

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Northwood-Kensett Community School District

Name	Title	Term Expires
Officials		
Board of Education		
(before September 2013 election)		
Larry Hovey	President	2015
John Anderson	Vice President	2015
Roger Harris	Board Member	2013
Cindy Pangburn	Board Member	2015
Susan Kliment	Board Member	2013
(after September 2013 election)		
Larry Hovey	President	2015
John Anderson	Vice President	2015
Roger Harris	Board Member	2017
Cindy Pangburn	Board Member	2015
Susan Kliment	Board Member	2017
School Officials		
Mike Crozier	Superintendent	2014
Debra Athey	Business Manager/ Board Secretary/ Treasurer	2014
Ahlers & Cooney	Attorney	2014

Northwood-Kensett Community School District

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Northwood-Kensett 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 Northwood-Kensett Community School District, Northwood, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 Northwood-Kensett 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.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 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 Northwood-Kensett 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 nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2015 on our consideration of Northwood-Kensett Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Northwood-Kensett Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 18, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,244,875 in fiscal 2013 to \$5,269,285 in fiscal 2014, while General Fund expenditures increased from \$5,411,496 in fiscal 2013 to \$5,607,452 in fiscal 2014. This resulted in a decrease in the District's General Fund balance from \$1,034,668 in fiscal 2013 to \$696,501 in fiscal 2014, a 32.68% decrease from the prior year.
- The increase in General Fund revenues was largely attributable to an increase in state source revenues. The increase in expenditures was due primarily to an increase negotiated salaries and benefits.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Northwood-Kensett 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 Northwood-Kensett 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 Northwood-Kensett Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
Northwood-Kensett Community School District Annual Financial Report

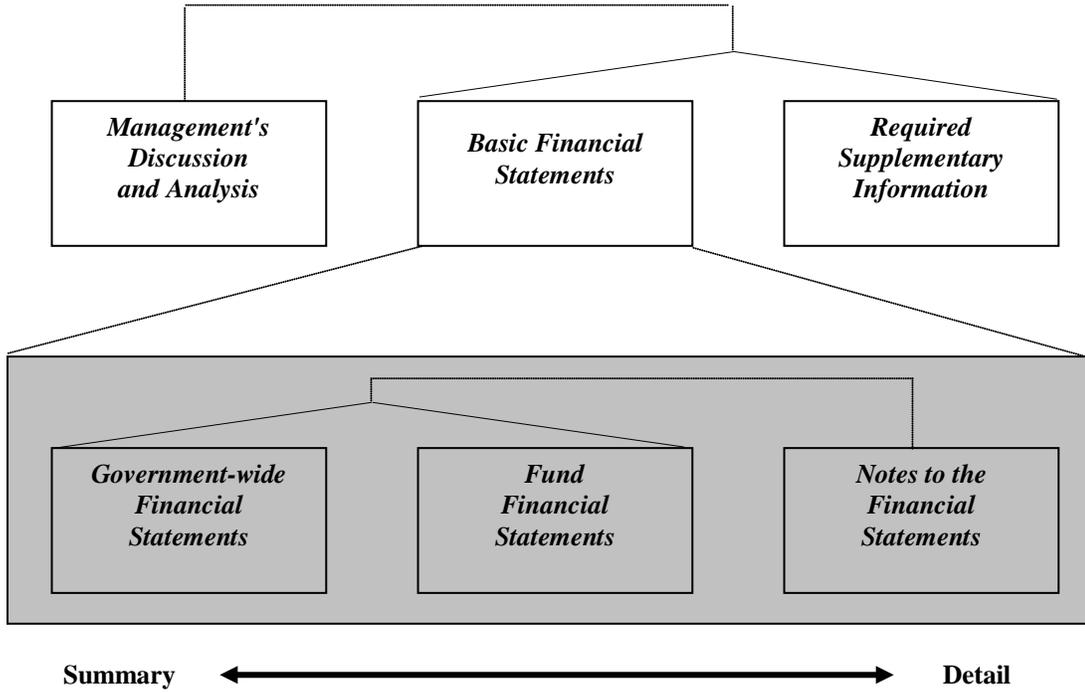


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for the 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 Three Year Old Preschool.

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

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

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

The District is responsible for ensuring that 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 District-wide financial statements because it cannot use these assets to finance its operations.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 5,343,425	5,448,747	53,544	33,152	5,396,969	5,481,899	-1.55%
Capital assets	5,400,165	5,384,389	28,123	33,234	5,428,288	5,417,623	0.20%
Total assets	<u>10,743,590</u>	<u>10,833,136</u>	<u>81,667</u>	<u>66,386</u>	<u>10,825,257</u>	<u>10,899,522</u>	<u>-0.68%</u>
Long-term obligations	1,082,929	1,364,699	4,054	3,491	1,086,983	1,368,190	-20.55%
Other liabilities	644,655	696,519	40,170	20,033	684,825	716,552	-4.43%
Total liabilities	<u>1,727,584</u>	<u>2,061,218</u>	<u>44,224</u>	<u>23,524</u>	<u>1,771,808</u>	<u>2,084,742</u>	<u>-15.01%</u>
Deferred inflows of resources	2,661,396	2,546,961	-	-	2,661,396	2,546,961	4.49%
Net position:							
Invested in capital assets, net of related debt	4,595,165	4,155,631	28,123	33,234	4,623,288	4,188,865	10.37%
Restricted	1,192,477	1,167,351	-	-	1,192,477	1,167,351	2.15%
Unrestricted	566,968	901,975	9,320	9,628	576,288	911,603	-36.78%
Total net position	<u>\$ 6,354,610</u>	<u>6,224,957</u>	<u>37,443</u>	<u>42,862</u>	<u>6,392,053</u>	<u>6,267,819</u>	<u>1.98%</u>

The District's combined net position increased by 1.98%, or \$124,234 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, 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 represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$25,126 or 2.15% over the prior year. The increase was primarily a result of the increase in the Capital Projects Accounts ending fund balance.

Unrestricted net position - the part of net position that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$335,315 or 36.78% from the prior year. The decrease in unrestricted net position was primarily a result of the decrease in the General Fund balance.

