

NORTH POLK COMMUNITY SCHOOL DISTRICT
ALLEMAN, IOWA

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

JUNE 30, 2014

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NORTH POLK COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2013 election)		
Keith Muehlenthaler	President	2015
Tim Krehbiel	Vice President	2015
Brett Bruggeman	Board Member	2013
Diane Lackore	Board Member	2013
Gary Reinhart	Board Member	2013
(After September 2013 election)		
Keith Muehlenthaler	President	2015
Tim Krehbiel	Vice President	2015
Brett Bruggeman	Board Member	2017
Diane Lackore	Board Member	2017
Gary Reinhart	Board Member	2017
<u>School Officials</u>		
Dan Mart	Superintendent	2014
Deborah Schroeder	District Secretary/Treasurer (Resigned October 10, 2013)	2014
Jacob Ballard	District Secretary/Business Manager/ Treasurer (Appointed November 18, 2013)	2014
Janet Hartwig	Interim Board Secretary (Appointed October 17, 2013 through November 17, 2013)	
Ahlers & Cooney, P.C.	Attorney	Indefinite

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Polk Community School District as of June 30, 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*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 56 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Polk Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the six years ended June 30, 2010 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 19, 2014 on our consideration of North Polk Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering North Polk Community School District's internal control over financial reporting and compliance.



Oskaloosa, Iowa
December 19, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues and other financing sources increased from \$12,442,693 in fiscal 2013 to \$13,634,681 in fiscal 2014; General Fund expenditures and other financing uses also increased from \$12,201,045 in fiscal 2013 to \$13,014,576 in fiscal 2014. The District's General Fund balance increased from \$2,768,502 in fiscal 2013 to \$3,388,607 in fiscal 2014, a 22.3% increase.
- The increase in General Fund revenues was attributable primarily to increases in state aid revenues in fiscal 2014. The increase in state grant revenue is attributable to an increase in budget enrollment, an increase in additional property tax levy aid, and a decrease in state aid reduction. The increase in expenditures was due primarily to increases in negotiated salary and benefits plus the additional salary, benefits, and other related costs associated with serving fifty-five additional students.
- The increase in the General Fund balance is due primarily to controlling the expected increase in expenditures due to higher enrollment in relation to the available revenues.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of North Polk Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report North Polk Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which North Polk Community School District acts solely as an agent or custodian for the benefit of those outside of District government.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.
- Supplementary Information provides detailed information about the non-major funds.

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

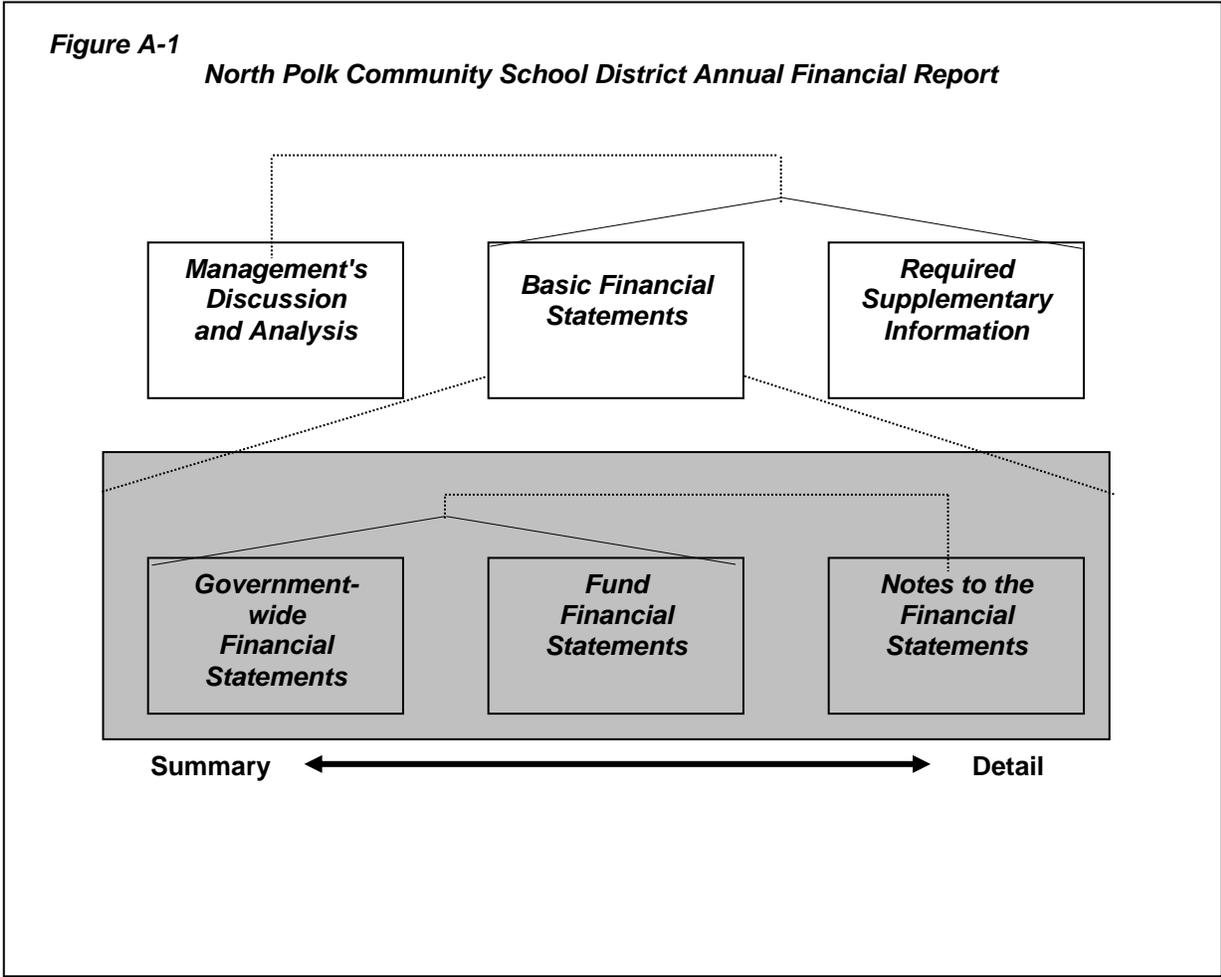


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and vending	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and employee flex benefit programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain monies on behalf of other entities.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Condensed Statement of Net position						Percentage Change 2013-2014 %
	Governmental Activities		Business-type Activities		Total School District		
	2014	2013	2014	2013	2014	2013	
	\$	\$	\$	\$	\$	\$	
Current and other assets	15,653,973	20,361,656	107,433	49,489	15,761,406	20,411,145	-22.78
Capital assets	39,774,461	33,674,177	89,495	75,627	39,863,956	33,749,804	18.1
Total assets	55,428,434	54,035,833	196,928	125,116	55,625,362	54,160,949	2.7
Long-term liabilities	25,149,777	25,977,177	4,014	4,014	25,153,791	25,981,191	-3.2
Other liabilities	1,508,295	3,188,561	21,761	15,977	1,530,056	3,204,538	-52.3
Total liabilities	26,658,072	29,165,738	25,775	19,991	26,683,847	29,185,729	-8.6
Deferred Inflows of Resources	5,827,289	5,821,736	0	0	5,827,289	5,821,736	.1
Net position:							
Invested in capital assets, net of related debt	15,114,461	8,204,177	89,495	75,627	15,203,956	8,278,804	83.6
Restricted	5,017,633	8,926,966	0	0	5,017,633	8,926,966	-43.8
Unrestricted	2,810,979	1,917,216	81,658	29,498	2,892,637	1,946,714	48.6
TOTAL NET POSITION	22,943,073	19,048,359	171,153	105,125	23,114,226	19,153,484	20.7

The District's combined total net position increased by \$3,960,742, or 20.7%, over the prior year. The largest portions of the District's net position are cash and pooled investments and the 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 sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$3,909,333 or 43.8% over the prior year. The decrease was primarily due to proceeds received on the issuance of general obligation and revenue bonds in fiscal year 2013 but which are were expended in fiscal year 2014.

Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) increased by \$945,923 or 48.6%.

