

NORTH CEDAR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
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NORTH CEDAR COMMUNITY SCHOOL DISTRICT
 Officials
 June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Tim Drewelow	Board President	2013
Brent Montz	Board Member	2013
Tessa Holst	Board Member	2013
Duane Stonerook	Board Member	2015
Jane Malaby	Board Member	2015
(After September 2013 Election)		
Tessa Holst	Board President	2017
Duane Stonerook	Board Member	2015
Jane Malaby	Board Member	2015
Brent Montz	Board Member	2017
Tessa Holst	Board Member	2017
School Officials		
Michael Cooper	Superintendent	2014
Jean Esbaum	District Secretary	Indefinite
Brian Gruhn	Attorney	Indefinite

Kay L. Chapman, CPA PC

116 Harrison Street
Muscatine, Iowa 52761
563-264-1385
kchapman@cpakay.com

Independent Auditor's Report

To the Board of Education
North Cedar 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 North Cedar Community School District, Clarence, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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.

Basis for Disclaimer of Opinion

The financial statements of the North Cedar Community School District Foundation have not been audited, and I was not engaged to audit the Foundation financial statements as part of my audit of the North Cedar Community School District's basic financial statements. The Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because I was not engaged to audit the Foundation's financial statements and because I did not apply any auditing procedures to the Foundation's financial statements, I do not express an opinion on the discretely presented component unit.

Disclaimer of Opinion

Because the Foundation's financial statements have not been audited, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the financial statements of the discretely presented component unit of the North Cedar Community School District, as of and for the year ended June 30, 2014.

Unmodified 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 North Cedar Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 48 through 50 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 North Cedar 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 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In 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 30, 2015 on my consideration of North Cedar 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 North Cedar Community School District's internal control over financial reporting and compliance.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
January 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$8,802,585 in fiscal 2013 to \$8,611,175 in fiscal 2014, and General Fund expenditures increased from \$9,198,655 in fiscal 2013 to \$9,480,408 in fiscal 2014. The District's General Fund balance decreased from \$1,799,180 in fiscal 2013 to \$902,447 in fiscal 2014, a 50% decrease.
- The decrease in General Fund revenues was attributable to less state and other revenue sources in fiscal 2014. The increase in expenditures was due primarily to additional staff positions, technology purchases and general maintenance.
- The decrease in General Fund interest earnings resulted from a drop in available rates. Comparison information from the last four years is shown below.

2010 \$8,590	2011 \$13,950	2012 \$9,900	2013 \$9,052
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USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the

year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor Governmental Funds and nonmajor Enterprise Funds.

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

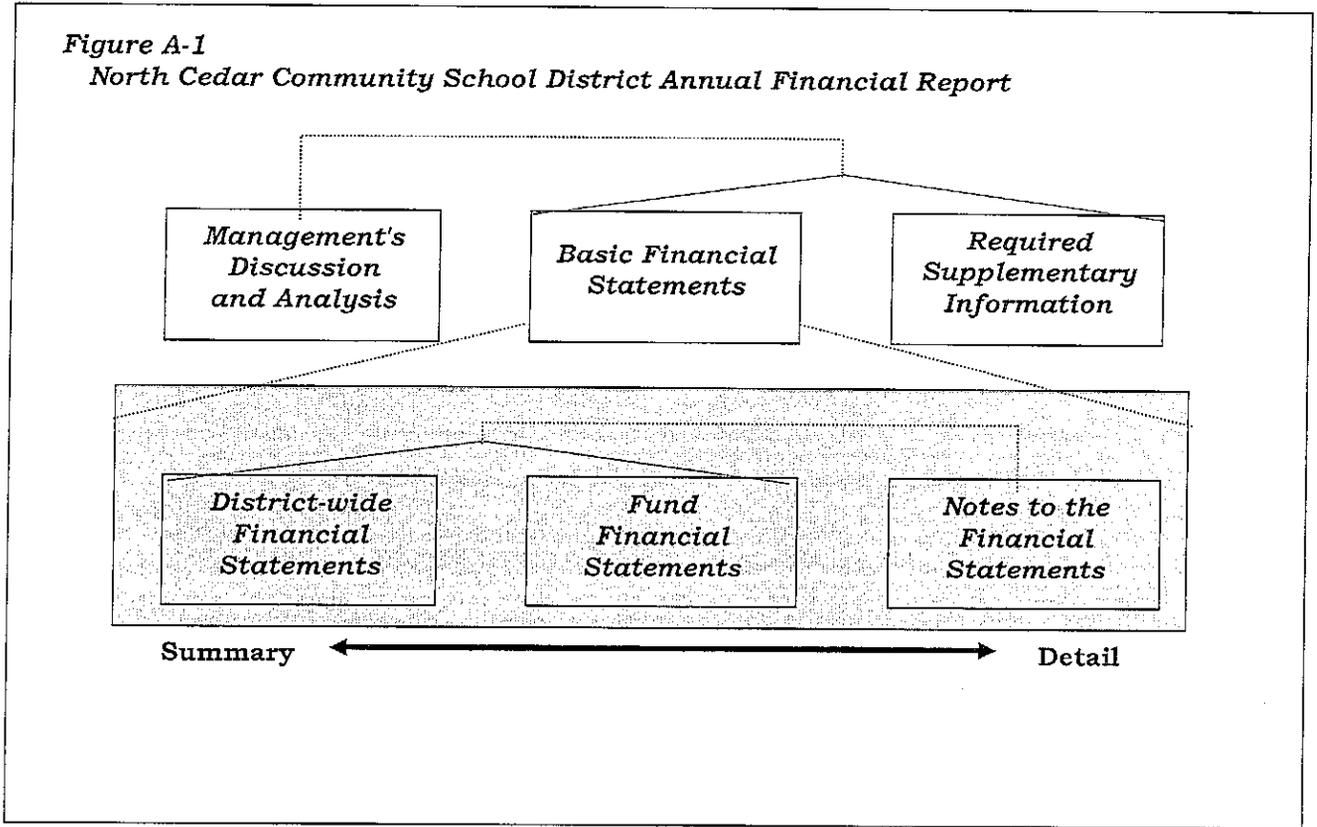


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are indicators 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 three 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 and daycare program are included here.
- *Component Unit:* This includes the activities of the North Cedar Community School District Foundation. The District receives significant financial benefits from the Foundation although they are legally separate entities.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise fund, one

type of proprietary fund, is the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and Daycare Fund. Internal service funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one internal service fund, the employee benefit fund.

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

- 3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of the private-purpose trust fund.

Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 14,837,717	\$ 15,651,399	\$ 7,544	\$ 6,512	\$ 14,845,261	\$ 15,657,911	-5.19%
Capital assets	<u>11,279,750</u>	<u>11,159,987</u>	<u>32,724</u>	<u>38,570</u>	<u>11,312,474</u>	<u>11,198,557</u>	1.02%
Total assets	<u>26,117,467</u>	<u>26,811,386</u>	<u>40,268</u>	<u>45,082</u>	<u>26,157,735</u>	<u>26,856,468</u>	-2.60%
Long-term liabilities	12,309,994	12,707,319	-	-	12,309,994	12,707,319	-3.13%
Other liabilities	<u>273,875</u>	<u>1,702,887</u>	<u>6,049</u>	<u>5,389</u>	<u>279,924</u>	<u>1,708,276</u>	-83.61%
Total liabilities	<u>12,583,869</u>	<u>14,410,206</u>	<u>6,049</u>	<u>5,389</u>	<u>12,589,918</u>	<u>14,415,595</u>	-12.66%
Deferred inflows of resources	<u>4,160,642</u>	<u>2,788,807</u>	<u>-</u>	<u>-</u>	<u>4,160,642</u>	<u>2,788,807</u>	49.19%

Net position							
Net investment in							
capital assets	4,889,515	5,004,987	32,724	38,570	4,922,239	5,043,557	-2.41%
Restricted	3,063,434	3,004,181	-	-	3,063,434	3,004,181	1.97%
Unrestricted	<u>1,420,007</u>	<u>1,603,205</u>	<u>1,495</u>	<u>1,123</u>	<u>1,421,502</u>	<u>1,604,328</u>	-11.40%
Total net position	<u>\$ 9,372,956</u>	<u>\$ 9,612,373</u>	<u>\$ 34,219</u>	<u>\$ 39,693</u>	<u>\$ 9,407,175</u>	<u>\$ 9,652,066</u>	-2.54%

The District's combined net position decreased by approximately 3%, or \$244,891, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$59,253, or approximately 2% over the prior year. The District's restricted net position increased due to changes outside the control of the district in program revenues, expense, and related debt.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$182,826, or approximately 11%. This decrease in unrestricted net position was a result of staffing increases, technology purchases and general maintenance projects.