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

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for services	\$ 429,417	402,159	154,472	143,775	583,889	545,934	6.95%
Operating grants, contributions and restricted interest	858,060	679,780	160,942	139,388	1,019,002	819,168	24.39%
Capital grants, contributions and restricted interest	158,898	167,969	-	-	158,898	167,969	-5.40%
General revenues:							
Property tax	2,551,783	2,500,533	-	-	2,551,783	2,500,533	2.05%
Income surtax	173,137	156,815	-	-	173,137	156,815	10.41%
Statewide sales, services and use tax	437,392	421,191	-	-	437,392	421,191	3.85%
Unrestricted state grants	2,057,866	2,044,437	-	-	2,057,866	2,044,437	0.66%
Unrestricted investment earnings	11,178	14,086	133	110	11,311	14,196	-20.32%
Other	33,041	35,722	22,192	1,587	55,233	37,309	48.04%
Total revenues	<u>6,710,772</u>	<u>6,422,692</u>	<u>337,739</u>	<u>284,860</u>	<u>7,048,511</u>	<u>6,707,552</u>	<u>5.08%</u>
Program expenses:							
Governmental activities:							
Instructional	4,107,971	4,003,869	17,813	-	4,125,784	4,003,869	3.04%
Support services	1,987,590	1,744,243	-	-	1,987,590	1,744,243	13.95%
Non-instructional programs	-	-	325,345	301,213	325,345	301,213	8.01%
Other expenses	485,558	474,341	-	-	485,558	474,341	2.36%
Total expenses	<u>6,581,119</u>	<u>6,222,453</u>	<u>343,158</u>	<u>301,213</u>	<u>6,924,277</u>	<u>6,523,666</u>	<u>6.14%</u>
Change in net position	129,653	200,239	(5,419)	(16,353)	124,234	183,886	-32.44%
Net position beginning of year	<u>6,224,957</u>	<u>6,024,718</u>	<u>42,862</u>	<u>59,215</u>	<u>6,267,819</u>	<u>6,083,933</u>	<u>3.02%</u>
Net position end of year	<u>\$ 6,354,610</u>	<u>6,224,957</u>	<u>37,443</u>	<u>42,862</u>	<u>6,392,053</u>	<u>6,267,819</u>	<u>1.98%</u>

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 77.79% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest account for 93.39% of the revenue from business type activities.

The District's total revenues were \$7,048,511 of which \$6,710,772 was for governmental activities and \$337,739 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.08% increase in revenues and a 6.14% increase in expenses. The increase in expenditures was due primarily to an increase negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$6,710,772 and expenses were \$6,581,119.

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

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 4,107,971	4,003,869	2.60%	3,048,954	3,120,944	-2.31%
Support services	1,987,590	1,744,243	13.95%	1,805,619	1,576,274	14.55%
Other expenses	485,558	474,341	2.36%	280,171	275,327	1.76%
Totals	<u>\$ 6,581,119</u>	<u>6,222,453</u>	<u>5.76%</u>	<u>5,134,744</u>	<u>4,972,545</u>	<u>3.26%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$429,417.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$858,060.
- Gaming grants subsidized certain programs with capital grants totaling \$158,898.
- The net cost of governmental activities was financed with \$2,551,783 in property tax, \$173,137 in income surtax, \$437,392 in statewide sales, services and use tax, \$2,057,866 in unrestricted state grants, \$11,178 in investment income and \$33,041 in other income.

Business Type Activities

Revenues of the District's business type activities were \$337,739 and expenses were \$343,158. The District's business type activities include the School Nutrition Fund and the Three Year Old Preschool. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,892,958, below last year's ending fund balances of \$2,071,811. The primary reason for the decrease is attributable to the decrease in the General Fund ending fund balance.

Governmental Fund Highlights

- The District's decreased General Fund financial position is the result of many factors. The General Fund balance decreased from \$1,034,668 in fiscal 2013 to \$696,501 in fiscal 2014. The decrease was the result of increases in negotiated salaries and benefits for District staff.
- The Capital Projects fund balance increased from \$434,586 in fiscal 2013 to \$649,634 in fiscal 2014. The majority of the increase was due to a decrease in expenditures and transfers for payments on the District's long term debt.

Proprietary Funds Highlights

The School Nutrition Fund net position decreased from \$42,862 at June 30, 2013 to \$36,785 at June 30, 2014, representing a decrease of \$6,077 or 14.18 percent. The District started a Three Year Old Preschool that is being accounted for as a proprietary fund during the fiscal 2014 year. This had a net position of \$658 at June 30, 2014.

BUDGETARY HIGHLIGHTS

The District's revenues were \$281,437 more than budgeted revenues, a variance of 4.16%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the support services, non-instructional programs and other expenditures functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$5,428,288, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$463,141.

The original cost of the District's capital assets was \$11,366,738. Governmental funds account for \$11,234,997 with the remainder of \$131,741 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$6,246 at June 30, 2014 compared to \$59,412 at June 30, 2013. The decrease is due to construction projects around the District that were capitalized and added to the District's asset listing.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 36,425	36,425	-	-	36,425	36,425	0.00%
Construction in progress	6,246	59,412	-	-	6,246	59,412	-89.49%
Buildings	4,151,655	3,996,054	-	-	4,151,655	3,996,054	3.89%
Improvements other than buildings	858,939	891,169	-	-	858,939	891,169	-3.62%
Machinery and equipment	346,900	401,329	28,123	33,234	375,023	434,563	-13.70%
Total	\$ 5,400,165	5,384,389	28,123	33,234	5,428,288	5,417,623	0.20%

Long-Term Debt

At June 30, 2014, the District had \$1,086,983 in other long-term debt outstanding. This represents a decrease of 20.55% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds payable of \$805,000 at June 30, 2014.

The District had outstanding termination benefits payable of \$107,650 at June 30, 2014 payable from the Management Levy Fund.

The District had compensated absences payable of \$19,009 at June 30, 2014.

The District had a net OPEB liability of \$155,324 at June 30, 2014. Governmental activities account for \$151,270 and Business type activities account for \$4,054.

Figure A-7							
Outstanding Long-Term Obligations							
	Government Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2013	2012	2013-14
General obligation bonds	\$ 805,000	1,060,000	-	-	805,000	1,060,000	-24.06%
Leases payable	-	168,758	-	-	-	168,758	-100.00%
Termination benefits	107,650	-	-	-	107,650	-	100.00%
Compensated absences	19,009	17,568	-	-	19,009	17,568	8.20%
Net OPEB liability	151,270	118,373	4,054	3,491	155,324	121,864	27.46%
Totals	<u>\$ 1,082,929</u>	<u>1,364,699</u>	<u>4,054</u>	<u>3,491</u>	<u>1,086,983</u>	<u>1,368,190</u>	<u>-20.55%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Increasing health care costs and ACA compliance factors are a concern in regards to increased costs of employee benefits.