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

Figure A-4

	Change in Net position						Percentage Change 2013-2014 %
	Governmental Activities		Business-type Activities		Total School District		
	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	
Program Revenues:							
Charges for services	1,135,851	977,400	545,750	465,363	1,681,601	1,442,763	16.6
Operating grants & contributions	1,724,730	1,612,210	194,266	166,721	1,918,996	1,778,931	7.9
Capital grants & contributions	456,561	0	9,862	0	466,423	0	100
General Revenues:							
Property taxes	5,825,998	5,568,116	0	0	5,825,998	5,568,116	4.6
Income Surtax	452,456	393,780	0	0	452,456	393,780	14.9
Statewide sales tax	1,181,328	1,130,393	0	0	1,181,328	1,130,393	4.5
Unrestricted state grants	6,746,723	6,032,969	0	0	6,746,723	6,032,969	11.8
Unrestricted investment earnings	173,535	380,839	1,514	726	175,049	381,565	-54.1
Other revenue	223,694	229,395	0	0	223,694	229,395	-2.5
Total Revenues	17,920,876	16,325,102	751,392	632,810	18,672,268	16,957,912	10.1
Expenses:							
Instruction	8,188,622	7,928,071	0	0	8,188,622	7,928,071	3.3
Support services	4,246,506	4,589,654	34,102	36,942	4,280,608	4,626,596	-7.5
Non-instructional programs	18,803	13,383	651,262	581,280	670,065	594,663	12.7
Other expenditures	1,572,231	1,499,433	0	0	1,572,231	1,499,433	4.9
Total expenses	14,026,162	14,030,541	685,364	618,222	14,711,526	14,648,763	4.3
CHANGE IN NET POSITION	3,894,714	2,294,561	66,028	14,588	3,960,742	2,309,149	71.5
Net position beginning of year, as restated	19,048,359	16,753,798	105,125	90,537	19,153,484	16,844,335	13.7
Net position end of year	22,943,073	19,048,359	171,153	105,125	23,114,226	19,153,484	20.7

Property tax and unrestricted state grants account for 67.3% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 84.7% of the total expenses.

As shown in figure A-4 the District, as a whole, experienced a 10.1% increase in revenues and a 4.3% increase in expenses. An increase of \$367,493 in property and other tax revenues and \$1,559,080 in program revenues and unrestricted state grants were used to fund increases in expenses. The increase in expenses relates to costs associated with negotiated salaries and benefits and additional staff and materials required to provide educational services to additional students.

Governmental Activities

Revenues from governmental activities were \$17,920,876 and net expenses were \$14,026,162. Total revenues exceeded expenditures in the governmental activities by \$3,894,714.

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

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2014 \$	2013 \$	Percent Change 2013-2014 %	2014 \$	2013 \$	Percent Change 2013-2014 %
Instruction	8,188,622	7,928,071	3.1	5,916,069	5,867,041	.8
Support Services	4,246,506	4,589,654	-7.5	4,174,594	4,532,626	-8.0
Non-instructional Programs	18,803	13,383	.1	18,803	13,383	40.0
Other Expenses	1,572,231	1,499,433	4.9	599,554	1,027,881	-41.7
TOTAL	14,026,162	14,030,541	-0.1	10,709,020	11,440,931	-6.4

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,135,851. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,181,291.
- The net cost of governmental activities was financed with \$7,459,782 in property and other local taxes, \$6,746,723 in unrestricted state grants, and \$397,229 in other unrestricted sources.

Business Type Activities

Revenues for business type activities were \$751,392 and expenses were \$685,364. The District's business type activities include the School Nutrition Fund and the Vending Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income. The District monitors its business type activities to ensure revenues are sufficient to cover expenses.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$8,060,247, 27% less last year's fund balance of \$11,116,685. The decrease is reflected primarily in the Capital Projects Fund for construction projects completed.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Growth during the year in state foundation aid and grants resulted in an increase in General Fund revenues. The General Fund balance increased from \$2,768,502 to \$3,388,607 due primarily to an increase in unrestricted state aid along with careful control of expenditures.
- The Capital Projects Fund balance decreased from \$8,035,719 in fiscal year 2013 to \$4,288,507 in fiscal year 2014. The fund balance is reserved for future construction, capital asset acquisitions, and building and grounds repairs and improvements.
- The Debt Service Fund balance increased \$7,271 from fiscal year 2013 to \$33,128 due mainly to the interest income during the construction process.

Proprietary Fund Highlights

The District's Enterprise Fund net position increased from \$105,125 in fiscal year 2013 to \$171,153 in fiscal year 2014, representing an increase of approximately 63%. This increase was primarily due to increases in participation, meal prices, and revenues from federal and state sources.

BUDGETARY HIGHLIGHTS

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

The District's revenues were approximately \$321,677 more than budgeted revenues, a variance of 1.8%. Total expenditures/expenses were under by 30.89%, or \$9,673,384 of budgeted expenditures/expenses. The overage was in the other expenditures function which was due to construction expenditure timing. It is the District's practice to budget revenues conservatively and expenditures at the maximum authorized spending authority. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except internal service funds, private-purpose trust funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the District amended its certified budget one time. The most significant reason for the amended budget showing \$808,358 more in expenditures than the original certified budget for the 2013-14 fiscal year was costs associated with Support Services and Non-instructional programs.

The other level of budgetary control is the unspent (maximum) authorized budget and pertains only to the General Fund of the District. The maximum authorized budget is the total spending authority in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the actual

General Fund cash. It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

The District exceeded its budget in the non-instructional programs function but did not exceed its unspent authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$39.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Figure A-7

	Capital Assets (net of depreciation)						Percent Change 2013-2014 %
	Governmental Activities		Business type Activities		Total School District		
	2014	2013	2014	2013	2014	2013	
	\$	\$	\$	\$	\$	\$	
Land	932,370	932,370	0	0	932,370	932,370	0
Construction in progress	29,728,552	23,625,466	0	0	29,728,552	23,625,466	25
Buildings	8,191,094	8,371,707	0	0	8,191,094	8,371,707	-2
Improvements	226,187	179,502	0	0	226,187	179,502	26
Equipment & furniture	696,258	565,132	89,465	75,627	785,723	640,759	23
TOTAL	39,774,461	33,674,177	89,465	75,627	39,863,926	33,749,804	18

Long-Term Liabilities

At June 30, 2014 the District had \$25,153,791 in early retirement, general obligation and revenue bonds and other long-term liabilities outstanding. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

A summary of the District's long term liabilities follows in Figure A-8:

Figure A-8

	Outstanding Long-Term Debt Obligations		
	Total School District		Percentage
	2014	2013	Change
	\$	\$	%
General Obligation Bonds	14,365,000	15,040,000	-4.5
Revenue Bonds	10,000,000	10,000,000	0
Capital Loan Notes	295,000	430,000	-31.4
Capital Leases	0	0	0
Early Retirement	140,277	202,184	-30.6
Compensated Absences	26,514	30,007	-11.6
Net OPEB Liability	327,000	279,000	17.2
	<u><u>25,153,791</u></u>	<u><u>25,981,191</u></u>	<u><u>-3.2</u></u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Budget enrollment increased by fifty-five additional students between the 2013 and 2014 certified enrollment date. The District expects the increased enrollment trend to continue as the metro area population growth moves into District boundaries.
- The District levied an additional \$1,088,615 in fiscal year 2014 to provide cash reserve funds to be used to fund the various requests for SBRC allowable growth and to provide for future adequate cash flow reserves.
- Construction of the wastewater treatment facility is expected to begin in summer 2014.
- The District will negotiate a new contract agreement with the North Polk Education Association during the coming fiscal year. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Calli Landenberger, Board Secretary/Treasurer and Business Manager, North Polk Community School District, 13930 NE 6th Street, Alleman, Iowa 50007.

