SENTRAL COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2014

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SENTRAL COMMUNITY SCHOOL DISTRICT

OFFICIALS

Name	Title	Term Expires
BOARD OF EDUCATION		
(Before September, 2013 Election)		
Ron Dacken	President	2013
David Hurlbert	Vice President	2013
Traci Ries	Board Member	2013
Roy Jensen	Board Member	2015
Cory Culbertson	Board Member	2015
(After September, 2013 Election)		
Ron Dacken	President	2015
David Hurlbert	Vice President	2015
Michael Bierstedt	Board Member	2015
Roy Jensen*	Board Member	2015
Cory Culbertson	Board Member	2015
Gene Miller**	Board Member	2015
SCHOOL OFFICIALS		
Arthur Pixler	Superintendent	
Joni Underwood	District Secretary/Treasurer	

*Resigned effective May 23, 2014
**Replaced Roy Jensen effective May 24, 2014

WILLIAMS & COMPANY P.C.
Certified Public Accountants

Independent Auditors' Report

To the Board of Education of the
Sentral Community School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of Sentral Community School District, Fenton, 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 as 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 accounting principles generally accepted in the United States of America; 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 entity'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 entity'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 that 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 activity, each major fund, and the aggregate remaining fund information of Sentral Community School District, Fenton, Iowa, 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 accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 of the financial statements, on July 1, 2014, the District reorganized with Armstrong-Ringsted CSD to create the North Union CSD. In fiscal year 2015, North Union CSD will adopt GASB Statement No. 69, *Government Combinations and Disposals of Government Operations.* Our opinion is not modified with respect to this matter.

203 North Grand Avenue P.O. Box 908 Spencer, Iowa 51301-0908
712-262-1500 FAX 712-262-2920

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and pages 37 through 39 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, who 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 auditing standards generally accepted in the United States of America, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sentral 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 year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The other supplementary information included in Schedules 1 through 4 is presented for purpose of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and were derived from and relate 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 auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 16, 2015 on our consideration of the Sentral 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 the Sentral Community School District's internal control over financial reporting and compliance.

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
February 16, 2015

Sentral 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 $2,692,082 in fiscal 2013 to $2,957,653 in fiscal year 2014, while General fund expenditures increased from $2,994,474 in fiscal 2013 to $3,145,776 in fiscal year 2014. The District's General fund balance decreased from $265,098 at the end of fiscal 2013 to $79,175 at the end of fiscal year 2014, a 70% decrease.

The increase in General fund revenues was attributable to an increase in surtaxes, tuition received, and state aid.

The increase in expenditures was primarily due to instructional expenses and maintenance costs.

The General fund balance decrease is the result of continued declining enrollment and an increase in salaries and maintenance costs.

Interest earnings in the General Fund alone decreased from $3,819 in fiscal year 2013 to $1,093 in fiscal year 2014 due to decreased cash on hand.

The District was whole-grade-sharing with North Kossuth CSD and Armstrong-Ringsted CSD in fiscal year 2014 and successfully voted to reorganize with Armstrong-Ringsted CSD, forming North Union CSD effective July 1, 2014.

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 Sentral 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 Sentral Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide financial information about activities for which Sentral Community School District acts solely as an agent or custodian for the benefit of those outside of the 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.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
GASB 34 Sentral Community School District Annual Financial Report