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

Figure A-4
Change in Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		District		
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues							
Program revenues							
Charges for service	\$ 664,096	\$ 716,884	\$ 266,327	\$ 235,563	\$ 930,423	\$ 952,447	-2.31%
Operating grants	1,271,984	1,175,547	247,566	224,540	1,519,550	1,400,087	8.53%
General revenues							
Property tax	4,479,825	4,394,457	-	-	4,479,825	4,394,457	1.94%
Statewide sales, services and use tax	752,808	754,279	-	-	752,808	754,279	-0.20%
Unrestricted state grants	3,768,220	3,927,303	-	-	3,768,220	3,927,303	-4.05%
Unrestricted investment earnings	99,668	167,374	12	17	99,680	167,391	-40.45%
Contributions and donations	-	8,923	-	-	-	8,923	-100.00%
Other	<u>22,318</u>	<u>109</u>	<u>-</u>	<u>-</u>	<u>22,318</u>	<u>109</u>	20375.23%
Total revenues	<u>11,058,919</u>	<u>11,144,876</u>	<u>513,905</u>	<u>460,120</u>	<u>11,572,824</u>	<u>11,604,996</u>	-0.28%

Program expenses

Governmental activities							
Instruction	7,158,749	6,398,604	-	-	7,158,749	6,398,604	11.88%
Support services	2,957,116	2,962,265	-	-	2,957,116	2,962,265	-0.17%
Non-instructional programs	1,169	-	546,879	511,386	548,048	511,386	7.17%
Other expenses	<u>1,153,802</u>	<u>1,152,229</u>	<u>-</u>	<u>-</u>	<u>1,153,802</u>	<u>1,152,229</u>	0.14%
Total expenses	<u>11,270,836</u>	<u>10,513,098</u>	<u>546,879</u>	<u>511,386</u>	<u>11,817,715</u>	<u>11,024,484</u>	7.20%
Change in net assets before transfers	(211,917)	631,778	(32,974)	(51,266)	(244,891)	580,512	-142.19%
Transfers	<u>(27,500)</u>	<u>(43,000)</u>	<u>27,500</u>	<u>43,000</u>	<u>-</u>	<u>-</u>	0.00%
Change in net position	(239,417)	588,778	(5,474)	(7,721)	(244,891)	581,057	-142.15%
Net position beginning of year	<u>9,612,373</u>	<u>9,023,595</u>	<u>39,693</u>	<u>47,414</u>	<u>9,652,066</u>	<u>9,071,009</u>	6.41%
Net position end of year	<u>\$ 9,372,956</u>	<u>\$ 9,612,373</u>	<u>\$ 34,219</u>	<u>\$ 39,693</u>	<u>\$ 9,407,175</u>	<u>\$ 9,652,066</u>	-2.54%

In fiscal 2014, property tax and unrestricted state grants account for approximately 75% of the revenue from governmental activities while charges for service and sales and operating grants account for 99% of the revenue from business type activities.

The District's total revenues were approximately \$11.6 million of which \$11.1 million was for governmental activities and approximately \$514,000 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease in revenues of less than 1% and a 7% increase in expenses. Unrestricted state grants and other revenues decreased. The increase in expenses related to negotiated salary and benefits as well as in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$11,058,919 and expenses were \$11,270,836 for the year ended June 30, 2014. The District was able to remain within its budget due to planning and reviewing expenditures on a daily basis.

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	\$ 7,158,749	\$ 6,398,604	11.9%	\$ 5,586,085	\$ 4,865,583	14.8%
Support services	2,957,116	2,962,265	-0.2%	2,948,491	2,950,277	-0.1%
Non-instructional programs	1,169	-	100.0%	1,169	-	100.0%
Other expenses	<u>1,153,802</u>	<u>1,152,229</u>	0.1%	<u>799,011</u>	<u>804,807</u>	-0.7%
Total expenses	<u>\$11,270,836</u>	<u>\$ 10,513,098</u>	7.2%	<u>\$ 9,334,756</u>	<u>\$ 8,620,667</u>	8.3%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$664,096.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,271,984.
- The net cost of governmental activities was financed with \$5,232,633 in property and other taxes and \$3,768,220 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$513,905 representing an increase of approximately 12% over the prior year while expenses totaled \$546,879, an increase of approximately 7% over the prior year. The District's business type activities include the School Nutrition Fund and Daycare Fund. Revenues for these activities are comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2014, the District did increase meal prices to cover additional costs related to the program. The District considers meal price increases only when deemed necessary to meet the obligations of the School Nutrition Fund. However, food and salary/benefit costs continue to increase. The District will review and determine if an increase in meal prices is necessary for the next year.

INDIVIDUAL FUND ANALYSIS

As previously noted, North Cedar 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 \$9,460,278, well below last year's ending fund balances of \$10,254,223. The primary reason for the decrease in combined fund balances in fiscal 2014 is due to refunding of general obligation bonds that

have not been called and are still outstanding at year-end and administration keeping a daily watch on the financial health of the district.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Decreased revenue is partially due to a drop in enrollment and an increase in open enrollment out. Increased expenses are due to increased staff, upgrades to athletic facilities, staff training costs, general maintenance projects and technology equipment and infrastructure purchases.
- The General Fund balance decreased from \$1,799,180 to \$902,447, due to additional expense.
- The Capital Project - Statewide Sales, Services and Use Tax Fund balance increased from \$2,043,968 at June 30, 2013 to \$2,107,672 at June 30, 2014 due to funds being saved for future projects.
- The Debt Service Fund balance decreased from \$5,647,763 at June 30, 2013 to \$5,632,796 at June 30, 2014 due to the issuance of general obligation bonds.

Proprietary Fund Highlights

Enterprise Fund net position decreased from \$39,693 at June 30, 2013 to \$34,219 at June 30, 2014, representing a decrease of approximately 14%. This is due primarily to increased costs in operating expenditures for food and related costs, and a staff position being added. Also, our school runs four individual kitchens (one in each building) with fully staffed kitchens.

BUDGETARY HIGHLIGHTS

Over the course of the year, North Cedar Community School District amended its budget one time to reflect additional expenditures associated with unexpected projects.

The District's revenues were \$188,787 more than budgeted revenues, a variance of approximately 2%. The most significant variance resulted from the District receiving less in other revenue than originally anticipated.

Total expenditures were \$2,306,500 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. District management is able to track spending by checking on a daily basis to keep expenditures under control.

In spite of the District's budgeting practice, the certified budget was exceeded in the non-instructional programs function due to the timing of expenditures at year-end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$11,312,474 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 1% over the prior year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$402,152.

The original cost of the District's capital assets was \$18,196,483. Governmental funds account for \$18,020,026, with the remainder of \$176,457 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements other than buildings category, which increased by \$230,214 due to assets being purchased during the year.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 146,834	\$ 146,834	\$ -	\$ -	\$ 146,834	\$ 146,834	0.00%
Buildings and improvements	9,791,065	10,038,607	-	-	9,791,065	10,038,607	-2.47%
Improvements, other than buildings	419,925	189,711	-	-	419,925	189,711	121.35%
Furniture and equipment	921,926	784,835	32,724	38,570	954,650	823,405	15.94%
Totals	<u>\$11,279,750</u>	<u>\$11,159,987</u>	<u>\$32,724</u>	<u>\$38,570</u>	<u>\$11,312,474</u>	<u>\$11,198,557</u>	1.02%

Long-Term Debt

At June 30, 2014, the District had \$12,309,994 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 3% over last year (see Figure A-7). Additional information about the District's long-term debt is presented in Note 6 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. 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 \$14.2 million.

In October 2013 and January 2014, the District entered into \$369,860 in capital leases. The leases were to purchase student computers and will be repaid over the next two fiscal years.