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Basic Financial Statements

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 8,824,361	\$ 84,965	\$ 8,909,326
Receivables:			
Property tax:			
Current year	37,844	-	37,844
Succeeding year	5,827,289	-	5,827,289
Income surtax	384,838	-	384,838
Accounts	129,389	3,837	133,226
Due from other governments	352,689	-	352,689
Inventories	4,131	17,492	21,623
Prepaid expenses	93,432	1,139	94,571
Capital assets, net of accumulated depreciation (note 4)	39,774,461	89,495	39,863,956
Total assets	55,428,434	196,928	55,625,362
Liabilities			
Accounts payable	245,375	2,521	247,896
Salaries and benefits payable	1,120,467	2,784	1,123,251
Advances from grantors	1,022	-	1,022
Unearned revenue	-	16,456	16,456
Accrued interest payable	141,431	-	141,431
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	44,685	-	44,685
Bonds payable	1,195,000	-	1,195,000
Notes payable	145,000	-	145,000
Compensated absences	26,514	-	26,514
Portion due after one year:			
Early retirement	95,592	-	95,592
Bonds payable	23,170,000	-	23,170,000
Notes payable	150,000	-	150,000
Net OPEB liability	322,986	4,014	327,000
Total liabilities	26,658,072	25,775	26,683,847
Deferred Inflows of Resources			
Unavailable property tax revenue	5,827,289	-	5,827,289

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 15,114,461	\$ 89,495	\$ 15,203,956
Restricted for:			
Categorical funding and local grants	612,173	-	612,173
Debt service	1,256,664	-	1,256,664
Capital projects	2,706,767	-	2,706,767
Physical plant and equipment levy purposes	216,773	-	216,773
Student activities	225,256	-	225,256
Unrestricted	<u>2,810,979</u>	<u>81,658</u>	<u>2,892,637</u>
 Total net position	 <u>\$ 22,943,073</u>	 <u>\$ 171,153</u>	 <u>\$ 23,114,226</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular instruction	\$ 5,379,104	\$ 563,784	\$ 863,278	\$ -
Special instruction	1,208,243	191,631	67,494	-
Other instruction	1,601,275	358,569	227,797	-
	<u>8,188,622</u>	<u>1,113,984</u>	<u>1,158,569</u>	<u>-</u>
Support services:				
Student	471,068	-	-	-
Instructional staff	406,361	526	43,666	-
Administration	1,205,604	-	-	-
Operation and maintenance of plant	1,273,481	19,143	-	-
Transportation	889,992	2,198	6,379	-
	<u>4,246,506</u>	<u>21,867</u>	<u>50,045</u>	<u>-</u>
Non-instructional programs	<u>18,803</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	58,807	-	-	456,561
Long-term debt interest and fiscal charges	644,202	-	-	-
AEA flowthrough	516,116	-	516,116	-
Depreciation (unallocated) *	353,106	-	-	-
	<u>1,572,231</u>	<u>-</u>	<u>516,116</u>	<u>456,561</u>
Total governmental activities	<u>14,026,162</u>	<u>1,135,851</u>	<u>1,724,730</u>	<u>456,561</u>

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (3,952,042)	\$ -	\$ (3,952,042)
(949,118)	-	(949,118)
(1,014,909)	-	(1,014,909)
(5,916,069)	-	(5,916,069)
(471,068)	-	(471,068)
(362,169)	-	(362,169)
(1,205,604)	-	(1,205,604)
(1,254,338)	-	(1,254,338)
(881,415)	-	(881,415)
(4,174,594)	-	(4,174,594)
(18,803)	-	(18,803)
397,754	-	397,754
(644,202)	-	(644,202)
-	-	-
(353,106)	-	(353,106)
(599,554)	-	(599,554)
(10,709,020)	-	(10,709,020)

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Food service operations	\$ 34,102	\$ -	\$ -	\$ -
Non-instructional programs:				
Food service operations	651,262	545,750	194,266	9,862
Total business-type activities	685,364	545,750	194,266	9,862
Total	\$ 14,711,526	\$ 1,681,601	\$ 1,918,996	\$ 466,423

General revenues:

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

Total general revenues

Change in net position

Net position beginning of year, as restated (note 14)

Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ -	\$ (34,102)	\$ (34,102)
-	98,616	98,616
-	64,514	64,514
(10,709,020)	64,514	(10,644,506)
\$ 4,215,462	\$ -	\$ 4,215,462
1,086,102	-	1,086,102
524,434	-	524,434
452,456	-	452,456
1,181,328	-	1,181,328
6,746,723	-	6,746,723
173,535	1,514	175,049
223,694	-	223,694
14,603,734	1,514	14,605,248
3,894,714	66,028	3,960,742
19,048,359	105,125	19,153,484
\$ 22,943,073	\$ 171,153	\$ 23,114,226

NORTH POLK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 4,343,837	\$ 26,038	\$ 4,119,790	\$ 324,227	\$ 8,813,892
Receivables:					
Property tax:					
Current year	25,376	7,090	3,425	1,953	37,844
Succeeding year	3,791,612	1,084,173	541,505	409,999	5,827,289
Income surtax	384,838	-	-	-	384,838
Accounts	89,876	-	1,095	33,792	124,763
Due from other governments	164,773	-	187,916	-	352,689
Inventories	4,131	-	-	-	4,131
Prepaid expenses	85,954	-	-	7,478	93,432
	<hr/>				
Total assets	<u>\$ 8,890,397</u>	<u>\$ 1,117,301</u>	<u>\$ 4,853,731</u>	<u>\$ 777,449</u>	<u>\$ 15,638,878</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 203,851	\$ -	\$ 23,719	\$ 17,445	\$ 245,015
Salaries and benefits payable	1,120,467	-	-	-	1,120,467
Advances from grantors	1,022	-	-	-	1,022
Total liabilities	<u>1,325,340</u>	<u>-</u>	<u>23,719</u>	<u>17,445</u>	<u>1,366,504</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,791,612	1,084,173	541,505	409,999	5,827,289
Other	384,838	-	-	-	384,838
Total deferred inflows of resources	<u>4,176,450</u>	<u>1,084,173</u>	<u>541,505</u>	<u>409,999</u>	<u>6,212,127</u>
Fund balances:					
Nonspendable:					
Inventories	4,131	-	-	-	4,131
Prepaid expenses	85,954	-	-	7,478	93,432
Restricted for:					
Categorical funding (note 10)	601,659	-	-	-	601,659
Local grants	10,514	-	-	-	10,514
Revenue bonds reserve fund	-	-	746,718	-	746,718
Debt service	-	33,128	617,232	-	650,360
Other capital projects	-	-	21,005	-	21,005
School infrastructure	-	-	2,685,762	-	2,685,762
Physical plant and equipment	-	-	217,790	-	217,790
Management levy purposes	-	-	-	117,271	117,271
Student activities	-	-	-	225,256	225,256
Committed:					
Building start-up costs	800,000	-	-	-	800,000
Assigned:					
Local projects	98,626	-	-	-	98,626
Unassigned	1,787,723	-	-	-	1,787,723
Total fund balances	<u>3,388,607</u>	<u>33,128</u>	<u>4,288,507</u>	<u>350,005</u>	<u>8,060,247</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,890,397</u>	<u>\$ 1,117,301</u>	<u>\$ 4,853,731</u>	<u>\$ 777,449</u>	<u>\$ 15,638,878</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2014

Total fund balances of governmental funds	\$ 8,060,247
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.	39,774,461
The Internal Service Fund, used to account for the District's flex benefit plan, is incorporated into the governmental activities due the integral nature of the Fund to those activities.	14,735
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	384,838
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(141,431)
Long-term liabilities, including early retirement, bonds payable, capital lease purchase agreements, compensated absences, and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(25,149,777)</u>
Net position of governmental activities	<u>\$ 22,943,073</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 4,344,836	\$ 1,085,778	\$ 524,278	\$ 300,146	\$ 6,255,038
Tuition	484,725	-	-	-	484,725
Other	299,069	7,311	695,467	430,068	1,431,915
Intermediate sources	6,415	-	-	-	6,415
State sources	8,099,288	324	1,181,484	95	9,281,191
Federal sources	387,766	-	-	-	387,766
Total revenues	<u>13,622,099</u>	<u>1,093,413</u>	<u>2,401,229</u>	<u>730,309</u>	<u>17,847,050</u>
Expenditures:					
Current:					
Instruction	8,080,933	-	12,439	423,509	8,516,881
Support services:					
Student	456,283	-	-	14,793	471,076
Instructional staff	534,634	-	185,408	7,252	727,294
Administration	1,263,306	-	520	31,798	1,295,624
Operation and maintenance of plant	1,457,177	-	1,749,529	139,276	3,345,982
Transportation	706,127	-	99,718	35,318	841,163
	<u>4,417,527</u>	<u>-</u>	<u>2,035,175</u>	<u>228,437</u>	<u>6,681,139</u>
Non-instructional programs	-	-	3,838	14,965	18,803
Other expenditures:					
Facilities acquisition	-	-	3,767,166	-	3,767,166
Long term debt:					
Principal	-	810,000	-	-	810,000
Interest and fiscal charges	-	644,598	1,000	-	645,598
AEA flowthrough	516,116	-	-	-	516,116
	<u>516,116</u>	<u>1,454,598</u>	<u>3,768,166</u>	<u>-</u>	<u>5,738,880</u>
Total expenditures	<u>13,014,576</u>	<u>1,454,598</u>	<u>5,819,618</u>	<u>666,911</u>	<u>20,955,703</u>
Excess (deficiency) of revenues over (under) expenditures	<u>607,523</u>	<u>(361,185)</u>	<u>(3,418,389)</u>	<u>63,398</u>	<u>(3,108,653)</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Sale of equipment	\$ 650	\$ -	\$ -	\$ -	\$ 650
Compensation for loss of capital assets	11,932	-	39,633	-	51,565
Interfund transfers in (note 3)	-	368,456	-	-	368,456
Interfund transfers out (note 3)	-	-	(368,456)	-	(368,456)
Total other financing sources (uses)	<u>12,582</u>	<u>368,456</u>	<u>(328,823)</u>	<u>-</u>	<u>52,215</u>
Net change in fund balances	620,105	7,271	(3,747,212)	63,398	(3,056,438)
Fund balances beginning of year	<u>2,768,502</u>	<u>25,857</u>	<u>8,035,719</u>	<u>286,607</u>	<u>11,116,685</u>
Fund balances end of year	<u>\$ 3,388,607</u>	<u>\$ 33,128</u>	<u>\$ 4,288,507</u>	<u>\$ 350,005</u>	<u>\$ 8,060,247</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ (3,056,438)