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 Deb Athey, District Secretary and Business Manager, Northwood-Kensett Community School District, 1200 1st Avenue North, P.O. Box 289, Northwood, Iowa, 50459-0289.

Northwood-Kensett Community School District

BASIC FINANCIAL STATEMENTS

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,239,148	43,807	2,282,955
Receivables:			
Property tax:			
Delinquent	25,871	-	25,871
Succeeding year	2,661,396	-	2,661,396
Income surtax	146,457	-	146,457
Accounts	288	810	1,098
Due from other governments	270,265	3,919	274,184
Inventories	-	5,008	5,008
Capital assets, net of accumulated depreciation	5,400,165	28,123	5,428,288
Total assets	10,743,590	81,667	10,825,257
Liabilities			
Accounts payable	44,667	3,275	47,942
Salaries and benefits payable	588,189	33,864	622,053
Advances from grantors	9,758	-	9,758
Accrued interest payable	2,041	-	2,041
Unearned revenue	-	3,031	3,031
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	260,000	-	260,000
Termination benefits payable	107,650	-	107,650
Compensated absences payable	19,009	-	19,009
Portion due after one year:			
General obligation bonds payable	545,000	-	545,000
Net OPEB liability	151,270	4,054	155,324
Total liabilities	1,727,584	44,224	1,771,808
Deferred Inflows of Resources			
Unavailable property tax revenue	2,661,396	-	2,661,396
Net Position			
Invested in capital assets, net of related debt	4,595,165	28,123	4,623,288
Restricted for:			
Categorical funding	120,211	-	120,211
Management levy purposes	270,754	-	270,754
School infrastructure	400,424	-	400,424
Physical plant and equipment	249,210	-	249,210
Student activities	80,601	-	80,601
Support trust	25	-	25
Debt service	71,252	-	71,252
Unrestricted	566,968	9,320	576,288
Total net position	\$ 6,354,610	37,443	6,392,053

SEE NOTES TO FINANCIAL STATEMENTS.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
 STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,652,172	245,030	413,675	-	(1,993,467)	-	(1,993,467)
Special	657,233	71,018	36,322	-	(549,893)	-	(549,893)
Other	798,566	113,369	179,603	-	(505,594)	-	(505,594)
	<u>4,107,971</u>	<u>429,417</u>	<u>629,600</u>	<u>-</u>	<u>(3,048,954)</u>	<u>-</u>	<u>(3,048,954)</u>
Support services:							
Student	133,905	-	-	-	(133,905)	-	(133,905)
Instructional staff	279,580	-	-	-	(279,580)	-	(279,580)
Administration	626,294	-	-	-	(626,294)	-	(626,294)
Operation and maintenance of plant	617,141	-	23,073	158,898	(435,170)	-	(435,170)
Transportation	330,670	-	-	-	(330,670)	-	(330,670)
	<u>1,987,590</u>	<u>-</u>	<u>23,073</u>	<u>158,898</u>	<u>(1,805,619)</u>	<u>-</u>	<u>(1,805,619)</u>
Long-term debt interest	38,082	-	-	-	(38,082)	-	(38,082)
Other expenditures:							
AEA flowthrough	205,387	-	205,387	-	-	-	-
Depreciation(unallocated)*	242,089	-	-	-	(242,089)	-	(242,089)
	<u>447,476</u>	<u>-</u>	<u>205,387</u>	<u>-</u>	<u>(242,089)</u>	<u>-</u>	<u>(242,089)</u>
Total governmental activities	6,581,119	429,417	858,060	158,898	(5,134,744)	-	(5,134,744)
Business type activities:							
Instructional programs:							
Preschool services	17,813	2,370	-	-	-	(15,443)	(15,443)
Non-instructional programs:							
Nutrition services	325,345	152,102	160,942	-	-	(12,301)	(12,301)
Total business type activities	<u>343,158</u>	<u>154,472</u>	<u>160,942</u>	<u>-</u>	<u>-</u>	<u>(27,744)</u>	<u>(27,744)</u>
Total	<u>\$ 6,924,277</u>	<u>583,889</u>	<u>1,019,002</u>	<u>158,898</u>	<u>(5,134,744)</u>	<u>(27,744)</u>	<u>(5,162,488)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 1,979,462	-		1,979,462
Capital outlay				285,382	-		285,382
Debt service				286,939	-		286,939
Income surtax				173,137	-		173,137
Statewide sales, services and use tax				437,392	-		437,392
Unrestricted state grants				2,057,866	-		2,057,866
Unrestricted investment earnings				11,178	133		11,311
Other				33,041	22,192		55,233
Total general revenues				<u>5,264,397</u>	<u>22,325</u>		<u>5,286,722</u>
Change in net position				129,653	(5,419)		124,234
Net position beginning of year				6,224,957	42,862		6,267,819
Net position end of year				<u>\$ 6,354,610</u>	<u>37,443</u>		<u>6,392,053</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 1,219,695	475,796	543,657	2,239,148
Receivables:				
Property tax				
Delinquent	19,808	2,761	3,302	25,871
Succeeding year	2,084,365	292,036	284,995	2,661,396
Income surtax	146,457	-	-	146,457
Accounts	288	-	-	288
Due from other governments	98,441	171,824	-	270,265
Total assets	\$ 3,569,054	942,417	831,954	5,343,425
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 43,784	747	136	44,667
Salaries and benefits payable	588,189	-	-	588,189
Advances from grantors	9,758	-	-	9,758
Total liabilities	641,731	747	136	642,614
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,084,365	292,036	284,995	2,661,396
Income surtax	146,457	-	-	146,457
Total deferred inflows of resources	2,230,822	292,036	284,995	2,807,853
Fund balances:				
Restricted for:				
Categorical funding	120,211	-	-	120,211
Student activities	-	-	80,601	80,601
School infrastructure	-	400,424	-	400,424
Physical plant and equipment	-	249,210	-	249,210
Management levy purposes	-	-	378,404	378,404
Support trust	-	-	25	25
Debt service	-	-	73,293	73,293
Unassigned:				
General	576,290	-	-	576,290
Support trust	-	-	14,500	14,500
Total fund balances	696,501	649,634	546,823	1,892,958
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,569,054	942,417	831,954	5,343,425