Figure A-7

	<u>Outstanding Long-term Obligations</u>		
	Total		Total
	District		Change
	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
General obligation bonds	\$ 5,865,000	\$ 6,275,000	-6.53%
Refunding bonds	5,610,000	5,610,000	0.00%
Capital leases	245,234	-	100.00%
Revenue bonds	280,000	545,000	-48.62%
Termination benefits	156,700	164,100	-4.51%
Net OPEB liability	<u>153,060</u>	<u>113,219</u>	35.19%
Total	<u>\$12,309,994</u>	<u>\$12,707,319</u>	-3.13%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Enrollment must remain stable or increase. District funding is driven by enrollment; therefore future enrollment stability is a critical element in maintaining a sound financial foundation. The District anticipates a decline in K-12 enrollment and a greater number of open-enrolled out students than open-enrolled in students.
- The District negotiated a new agreement with the North Cedar Education Association (NCEA) for fiscal 2013. Settlements in excess of "new money" or allowable growth in state funding for Certified as well as Classified staff will have an adverse effect on the District's General budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jean Esbaum, District Secretary/Treasurer and Business Manager, North Cedar Community School District, 400 Ball Street, Clarence, Iowa, 52216.

Basic Financial Statements

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2014

Exhibit A

	Governmental	Business Type		Component Unit
Assets	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Foundation</u>
Cash, cash equivalents and pooled investments	\$ 3,530,971	\$ 2,470	\$ 3,533,441	\$ -
Investments with fiscal agent	6,087,051	-	6,087,051	-
Investments	-	-	-	502,463
Receivables				
Property tax				
Delinquent	65,630	-	65,630	-
Succeeding year	4,160,642	-	4,160,642	-
Accounts receivable	15,384	-	15,384	-
Income surtaxes	427,130	-	427,130	-
Due from other governments	550,909	-	550,909	-
Inventories	-	5,074	5,074	-
Non-depreciable capital assets	146,834	-	146,834	-
Capital assets, net of accumulated depreciation	<u>11,132,916</u>	<u>32,724</u>	<u>11,165,640</u>	-
Total assets	<u>26,117,467</u>	<u>40,268</u>	<u>26,157,735</u>	<u>502,463</u>
Liabilities				
Accounts payable	36,517	-	36,517	-
Due to other governments	159,219	-	159,219	-
Salaries and benefits payable	41,761	-	41,761	-
Unearned revenue	-	6,049	6,049	-
Accrued interest payable	36,378	-	36,378	-
Long-term liabilities				
Portion due within one year				
General obligation bonds payable	430,000	-	430,000	-
Revenue bonds payable	280,000	-	280,000	-
Capital leases payable	121,952	-	121,952	-
Termination benefits payable	86,400	-	86,400	-
Portion due after one year				
General obligation bonds payable	11,045,000	-	11,045,000	-
Capital leases payable	123,282	-	123,282	-
Termination benefits payable	70,300	-	70,300	-
Net OPEB liability	<u>153,060</u>	-	<u>153,060</u>	-
Total liabilities	<u>12,583,869</u>	<u>6,049</u>	<u>12,589,918</u>	-
Deferred Inflows of Resources				
Unavailable property tax revenue	<u>4,160,642</u>	-	<u>4,160,642</u>	-
Net Position				
Net investment in capital assets	4,889,515	32,724	4,922,239	-
Restricted for				
Categorical funding	166,960	-	166,960	-
Management levy	156,872	-	156,872	-
Physical plant and equipment	528,627	-	528,627	-
Student activities	103,303	-	103,303	-
School infrastructure	2,107,672	-	2,107,672	-
Assigned for scholarships	-	-	-	502,463
Unrestricted	<u>1,420,007</u>	<u>1,495</u>	<u>1,421,502</u>	-
Total net position	<u>\$ 9,372,956</u>	<u>\$ 34,219</u>	<u>\$ 9,407,175</u>	<u>\$ 502,463</u>

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2014

Exhibit B

Functions/Programs Primary Government	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses for Services	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government			Total
					Governmental Activities	Business Type Activities		
Governmental activities								
Instruction								
Regular instruction	\$ 4,410,997	\$ 205,763	\$ 867,714	\$ -	\$ (3,337,520)	\$ -	\$ (3,337,520)	
Special instruction	1,594,141	224,824	39,639	-	(1,329,678)	-	(1,329,678)	
Other instruction	1,153,611	224,884	9,840	-	(918,887)	-	(918,887)	
	<u>7,158,749</u>	<u>655,471</u>	<u>917,193</u>	-	<u>(5,586,085)</u>	-	<u>(5,586,085)</u>	
Support services								
Student	216,941	-	-	-	(216,941)	-	(216,941)	
Instructional staff	104,066	-	-	-	(104,066)	-	(104,066)	
Administration	1,046,732	-	-	-	(1,046,732)	-	(1,046,732)	
Operation and maintenance of plant	1,004,631	-	-	-	(1,004,631)	-	(1,004,631)	
Transportation	584,746	8,625	-	-	(576,121)	-	(576,121)	
	<u>2,957,116</u>	<u>8,625</u>	-	-	<u>(2,948,491)</u>	-	<u>(2,948,491)</u>	
Non-instructional programs	<u>1,169</u>	-	-	-	<u>(1,169)</u>	-	<u>(1,169)</u>	
Other expenses								
Facilities acquisition	115,149	-	-	-	(115,149)	-	(115,149)	
Long-term debt interest	373,261	-	-	-	(373,261)	-	(373,261)	
AEA flowthrough	354,791	-	354,791	-	-	-	-	
Depreciation (unallocated) *	310,601	-	-	-	(310,601)	-	(310,601)	
	<u>1,153,802</u>	-	<u>354,791</u>	-	<u>(799,011)</u>	-	<u>(799,011)</u>	
Total governmental activities	<u>11,270,836</u>	<u>664,096</u>	<u>1,271,984</u>	-	<u>(9,334,756)</u>	-	<u>(9,334,756)</u>	

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2014

Exhibit B

Functions/Programs (continued) Primary Government (continued)	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government			Foundation
					Governmental Activities	Business Type Activities		
Non-instructional programs								
Food service operations	\$ 527,253	\$ 248,808	\$ 247,566	\$ -	\$ (30,879)	\$ (30,879)		
Daycare program	19,626	17,519	-	-	(2,107)	(2,107)		
Total business type activities	<u>546,879</u>	<u>266,327</u>	<u>247,566</u>	-	<u>(32,986)</u>	<u>(32,986)</u>		
Total primary government	<u>\$ 11,817,715</u>	<u>\$ 930,423</u>	<u>\$ 1,519,550</u>	<u>\$ -</u>	<u>(32,986)</u>	<u>(9,367,742)</u>		
Component Unit								
Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>\$ (28,586)</u>	
General Revenues								
Property tax levied for								
General purposes						3,513,832	-	
Debt service						663,056	-	
Capital outlay						302,937	-	
Statewide sales, services and use tax						752,808	-	
Unrestricted state grants						3,768,220	-	
Contributions and donations						-	-	
Unrestricted investment earnings						99,668	12	
Miscellaneous						22,318	-	
Transfers						<u>(27,500)</u>	<u>27,500</u>	
Total general revenues and transfers						<u>9,095,339</u>	<u>27,512</u>	
Change in net position						<u>(239,417)</u>	<u>(5,474)</u>	
Net position beginning of year						<u>9,612,373</u>	<u>39,693</u>	
Net position end of year						<u>\$ 9,372,956</u>	<u>\$ 34,219</u>	
						<u>\$ 9,407,175</u>	<u>\$ 9,407,175</u>	

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

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2014

Exhibit C

	<u>General</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash, cash equivalents and pooled investments	\$ 929,084	\$1,262,265	\$ -	\$ 811,644	\$ 3,002,993
Investments with fiscal agent	-	458,111	5,628,940	-	6,087,051
Receivables					
Property tax					
Delinquent	53,087	-	6,824	5,719	65,630
Succeeding year	3,032,269	-	671,002	457,371	4,160,642
Accounts receivable	15,384	-	-	-	15,384
Income surtax	298,991	-	-	128,139	427,130
Due from other governments	162,006	388,903	-	-	550,909
Due from other funds	-	2,968	-	-	2,968
Total assets	<u>\$4,490,821</u>	<u>\$2,112,247</u>	<u>\$6,306,766</u>	<u>\$1,402,873</u>	<u>\$14,312,707</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 31,942	\$ 4,575	\$ -	\$ -	\$ 36,517
Salaries and benefits payable	41,761	-	-	-	41,761
Due to other governments	159,219	-	-	-	159,219
Advances from grantors	24,192	-	-	-	24,192
Due to other funds	-	-	2,968	-	2,968
Total liabilities	<u>257,114</u>	<u>4,575</u>	<u>2,968</u>	<u>-</u>	<u>264,657</u>
Deferred inflows of resources					
Unavailable revenue					
Succeeding year property tax	3,032,269	-	671,002	457,371	4,160,642
Income surtax	298,991	-	-	128,139	427,130
Total deferred inflows of resources	<u>3,331,260</u>	<u>-</u>	<u>671,002</u>	<u>585,510</u>	<u>4,587,772</u>
Fund balances					
Restricted for					
Categorical funding	166,960	-	-	-	166,960
School infrastructure	-	2,107,672	-	-	2,107,672
Debt service	-	-	5,632,796	-	5,632,796
Student activities	-	-	-	103,303	103,303
Management levy purposes	-	-	-	313,572	313,572
Physical plant and equipment	-	-	-	400,488	400,488
Unassigned	735,487	-	-	-	735,487
Total fund balances	<u>902,447</u>	<u>2,107,672</u>	<u>5,632,796</u>	<u>817,363</u>	<u>9,460,278</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$4,490,821</u>	<u>\$2,112,247</u>	<u>\$6,306,766</u>	<u>\$1,402,873</u>	<u>\$14,312,707</u>