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. The amounts of capital outlays and depreciation expense in the current year are as follows:

Capital outlays	\$ 6,696,464	
Depreciation expense	<u>(596,180)</u>	6,100,284

The increase in the balance of the Internal Service Fund represents an overcharge to the Governmental Funds and is therefore adjusted through the Governmental Activities expenses 461

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 21,611

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 810,000

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, however, interest expense is recognized as the interest accrues, regardless of when it is due. 1,396

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

Early retirement	61,907	
Compensated absences	3,493	
Net OPEB liability	<u>(48,000)</u>	<u>17,400</u>

Change in net position of governmental activities \$ 3,894,714

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2014

	Nonmajor Enterprise Funds	Internal Service Fund <u>Employee Flex Benefit</u>
Assets		
Cash and cash equivalents	\$ 84,965	\$ 10,469
Accounts receivable	3,837	4,626
Inventories	17,492	-
Prepaid expense	1,139	-
Total current assets	<u>107,433</u>	<u>15,095</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation (note 4)	<u>89,495</u>	-
Total assets	<u>196,928</u>	<u>15,095</u>
Liabilities		
Current liabilities:		
Accounts payable	2,521	360
Salaries and benefits payable	2,784	-
Unearned revenue	16,456	-
Total current liabilities	<u>21,761</u>	<u>360</u>
Noncurrent liabilities:		
Net OPEB liability (note 5)	<u>4,014</u>	-
Total liabilities	<u>25,775</u>	<u>360</u>
Fund Net Position		
Net investment in capital assets	89,495	-
Unrestricted	<u>81,658</u>	<u>14,735</u>
Total fund net position	<u>\$ 171,153</u>	<u>\$ 14,735</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Nonmajor Enterprise Funds	Internal Service Fund <u>Employee Flex Benefit</u>
Operating revenues:		
Local sources:		
Charges for services	\$ 545,750	\$ 54,986
Operating expenses:		
Support services:		
Salaries	10,415	-
Benefits	1,727	54,725
Purchased services	6,263	-
Supplies	11,091	-
Other	4,606	-
Total operating expenses	<u>34,102</u>	<u>54,725</u>
Non-instructional programs:		
Salaries	252,352	-
Benefits	55,925	-
Purchased services	1,041	-
Supplies	330,797	-
Depreciation	11,021	-
Other	126	-
Total operating expenses	<u>651,262</u>	<u>-</u>
Total operating expenses	<u>685,364</u>	<u>54,725</u>
Operating income (loss)	(139,614)	261
Non-operating revenues:		
Interest on investments	1,514	200
Capital contributions	9,862	-
State sources	6,091	-
Federal sources	188,175	-
Total non-operating revenues	<u>205,642</u>	<u>200</u>
Change in fund net position	66,028	461
Fund net position beginning of year, as restated (note 14)	<u>105,125</u>	<u>14,274</u>
Fund net position end of year	<u>\$ 171,153</u>	<u>\$ 14,735</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Nonmajor Enterprise Funds	Internal Service Fund <u>Employee Flex Benefit</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 537,096	\$ -
Cash received from miscellaneous operating activities	11,020	55,786
Cash payments to employees for services	(318,974)	(54,725)
Cash payments to suppliers for goods or services	<u>(322,431)</u>	<u>-</u>
Net cash provided by (used by) operating activities	<u>(93,289)</u>	<u>1,061</u>
Cash flows from non-capital financing activities:		
State grants received	6,091	-
Federal grants received	<u>173,980</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>180,071</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(15,027)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>1,514</u>	<u>200</u>
Net increase in cash and cash equivalents	73,269	1,261
Cash and cash equivalents beginning of year, as restated	<u>11,696</u>	<u>9,208</u>
Cash and cash equivalents end of year	<u>\$ 84,965</u>	<u>\$ 10,469</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Nonmajor Enterprise Funds	Internal Service Fund <u>Employee Flex Benefit</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (139,614)	\$ 261
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	11,021	-
Commodities used	32,643	-
Decrease in accounts receivable	459	800
(Increase) in inventories	(3,582)	-
Increase in accounts payable	2,432	-
Increase in salaries and benefits payable	1,445	-
Increase in unearned revenue	1,907	-
	<u> </u>	<u> </u>
Net cash provided by (used by) operating activities	\$ <u>(93,289)</u>	\$ <u>1,061</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$32,643 of federal commodities. In addition, the Enterprise Fund, School Nutrition received \$9,862 of equipment which was purchased through the Capital Projects Fund.

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2014

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ 5,386	\$ 458
Receivables:		
Other	<u>-</u>	<u>(2,522)</u>
Total assets	<u>5,386</u>	<u>(2,064)</u>
Liabilities:		
Other payables	<u>-</u>	<u>(2,064)</u>
Fiduciary Net Position:		
Restricted for scholarships	<u>\$ 5,386</u>	<u>\$ -</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 Year Ended June 30, 2014

		Private Purpose Trust
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	789
Interest		<u>136</u>
Total additions		<u>925</u>
Deductions:		
Support services:		
Scholarships awarded		<u>850</u>
Change in fiduciary net position		75
Fiduciary net position beginning of year		<u>5,311</u>
Fiduciary net position end of year	\$	<u><u>5,386</u></u>
See notes to financial statements.		

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies

North Polk Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through twelve. The geographic area served includes the Cities of Alleman, Elkhart and Polk City, Iowa, and agricultural territory in Boone, Polk and Story Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position 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 nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

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

The District's nonmajor proprietary funds include the Enterprise, School Nutrition Fund, used to account for the food service operations of the District, and the Enterprise, Vending Fund, used to account for vending revenues and expenses. Proprietary Funds also include the Internal Service Fund, Employee Flex Benefits, which accounts for the District's flexible benefit program.

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

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

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the 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 District considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

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

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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 one year.

Asset Class	Amount
Land	\$ 1
Buildings	2,000
Improvements other than buildings	2,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

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

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

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

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

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.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collectible 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 consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 2. Cash and Pooled Investments

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

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

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

	<u>Amortized Cost</u>
Money Market Mutual Funds	\$ 1,399,900
Iowa Schools Joint Investment Trust, Diversified Portfolio	<u>456</u>
	<u>\$ 1,400,356</u>

The investment in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the money market mutual funds is valued at fair value.