SEE NOTES TO FINANCIAL STATEMENTS.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances of governmental funds(page 20)	\$	1,892,958
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		5,400,165
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		146,457
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(2,041)
Long-term liabilities, including general obligation bonds payable, termination benefits payable, compensated absences payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(1,082,929)</u>
Net position of governmental activities(page 18)	\$	<u><u>6,354,610</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,093,607	285,382	336,823	2,715,812
Tuition	299,072	-	-	299,072
Other	365,672	198,387	174,115	738,174
State sources	2,349,878	437,517	155	2,787,550
Federal sources	161,056	-	-	161,056
Total revenues	<u>5,269,285</u>	<u>921,286</u>	<u>511,093</u>	<u>6,701,664</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,425,398	4,243	11,277	2,440,918
Special	651,796	-	-	651,796
Other	621,866	-	174,733	796,599
	<u>3,699,060</u>	<u>4,243</u>	<u>186,010</u>	<u>3,889,313</u>
Support services:				
Student	133,463	-	-	133,463
Instructional staff	278,124	-	-	278,124
Administration	610,202	-	9,837	620,039
Operation and maintenance of plant	434,133	-	54,785	488,918
Transportation	247,083	104,404	28,551	380,038
	<u>1,703,005</u>	<u>104,404</u>	<u>93,173</u>	<u>1,900,582</u>
Capital outlay	-	421,543	-	421,543
Long-term debt:				
Principal	-	-	423,758	423,758
Interest	-	-	39,934	39,934
	<u>-</u>	<u>-</u>	<u>463,692</u>	<u>463,692</u>
Other expenditures:				
AEA flowthrough	205,387	-	-	205,387
Total expenditures	<u>5,607,452</u>	<u>530,190</u>	<u>742,875</u>	<u>6,880,517</u>
Excess(Deficiency) of revenues over(under) expenditures	(338,167)	391,096	(231,782)	(178,853)
Other financing sources(uses):				
Transfer in	-	-	176,048	176,048
Transfer out	-	(176,048)	-	(176,048)
Total other financing sources(uses)	<u>-</u>	<u>(176,048)</u>	<u>176,048</u>	<u>-</u>
Change in fund balances	(338,167)	215,048	(55,734)	(178,853)
Fund balances beginning of year	<u>1,034,668</u>	<u>434,586</u>	<u>602,557</u>	<u>2,071,811</u>
Fund balances end of year	<u>\$ 696,501</u>	<u>649,634</u>	<u>546,823</u>	<u>1,892,958</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTHWOOD-KENSETT 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

Change in fund balances - total governmental funds(page 22) \$ (178,853)

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

Capital outlay 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 amount of capital outlay expenditures, depreciation expense is as follows:

Capital outlay	\$ 473,806	
Depreciation expense	<u>(458,030)</u>	15,776

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 9,108

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.

Termination benefits	(107,650)	
Compensated absences	(1,441)	
Other postemployment benefits	<u>(32,897)</u>	(141,988)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 423,758

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,852

Change in net position of governmental activities(page 19) \$ 129,653

SEE NOTES TO FINANCIAL STATEMENTS.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2014

	School Nutrition	3 Year Old Preschool	Total
Assets			
Cash and pooled investments	\$ 40,405	3,402	43,807
Due from other governments	3,919	-	3,919
Accounts receivable	810	-	810
Inventories	5,008	-	5,008
Capital assets, net of accumulated depreciation	28,123	-	28,123
Total assets	78,265	3,402	81,667
Liabilities			
Accounts payable	3,275	-	3,275
Salaries and benefits payable	31,120	2,744	33,864
Unearned revenues	3,031	-	3,031
Net OPEB liability	4,054	-	4,054
Total liabilities	41,480	2,744	44,224
Net Position			
Net investment in capital assets	28,123	-	28,123
Unrestricted	8,662	658	9,320
Total net position	\$ 36,785	658	37,443

SEE NOTES TO FINANCIAL STATEMENTS.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	School Nutrition	3 Year Old Preschool	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 152,102	2,370	154,472
Miscellaneous	6,120	16,072	22,192
Total operating revenues	158,222	18,442	176,664
Operating expenses:			
Instructional programs:			
Preschool operations:			
Salaries	-	11,565	11,565
Benefits	-	5,590	5,590
Supplies	-	658	658
Preschool operating expenses	-	17,813	17,813
Non-instructional programs:			
Food service operations:			
Salaries	96,108	-	96,108
Benefits	31,150	-	31,150
Services	9,294	-	9,294
Supplies	180,041	-	180,041
Depreciation	5,111	-	5,111
Other	3,641	-	3,641
Food service operating expenses	325,345	-	325,345
Total operating expenses	325,345	17,813	343,158
Operating income (loss)	(167,123)	629	(166,494)
Non-operating revenues:			
State sources	2,906	-	2,906
Federal sources	158,036	-	158,036
Interest income	104	29	133
Total non-operating revenues	161,046	29	161,075
Change in net position	(6,077)	658	(5,419)
Net position beginning of year	42,862	-	42,862
Net position end of year	\$ 36,785	658	37,443

SEE NOTES TO FINANCIAL STATEMENTS.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	School Nutrition	3 Year Old Preschool	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 151,683	-	151,683
Cash received from preschool	-	2,370	2,370
Cash received from miscellaneous operating activities	6,120	16,072	22,192
Cash payments to employees for services	(95,575)	(14,411)	(109,986)
Cash payments to suppliers for goods or services	(194,218)	(658)	(194,876)
Net cash provided by (used in) operating activities	(131,990)	3,373	(128,617)
Cash flows from non-capital financing activities:			
State grants received	2,906	-	2,906
Federal grants received	139,598	-	139,598
Net cash provided by non-capital financing activities	142,504	-	142,504
Cash flows from investing activities:			
Interest on investment	104	29	133
Net increase in cash and cash equivalents	10,618	3,402	14,020
Cash and cash equivalents at beginning of year	29,787	-	29,787
Cash and cash equivalents at end of year	\$ 40,405	3,402	43,807
Reconciliation of operating loss to net cash used by operating activities:			
Operating income(loss)	\$ (167,123)	629	(166,494)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities used	14,519	-	14,519
Depreciation	5,111	-	5,111
Increase in inventories	(1,643)	-	(1,643)
Increase in accounts receivable	(810)	-	(810)
Decrease in accounts payable	(14,118)	-	(14,118)
Increase in salaries and benefits payable	31,120	2,744	33,864
Increase in unearned revenue	391	-	391
Increase in net OPEB liability	563	-	563
Net cash used in operating activities	\$ (131,990)	3,373	(128,617)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$14,519 of federal commodities.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	\$ 451,179
Liabilities	<u>-</u>
Net Position	
Restricted for scholarships	<u>\$ 451,179</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ 11,926
Contributions	24,887
Total additions	<u>36,813</u>
Deductions:	
Instruction:	
Regular:	
Scholarships	<u>48,900</u>
Loss before other financing sources(uses)	(12,087)
Other financing sources(uses):	
Unrealized loss	(5,605)
Unrealized gain	8,965
Miscellaneous	(100)
Total other financing sources(uses)	<u>3,260</u>
Change in net position	(8,827)
Net position beginning of year	<u>460,006</u>
Net position end of year	<u>\$ 451,179</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies