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Position
 June 30, 2014

Exhibit D

Total fund balances of governmental funds	\$ 9,460,278
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	11,279,750
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	451,322
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.	(36,378)
The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Position.	527,978
Long-term liabilities, including bonds payable, early retirement payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(12,309,994)</u>
 Net position of governmental activities	 <u>\$ 9,372,956</u>

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

Exhibit E

	<u>General</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Local sources					
Local tax	\$3,103,337	\$ -	\$ 663,056	\$694,614	\$ 4,461,007
Tuition	396,618	-	-	-	396,618
Other	67,919	27	91,160	225,056	384,162
Intermediate sources	5,300	-	-	-	5,300
State sources	4,856,542	752,808	-	-	5,609,350
Federal sources	181,459	-	-	-	181,459
Total revenues	<u>8,611,175</u>	<u>752,835</u>	<u>754,216</u>	<u>919,670</u>	<u>11,037,896</u>
Expenditures					
Current					
Instruction					
Regular	3,976,664	369,861	-	64,400	4,410,925
Special	1,587,061	-	-	-	1,587,061
Other	922,931	-	-	225,560	1,148,491
	<u>6,486,656</u>	<u>369,861</u>	<u>-</u>	<u>289,960</u>	<u>7,146,477</u>
Support services					
Student	215,766	-	-	-	215,766
Instructional staff	103,559	-	-	-	103,559
Administration	1,003,606	3,850	-	33,900	1,041,356
Operation and maintenance of plant	798,435	-	-	204,340	1,002,775
Transportation	516,432	-	-	83,429	599,861
	<u>2,637,798</u>	<u>3,850</u>	<u>-</u>	<u>321,669</u>	<u>2,963,317</u>
Non-instructional programs	1,163	-	-	-	1,163
Other expenditures					
Facilities acquisition	-	276,277	-	253,990	530,267
Long-term debt					
Principal	-	-	799,626	-	799,626
Interest and fiscal charges	-	1,500	377,060	-	378,560
AEA flowthrough	354,791	-	-	-	354,791
	<u>354,791</u>	<u>277,777</u>	<u>1,176,686</u>	<u>253,990</u>	<u>2,063,244</u>
Total expenditures	<u>9,480,408</u>	<u>651,488</u>	<u>1,176,686</u>	<u>865,619</u>	<u>12,174,201</u>

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

Exhibit E

	<u>General</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (869,233)	\$ 101,347	\$ (422,470)	\$ 54,051	\$ (1,136,305)
Other financing sources (uses)					
Proceeds from capital leases	-	369,860	-	-	369,860
Interfund operating transfers in	-	-	407,503	-	407,503
Interfund operating transfers (out)	<u>(27,500)</u>	<u>(407,503)</u>	-	-	<u>(435,003)</u>
Total other financing sources (uses)	<u>(27,500)</u>	<u>(37,643)</u>	<u>407,503</u>	<u>-</u>	<u>342,360</u>
Change in fund balances	(896,733)	63,704	(14,967)	54,051	(793,945)
Fund balance, beginning of year	<u>1,799,180</u>	<u>2,043,968</u>	<u>5,647,763</u>	<u>763,312</u>	<u>10,254,223</u>
Fund balance, end of year	<u>\$ 902,447</u>	<u>\$2,107,672</u>	<u>\$5,632,796</u>	<u>\$817,363</u>	<u>\$ 9,460,278</u>

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2014

Exhibit F

Change in fund balances - total governmental funds \$ (793,945)

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

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

Expenditures for capital assets	\$ 516,069	
Depreciation expense	<u>(396,306)</u>	119,763

Certain revenues not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds 21,023

The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 11,118

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Issued	(369,860)	
Repaid	<u>799,626</u>	429,766

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 governmental funds, as follows:

Termination benefits	7,400	
Other postemployment benefits	<u>(39,841)</u>	(32,441)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 5,299

Change in net position of governmental activities \$ (239,417)

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2014

Exhibit G

	Business Type Activity Nonmajor Enterprise Fund	Governmental Activity Internal Service Fund
Assets		
Current assets		
Cash and cash equivalents	\$ 2,470	\$ 527,978
Inventories	5,074	-
Total current assets	7,544	527,978
Noncurrent assets		
Capital assets, net of accumulated depreciation	32,724	-
Total assets	40,268	527,978
Liabilities		
Current liabilities		
Unearned revenue	6,049	-
Net Position		
Investment in capital assets	32,724	-
Unrestricted	1,495	527,978
Total net position	\$ 34,219	\$ 527,978

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

Exhibit H

	<u>Business Type</u> <u>Activity</u>	<u>Governmental</u> <u>Activity</u>
	<u>Nonmajor</u> <u>Enterprise</u> <u>Funds</u>	<u>Internal</u> <u>Service</u> <u>Fund</u>
Operating revenue		
Local sources		
Charges for service	\$266,327	\$ -
Employee contributions	-	776,250
Total operating revenue	<u>266,327</u>	<u>776,250</u>
Operating expenses		
Support services		
Administration		
Salaries	8,223	-
Benefits	4,114	-
Purchased services	3,877	300
Operation and maintenance of plant		
Purchased services	3,874	-
Total support services	<u>20,088</u>	<u>300</u>
Non-instructional programs		
Food service operations		
Salaries	168,687	-
Benefits	65,197	-
Purchased services	2,846	-
Supplies	264,589	-
Depreciation	5,846	-
Daycare program		
Salaries	16,733	-
Benefits	1,657	-
Supplies	1,236	-
Other enterprise		
Benefits	-	765,239
Total non-instructional programs	<u>526,791</u>	<u>765,239</u>
Total operating expenses	<u>546,879</u>	<u>765,539</u>
Operating income (loss)	<u>(280,552)</u>	<u>10,711</u>
Non-operating revenues		
Interest income	12	407
State sources	4,034	-
Federal sources	243,532	-
Total non-operating revenues	<u>247,578</u>	<u>407</u>
Net income (loss) before transfers	<u>(32,974)</u>	<u>11,118</u>
Transfers in	27,500	-
Change in net position	<u>(5,474)</u>	<u>11,118</u>
Net position beginning of year	<u>39,693</u>	<u>516,860</u>
Net position end of year	<u>\$ 34,219</u>	<u>\$ 527,978</u>

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

Exhibit I

	<u>Business Type</u>	<u>Governmental</u>
	<u>Activity</u>	<u>Activity</u>
	Nonmajor Enterprise Funds	Internal Service Fund
Cash flows from operating activities		
Cash received from sale of services	\$ 266,987	\$ -
Cash received from other operations	-	776,250
Cash payments to employees for services	(264,611)	-
Cash payments to suppliers for goods and services	(241,611)	(766,914)
Net cash provided by (used in) operating activities	<u>(239,235)</u>	<u>9,336</u>
Cash flows from non-capital financing activities		
Transfers in from other fund	27,500	-
State grants received	4,034	-
Federal grants received	207,434	-
Net cash provided by non-capital financing activities	<u>238,968</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities		
Interest on investments	12	407
Net increase (decrease) in cash and cash equivalents	(255)	9,743
Cash and cash equivalents, beginning of year	2,725	518,235
Cash and cash equivalents, end of year	<u>\$ 2,470</u>	<u>\$ 527,978</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ (280,552)	\$ 10,711
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	5,846	-
Commodities used	36,098	-
(Increase) in inventory	(1,287)	-
(Decrease) in due to other funds	-	(1,375)
Increase in unearned revenue	660	-
Net cash provided by (used in) operating activities	<u>\$ (239,235)</u>	<u>\$ 9,336</u>

Non-cash investing, capital and related financing activities.

