,872</u>
Balances End of Year	<u>\$ 3,352,174</u>	<u>\$ 204,946</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts	Final To Actual Variance
\$	5,393,335	\$ 5,397,467	\$ -4,132
	-	-	-
	5,082,658	5,154,958	-72,300
	406,523	345,000	61,523
\$	10,882,516	\$ 10,897,425	\$ -14,909
\$	5,966,736	\$ 6,142,489	\$ 175,753
	2,578,778	3,011,700	432,922
	440,492	460,000	19,508
	1,274,254	1,467,217	192,963
\$	10,260,260	\$ 11,081,406	\$ 821,146
\$	622,256	\$ -183,981	\$ 806,237
	5,601	-	5,601
\$	627,857	\$ -183,981	\$ 811,838
	2,929,263	2,635,666	293,597
\$	3,557,120	\$ 2,451,685	\$ 1,105,435

Dike-New Hartford Community School District

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 functional 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.

Dike-New Hartford Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

June 30, 2014

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	June 1, 2009	-	\$492	\$492	0.0%	\$3,513	14%
2011	June 1, 2009	-	\$492	\$492	0.0%	\$3,546	13.8%
2012	June 1, 2009	-	\$492	\$492	0.0%	\$4,096	12%
2013	June 1, 2012	-	\$789	\$789	0.0%	\$3,797	20.8%
2014	June 1, 2012	-	\$789	\$789	0.0%	\$3,785	20.8%

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.

Supplementary Information

Dike-New Hartford Community School District

Combining Balance Sheet
Non-Major Funds

June 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 239,309	\$ 178,790	\$ 418,099
Receivables:			
Property Tax:			
Delinquent	1,518	-	1,518
Succeeding year	160,001	-	160,001
Due from other governments	10	-	10
Total Assets	\$ 400,838	\$ 178,790	\$ 579,628
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 12,551	\$ 12,551
Total Liabilities	\$ -	\$ 12,551	\$ 12,551
Deferred inflows of resources			
Unearned revenue:			
Succeeding year property tax	\$ 160,001	\$ -	\$ 160,001
Total Deferred Inflows of Resources	\$ 160,001	\$ -	\$ 160,001
Fund Balances:			
Restricted for:			
Management levy purposes	\$ 240,837	\$ -	\$ 240,837
Student activities	-	166,239	166,239
Total Fund Balance	\$ 240,837	\$ 166,239	\$ 407,076
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 400,838	\$ 178,790	\$ 579,628

Dike-New Hartford Community School District

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Funds**

Year Ended June 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local Sources:			
Local tax	\$ 150,513	\$ -	\$ 150,513
Other	5,787	449,672	455,459
State sources	81	-	81
Total Revenues	<u>\$ 156,381</u>	<u>\$ 449,672</u>	<u>\$ 606,053</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 52,058	\$ -	\$ 52,058
Other instruction	-	433,908	433,908
Support services:			
Administration services	10,263	-	10,263
Operation and maintenance of plant services	72,077	-	72,077
Transportation services	28,353	-	28,353
Non-instructional programs	9,201	-	9,201
Total Expenditures	<u>\$ 171,952</u>	<u>\$ 433,908</u>	<u>\$ 605,860</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -15,571</u>	<u>\$ 15,764</u>	<u>\$ 193</u>
Fund balances beginning of year	<u>\$ 256,408</u>	<u>\$ 150,475</u>	<u>\$ 406,883</u>
Fund Balances End of Year	<u>\$ 240,837</u>	<u>\$ 166,239</u>	<u>\$ 407,076</u>

Dike-New Hartford Community School District

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 and pooled investments	\$ 309,653	\$ 265,723	\$ 575,376
Receivables:			
Property Tax:			
Delinquent	-	1,961	1,961
Succeeding year	-	205,918	205,918
Due from other governments	395,102	13	395,115
Accounts	-	4,350	4,350
Total Assets	\$ 704,755	\$ 477,965	\$ 1,182,720
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 12,786	\$ 12,786
Total liabilities	\$ -	\$ 12,786	\$ 12,786
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ -	\$ 205,918	\$ 205,918
Total deferred inflows of resources	\$ -	\$ 205,918	\$ 205,918
Fund Balances:			
Restricted for:			
School infrastructure	\$ 704,755	\$ -	\$ 704,755
Physical plant and equipment	-	259,261	259,261
Total fund balances	\$ 704,755	\$ 259,261	\$ 964,016
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 704,755	\$ 477,965	\$ 1,182,720

See accompanying independent auditor's report.