The Northwood-Kensett Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades prekindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Northwood and Kensett, Iowa, and the predominate agricultural territory in Worth County. 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, Northwood-Kensett Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Northwood-Kensett 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 Worth County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints 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 that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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 are the School Nutrition Fund and the Three Year Old Preschool Fund.

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

The Three Year Old Preschool Fund is used to account for the 3 year old preschool program operated by the District.

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, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this

purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the

following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

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

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

Asset Class	Amount
Land	\$ 2,000
Buildings	2,000
Land improvements	2,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Life (In Years)
Buildings	50 years
Land improvements	20-50 years
Intangibles	5-10 years
Machinery and equipment	5-20 years

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consists of property tax receivables and other receivables not collected within sixty days after year end.

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

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

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. 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.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures in the support services, non-instructional programs and other expenditures functional areas exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

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

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

At June 30, 2014, the District had investments in VSR Financial valued at \$228,450 pursuant to Rule 2a-7 under the Investment Act of 1940. At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$782 pursuant to Rule 2a-7 under the Investment Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 88,024
Debt Service	Capital Projects: Physical Plant and Equipment Levy	88,024
Total		<u>\$ 176,048</u>

The transfers from the Capital Projects: Statewide Sales, Service and Use Tax Fund to the Debt Service fund was needed for the payment for one half of the computer lease indebtedness.

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for the payment for one half of the computer lease indebtedness.

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 36,425	-	-	36,425
Construction in progress	59,412	279,157	332,323	6,246
Total capital assets not being depreciated	<u>95,837</u>	<u>279,157</u>	<u>332,323</u>	<u>42,671</u>
Capital assets being depreciated:				
Buildings	7,225,574	350,793	-	7,576,367
Land improvements	997,967	14,667	-	1,012,634
Machinery and equipment	2,470,713	161,512	28,900	2,603,325
Total capital assets being depreciated	<u>10,694,254</u>	<u>526,972</u>	<u>28,900</u>	<u>11,192,326</u>
Less accumulated depreciation for:				
Buildings	3,229,520	195,192	-	3,424,712
Land improvements	106,798	46,897	-	153,695
Machinery and equipment	2,069,384	215,941	28,900	2,256,425
Total accumulated depreciation	<u>5,405,702</u>	<u>458,030</u>	<u>28,900</u>	<u>5,834,832</u>
Total capital assets being depreciated, net	<u>5,288,552</u>	<u>68,942</u>	<u>-</u>	<u>5,357,494</u>
Governmental activities capital assets, net	<u>\$ 5,384,389</u>	<u>348,099</u>	<u>332,323</u>	<u>5,400,165</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 131,741	-	-	131,741
Less accumulated depreciation	98,507	5,111	-	103,618
Business type activities capital assets, net	<u>\$ 33,234</u>	<u>(5,111)</u>	<u>-</u>	<u>28,123</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 142,461
Other		303
Support services:		
Administration		206
Operation and maintenance of plant		18,376
Transportation		54,595
		<u>215,941</u>
Unallocated depreciation		<u>242,089</u>
Total governmental activities depreciation expense		<u>\$ 458,030</u>
Business type activities:		
Food services		<u>\$ 5,111</u>

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,060,000	-	255,000	805,000	260,000
Computer leases payable	168,758	-	168,758	-	-
Termination benefits	-	107,650	-	107,650	107,650
Compensated absences	17,568	19,009	17,568	19,009	19,009
Net OPEB liability	118,373	32,897	-	151,270	-
Total	<u>\$ 1,364,699</u>	<u>159,556</u>	<u>441,326</u>	<u>1,082,929</u>	<u>386,659</u>
Business type activities:					
Net OPEB liability	<u>\$ 3,491</u>	<u>563</u>	<u>-</u>	<u>4,054</u>	<u>-</u>

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of May 5, 2009				
	Interest Rates		Principal	Interest	Total
2015	3.00	%	\$ 260,000	24,494	284,494
2016	3.00		270,000	16,694	286,694
2017	3.13		275,000	8,594	283,594
Total			\$ 805,000	49,782	854,782

Termination Benefits

During the year ended June 30, 2014, the District offered a voluntary early retirement plan to its certified employees. The early retirement plan is offered by the District at the Board’s discretion. Employees should have no expectation that the plan will be offered.

Eligible employees must be at least age fifty-five and must have completed at least fifteen years of consecutive service to the District including the last year of employment. Employees must complete an application which is required to be approved by the Board of Education.

A licensed employee who meets the eligibility requirements will be eligible for the early retirement amount of \$25,000 payable in three installments over the next fiscal year. Employees may continue participation in the District’s group insurance plan until Medicare age.