During the year ended June 30, 2014 the District received \$36,098 of federal commodities.

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2014

Exhibit J

	<u>Private Purpose Trust</u> <u>Scholarships</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 162,933
Liabilities	<u> -</u>
Net position	
Reserved for scholarships	<u>\$ 162,933</u>

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2014

Exhibit K

	Private Purpose Trust <hr style="border-top: 1px solid black;"/> Scholarships
Additions	
Local sources	
Gifts and contributions	\$ 12,164
Interest	<u> 768</u>
Total additions	12,932
 Deductions	
Non-instructional programs	
Scholarships	<u> 2,900</u>
 Change in net position	 10,032
Net position beginning of year	<u>152,901</u>
 Net position end of year	 <u>\$ 162,933</u>

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies

The North Cedar Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Mechanicsville, Stanwood, Clarence and Lowden, Iowa, and the agricultural territory in Cedar and Jones Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

These financial statements present the North Cedar Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit

The North Cedar Community School District Foundation was created to raise money through contributions and fundraisers to benefit the District. The Foundation is a separate legal entity with its own accounting records and board of trustees. The Foundation does not produce separately prepared financial statements. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation is accounted for as a Governmental Fund in these financial statements. The Foundation financial statements are shown in the Statement of Net Position and the Statement of Activities in separate columns. As explained in the Independent Auditor's opinion, the Foundation financial statements have not been audited.

Jointly Governed Organizations

The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the 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 nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, 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 that are attributed to the acquisition, construction, or improvement of those assets.

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

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

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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 Capital Projects - Statewide Sales, Services and Use Tax Fund is used to account for the collection of the 1% statewide sales, services and use tax to be expended for school infrastructure purposes.

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

The District reports no major proprietary funds; however, it reports the following nonmajor proprietary funds.

The District's enterprise funds are the School Nutrition Fund and Daycare Fund. These funds are used to account for the food service operations and daycare operations of the District respectively. Additionally, the District reports an Internal Service Fund which is used to account for the flex-benefit plan for District employees.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund consists of the following:

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

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, judgments and early retirement 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 revenue of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

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

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year 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 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 2,500
Improvements other than buildings	\$ 2,500
Intangibles	\$25,000

Furniture and equipment:

School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

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

<u>Asset Class</u>	<u>Useful Life</u>
Buildings	50 years
Improvements to buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	4-12 years

Salaries and Benefits Payable - Payroll and related expenditures for hours worked by non-certified employees in June 2014, but not paid until July, have been accrued as liabilities.

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

Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2014. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivables and income surtaxes 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 and the unearned revenue for monies collected for lunches that have not yet been served.

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

Fund Equity - In the governmental fund financial statements, fund equity is classified as follows:

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

Unassigned - All amounts not included in other spendable classifications.

Net Position – In the district-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Net position restricted through enabling legislation includes \$528,627 for physical plant and equipment, \$103,303 for student activities, \$2,107,672 for school infrastructure and \$156,872 for management levy purposes.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures in the non-instruction function exceeded the amount budgeted.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Cash, Cash Equivalents and Pooled Investments

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

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

At June 30, 2014, the District had \$448,111 invested with Bankers Trust Company, which was invested in the Goldman Sachs Financial Square Treasury Obligations Fund. These investments are valued at fair market value. The District also had investments at June 30, 2014 in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$883,274 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk. This is the risk that a security's credit rating will be downgraded or that the issuer of a security or a guarantor will default (fail to make scheduled interest and principal payments or fail to fulfill its promise to repurchase securities). The investments in the Goldman Sachs Financial Square Treasury Obligations Fund were rated Aaa by Moody's Investor Service. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services. The District places no limit on the amount that may be invested in any one issuer. The investments in the Goldman Sachs Financial Square Treasury Obligations Fund accounted for 100% of the District's total investments.

Component Unit Investments - The Foundation had investments in mutual funds as follows:

Mutual funds \$502,463

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Capital Projects	
Debt Service	Statewide Sales, Service and Use Tax	\$ 407,503
Nonmajor Enterprise		
School Nutrition	General	25,000
Daycare	General	<u>2,500</u>
		<u>\$ 435,003</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer from the Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for principal and interest payments on debt. The transfers from the General Fund to the School Nutrition Fund and Daycare Fund were to reimburse for expenses.

Note 4. Dues To and Due From Other Funds

The detail of interfund receivables and payables at June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Statewide sales, services and use tax	Debt service	\$ 2,968

The Debt Service Fund had a negative bank balance at June 30, 2014. Since the Debt Service Fund shares a bank account with the Statewide Sales, Services and Use Tax Fund the amount is reported as interfund receivable and payable on the balance sheet. The balance will be repaid during the year ending June 30, 2015.

Note 5. Capital Assets

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

<u>Governmental activities</u>	Balance, Beginning of Year	<u>Additions</u>	<u>Deletions</u>	Balance, End of Year
Capital assets not being depreciated:				
Land	\$ 146,834	\$ -	\$ -	\$ 146,834
Capital assets being depreciated:				
Buildings and improvements	14,052,549	-	-	14,052,549
Improvements other than buildings	573,925	254,399	-	828,324
Furniture and equipment	<u>2,730,649</u>	<u>261,670</u>	-	<u>2,992,319</u>
Total capital assets being depreciated	<u>17,357,123</u>	<u>516,069</u>	-	<u>17,873,192</u>
Less accumulated depreciation for:				
Buildings and improvements	4,013,942	247,542	-	4,261,484
Improvements other than buildings	384,214	24,185	-	408,399
Furniture and equipment	<u>1,945,814</u>	<u>124,579</u>	-	<u>2,070,393</u>
Total accumulated depreciation	<u>6,343,970</u>	<u>396,306</u>	-	<u>6,740,276</u>
Total capital assets being depreciated, net	<u>11,013,153</u>	<u>119,763</u>	-	<u>11,132,916</u>
Governmental activities capital assets, net	<u>\$ 11,159,987</u>	<u>\$ 119,763</u>	<u>\$ -</u>	<u>\$ 11,279,750</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 177,057	\$ -	\$ (600)	\$ 176,457
Less accumulated depreciation	<u>138,487</u>	<u>5,846</u>	<u>(600)</u>	<u>143,733</u>
Business type activities capital assets, net	<u>\$ 38,570</u>	<u>\$ (5,846)</u>	<u>\$ -</u>	<u>\$ 32,724</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction		
Regular	\$	374
Special		526
Other		377
Support services		
Administration		3,102
Operation and maintenance of plant		14,667
Transportation		<u>66,659</u>
		85,705
Unallocated		<u>310,601</u>
Total governmental activities depreciation expense	\$	<u>396,306</u>

Business-type activities

Food services	\$	<u>5,846</u>
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Note 6. 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	\$ 6,275,000	\$ -	\$ 410,000	\$ 5,865,000	\$ 430,000
Refunding general obligation bonds	5,610,000	-	-	5,610,000	-
Capital leases	-	369,860	124,626	245,234	121,952
Revenue bonds	545,000	-	265,000	280,000	280,000
Termination benefits	164,100	70,000	77,400	156,700	86,400
Net OPEB liability	<u>113,219</u>	<u>68,571</u>	<u>28,730</u>	<u>153,060</u>	<u>-</u>
Totals	<u>\$ 12,707,319</u>	<u>\$ 508,431</u>	<u>\$ 905,756</u>	<u>\$ 12,309,994</u>	<u>\$ 918,352</u>

Interest costs incurred and charged to expense on all long-term debt was \$373,261 for the year ended June 30, 2014. During the year ended June 30, 2014, the District made principal payments on total long-term debt of \$799,626.

Termination Benefits

The District offers a voluntary early retirement plan to its certified employees. An employee is deemed to be eligible for this program when they have completed at least fifteen years of contract service as a full-time certificated employee with the North Cedar Community School District and will have attained at least fifty-six years of age on or before June 30 of the

current fiscal year. An employee will be deemed to be in their first year of eligibility during the fiscal year in which they meet both longevity and age criteria for the first time.

The early retirement pay for each eligible full-time certified staff member, as defined by the Master Contract or individual contract, shall be calculated based on the current salary schedule, excluding any extra-curricular, Phase II and Phase III monies. An eligible employee, upon early retirement, shall receive an early retirement benefit representing eighty-one days' pay subject to a pro-ration formula.