Dike-New Hartford Community School District

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	\$ 741,943	\$ 200,674	\$ 942,617
Other	4,715	1,408	6,123
State sources	-	105	105
Total Revenues	<u>\$ 746,658</u>	<u>\$ 202,187</u>	<u>\$ 948,845</u>
Expenditures:			
Current:			
Support Services:			
Instructional staff services	\$ 25,956	\$ 43,472	\$ 69,428
Administration services	10,843	-	10,843
Transportation services	-	31,904	31,904
Other Expenditures:			
Facilities acquisition	769	142,737	143,506
Total Expenditures	<u>\$ 37,568</u>	<u>\$ 218,113</u>	<u>\$ 255,681</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 709,090</u>	<u>\$ -15,926</u>	<u>\$ 693,164</u>
Other Financing Sources (Uses):			
Operating transfers in (out)	\$ -818,368	\$ -19,359	\$ -837,727
Capital lease proceeds	5,601	-	5,601
	<u>\$ -812,767</u>	<u>\$ -19,359</u>	<u>\$ -832,126</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -103,677</u>	<u>\$ -35,285</u>	<u>\$ -138,962</u>
Fund balances beginning of year	<u>808,432</u>	<u>294,546</u>	<u>1,102,978</u>
Fund Balances End of Year	<u>\$ 704,755</u>	<u>\$ 259,261</u>	<u>\$ 964,016</u>

See accompanying independent auditor's report.

Dike-New Hartford Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2014

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Art Club	\$ 759	\$ 218	\$ 202	\$ 24	\$ 799
Annual	349	7,067	7,266	-	150
Athletics	11,314	5,178	15,280	7,750	8,962
Band uniforms	47	550	793	200	4
Band	4,024	4,745	5,877	-70	2,822
Interest income	11,018	924	-	-	11,942
Vocal music	2,353	5,652	5,807	1,000	3,198
Musical	36	2,810	2,205	-	641
Music trip	4,399	3,034	1,920	-	5,513
Cheerleaders	534	1,824	1,578	-	780
Speech	638	782	1,490	1,500	1,430
Drama	2,533	-	532	34	2,035
Cross Country	-	1,317	1,088	-229	-
Tennis	-	8	309	301	-
Golf	-	1,526	3,544	2,018	-
Boys basketball	-	8,148	5,282	-2,866	-
Football	-	19,007	20,708	1,701	-
Baseball	-	2,205	4,540	2,335	-
Boys track	-	6,128	6,280	152	-
Wrestling	-	4,161	4,696	535	-
Girls basketball	-	7,279	6,934	-345	-
Volleyball	-	8,773	6,923	-1,850	-
Softball	-	1,945	5,033	3,088	-
Girls track	-	4,370	4,429	59	-
Student Council	2,980	3,383	3,822	-	2,541
Junior/Senior Prom	344	4,507	4,656	-	195
Concessions	2,560	76,809	63,072	-15,412	885
TAG-Talented & Gifted	719	-	-	-	719
Vending machine	974	471	-	-	1,445
Athletic towel service	6,350	667	198	-	6,819
Dance	211	-	-	-	211
Secondary	4,782	2,834	2,429	-2,200	2,987
Junior High	5,265	1,536	2,914	-3,668	219
Dike Elementary	-	20,860	18,342	-2,187	331
New Hartford Elementary	2,081	6,618	9,713	1,100	86
Thespians	118	-	-	-	118
SADD	337	-	-	-	337
Booster Club	666	47,312	36,545	1,491	12,924
Track project donations	15,400	-	-	-	15,400
Service Learning Scholarship	50	-	-	-	50
Football Fundraisers	7,312	29,028	30,136	-	6,204
Volleyball Fundraisers	9,438	49,345	42,801	-	15,982
Cheerleading Fund	4,550	9,236	10,698	-	3,088
Baseball Fund	1,389	6,591	5,457	-	2,523
Soccer	-	-	1,200	1,200	-

Dike-New Hartford Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2014

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Timpani	\$ -	\$ -	\$ 70	\$ 70	\$ -
Junior High Athletics	-	365	11,999	11,634	-
Media Club	-	160	80	-	80
FCCLA	-	144	53	-	91
G Tennis Fundraiser	1,386	-	-	-	1,386
Outdoor Basketball	1,662	-	-	-	1,662
Girls Track Fund	2,888	4,421	5,762	-	1,547
Trapshooting Club	5,623	22,035	20,815	-	6,843
Wrestling Fund	3,284	8,332	9,562	-	2,054
Pepsi Rebate	8,657	2,321	-	-4,000	6,978
Auditorium	7,738	-	1,592	-	6,146
Character Education	37	1,033	1,026	-	44
All State Music	243	700	710	-	233
Activity Tickets	-	7,305	-	-7,305	-
Bleachers	200	-	-	-	200
Cross County Fundraisers	3,399	8,142	6,653	-60	4,828
Boys Track Fundraisers	1,818	1,618	2,583	-	853
Wrestling Fundraisers	415	463	3,045	4,000	1,833
Boys Basketball Fundraisers	2,769	5,346	3,472	-	4,643
Girls Basketball Fundraisers	2,574	4,759	6,363	-	970
Softball Fundraisers	2,074	11,513	4,729	-	8,858
Sound system	935	-	-	-	935
JH Trip	1,243	14,167	10,695	-	4,715
Total	\$ 150,475	\$ 449,672	\$ 433,908	\$ -	\$ 166,239

See accompanying independent auditor's report.