At June 30, 2014, the District had obligations to four participants with a total liability of \$107,650. None of the early retirement benefits will be paid to retirees until the next fiscal year.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District’s contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$301,392, \$246,205, and \$253,967 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits

Plan Description - The District operates a single-employer health benefit plan which provides medical benefits for employees, retirees and their spouses. There are 63 active members in the plan. Retired participants must be age 55 or older at age of retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/vision benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 37,626
Interest on net OPEB obligation	3,047
Adjustment to annual required contribution	<u>(7,213)</u>
Annual OPEB cost	33,460
Contributions made	<u>-</u>
Increases in net OPEB obligation	33,460
Net OPEB obligation beginning of year	<u>121,864</u>
Net OPEB obligation end of year	<u><u>\$ 155,324</u></u>

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

For the year ended June 30, 2014, the District contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

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

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 33,568	6.78%	\$ 88,826
2013	33,038	0.00%	121,864
2014	33,460	0.00%	155,324

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 \$318,687, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$318,687. The covered payroll (annual payroll of active employees covered by the plan) was \$3,236,242 and the ratio of the UAAL to covered payroll was 9.85%. 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. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Mortality rates are from the Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$205,387 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(10) Categorical Funding

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

Program	Amount
Market factor	\$ 3,807
Beginning teacher mentoring and induction	660
Professional development for core curriculum	41,775
Professional development	27,163
Teacher salary supplement	25,930
Successful progression for early readers	12,907
Teacher leadership grants	6,204
Market factor incentives	1,765
Total	\$ 120,211

(11) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2014, expenditures in the support services, non-instructional programs and other expenditures functional areas exceeded the budgeted amounts.

(12) Construction Commitments

The District has entered into contracts totaling \$20,820 for a lighting project. As of June 30, 2014, costs of \$6,246 had been incurred against the contracts. The balance of \$14,574 remaining at year end will be paid as work on the contracts progresses.

(13) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note 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.

Northwood-Kensett Community School District

REQUIRED SUPPLEMENTARY INFORMATION

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON 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	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,753,058	176,797	3,929,855	4,171,234	4,171,234	(241,379)
State sources	2,787,550	2,906	2,790,456	2,284,732	2,284,732	505,724
Federal sources	161,056	158,036	319,092	302,000	302,000	17,092
Total revenues	6,701,664	337,739	7,039,403	6,757,966	6,757,966	281,437
Expenditures/Expenses:						
Instruction	3,889,313	17,813	3,907,126	4,259,646	4,259,646	352,520
Support services	1,900,582	-	1,900,582	1,646,300	1,788,337	(112,245)
Non-instructional programs	-	325,345	325,345	315,000	315,000	(10,345)
Other expenditures	1,090,622	-	1,090,622	1,023,635	1,023,635	(66,987)
Total expenditures/expenses	6,880,517	343,158	7,223,675	7,244,581	7,386,618	162,943
Deficiency of revenues under expenditures/expenses	(178,853)	(5,419)	(184,272)	(486,615)	(628,652)	444,380
Balances beginning of year	2,071,811	42,862	2,114,673	1,868,556	1,868,556	246,117
Balances end of year	\$ 1,892,958	37,443	1,930,401	1,381,941	1,239,904	690,497

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHWOOD-KENSETT 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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as 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 functional 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 by \$142,037.

During the year ended June 30, 2014, expenditures in the support services, non-instructional programs and other expenditures functional areas exceeded the amounts budgeted.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 277,457	277,457	0.00%	\$ 2,424,048	11.45%
2011	July 1, 2009	-	270,976	270,976	0.00%	2,962,164	9.15%
2012	July 1, 2009	-	256,453	256,453	0.00%	2,956,028	8.68%
2013	July 1, 2012	-	328,668	328,668	0.00%	3,038,602	10.82%
2014	July 1, 2012	-	318,687	318,687	0.00%	3,236,242	9.85%

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

SUPPLEMENTARY INFORMATION

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue			Total Special Revenue	Debt Service	Total
	Management Levy	Student Activity	Support Trust			
Assets						
Cash and pooled investments	\$ 378,024	80,601	14,525	473,150	70,507	543,657
Receivables:						
Property tax:						
Delinquent	516	-	-	516	2,786	3,302
Succeeding year	-	-	-	-	284,995	284,995
Total assets	\$ 378,540	80,601	14,525	473,666	358,288	831,954
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ 136	-	-	136	-	136
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	-	-	-	-	284,995	284,995
Fund balances:						
Restricted for:						
Student activities	-	80,601	-	80,601	-	80,601
Support trust	-	-	25	25	-	25
Management levy purposes	378,404	-	-	378,404	-	378,404
Debt service	-	-	-	-	73,293	73,293
Unassigned	-	-	14,500	14,500	-	14,500
Total fund balances	378,404	80,601	14,525	473,530	73,293	546,823
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 378,540	80,601	14,525	473,666	358,288	831,954

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	Special Revenue				Debt Service	Total
	Management Levy	Student Activity	Support Trust	Total Special Revenue		
Revenues:						
Local sources:						
Local tax	\$ 49,884	-	-	49,884	286,939	336,823
Other	5,808	167,757	92	173,657	458	174,115
State sources	29	-	-	29	126	155
Total revenues	55,721	167,757	92	223,570	287,523	511,093
Expenditures:						
Current:						
Instruction:						
Regular	10,929	-	348	11,277	-	11,277
Other	-	174,733	-	174,733	-	174,733
Support services:						
Administration	9,837	-	-	9,837	-	9,837
Operation and maintenance of plant	54,785	-	-	54,785	-	54,785
Transportation	28,551	-	-	28,551	-	28,551
Other expenditures:						
Long-term debt:						
Principal	-	-	-	-	423,758	423,758
Interest	-	-	-	-	39,934	39,934
Total expenditures	104,102	174,733	348	279,183	463,692	742,875
Deficiency of revenues under expenditures	(48,381)	(6,976)	(256)	(55,613)	(176,169)	(231,782)
Other financing sources:						
Transfer in	-	-	-	-	176,048	176,048
Changes in fund balance	(48,381)	(6,976)	(256)	(55,613)	(121)	(55,734)
Fund balances beginning of year	426,785	87,577	14,781	529,143	73,414	602,557
Fund balances end of year	\$ 378,404	80,601	14,525	473,530	73,293	546,823

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 229,347	246,449	475,796
Receivables:			
Property tax:			
Delinquent	-	2,761	2,761
Succeeding year	-	292,036	292,036
Due from other governments	171,824	-	171,824
Total assets	\$ 401,171	541,246	942,417
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 747	-	747
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	292,036	292,036
Fund balances:			
Restricted for:			
School infrastructure	400,424	-	400,424
Physical plant and equipment	-	249,210	249,210
Total fund balances	400,424	249,210	649,634
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 401,171	541,246	942,417