Additionally, an eligible employee may receive additional per diem pay for unused/accumulated sick leave based on a pro-ration formula. This separation pay shall be made in three equal payments on July 15th of the three years following early retirement; one third in July of the retirement year, one third in July of the second year and one third in July of the third year.

At June 30, 2014 the District had obligations to thirteen former employees for a total of \$156,700.

General Obligation Bonds

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

Year Ending <u>June 30,</u>	Interest <u>Rates</u>	<u>Bond Issue of June 1, 2005</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	4.00%	\$ 430,000	\$ 241,002	\$ 671,002
2016	4.00%	450,000	223,802	673,802
2017	4.00%	465,000	205,802	670,802
2018	4.00%	485,000	187,202	672,202
2019	4.00%	505,000	167,802	672,802
2020-2024	4.05-4.25%	2,875,000	512,388	3,387,388
2025	4.30%	<u>655,000</u>	<u>28,166</u>	<u>683,166</u>
Totals		<u>\$ 5,865,000</u>	<u>\$ 1,566,164</u>	<u>\$ 7,431,164</u>

Refunded General Obligation Bonds

On February 13, 2013 the District issued \$5,610,000 of general obligation bonds to refund the general obligation bond issue of June 1, 2005. The remaining balance of the 2005 issue is scheduled to be called and paid from the proceeds of the refunding general obligation bonds on June 1, 2015. This amount is not considered to be extinguished and, therefore, has not been excluded from the long-term debt of the District at June 30, 2014. This crossover refunding was undertaken to reduce total debt service payments over the next twelve years by \$630,644 and resulted in an economic gain of \$529,859.

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

Year	Bond Issue of February 13, 2013			
Ending	Interest			
<u>June 30,</u>	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015		\$ -	\$ 101,281	\$ 101,281
2016	2.00%	570,000	101,281	671,281
2017	2.00%	575,000	89,881	664,881
2018	2.00%	590,000	78,381	668,381
2019	2.00%	600,000	66,581	666,581
2020-2024	1.25-2.0%	3,175,000	181,394	3,356,394
2025	2.00%	<u>100,000</u>	<u>2,000</u>	<u>102,000</u>
Totals		<u>\$ 5,610,000</u>	<u>\$ 620,799</u>	<u>\$ 6,230,799</u>

Revenue Bonds

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

Year	Bond Issue of July 1, 2007			
Ending	Interest			
<u>June 30,</u>	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	4.35%	\$ 280,000	\$ 6,090	\$ 286,090

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,710,000 bonds issued July 1, 2007. The bonds were issued for the purpose of financing a portion of a school remodeling and construction project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 49% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$286,090 at June 30, 2014. For the current year, \$282,878 of principal and interest was paid on the bonds. Total statewide sales, services and use tax revenues were \$752,808 for the year ended June 30, 2014.

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

- a) \$171,000 of the proceeds from the issuance of the revenue bonds shall be deposited into a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in the Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking

Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Capital Leases

On October 1, 2013 and January 1, 2014 the District entered into a capital leases for the purchase of student computers. The following is a schedule of future minimum least payments under the capital leases, together with the net present value of the minimum lease payments as of June 30, 2014.

	Year Ending <u>June 30,</u>	Lease <u>10-1-13</u>	Lease <u>1-1-14</u>	<u>Total</u>
Annual lease payment	2015	\$ 79,812	\$ 44,814	\$ 124,626
Annual lease payment	2016	<u>79,812</u>	<u>44,814</u>	<u>124,626</u>
Minimum lease payments		159,624	89,628	249,252
Less amount representing interest		<u>2,572</u>	<u>1,445</u>	<u>4,017</u>
Present value of minimum lease payments		<u>\$ 157,052</u>	<u>\$ 88,183</u>	<u>\$ 245,235</u>

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95%, 5.78% and 5.38% of their annual covered salary and the District was required to contribute 8.93%, 8.67% and 8.07% of annual covered payroll for the years ended June 30, 2014, 2013 and 2012 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$496,498, \$454,029 and \$397,041, respectively, equal to the required contributions for each year.

Note 8. 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 128 active, of which 43 were excluded from the valuation, and 10 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 Wellmark. 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 the 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 obligation:

Annual required contribution	\$ 65,741
Interest on net OPEB obligation	2,830
Adjustment to annual required contribution	<u>(10,983)</u>
Annual OPEB cost	57,588
Contributions made	<u>(17,747)</u>
Increase in net OPEB obligation	39,841
Net OPEB obligation beginning of year	<u>113,219</u>
Net OPEB obligation end of year	<u>\$ 153,060</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$17,747 to the medical plan. Plan members eligible for benefits contributed nothing to the medical plan.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

<u>Year Ended June 30.</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 38,804	35.1%	\$ 25,198
2011	38,751	38.3%	\$ 49,095
2012	41,465	17.4%	\$ 72,767
2013	56,665	28.6%	\$ 113,219
2014	57,588	30.8%	\$ 153,060

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 \$294,866, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$294,866. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5.5 million and the ratio of UAAL to covered payroll was 5.4%. 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 will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 5.4%.

Mortality rates are from the 94 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.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Risk Management

The District has a split-funded health insurance plan for its employees where the District “buys down” the premium for employees. The plan’s premiums are based on a \$2,500 deductible but employees only pay premiums for a \$500 deductible plan, with the District paying the difference. The policy is for a \$5,000 max out-of-pocket cost per employee but the employee is responsible for only \$750 max out-of-pocket. The District assumes risk for the difference. The District accounts for this insurance plan in the Internal Service Fund and has accumulated a balance of \$527,978 in the fund to cover future insurance premiums and expenses.

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

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$354,791 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.

Note 11. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2014, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 12. Categorical Funding

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

Program

Limited English program	\$ 3,717
Project Lead the Way	9,018
Beginning teacher mentoring and induction program	49,442
Class size reduction	47,137
Statewide voluntary preschool	12,716
Educator quality, professional development for model core curriculum	16,042
Educator quality, professional development	24,258
Teacher leadership grant	<u>4,630</u>
	<u>\$ 166,960</u>

Note 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 disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Required Supplementary Information

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual
 All Governmental Funds and Enterprise Funds
 Required Supplementary Information
 For the Year Ended June 30, 2014

	Governmental	Enterprise	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Funds Actual	Actual	Original	Final	
Revenues						
Local sources	\$ 5,241,787	\$ 266,339	\$ 5,508,126	\$ 5,975,201	\$ 5,975,201	\$ (467,075)
Intermediate sources	5,300	-	5,300	22,000	22,000	(16,700)
State sources	5,609,350	4,034	5,613,384	4,840,192	4,840,192	773,192
Federal sources	181,459	243,532	424,991	525,621	525,621	(100,630)
Total revenues	<u>11,037,896</u>	<u>513,905</u>	<u>11,551,801</u>	<u>11,363,014</u>	<u>11,363,014</u>	<u>188,787</u>
Expenditures/Expenses						
Instruction	7,146,477	-	7,146,477	6,751,575	7,726,575	580,098
Support services	2,963,317	20,088	2,983,405	4,709,835	4,709,835	1,726,430
Non-instructional programs	1,163	526,791	527,954	510,468	525,468	(2,486)
Other expenditures	2,063,244	-	2,063,244	1,935,702	2,065,702	2,458
Total expenditures/expenses (Deficiency) of revenues	<u>12,174,201</u>	<u>546,879</u>	<u>12,721,080</u>	<u>13,907,580</u>	<u>15,027,580</u>	<u>2,306,500</u>
(under) expenditures/expenses	(1,136,305)	(32,974)	(1,169,279)	(2,544,566)	(3,664,566)	2,495,287
Net other financing sources	<u>342,360</u>	<u>27,500</u>	<u>369,860</u>	<u>2,454</u>	<u>2,454</u>	<u>367,406</u>
(Deficiency) of revenues and other financing sources (under) expenditures/expenses	<u>(793,945)</u>	<u>(5,474)</u>	<u>(799,419)</u>	<u>(2,542,112)</u>	<u>(3,662,112)</u>	<u>2,862,693</u>
Balance, beginning of year	10,254,223	39,693	10,293,916	5,039,134	5,039,134	5,254,782
Balance, end of year	<u>\$ 9,460,278</u>	<u>\$ 34,219</u>	<u>\$ 9,494,497</u>	<u>\$ 2,497,022</u>	<u>\$ 1,377,022</u>	<u>\$ 8,117,475</u>

See accompanying Independent Auditor's Report.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the 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 Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$1,120,000.