Dike-New Hartford Community School District

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

For the Last Ten Years

	Modified Accrual Basis			
	2014	2013	2012	2011
Revenues:				
Local Sources:				
Local tax	\$ 4,220,320	\$ 3,590,684	\$ 3,681,580	\$ 3,826,533
Tuition	230,922	219,160	221,331	262,448
Other	656,584	772,269	679,435	608,310
Intermediate sources	-	-	-	-
State sources	5,079,297	4,958,937	4,403,824	4,018,813
Federal sources	235,285	245,801	182,363	404,001
Total	\$ 10,422,408	\$ 9,786,851	\$ 9,168,533	\$ 9,120,105
Expenditures:				
Instruction:				
Regular instruction	\$ 3,750,067	\$ 4,179,485	\$ 3,364,993	\$ 3,326,114
Special instruction	909,441	984,047	866,867	815,261
Other instruction	1,307,228	1,248,839	1,242,644	1,231,942
Support services:				
Student services	167,798	160,870	151,730	138,728
Instructional staff services	388,828	465,294	347,204	749,352
Administrative services	925,117	873,985	917,118	830,871
Operation and maintenance of plant services	684,163	654,865	577,453	596,211
Transportation services	412,872	420,195	370,502	305,706
Central support services	-	-	-	-
Non-instructional programs	9,458	7,264	6,606	6,565
Other expenditures:				
Facilities acquisition	143,506	129,628	178,210	211,662
Long-term debt:				
Principal	593,088	604,100	503,815	300,000
Interest and other charges	187,556	193,546	209,914	226,616
AEA flow-through	350,104	325,297	313,697	338,101
Total	\$ 9,829,226	\$ 10,247,415	\$ 9,050,753	\$ 9,077,129

See accompanying independent auditor's report.

Modified Accrual Basis						
2010	2009	2008	2007	2006	2005	
\$ 3,212,200	\$ 3,218,098	\$ 3,084,998	\$ 2,960,196	\$ 2,722,300	\$ 2,488,099	
238,900	242,459	196,965	215,185	226,198	217,634	
533,074	578,150	617,231	711,373	477,631	427,357	
-	-	-	-	-	-	
3,489,615	4,113,819	3,891,713	3,730,342	3,505,560	3,365,191	
620,534	538,571	115,741	139,699	135,423	146,406	
<u>\$ 8,094,323</u>	<u>\$ 8,691,097</u>	<u>\$ 7,906,648</u>	<u>\$ 7,756,795</u>	<u>\$ 7,067,112</u>	<u>\$ 6,644,687</u>	
\$ 3,348,574	\$ 3,350,505	\$ 3,103,064	\$ 3,032,320	\$ 2,847,000	\$ 2,643,861	
852,001	895,927	758,860	780,449	716,836	769,512	
973,830	873,981	978,872	768,112	736,740	686,579	
145,344	129,279	131,732	141,821	135,738	142,251	
363,785	340,307	305,867	284,354	259,327	218,725	
824,292	752,606	721,716	773,832	919,135	615,689	
571,056	584,743	581,378	535,595	549,478	495,048	
321,690	504,314	278,985	355,838	345,862	323,875	
-	-	-	-	-	-	
6,385	6,525	5,188	6,485	4,246	6,194	
178,328	998,075	2,090,185	2,981,965	61,639	58,010	
375,000	205,000	9,000	85,000	80,000	80,000	
246,878	241,973	248,541	244,699	20,722	21,528	
335,508	287,737	267,309	256,112	239,746	231,860	
<u>\$ 8,542,671</u>	<u>\$ 9,170,972</u>	<u>\$ 9,561,697</u>	<u>\$ 10,246,582</u>	<u>\$ 6,916,469</u>	<u>\$ 6,293,132</u>	

**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**

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
Dike-New Hartford Community School District:

I 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 Dike-New Hartford 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 my report thereon dated January 12, 2015.

Internal Control Over Financial Reporting

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

My 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 significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-14 thru I-C-14 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-D-14 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dike-New Hartford Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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.