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

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>
Special Revenue: Debt Service	Capital Projects	\$ <u>368,456</u>

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 932,370	\$ -	\$ -	\$ 932,370
Construction in progress	23,625,466	6,103,086	-	29,728,552
Total capital assets not being depreciated	<u>24,557,836</u>	<u>6,103,086</u>	-	<u>30,660,922</u>
Capital assets being depreciated:				
Buildings	13,968,166	159,355	-	14,127,521
Improvements other than buildings	245,512	61,292	-	306,804
Furniture and equipment	3,180,296	372,731	-	3,553,027
Total capital assets being depreciated	<u>17,393,974</u>	<u>593,378</u>	-	<u>17,987,352</u>
Less accumulated depreciation for:				
Buildings	5,596,459	339,968	-	5,936,427
Improvements other than buildings	66,010	14,607	-	80,617
Furniture and equipment	2,615,164	241,605	-	2,856,769
Total accumulated depreciation	<u>8,277,633</u>	<u>596,180</u>	-	<u>8,873,813</u>
Total capital assets being depreciated, net	<u>9,116,341</u>	<u>(2,802)</u>	-	<u>9,113,539</u>
Governmental activities capital assets, net	<u>\$ 33,674,177</u>	<u>\$ 6,100,284</u>	<u>\$ -</u>	<u>\$ 39,774,461</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business-type activities:				
Furniture and equipment	\$ 187,553	\$ 24,889	\$ -	\$ 212,442
Less accumulated depreciation	111,926	11,021	-	122,947
Business-type activities capital assets, net	<u>\$ 75,627</u>	<u>\$ 13,868</u>	<u>\$ -</u>	<u>\$ 89,495</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 39,590

Special 2,281

Support services:

Student support 3,841

Instructional staff 10,072

Administration 1,653

Operation and maintenance of plant 42,293

Transportation 143,344

243,074

Unallocated depreciation 353,106

Total depreciation expense - governmental activities \$ 596,180

Business-type activities:

Food service operations \$ 11,021

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 202,184	\$ -	\$ 61,907	\$ 140,277	\$ 44,685
General obligation bonds	15,040,000	-	675,000	14,365,000	685,000
Revenue bonds	10,000,000	-	-	10,000,000	510,000
Notes payable	430,000	-	135,000	295,000	145,000
Compensated absences	30,007	26,514	30,007	26,514	26,514
Net OPEB liability	274,986	48,000	-	322,986	-
Total	\$ 25,977,177	\$ 74,514	\$ 901,914	\$ 25,149,777	\$ 1,411,199
	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business-type activities:					
Net OPEB liability	\$ 4,014	\$ -	\$ -	\$ 4,014	\$ -

Early Retirement

The District offered a voluntary early retirement plan to employees for the years ended June 30, 2012 and earlier. Eligible employees must have completed a minimum number of continuous service to the District and must have reached the age of fifty-five at the actual retirement date. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits consisted of various cash benefits and, for most employees, health insurance coverage until the retiree becomes Medicare eligible.

Further details of those plans are available upon request of District management. No early retirement benefit was offered for the year ended June 30, 2014.

At June 30, 2014, the District had obligations to 9 participants with a total liability of \$140,277. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$61,907. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds

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

Year Ending June 30,	Issue dated September 15, 2011			Issue dated January 1, 2013			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2015	2.000 %	\$ 305,000	\$ 315,806	1.400 %	\$ 380,000	\$ 82,365	\$ 685,000	\$ 398,171
2016	2.000	315,000	309,706	1.400	380,000	77,045	695,000	386,751
2017	2.500	320,000	303,406	1.400	390,000	71,725	710,000	375,131
2018	3.000	330,000	295,406	1.400	390,000	66,265	720,000	361,671
2019	4.000	340,000	285,506	1.000	395,000	60,805	735,000	346,311
2020	4.000	350,000	271,906	1.200	405,000	56,855	755,000	328,761
2021	3.250	365,000	257,906	1.350	405,000	51,995	770,000	309,901
2022	3.250	375,000	246,044	1.500	415,000	46,528	790,000	292,572
2023	3.500	390,000	233,856	1.650	420,000	40,302	810,000	274,158
2024	3.500	400,000	220,206	1.750	430,000	33,373	830,000	253,579
2025	3.500	415,000	206,206	1.850	435,000	25,847	850,000	232,053
2026	3.500	430,000	191,682	2.000	440,000	17,800	870,000	209,482
2027	3.500	445,000	176,631	2.000	450,000	9,000	895,000	185,631
2028	3.500	1,005,000	161,056	-	-	-	1,005,000	161,056
2029	3.625	1,045,000	125,881	-	-	-	1,045,000	125,881
2030	4.000	-	88,000	-	-	-	-	88,000
2031	4.000	2,200,000	88,000	-	-	-	2,200,000	88,000
		<u>\$ 9,030,000</u>	<u>\$ 3,777,204</u>		<u>\$ 5,335,000</u>	<u>\$ 639,905</u>	<u>\$ 14,365,000</u>	<u>\$ 4,417,109</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities (continued)

Revenue Bonds

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	1.25 %	\$ 510,000	\$ 211,278	\$ 721,278
2016	1.25	515,000	204,871	719,871
2017	1.25	520,000	198,403	718,403
2018	1.25-1.40	530,000	191,840	721,840
2019	1.40-1.60	555,000	184,643	739,643
2020	1.60-1.80	565,000	176,238	741,238
2021	1.80-2.00	575,000	166,543	741,543
2022	2.00-2.15	585,000	155,518	740,518
2023	2.15-2.30	595,000	143,271	738,271
2024	2.30-2.45	605,000	129,918	734,918
2025	2.45-2.50	620,000	115,365	735,365
2026	2.50-2.60	635,000	99,833	734,833
2027	2.60-2.75	650,000	83,445	733,445
2028	2.75-3.00	670,000	65,783	735,783
2029	3.00	690,000	46,220	736,220
2030	3.00-3.10	1,180,000	25,220	1,205,220
		<u>\$ 10,000,000</u>	<u>\$ 2,198,389</u>	<u>\$ 12,198,389</u>

The District pledged future local option (statewide) sales and services tax revenues to repay the \$10,000,000 bonds issued in March of 2012. The bonds were issued for the purpose of financing a portion of the construction of and equipping a new high school. The bonds are payable solely from the proceeds of the local option statewide sales, and services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require 61 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$12,198,389. For the current year, payments of interest made on the bonds totaled \$214,455 and total statewide sales and service tax revenues were \$1,181,328.

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

- a) Bonds maturing after January 1, 2019, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- b) \$746,718 of the proceeds from the bonds issued have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

c) Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

Capital Loan Notes

Details of the District's June 30, 2014 capital loan note indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	4.125 %	\$ 145,000	\$ 12,206	\$ 157,206
2016	4.150	150,000	6,226	156,226
		<u>\$ 295,000</u>	<u>\$ 18,432</u>	<u>\$ 313,432</u>

During the year ended June 30, 2014 the District made principal and interest payments totaling \$152,742 under the note agreement.

Note 6. Other Postemployment Benefits (OPEB)

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

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

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

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

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

Annual required contribution	\$	83,075
Interest on net OPEB obligation		6,966
Adjustment to annual required contribution		25,127
Annual OPEB cost		64,914
Contributions made		16,914
Increase in net OPEB obligation		48,000
Net OPEB obligation beginning of year		279,000
 Net OPEB obligation end of year	 \$	 327,000

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 \$16,914 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 164,971	45.6%	\$ 230,409
2013	67,638	28.2%	279,000
2014	64,914	26.1%	327,000

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 \$466,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$466,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,677,000, and the ratio of the UAAL to covered payroll was 17.4%. 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.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis.

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

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$705,631, \$639,970, and \$578,514, respectively, equal to the required contributions for each year.

Note 8. Risk Management

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$516,116 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.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 10. Categorical Funding

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

Program	Amount
Returning dropouts and dropout prevention programs	\$ 253,973
Four year old preschool state aid	183,696
Home school assistance program	76,316
Professional development for model core curriculum	33,814
Successful progression for early readers	14,172
Early intervention	13,181
Professional development	13,119
Limited English proficiency	4,760
Teacher leadership grants	4,416
Market factor incentives	2,281
Gifted and talented programs	1,716
Teacher salary supplement	212
Additional teacher contract day	3
Total	\$ 601,659

Note 11. Construction Commitments

The District has entered into various contracts totaling \$25,011,669 for a new high school and outdoor facilities. As of June 30, 2014, costs of \$24,737,738 had been incurred against the contracts. The balance of \$273,931 remaining at June 30, 2014 will be paid as work on the projects progresses.

Note 12. Contingencies

The District is involved in one ongoing lawsuit alleging breach of contract in relation to construction contracts. The outcome of this case cannot be determined at this time.