During the year ended June 30, 2014, expenditures in the non-instructional programs function exceeded the amount budgeted.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 282,796	\$282,796	0.0%	\$ 5,111,059	5.5%
2011	July 1, 2009	-	256,006	256,006	0.0%	5,058,675	5.1%
2012	July 1, 2009	-	256,006	256,006	0.0%	4,947,314	5.2%
2013	July 1, 2012	-	315,949	315,949	0.0%	5,214,525	6.1%
2014	July 1, 2012	-	294,866	294,866	0.0%	5,463,006	5.4%

See Note 8 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

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2014

Schedule 1

	Special Revenue		Capital Projects	
	Student	Management	Physical	
	Activity	Levy	Plant and Equipment	Total
			Levy	
Assets				
Cash, cash equivalents and pooled investments	\$ 103,303	\$ 309,443	\$ 398,898	\$ 811,644
Receivables				
Property tax				
Delinquent	-	4,129	1,590	5,719
Succeeding year	-	300,001	157,370	457,371
Income surtax	-	-	128,139	128,139
Total assets	\$ 103,303	\$ 613,573	\$ 685,997	\$ 1,402,873
 Liabilities, Deferred Inflows of Resources and Fund Balances				
Deferred inflows of resources				
Unavailable revenue				
Succeeding year property tax	\$ -	\$ 300,001	\$ 157,370	\$ 457,371
Income surtax	-	-	128,139	128,139
Total deferred inflows of resources	-	300,001	285,509	585,510
 Fund balances				
Restricted for				
Student activities	103,303	-	-	103,303
Management levy purposes	-	313,572	-	313,572
Physical plant and equipment	-	-	400,488	400,488
Total fund balances	103,303	313,572	400,488	817,363
Total liabilities, deferred inflows of resources and fund balances	\$ 103,303	\$ 613,573	\$ 685,997	\$ 1,402,873

See accompanying Independent Auditor's Report.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

Schedule 2

	Special Revenue		Capital Projects	
	Student	Management	Physical Plant and Equipment	Total
	<u>Activity</u>	<u>Levy</u>	<u>Levy</u>	<u>Total</u>
Revenues				
Local sources				
Local taxes	\$ -	\$397,323	\$297,291	\$694,614
Other	<u>223,434</u>	<u>12</u>	<u>1,610</u>	<u>225,056</u>
Total revenues	<u>223,434</u>	<u>397,335</u>	<u>298,901</u>	<u>919,670</u>
 Expenditures				
Current				
Instruction				
Regular	-	64,400	-	64,400
Other	<u>225,560</u>	<u>-</u>	<u>-</u>	<u>225,560</u>
Total instruction	<u>225,560</u>	<u>64,400</u>	<u>-</u>	<u>289,960</u>
Support services				
Administration	-	7,921	25,979	33,900
Operation and maintenance of plant	-	204,340	-	204,340
Transportation	<u>-</u>	<u>-</u>	<u>83,429</u>	<u>83,429</u>
Total support services	<u>-</u>	<u>212,261</u>	<u>109,408</u>	<u>321,669</u>
Other expenditures				
Facilities acquisition	<u>-</u>	<u>-</u>	<u>253,990</u>	<u>253,990</u>
Total expenditures	<u>225,560</u>	<u>276,661</u>	<u>363,398</u>	<u>865,619</u>
 Change in fund balances	(2,126)	120,674	(64,497)	54,051
Fund balances, beginning of year	<u>105,429</u>	<u>192,898</u>	<u>464,985</u>	<u>763,312</u>
 Fund balances, end of year	<u>\$103,303</u>	<u>\$313,572</u>	<u>\$400,488</u>	<u>\$817,363</u>

See accompanying Independent Auditor's Report.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2014

Schedule 3

	<u>School Nutrition</u>	<u>Daycare</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 2,077	\$ 393	\$ 2,470
Inventories	<u>5,074</u>	<u>-</u>	<u>5,074</u>
Total current assets	7,151	393	7,544
Noncurrent assets			
Capital assets, net of accumulated depreciation	<u>32,724</u>	<u>-</u>	<u>32,724</u>
Total assets	<u>39,875</u>	<u>393</u>	<u>40,268</u>
Liabilities			
Current liabilities			
Unearned revenue	<u>6,049</u>	<u>-</u>	<u>6,049</u>
Net Position			
Net investment in capital assets	32,724	-	32,724
Unrestricted	<u>1,102</u>	<u>393</u>	<u>1,495</u>
Total net position	<u>\$33,826</u>	<u>\$ 393</u>	<u>\$34,219</u>

See accompanying Independent Auditor's Report.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT Schedule 4
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2014

	School Nutrition	Daycare	Total
Operating revenue			
Local sources			
Charges for service	<u>\$ 248,808</u>	<u>\$ 17,519</u>	<u>\$ 266,327</u>
Operating expenses			
Support services			
Administration			
Salaries	8,223	-	8,223
Benefits	4,114	-	4,114
Purchased services	<u>3,877</u>	<u>-</u>	<u>3,877</u>
	<u>16,214</u>	<u>-</u>	<u>16,214</u>
Operation and maintenance of plant			
Purchased services	<u>3,874</u>	<u>-</u>	<u>3,874</u>
Non-instructional programs			
Salaries	168,687	16,733	185,420
Benefits	65,197	1,657	66,854
Purchased services	2,846	-	2,846
Supplies	264,589	1,236	265,825
Depreciation	<u>5,846</u>	<u>-</u>	<u>5,846</u>
	<u>507,165</u>	<u>19,626</u>	<u>526,791</u>
Total operating expenses	<u>527,253</u>	<u>19,626</u>	<u>546,879</u>
Operating (loss)	<u>(278,445)</u>	<u>(2,107)</u>	<u>(280,552)</u>
Non-operating revenue			
Interest income	12	-	12
State sources	4,034	-	4,034
Federal sources	<u>243,532</u>	<u>-</u>	<u>243,532</u>
Total non-operating revenue	<u>247,578</u>	<u>-</u>	<u>247,578</u>
Net loss before transfers	<u>(30,867)</u>	<u>(2,107)</u>	<u>(32,974)</u>
Transfers in	<u>25,000</u>	<u>2,500</u>	<u>27,500</u>
Net income (loss)	<u>(5,867)</u>	<u>393</u>	<u>(5,474)</u>
Net position, beginning of year	<u>39,693</u>	<u>-</u>	<u>39,693</u>
Net position, end of year	<u>\$ 33,826</u>	<u>\$ 393</u>	<u>\$ 34,219</u>

See accompanying Independent Auditor's Report.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2014

Schedule 5

	<u>School</u>	<u>Daycare</u>	<u>Total</u>
	<u>Nutrition</u>	<u>Daycare</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from sale of services	\$ 249,468	\$17,519	\$ 266,987
Cash payments to employees for services	(246,221)	(18,390)	(264,611)
Cash payments to suppliers for goods and services	<u>(240,375)</u>	<u>(1,236)</u>	<u>(241,611)</u>
Net cash (used in) operating activities	<u>(237,128)</u>	<u>(2,107)</u>	<u>(239,235)</u>
Cash flows from non-capital financing activities			
Transfers from other fund	25,000	2,500	27,500
State grants received	4,034	-	4,034
Federal grants received	<u>207,434</u>	<u>-</u>	<u>207,434</u>
Net cash provided by non-capital financing activities	<u>236,468</u>	<u>2,500</u>	<u>238,968</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities			
Interest on investments	<u>12</u>	<u>-</u>	<u>12</u>
Net increase (decrease) in cash and cash equivalents	(648)	393	(255)
Cash and cash equivalents, beginning of year	<u>2,725</u>	<u>-</u>	<u>2,725</u>
Cash and cash equivalents, end of year	<u>\$ 2,077</u>	<u>\$ 393</u>	<u>\$ 2,470</u>
Reconciliation of operating (loss) to net cash			
(used in) operating activities			
Operating (loss)	\$(278,445)	\$ (2,107)	\$(280,552)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities			
Depreciation	5,846	-	5,846
Commodities used	36,098	-	36,098
(Increase) in inventory	(1,287)	-	(1,287)
Increase in unearned revenue	<u>660</u>	<u>-</u>	<u>660</u>
Net cash (used in) operating activities	<u>\$(237,128)</u>	<u>\$ (2,107)</u>	<u>\$(239,235)</u>

Non-cash investing, capital and related financing activities.