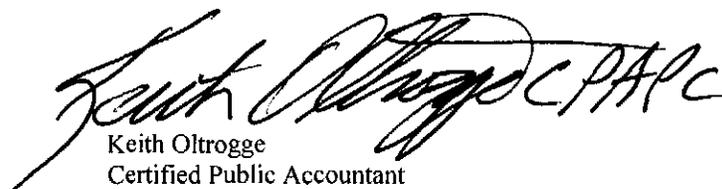
Dike-New Hartford Community School District's Responses to the Findings

Dike-New Hartford Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. Dike-New Hartford Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Dike-New Hartford Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

January 12, 2015

Dike-New Hartford Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Disbursement Approval – For 29 of 54 disbursements tested there was no evidence to document the date the Superintendent approved the expenditures.

Recommendation – The District should ensure all expenditures are properly approved. The District should maintain documentation of the Superintendent’s approval of claims for payment, such as the Superintendent’s initials and date of approval.

Response – We will ensure all expenditures are properly approved and maintained documentation of the approval.

Conclusion – Response acknowledged.

I-B-14 Supporting Documentation – I noted three instances of checks being written to a vendor without an invoice or supporting documentation.

Recommendation – The District should review their procedures that are in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or support documentation other than the invoice.

Response – The District will review its procedures to ensure invoices are provided for all payments.

Conclusion – Response accepted.

I-C-14 Supporting Documentation for Meal Money – I noted during my audit instances of students receiving meal money during District sponsored trips. However, there was no documentation as to who received funds and/or the amount of funds received.

Recommendation – The District should document who receives cash when going on trips. The District should have a list of who received the cash and the amount. The student should sign off upon receiving cash for a trip. The District should review the procedures in place and implement controls to ensure documentation is gathered to support the check written for cash needed for the trip.

Response – The District will document who is receiving cash by having the students sign that they have received the money.

Conclusion – Response acknowledged.

Dike-New Hartford Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Findings Related to the General Purpose Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES:

I-D-14 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District’s financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is a common control deficiency of most small districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

Dike-New Hartford Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II - Other Findings Related to Statutory Reporting:

II-A-14 Certified Budget – Expenditures for the year ended June 30, 2014 did not exceed the certified budget.

II-B-14 Questionable Expenditures – Certain disbursements were noted I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
Palma’s Deli	Subs for football	\$137
Mastercard	Funeral flowers	90
Mastercard	Gift card/Funeral flowers	107
Employee	Flowers	21
Mastercard	Baby gift	75
Pizza Ranch	Retirement party	205
Employee	Gift cards	70
		<u>\$705</u>

Recommendation – The District should review Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1) for the allowability of expenditures from the Student Activity Fund. When the District purchases items as retirement gifts and food for teacher appreciation, these purchases would be more appropriate from the General Fund as long as public purpose is documented and the items are de minimis according to Internal Revenue Service Publication 15-B. Additionally, the Board of Directors should approve the purchase of such items prior to the expenditure and document the public purpose derived.

Gift cards are not appropriate district purchases since Iowa Code Section 279.29 requires districts to “audit and allow” all bills and the gift card does not provide the Board with the ability to perform the required function of approval of the final purchase. Also, some of the gift cards are for restaurants or establishments which may have items which are not an allowable purchase with public funds. Without knowing the ultimate purchase, we do not believe that the District can comply with Chapter 279.29.

Response – Beginning in fiscal 2015, the Student Activity Fund will not make any purchases for retirement gifts, teacher appreciation supplies or other items that are not appropriate.

Conclusion – Response acknowledged.

II-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.

II-D-14 Business Transactions – No business transactions between the District and District officials or employees were noted.

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

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

Dike-New Hartford Community School District

Schedule of Findings

Year Ended June 30, 2014

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

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

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

II-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.

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

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

II-L-14 Sales Tax – Sales tax was paid by the District on seven of the mastercard disbursements tested.

Recommendation – Supporting documentation should be reviewed carefully before disbursements are made.

Response – We will review all invoices for sales tax before payments are made.

Conclusion – Response acknowledged.

Dike-New Hartford Community School District

Schedule of Findings

Year Ended June 30, 2014

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

II-M-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, 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		\$	808,432
Revenues/transfers in:			
Sales tax revenues	\$	413,642	
Other local revenues		4,715	
School infrastructure supplemental amount		328,301	
Capital lease proceeds		5,601	752,259
		<hr/>	\$ 1,560,691
Expenditures/transfers out:			
School infrastructure construction	\$	769	
Equipment		31,557	
Other		5,242	
Transfers to other funds:			
Debt service fund		818,368	855,936
		<hr/>	
Ending balance		\$	<u>704,755</u>

For the year ended June 30, 2014, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 2.0141	\$ 741,943
Physical plant and equipment levy	0.6743	120,827
Public educational and recreational levy	-	-