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.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 14. Restatement of Beginning Balances

During the year ended June 30, 2014, the District reclassified the Trust Fund, Employee Flex Benefit into the Internal Service Fund, Employee Flex Benefit to more properly report the nature of the activities within this fund. This reclassification of fund balances has the following effects on the financial statements:

	Governmental Activities	Internal Service Fund	Private-Purpose Trust Fund
Ending balance reported at June 30, 2014	\$ 19,034,085	\$ -	\$ 14,274
Reclassification of fund balance	14,274	14,274	(14,274)
Beginning balance at July 1, 2014	\$ 19,048,359	\$ 14,274	\$ -

In addition, the restatement will have the following effect on cash flows for the Proprietary Fund, Internal Service:

Ending cash reported at June 30, 2014	\$ -
Reclassification of cash balances from Private-Purpose Trust Fund	9,208
Beginning cash reported at July 1, 2014	\$ 9,208

Note 15. Subsequent Event

On July 17, 2014, the District approved calling and refunding the outstanding capital loan notes dated August 1, 2007. The principal and interest redeemed on July 20, 2014 totaled \$296,661.

Required Supplementary Information

NORTH POLK COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year Ended June 30, 2014

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds - Actual	Fund - Actual		Original	Final	
REVENUES:						
Local sources	\$ 8,171,678	\$ 557,126	\$ 8,728,804	\$ 9,618,888	\$ 9,618,888	\$ (890,084)
Intermediate sources	6,415	-	6,415	7,106	7,106	(691)
State sources	9,281,191	6,091	9,287,282	8,304,624	8,304,624	982,658
Federal sources	387,766	188,175	575,941	346,147	346,147	229,794
Total revenues	17,847,050	751,392	18,598,442	18,276,765	18,276,765	321,677
EXPENDITURES/EXPENSES:						
Instruction	8,516,881	-	8,516,881	9,043,622	9,043,622	526,741
Support services	6,681,139	34,102	6,715,241	6,195,083	6,995,000	279,759
Non-instructional programs	18,803	651,262	670,065	621,559	630,000	(40,065)
Other expenditures	5,738,880	-	5,738,880	14,645,829	14,645,829	8,906,949
Total expenditures/expenses	20,955,703	685,364	21,641,067	30,506,093	31,314,451	9,673,384
Excess (deficiency) of revenues over (under) expenditures/ expenses	(3,108,653)	66,028	(3,042,625)	(12,229,328)	(13,037,686)	9,995,061
Other financing sources, net	52,215	-	52,215	1,283,342	1,283,342	(1,231,127)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(3,056,438)	66,028	(2,990,410)	(10,945,986)	(11,754,344)	8,763,934
Balance beginning of year	11,116,685	105,125	11,221,810	14,901,606	14,901,606	(3,679,796)
Balance end of year	<u>\$ 8,060,247</u>	<u>\$ 171,153</u>	<u>\$ 8,231,400</u>	<u>\$ 3,955,620</u>	<u>\$ 3,147,262</u>	<u>\$ 5,084,138</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2014

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures/expenses by \$808,358.

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 1,285	\$ 1,285	0.0%	\$ 5,370	23.9%
2011	July 1, 2009	-	1,283	1,283	0.0%	6,880	18.6%
2012	July 1, 2009	-	1,238	1,238	0.0%	7,138	17.3%
2013	July 1, 2012	-	475	475	0.0%	2,758	17.2%
2014	July 1, 2012	-	466	466	0.0%	2,677	17.4%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2014

	Special Revenue		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 114,195	\$ 210,032	\$ 324,227
Receivables:			
Property tax:			
Current year	1,953	-	1,953
Succeeding year	409,999	-	409,999
Accounts	1,123	32,669	33,792
Prepaid expense	7,478	-	7,478
 Total assets	 \$ 534,748	 \$ 242,701	 \$ 777,449
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 17,445	\$ 17,445
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	409,999	-	409,999
Fund balances:			
Nonspendable:			
Prepaid expense	7,478	-	7,478
Restricted for:			
Management levy purposes	117,271	-	117,271
Student activities	-	225,256	225,256
Total fund balances	124,749	225,256	350,005
 Total liabilities, deferred inflows of resources and fund balances	 \$ 534,748	 \$ 242,701	 \$ 777,449

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2014

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local sources:			
Local tax	\$ 300,146	\$ -	\$ 300,146
Other	10,258	419,810	430,068
State sources	95	-	95
Total revenues	<u>310,499</u>	<u>419,810</u>	<u>730,309</u>
Expenditures:			
Current:			
Instruction	54,959	368,550	423,509
Support services:			
Student	9,113	5,680	14,793
Instructional staff	5,351	1,901	7,252
Administration	29,443	2,355	31,798
Operation and maintenance of plant	136,878	2,398	139,276
Transportation	35,318	-	35,318
Non-instructional programs	14,965	-	14,965
Total expenditures	<u>286,027</u>	<u>380,884</u>	<u>666,911</u>
Excess of revenues over expenditures	24,472	38,926	63,398
Fund balances beginning of year	<u>100,277</u>	<u>186,330</u>	<u>286,607</u>
Fund balances end of year	<u>\$ 124,749</u>	<u>\$ 225,256</u>	<u>\$ 350,005</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF NET POSITION
NONMAJOR ENTERPRISE FUNDS

June 30, 2014

	Enterprise Funds		
	School Nutrition	Vending	Total
Assets			
Current assets:			
Cash and cash equivalents	82,621	\$ 2,344	\$ 84,965
Accounts receivable	3,837	-	3,837
Inventories	17,492	-	17,492
Prepaid expenses	1,139	-	1,139
Total current assets	<u>105,089</u>	<u>2,344</u>	<u>107,433</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	89,495	-	89,495
Total assets	<u>194,584</u>	<u>2,344</u>	<u>196,928</u>
Liabilities			
Current liabilities:			
Accounts payable	2,521	-	2,521
Salaries and benefits payable	2,784	-	2,784
Unearned revenue	16,456	-	16,456
Total current liabilities	<u>21,761</u>	<u>-</u>	<u>21,761</u>
Noncurrent liabilities:			
Net OPEB liability	4,014	-	4,014
Total liability	<u>25,775</u>	<u>-</u>	<u>25,775</u>
Net Position			
Net investment in capital assets	89,495	-	89,495
Unrestricted	79,314	2,344	81,658
Total net position	<u>\$ 168,809</u>	<u>\$ 2,344</u>	<u>\$ 171,153</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2014

	Enterprise Funds		
	School Nutrition	Vending	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 545,750	\$ -	\$ 545,750
Operating expenses:			
Support services:			
Salaries	10,415	-	10,415
Benefits	1,727	-	1,727
Purchased services	6,263	-	6,263
Supplies	11,091	-	11,091
Other	4,606	-	4,606
	<u>34,102</u>	<u>-</u>	<u>34,102</u>
Non-instructional programs:			
Salaries	252,352	-	252,352
Benefits	55,925	-	55,925
Purchased services	1,041	-	1,041
Supplies	330,797	-	330,797
Depreciation	11,021	-	11,021
Other	126	-	126
	<u>651,262</u>	<u>-</u>	<u>651,262</u>
Total operating expenses	<u>685,364</u>	<u>-</u>	<u>685,364</u>
Operating income (loss)	(139,614)	-	(139,614)
Non-operating revenues:			
Interest on investments	1,430	84	1,514
Capital contributions	9,862	-	9,862
State sources	6,091	-	6,091
Federal sources	188,175	-	188,175
Total non-operating revenues	<u>205,558</u>	<u>84</u>	<u>205,642</u>
Change in net position	65,944	84	66,028
Net position beginning of year	<u>102,865</u>	<u>2,260</u>	<u>105,125</u>
Net position end of year	<u>\$ 168,809</u>	<u>\$ 2,344</u>	<u>\$ 171,153</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2014