During the year ended June 30, 2014, The District received \$36,098 of federal commodities.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2014

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
District-wide				
Interest	\$ 97	\$ 63	\$ 80	\$ 80
Elementary				
Student productions	10,120	5,664	3,809	11,975
Pop sales	2,457	3,240	2,847	2,850
Art club	600		-	600
Publications	326	1,474	1,455	345
Middle school				
Publications	2,930	5,241	5,591	2,580
Pop sales	1,137	1,406	1,071	1,472
Student clubs	5,256	8,865	6,423	7,698
Cheerleading	43	-	-	43
Student council	567	-	-	567
Instrumental	4,128	2,842	2,502	4,468
Trail blazers	8,345	893	7,478	1,760
EPA grant	385	-	-	385
Drama/speech	555	165	-	720
High school				
Dance Team	-	275	-	275
Drama/speech	1,492	2,456	2,254	1,694
Vocal	7,085	2,020	6,262	2,843
Instrumental	142	2,536	2,569	109
Cross country	2,058	1,313	3,141	230
Basketball	2,150	15,939	17,324	765
Rigby athletic fund	372	21,145	21,084	433
Volleyball	6,105	15,296	12,555	8,846
Football	8,876	59,279	58,038	10,117
Baseball/softball	3,880	7,744	7,908	3,716
Track	275	6,772	7,008	39
Golf	183	1,496	1,459	220
Wrestling	840	4,961	5,018	783
Cheerleading	944	6,900	7,141	703
FFA	1,202	5,793	2,711	4,284
National Honor Society	1,380	2,131	1,739	1,772
Peer counselors	88	-	87	1

See accompanying Independent Auditor's Report.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 For the Year Ended June 30, 2014

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of Year
High school (continued)				
Student productions	\$ 639	\$ 359	\$ 697	\$ 301
Publications	3,506	4,215	6,262	1,459
Student council	1,523	9,030	9,567	986
Alumni	2,498	200	-	2,698
Music trip	2,343	930	71	3,202
Mock Trial	-	26	-	26
Pop sales	230	2,193	1,911	512
Athletic pop	516	786	682	620
Math club	3,060	3,300	1,692	4,668
Class of				
2012	988	-	-	988
2013	670	-	-	670
2014	2,775	1,674	3,550	899
2015	2,953	8,296	5,858	5,391
2016	2,469	2,363	118	4,714
2017	856	361	25	1,192
Business club	5,081	3,258	7,219	1,120
Spanish club	1,304	534	354	1,484
	<u>1,304</u>	<u>534</u>	<u>354</u>	<u>1,484</u>
Totals	<u>\$ 105,429</u>	<u>\$ 223,434</u>	<u>\$ 225,560</u>	<u>\$ 103,303</u>

See accompanying Independent Auditor's Report.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
 Schedule of Revenues by Source and Expenditures by Function
 All Governmental Funds
 For the Last Ten Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
Local sources										
Local tax	\$ 4,461,007	\$ 5,139,921	\$ 5,360,624	\$ 5,035,907	\$ 4,791,634	\$ 4,603,433	\$ 4,658,388	\$ 4,143,199	\$ 3,401,906	\$ 3,106,785
Tuition	396,618	497,268	363,573	450,145	230,221	265,431	387,240	316,302	244,152	194,874
Other	384,162	286,206	282,073	304,159	251,631	299,801	402,379	622,830	567,369	184,044
Intermediate sources	5,300	-	22,660	2,100	1	5,000	3,600	-	-	-
State sources	5,609,350	4,911,529	4,882,891	4,860,959	4,159,271	4,921,920	4,608,140	4,470,751	4,325,048	3,946,757
Federal sources	181,459	183,099	330,137	290,348	829,767	175,112	177,087	202,397	203,813	187,672
Total revenues	\$11,037,896	\$11,018,023	\$11,241,958	\$10,943,618	\$10,262,525	\$10,270,697	\$10,236,834	\$ 9,755,479	\$8,742,288	\$7,620,132
Expenditures										
Current										
Instruction										
Regular	\$ 4,410,925	\$ 3,835,825	\$ 3,595,088	\$ 3,786,888	\$ 3,590,035	\$ 3,812,771	\$ 3,744,165	\$ 3,429,668	\$ 3,173,137	\$ 3,184,214
Special	1,587,061	1,607,372	1,466,837	1,519,769	1,473,976	1,120,654	1,259,738	1,181,217	1,089,512	962,134
Other	1,148,491	1,003,233	1,163,869	1,069,886	1,067,654	1,123,930	771,955	839,603	799,141	885,192
Support services										
Student	215,766	192,035	193,820	130,986	153,834	156,380	158,852	141,787	138,542	132,330
Instructional staff	103,559	121,548	77,205	60,769	45,514	51,143	70,706	84,487	94,777	58,408
Administration	1,041,356	1,125,795	992,744	907,229	958,656	933,945	852,488	814,706	804,765	734,989
Operation and maintenance of plant	1,002,775	997,144	877,163	977,634	964,771	935,197	835,103	722,218	657,080	601,210
Transportation	599,861	567,563	476,384	442,282	465,283	423,014	392,216	376,169	345,569	301,780
Central support	-	-	-	-	-	-	-	-	-	-
Non-instructional programs	1,163	-	433	-	-	530	-	-	-	5,471
Other expenditures										
Facilities acquisition	530,267	189,296	117,671	91,405	210,494	331,730	3,428,718	8,058,800	1,145,123	131,472
Long-term debt										
Principal	799,626	650,000	620,000	590,000	570,000	545,000	315,000	305,000	285,000	-
Interest and other charges	378,560	426,208	329,606	353,476	375,577	398,327	413,259	355,003	365,940	-
AEA flowthrough	354,791	347,442	344,996	385,045	377,231	339,105	316,671	310,823	294,949	279,970
Total expenditures	\$12,174,201	\$11,063,461	\$10,255,816	\$10,315,369	\$10,253,025	\$10,171,726	\$12,558,871	\$16,619,481	\$9,193,535	\$7,277,170

See accompanying Independent Auditor's Report.

Kay L. Chapman, CPA PC

116 Harrison Street
Muscatine, Iowa 52761
563-264-1385
kchapman@cpakay.com

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

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

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Cedar 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 30, 2015. I did not issue an opinion on the North Cedar Community School District Foundation, which is included in the District's financial statements as a discretely presented component unit, because I was not engaged to and did not audit the Foundation. Except as discussed in the preceding sentence, 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.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered North Cedar 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 an opinion on the effectiveness of North Cedar Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of North Cedar 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as

described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Cedar 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 non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

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

North Cedar Community School District's Responses to Findings

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

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
January 30, 2015

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2014

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

SIGNIFICANT DEFICIENCIES

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performed the following duties: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

- B. Signature Pre-printed on Checks - I noted that the District checks bear pre-printed signatures of the Board President and Board Secretary. Since the Board Secretary enters the check information into the computer system and is authorized to print the checks, this procedure negates the internal control developed by the requirement for checks to bear dual signatures.

Recommendation - I recommend that the use of the pre-printed signatures be discontinued or that procedures be altered so that the involvement of two individuals is required to issue a check. For instance, one individual could be authorized to enter and prepare the check in the accounting system and another individual be authorized to print the check.

Response - We will investigate alternatives to current procedures to provide adequate controls over the issuance of checks.

Conclusion - Response accepted.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2014

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the amount budgeted in the non-instructional programs function.

Recommendation - Although the certified budget was amended, it was not amended in the appropriate function or to a sufficient amount to cover expenditures. The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa to sufficient amounts and in the appropriate function so expenditures would not exceed the amounts budgeted.

Response - Future budgets will be amended appropriately and in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. 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.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval, which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
 Schedule of Findings
 For the Year Ended June 30, 2014

10. Certified Annual Reports - The Certified Annual Report was certified timely to the Department of Education.
11. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance 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		\$ 2,043,968
Revenues		
Statewide sales and services tax revenue	\$ 752,808	
Interest earned	27	
Capital lease proceeds	<u>369,860</u>	1,122,695
Expenditures/transfers out		
School infrastructure		
Equipment	\$ 373,711	
Other improvements	<u>276,277</u>	
Debt service for school infrastructure		
Revenue debt	<u>409,003</u>	<u>1,058,991</u>
Ending balance		<u>\$ 2,107,672</u>

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

13. Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. The elementary pop sales and meals for inservice meetings reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

Recommendation - The District should review and reclassify these accounts to the appropriate fund.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2014

Response - We have reviewed the activity in the Student Activity Funds and will reclassify these accounts/expenditures to the General Fund.

Conclusion - Response accepted.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2014

This audit was performed by

Kay Chapman, CPA
Terri Slater, staff accountant