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	285,382	285,382
Other	847	197,540	198,387
State sources	437,392	125	437,517
Total revenues	438,239	483,047	921,286
Expenditures:			
Current:			
Instruction:			
Regular	-	4,243	4,243
Support services:			
Transportation	104,404	-	104,404
Other expenditures:			
Capital outlay	172,509	249,034	421,543
Total expenditures	276,913	253,277	530,190
Excess of revenues over expenditures	161,326	229,770	391,096
Other financing uses:			
Transfer out	(88,024)	(88,024)	(176,048)
Changes in fund balances	73,302	141,746	215,048
Fund balances beginning of year	327,122	107,464	434,586
Fund balances end of year	\$ 400,424	249,210	649,634

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfer	Balance End of Year
Drama	\$ 2,049	1,260	1,558	(180)	1,571
Speech	395	-	575	180	-
Vocal music	4,004	2,078	2,369	-	3,713
Choir robe	2,604	5	-	65	2,674
High school band	-	2,908	3,418	510	-
Elementary band	230	213	318	(125)	-
High school band uniforms	24,082	166	825	16	23,439
High school horn rent/repair	577	15	2,021	1,429	-
Instrument repair	865	-	827	(38)	-
Elementary horn repair	38	645	-	(683)	-
Band trip	5,770	14,726	7,456	-	13,040
General athletics	-	22,230	9,079	(13,151)	-
Athletic passes	-	22,296	10,587	(11,709)	-
Adopt a hurdle	2,300	-	-	-	2,300
Athletic uniforms	-	8,000	7,047	(953)	-
Camps	-	9,769	15,075	5,306	-
Boys basketball	-	4,743	3,906	(837)	-
Football	-	7,250	9,416	2,166	-
Baseball	(675)	1,340	2,944	2,279	-
Boys track	-	1,059	2,726	1,667	-
Boys golf	-	-	380	380	-
Wrestling	-	3,375	3,527	152	-
Junior high wrestling	-	-	424	424	-
Trap	-	2,595	4,095	1,500	-
Girls basketball	-	8,505	7,864	(641)	-
Volleyball	-	2,630	2,823	193	-
Softball	-	1,408	2,565	1,157	-
Girls track	-	887	2,848	1,961	-
Girls golf	-	30	380	350	-
FFA	19,865	26,320	35,898	(456)	9,831
Math club	1,317	2,481	3,185	(279)	334
Honor society	335	2,302	713	-	1,924
High school student council	1,423	403	837	-	989
FBLA	1,399	-	-	(527)	872
Cheerleaders	2,384	4,655	6,860	1,277	1,456
Spanish club	2,869	2,113	49	279	5,212
FCCLA club	2,978	2,656	4,571	-	1,063

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfer	Balance End of Year
Class of 2013	755	-	31	-	724
Class of 2014	1,232	1,141	1,684	10	699
Class of 2015	2,208	-	879	930	2,259
Class of 2016	1,947	114	-	1,170	3,231
Class of 2017	463	60	-	1,020	1,543
Class of 2018	255	111	239	420	547
Class of 2019	-	96	257	290	129
Stevens tech lab	526	-	79	-	447
CHIP	130	350	1,008	528	-
HS student of the month	1,614	4,005	5,422	-	197
Yearbook	2,360	2,573	7,464	4,160	1,629
Interest on checking	-	151	-	(151)	-
Interest on CD's	-	93	4	(89)	-
Elementary activities	460	-	-	-	460
Band CD	818	-	500	-	318
Total	\$ 87,577	167,757	174,733	-	80,601

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2014

	Reuben/Helen Cornelius Scholarship	Gilbert Charles Stevens	Hellen Holstad	Richard Moen	Margaret Sigmond	Total
Assets						
Cash and pooled investments	\$ 39,158	80,315	189,292	50,234	92,180	451,179
Net Position						
Restricted for scholarships	\$ 39,158	80,315	189,292	50,234	92,180	451,179

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2014

	Reuben/Helen Cornelius Scholarship	Gilbert Charles Stevens	Hellen Holstad	Richard Moen	Margaret Sigmond	FFA	Total
Additions:							
Local sources:							
Interest	\$ 1,861	410	9,076	-	579		11,926
Contributions	-	-	-	19,087	3,300	2,500	24,887
Total additions	1,861	410	9,076	19,087	3,879	2,500	36,813
Deductions:							
Instruction:							
Regular:							
Scholarships	8,000	3,000	11,400	16,500	7,500	2,500	48,900
Excess(Deficiency) of revenues before other financing sources(uses) over(under) expenditures/expenses							
	(6,139)	(2,590)	(2,324)	2,587	(3,621)	-	(12,087)
Other financing sources(uses):							
Unrealized loss	(871)	-	(4,734)	-	-	-	(5,605)
Unrealized gain	641	-	8,324	-	-	-	8,965
Miscellaneous	(50)	-	(50)	-	-	-	(100)
Total other financing sources(uses)	(280)	-	3,540	-	-	-	3,260
Change in net position	(6,419)	(2,590)	1,216	2,587	(3,621)	-	(8,827)
Net position beginning of year	45,577	82,905	188,076	47,647	95,801	-	460,006
Net position end of year	\$ 39,158	80,315	189,292	50,234	92,180	-	451,179

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTHWOOD-KENSSETT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 2,715,812	3,068,217	3,116,715	3,062,190	2,972,294	3,131,384	2,824,046	2,637,136	2,473,383	2,376,421
Tuition	299,072	267,495	173,014	203,029	150,764	124,768	107,205	102,073	72,369	81,471
Other	738,174	670,851	986,414	833,342	664,851	631,206	472,856	309,594	275,466	242,923
Intermediate sources	-	-	-	35,355	-	-	-	-	-	13,093
State sources	2,787,550	2,252,863	2,344,585	2,284,853	1,884,861	2,258,461	2,449,968	2,307,226	2,311,952	2,150,064
Federal sources	161,056	152,944	222,023	299,603	508,405	162,788	137,119	149,978	149,419	190,625
Total	\$ 6,701,664	6,412,370	6,842,751	6,718,372	6,181,175	6,308,607	5,991,194	5,506,007	5,282,589	5,054,597
Expenditures:										
Instruction:										
Regular	\$ 2,440,918	2,416,454	2,510,473	2,447,279	2,418,053	2,247,875	2,056,668	1,958,278	1,824,877	1,744,473
Special	651,796	757,845	841,542	750,244	716,357	753,003	738,386	743,155	669,142	719,381
Other	796,599	706,423	685,168	673,350	586,096	573,905	564,915	560,747	511,898	473,065
Support services:										
Student	133,463	113,464	109,798	103,912	99,287	92,398	90,615	64,307	74,091	133,658
Instructional staff	278,124	219,597	175,857	162,989	851,584	179,334	179,418	103,279	96,818	100,568
Administration	620,039	588,259	577,696	561,376	541,711	568,510	524,524	538,601	513,783	450,089
Operation and maintenance of plant	488,918	428,690	371,685	390,718	417,522	346,522	387,131	391,114	366,725	335,670
Transportation	380,038	329,374	240,884	211,265	243,270	197,434	228,921	213,196	197,981	143,065
Capital outlay	421,543	622,470	674,260	481,270	576,428	252,567	438,706	73,987	119,990	192,102
Long-term debt:										
Principal	423,758	411,771	390,074	378,654	237,389	211,917	201,463	274,895	204,290	225,078
Interest	39,934	54,419	68,167	81,436	61,737	113,782	118,566	129,451	138,463	149,020
Other expenditures:										
AEA flowthrough	205,387	199,014	206,859	228,179	215,037	181,370	178,412	170,051	164,998	155,958
Total	\$ 6,880,517	6,847,780	6,852,463	6,470,672	6,964,471	5,718,617	5,707,725	5,221,061	4,883,056	4,822,127