	Enterprise Funds		
	School Nutrition	Vending	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 537,096	\$ -	\$ 537,096
Cash received from miscellaneous operating activities	11,020	-	11,020
Cash payments to employees for services	(318,974)	-	(318,974)
Cash payments to suppliers for goods or services	(322,431)	-	(322,431)
Net cash used by operating activities	<u>(93,289)</u>	<u>-</u>	<u>(93,289)</u>
Cash flows from non-capital financing activities:			
State grants received	6,091	-	6,091
Federal grants received	173,980	-	173,980
Net cash provided by non-capital financing activities	<u>180,071</u>	<u>-</u>	<u>180,071</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(15,027)</u>	<u>-</u>	<u>(15,027)</u>
Cash flows from investing activities:			
Interest on investments	<u>1,430</u>	<u>84</u>	<u>1,514</u>
Net increase in cash and cash equivalents	73,185	84	73,269
Cash and cash equivalents beginning of year	<u>9,436</u>	<u>2,260</u>	<u>11,696</u>
Cash and cash equivalents end of year	<u>\$ 82,621</u>	<u>\$ 2,344</u>	<u>\$ 84,965</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2014

	<u>Enterprise Funds</u>		
	School		Total
	<u>Nutrition</u>	<u>Vending</u>	
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (139,614)	\$ -	\$ (139,614)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Depreciation	11,021	-	11,021
Commodities used	32,643	-	32,643
Decrease in accounts receivable	459	-	459
(Increase) in inventories	(3,582)	-	(3,582)
Increase in accounts payable	2,432	-	2,432
Increase in salaries and benefits payable	1,445	-	1,445
Increase in deferred revenue	1,907	-	1,907
	<u>1,907</u>	<u>-</u>	<u>1,907</u>
Net cash used by operating activities	<u>\$ (93,289)</u>	<u>\$ -</u>	<u>\$ (93,289)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$32,643 of federal commodities. The District's School Nutrition Fund also received \$9,862 of equipment which was purchased through the Capital Projects Fund.

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Assets				
Cash and pooled investments	\$ 3,870,414	\$ 229,121	\$ 20,255	\$ 4,119,790
Receivables:				
Property tax:				
Current year	-	3,425	-	3,425
Succeeding year	-	541,505	-	541,505
Accounts	-	-	1,095	1,095
Due from other governments	187,916	-	-	187,916
Total assets	\$ 4,058,330	\$ 774,051	\$ 21,350	\$ 4,853,731
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 8,618	\$ 14,756	\$ 345	\$ 23,719
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	541,505	-	541,505
Fund balances:				
Restricted for:				
Revenue bonds reserve fund	746,718	-	-	746,718
Debt service	617,232	-	-	617,232
Other capital projects	-	-	21,005	21,005
School infrastructure	2,685,762	-	-	2,685,762
Physical plant and equipment	-	217,790	-	217,790
Total fund balances	4,049,712	217,790	21,005	4,288,507
Total liabilities, deferred inflows of resources and fund balances	\$ 4,058,330	\$ 774,051	\$ 21,350	\$ 4,853,731

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ -	\$ 524,278	\$ -	\$ 524,278
Other	567,032	3,873	124,562	695,467
State sources	1,181,328	156	-	1,181,484
Total revenues	<u>1,748,360</u>	<u>528,307</u>	<u>124,562</u>	<u>2,401,229</u>
Expenditures:				
Current:				
Instruction	12,439	-	-	12,439
Support services:				
Instructional staff	174,992	10,416	-	185,408
Administration	-	520	-	520
Operation and maintenance of plant	1,647,139	102,390	-	1,749,529
Transportation	-	99,718	-	99,718
Non-instructional programs	3,838	-	-	3,838
Other expenditures:				
Facilities acquisition	3,399,294	60,007	307,865	3,767,166
Debt service:				
Interest and fiscal charges	1,000	-	-	1,000
Total expenditures	<u>5,238,702</u>	<u>273,051</u>	<u>307,865</u>	<u>5,819,618</u>
Excess (deficiency) of revenues over (under) expenditures	(3,490,342)	255,256	(183,303)	(3,418,389)
Other financing sources (uses):				
Compensation for loss of capital assets	38,983	650	-	39,633
Intrafund transfers in*	-	-	197,430	197,430
Intrafund transfers out*	(197,430)	-	-	(197,430)
Interfund transfers out	(215,215)	(153,241)	-	(368,456)
Total other financing sources (uses)	<u>(373,662)</u>	<u>(152,591)</u>	<u>197,430</u>	<u>(328,823)</u>
Net change in fund balances	(3,864,004)	102,665	14,127	(3,747,212)
Fund balances beginning of year	<u>7,913,716</u>	<u>115,125</u>	<u>6,878</u>	<u>8,035,719</u>
Fund balances end of year	<u>\$ 4,049,712</u>	<u>\$ 217,790</u>	<u>\$ 21,005</u>	<u>\$ 4,288,507</u>

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

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics				
All Sports	\$ 19,513	\$ 54,427	\$ 23,652	\$ 50,288
Weight Lifting	(482)	1,933	1,275	176
Cross Country	178	4,303	4,481	-
Cheerleading	(526)	7,835	3,958	3,351
Senior Moms	66	7	-	73
Boys Tennis	541	1,011	237	1,315
Coed Golf	1,374	3,454	1,969	2,859
Boys Basketball	8,875	18,104	24,888	2,091
Football	19,740	22,070	36,316	5,494
Soccer	1,056	2,804	2,602	1,258
Baseball	8,250	22,138	19,394	10,994
Boys Track	(435)	10,984	5,157	5,392
Wrestling	7,527	10,455	6,553	11,429
Girls Basketball	3,238	10,380	12,980	638
Volleyball	5,290	6,764	7,563	4,491
Girls Soccer	(3,211)	12,668	9,457	-
Girls Tennis	4,711	2,561	1,405	5,867
Softball	3,143	7,647	5,595	5,195
Girls Track	1,545	8,510	7,703	2,352
	<u>80,393</u>	<u>208,055</u>	<u>175,185</u>	<u>113,263</u>
Activities				
Misc. Activity				
Interest on Investments	19,531	-	19,531	-
Elementary Academic Excellence	1,117	130	-	1,247
Camp Hantesa	3,380	1,627	760	4,247
HS Yearbook	3,721	7,582	6,208	5,095
Elementary Yearbook	4,065	2,548	1,768	4,845
National Honor Society	-	1,267	740	527
Student Council	5,010	4,482	1,012	8,480
Student Council - Character Counts	132	16	-	148
MS Student Council	4,719	10,374	5,749	9,344
Key Club	1,265	1,358	2,615	8
Drama	5,725	1,749	6,892	582
HS Musical	1,241	6,071	3,204	4,108
HS Vocal Music	-	609	609	-
HS Instrumental Music	-	2,246	2,246	-
Speech	-	198	198	-
Show Choir	915	943	-	1,858

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Activities (continued)				
HS Dance	\$ 5,396	\$ 12,962	6,576	\$ 11,782
Flags	-	1,182	1,182	-
FFA	10,089	44,986	48,086	6,989
Horticulture	1,780	1,369	-	3,149
Tag/Mock Trial	13	2	-	15
National Art Honor Society	350	31	86	295
HOIAC Fine Arts Fest	-	-	-	-
Spanish Club	933	-	933	-
Class of 2011	2,024	-	-	2,024
Class of 2012	8,198	-	-	8,198
Class of 2013	4,865	-	4,471	394
Class of 2014	7,132	59,982	56,829	10,285
Class of 2015	2,623	2,631	1,246	4,008
Class of 2016	2,703	1,494	-	4,197
Class of 2017	728	516	-	1,244
Class of 2018	441	490	-	931
Class of 2019	-	458	-	458
Class of 2020	-	329	-	329
Junior-Senior High Academic Excellence	698	81	-	779
West Running Club	3,182	3,713	4,869	2,026
Concessions	3,985	30,440	34,189	236
MS Comet Pride	(24)	24	-	-
MS Yearbook	-	927	925	2
MS Concessions	-	11,035	6,697	4,338
Baseball Concessions	-	15,498	5,673	9,825
	<u>105,937</u>	<u>229,350</u>	<u>223,294</u>	<u>111,993</u>
Less: Intrafund transfers	-	(17,595)	(17,595)	-
Total	<u>\$ 186,330</u>	<u>\$ 419,810</u>	<u>\$ 380,884</u>	<u>\$ 225,256</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2014

	<u>Admin. Pop</u>	<u>Jr./Sr. Teacher Pop</u>	<u>Central Teacher Pop</u>	<u>West Teacher Pop</u>
Balance beginning of year	\$ (21)	\$ (835)	\$ (1,282)	\$ (262)
Additions:				
Collections	274	282	536	143
Deductions:				
Miscellaneous	413	173	481	290
	<u>\$ (160)</u>	<u>\$ (726)</u>	<u>\$ (1,227)</u>	<u>\$ (409)</u>

See accompanying independent auditor's report.

<u>Activity Host Account</u>	<u>Wellness</u>	<u>Total</u>
\$ 285	\$ 94	\$ (2,021)
23,650	-	24,885
<u>23,477</u>	<u>94</u>	<u>24,928</u>
<u>\$ 458</u>	<u>\$ -</u>	<u>\$ (2,064)</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2014	2013	2012	2011
Revenues:				
Local sources:				
Local tax	\$ 6,255,038	\$ 7,081,562	\$ 6,891,670	\$ 6,134,612
Tuition	484,725	481,569	402,825	384,328
Other	1,431,915	869,240	860,697	648,902
Intermediate sources	6,415	6,812	6,446	6,191
State sources	9,281,191	7,293,134	6,905,962	6,456,463
Federal sources	387,766	391,913	581,138	537,555
Total revenues	\$ 17,847,050	\$ 16,124,230	\$ 15,648,738	\$ 14,168,051
Expenditures:				
Instruction	\$ 8,516,881	\$ 8,251,584	\$ 7,708,646	\$ 7,556,683
Support services:				
Student	471,076	462,852	454,272	420,799
Instructional staff	727,294	1,016,119	588,895	501,029
Administration	1,295,624	1,307,063	1,202,040	1,181,327
Operation and maintenance of plant	3,345,982	1,652,070	1,200,207	1,122,173
Transportation	841,163	685,002	743,973	631,611
Non-instructional programs	18,803	13,383	17,906	15,552
Other expenditures:				
Facilities acquisition	3,767,166	17,371,359	6,454,172	286,396
Long-term debt:				
Principal	810,000	939,591	1,218,766	566,009
Interest and fiscal charges	645,598	656,751	685,344	71,458
AEA flowthrough	516,116	471,552	451,679	473,163
Total expenditures	\$ 20,955,703	\$ 32,827,326	\$ 20,725,900	\$ 12,826,200

See accompanying independent auditor's report.

	2010	2009	2008	2007	2006	2005
\$	5,480,433	\$ 5,471,896	\$ 5,063,894	\$ 4,579,249	\$ 4,439,507	\$ 3,887,528
	406,505	385,067	377,427	373,556	453,526	461,602
	549,255	590,844	682,738	644,800	528,220	388,150
	6,061	7,077	-	11,188	-	-
	5,141,864	5,594,749	5,613,106	4,807,369	4,384,723	3,889,212
	1,068,579	201,505	122,121	116,978	120,573	115,493
\$	<u>12,652,697</u>	<u>12,251,138</u>	<u>11,859,286</u>	<u>10,533,140</u>	<u>9,926,549</u>	<u>8,741,985</u>
\$	7,234,467	\$ 6,745,150	\$ 6,212,557	\$ 5,880,151	\$ 5,305,288	\$ 4,700,091
	406,682	580,964	366,617	318,675	334,752	321,212
	512,060	427,478	281,882	222,144	192,359	194,186
	972,391	1,007,788	909,889	867,148	876,731	816,337
	1,106,351	1,258,570	1,093,517	1,003,448	839,188	648,104
	660,852	535,704	586,689	441,554	398,838	401,656
	33,084	6,934	-	-	-	-
	259,186	442,816	965,308	65,258	17,497	80,599
	1,140,263	1,087,375	1,044,152	895,700	860,451	800,144
	116,019	151,701	180,526	169,461	198,610	225,299
	441,730	377,956	363,229	317,861	283,630	254,187
\$	<u>12,883,085</u>	<u>12,622,436</u>	<u>12,004,366</u>	<u>10,181,400</u>	<u>9,307,344</u>	<u>8,441,815</u>

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

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

We have audited in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Polk Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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, we identified deficiencies in internal control over financial reporting we consider to be material weaknesses and significant deficiencies.

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

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

Compliance

As part of obtaining reasonable assurance about whether North Polk Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

North Polk Community School District's Responses to Findings

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

Purpose of this Report

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

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

Hunt + Associates, P.C.

Oskaloosa, Iowa
December 19, 2014

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-14 Financial Reporting – During the audit, we identified material amounts of payables not properly reversed in the District’s financial statements. We also noted that the District had not properly recorded depreciation expense for the Proprietary Fund, School Nutrition or account for capital contributions of equipment to that Fund. Adjustments were subsequently made by the District to properly include these adjustments in the financial statements.

Recommendation – The District should implement procedures to ensure all accruals and proprietary fund adjustments are identified and properly reversed from the District’s financial statements.

Response – We will double check these in the future to avoid missing any accrual reversals and proprietary fund adjustments.

Conclusion – Response accepted.

I-B-14 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District has taken steps to segregate duties between the present personnel. A second individual is not reviewing the bank reconciliations or journal entries.

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

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

Conclusion – Response accepted.

I-C-14 General Ledger – We noted in our testing of year end receivable and payable accruals and inventory balances that several accrual accounts and inventory accounts had not been properly adjusted to reflect accurate year end levels. We noted that some receivables and payables were improperly reversed, and we noted that several inventory account balances had not been adjusted to reflect any current year activity.

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

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

Internal Control Deficiencies (continued):

I-C-14 General Ledger (continued)

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

Conclusion – Response accepted.

I-D-14 Fundraisers – We noted in our testing of Special Revenue, Student Activity Fund fundraisers that no fundraiser reconciliations are prepared by the activity sponsors. We also noted that no gate ticket reconciliations were prepared for football games.

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

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

Conclusion – Response accepted.

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part II: Other Findings Related to Statutory Reporting:

II-A-14 Certified Budget – Expenditures/expenses for the year ended June 30, 2014, exceeded the amount budgeted in the non-instructional programs function.

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

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

Conclusion – Response accepted.

II-B-14 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-14 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

Name, Title and Business Connection	Transaction Description	Amount
Julie Krehbiel, Spouse of Board Member Tim Krehbiel	Teacher associate	\$13,147
Deb Reinhart, Spouse of Board Member Gary Reinhart	Secretary	\$10,282
Celeste Muehlenthaler, Spouse of Board President Keith Muehlenthaler	Substitute teaching	\$105
Kevin Muehlenthaler, son of Board President Keith Muehlenthaler	Band instructor	\$15,486

In accordance with an Attorney General’s opinion dated November 9, 1976, the transaction with the Board Members’ spouses and child do not appear to represent conflicts of interest.

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

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

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

II-G-14 Certified Enrollment – We noted that the enrollment data certified to the Department of Education excluded one individual who was improperly omitted on the original submission for the year ended June 30, 2014.

Recommendation – The District should contact the Department of Education and the Department of Management to report the additional student not originally claimed in error.

Response – This was an oversight on our part when collating the information used in the difficult enrollment certification process. We will contact the necessary departments to report this error.

Conclusion – Response accepted.

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

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

II-J-14 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely. However, we noted significant deficiencies in the amounts reported.

Recommendation – The District omitted the necessary changes as noted in item I-A-14 from the certified annual report. The District should contact the Iowa Department of Education to determine the proper action to take.

Response – We have contacted the Iowa Department of Education and will make the necessary adjustments in our certified annual report for fiscal year 2015.

Conclusion – Response accepted.

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

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

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

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

Beginning balance		\$	7,913,716
Revenues:			
Interest	\$	89,725	
Other local revenues		477,307	
Statewide sales, services and use tax		1,180,630	
School infrastructure supplemental amount		698	
Compensation for loss of capital assets		<u>38,983</u>	1,787,343
Expenditures/transfers out:			
School infrastructure construction		3,425,810	
Equipment		1,812,892	
Transfers to other funds:			
Debt Service Fund		215,215	
Other transfers		<u>197,430</u>	<u>5,651,347</u>
Ending balance		\$	<u><u>4,049,712</u></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.

II-M-14 Financial Condition – We noted that the District’s Agency Fund had an overall deficit balance of \$2,064. The Agency Fund should consist of assets held by the District solely as an agent for other entities. This makes the Agency Fund custodial in nature and assets should always equal liabilities. Once the associated asset is consumed by the Agency, no further expenses can be made from the Agency Fund. The District therefore has covered an Agency’s over expenditure with District funds.

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

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

Conclusion – Response accepted.