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

To the Board of Education of the Northwood-Kensett Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Northwood-Kensett Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 18, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northwood-Kensett 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 Northwood-Kensett Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Northwood-Kensett Community School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwood-Kensett 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,

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providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part 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.

Northwood-Kensett Community School District's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Northwood-Kensett 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.


NOLTE, CORNMAN & JOHNSON, P.C.

March 18, 2015
Newton, Iowa

NORTHWOOD-KENSETT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District.

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Wire transfers - processing and approving.
- 8) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 9) Financial reporting - preparing, reconciling and approving.
- 10) Computer systems - performing all general accounting functions and controlling all data input and output.
- 11) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing current personnel, including elected officials.

Response - District is aware of the lack of segregation of duties and will make changes as personnel availability allows.

Conclusion - Response accepted.

I-B-14 Payroll Procedures - We noted during our audit that the District did not have authorization for payroll deductions for the fiscal 2014 year.

Recommendation - The District should review procedures to ensure that authorization is obtained for payroll deductions.

Response - Use of a payroll authorization form has been implemented and all employees have returned a signed form, if applicable.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the certified budget amounts in the support services, non-instructional programs and other expenditures functional areas.

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 - Budget amendment was filed for support services but estimates were not adequate. District will implement procedures to better estimate budget amounts.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - We noted during our audit the District is not always receiving itemized receipts for expenses charged on the District credit card. Board Policy 401.16 states in part "Employees and officers using a school district credit card must submit a detailed receipt in addition to a credit card receipt indicating the date, purpose and nature of the expenses for each claim item. Failure to provide a proper receipt shall make the employee responsible for expenses incurred."

Recommendation - The District should review Board Policy 401.16 with employees and require detailed receipts of purchases made with the District's credit card to be in compliance with board policy.

Response - Per board policy: "In exceptional circumstances, the superintendent or board may allow a claim without proper receipt. Written documentation explaining the exceptional circumstance shall be maintained as part of the school district's record of claim." The District will offer better explanations when exceptional circumstances are encountered.

Conclusion - Response accepted.

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
Robin Fredericks, Bus driver & Aide Spouse owns A&I Auto	Repairs	\$13,207
Ryan Severson, Teacher Brothers own Northwood Lumber	Purchased services	\$984
Tom Sculley, Bus driver Owns Village Florist	Flowers	\$63
Roger Harris, Board Member Sister owns Cornerpost	Food	\$312
Roger Harris, Board Member Sister owns Signature Supper Club	Meals	\$1,708
Larry Hovey, Board Member Co-Owns Hovey's Lawn & Garden	Lawn care, per bid	\$16,010
Larry Hovey, Board Member Employee of North Country Equipment, LLC	Parts/repairs	\$1,862
Bryn Pangburn, Bus driver Owns North Star Xpress LLC	Purchase supplies	\$20
Tim Johnson, Bus driver Owns Johnson Vinyl Graphics	Purchased services	\$1,459

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouses, brothers and sisters of District employees and board members do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with employees of the District do not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the code of Iowa, the above transaction with the Board President Larry Hovey does not appear to represent a conflict of interest. The lawn care services were chosen by bid and the board selected the bid while Larry Hovey abstained from the vote.

- II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-14 Certified Enrollment - No variances regarding the enrollment certified to the Iowa Department of Education were noted.
- II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-14 Deposits and Investments - The District’s investment policy does appear to comply with Chapter 12B and Chapter 12C of the Code of Iowa, however, we noted during our audit that the District owned mutual funds through VSR Financial. These are instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa, as well as the District’s investment policy.

Recommendation - The District should sell the mutual funds and invest in an investment within compliance of the District policy code number 704.3, Chapter 12B and Chapter 12C of the Code of Iowa.

Response - Recommendation has been communicated to VSR Financial and investment changes will be made when doing so will not result in a loss on investment.

Conclusion - Response accepted.

II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-14 Categorical Funding - We noted during our audit that the District did not factor in the Phase II money for the purposes of calculating the carryover balance in the Teacher Salary Supplement categorical funding.

	Restricted Balance on <u>District's CAR</u>	Amount of Expense <u>Adjustment</u>	Audited Ending Restricted <u>Balance</u>
Teacher salary supplement	\$ 108,916	\$ 82,986	\$ 25,930

Recommendation - The District should review Chapter 98 of the Iowa Administrative Code “Financial Management of Categorical Funding” to better understand the appropriate vs. inappropriate expenditures for Categorical Funding. The District should contact the Iowa Department of Education regarding required corrective action.

Response - District will make the required journal entry to account for Phase II money on an annual basis.

Conclusion - Response accepted.

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 following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District’s CAR including adjustments identified during the fiscal year 2014 audit:

Beginning Balance		\$	327,122
Revenues:			
Sales tax revenues	\$	437,392	
Other local revenues		847	438,239
		<u> </u>	<u>765,361</u>
Expenditures/transfer out:			
School infrastructure construction	\$	156,301	
Equipment		120,470	
Other		142	
Transfer to other funds:			
Debt service fund		88,024	364,937
		<u> </u>	<u> </u>
Ending Balance		\$	<u><u>400,424</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.