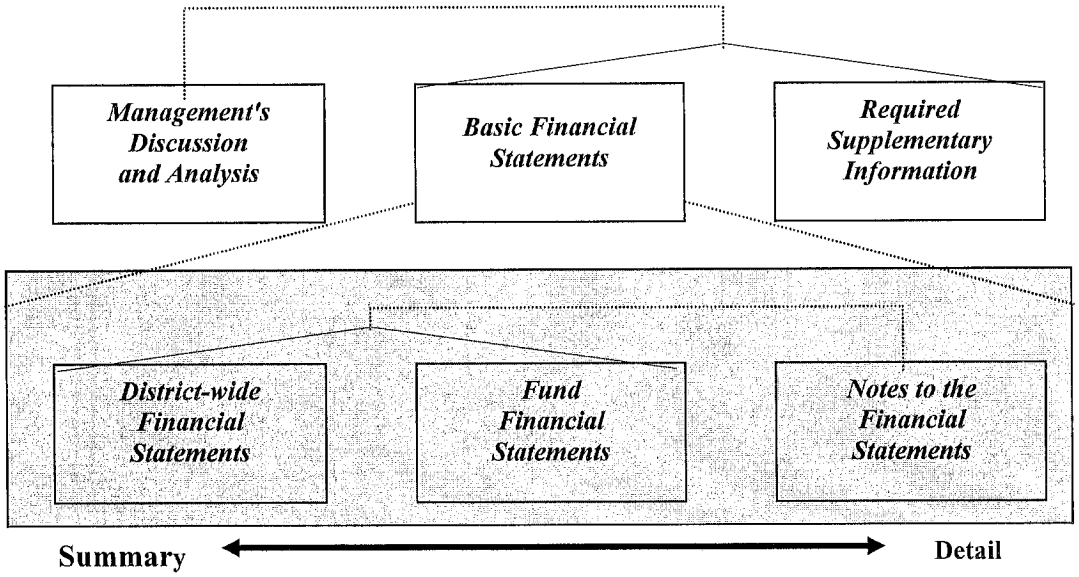

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures and changes in fund balances	• Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show 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 Project Funds. The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) *Fiduciary funds:* Fiduciary funds are custodial in nature and are used to account for funds held by the District on behalf of someone else. The District's fiduciary fund includes a scholarship fund. The District accounts for outside donations for scholarships for individual students in this fund. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business-Type Activity		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Current and Other Assets	$ 1,208,721	$ 2,448,071	$ (6,148)	$ (2,213)	$ 1,202,573	$ 2,445,858	-50.8%
Capital Assets	1,358,437	1,325,747	8,786	11,714	1,367,223	1,337,461	2.2%
Total Assets	2,567,158	3,773,818	2,638	9,501	2,569,796	3,783,319	-32.1%
Current Liabilities	757,447	1,751,010	-	-	757,447	1,751,010	-56.7%
Non-Current Liabilities	311,133	343,171	-	-	311,133	343,171	-9.3%
Total Liabilities	1,068,580	2,094,181	-	-	1,068,580	2,094,181	-49.0%
Net Position:							
Net Investment in Captial Assets	1,078,437	995,747	8,786	11,714	1,087,223	1,007,461	7.9%
Restricted	410,990	441,959	-	-	410,990	441,959	-7.0%
Unrestricted	9,151	241,931	(6,148)	(2,213)	3,003	239,718	-98.7%
Total Net Position	$ 1,498,578	$ 1,679,637	$ 2,638	$ 9,501	$ 1,501,216	$ 1,689,138	-11.1%

The District's combined net position decreased 11.1% or approximately $188,000, 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 resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately $30,000 or 7%, over the prior year. The decrease was primarily a result of decreased fund balances for the PPEL fund and for the Capital Projects Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established debt covenants, enabling legislation or other legal requirements – decreased approximately $239,000, or 99%. This decrease of unrestricted net position was primarily a result of spending down cash balances.

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

Figure A-4
Changes in Net Position from Operations

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2014	2013	2014	2013	2014	2013	
Revenue:							
Program Revenue:							
Charges for Services	$ 1,258,820	$ 1,181,711	$ 49,652	$ 50,134	$ 1,308,472	$ 1,231,845	6.22%
Operating Grants and Contributions	323,914	281,513	62,873	62,698	386,787	344,211	12.37%
Capital Grants and Contributions	17,568	-		-	17,568	-	100%
General Revenues:							
Property Tax	1,027,625	985,249	-	-	1,027,625	985,249	4.30%
Income Surtax	238,729	184,039	-	-	238,729	184,039	29.72%
St. Sales, Services & Use Tax	130,254	134,964	-	-	130,254	134,964	-3.49%
State Grants	384,732	294,497	-	-	384,732	294,497	30.64%
Interest Income	1,659	4,507	-	-	1,659	4,507	-63.19%
Miscellaneous	51,371	30,388	-	-	51,371	30,388	69.05%
Total Revenues	3,434,672	3,096,868	112,525	112,832	3,547,197	3,209,700	10.51%
Expenses:							
Instruction	2,371,189	2,316,805	-	-	2,371,189	2,316,805	2.35%
Support Services	1,058,714	856,080	-	-	1,058,714	856,080	23.67%
Non-Instructional	-	-	119,388	132,485	119,388	132,485	-9.89%
Other Expenses	185,828	140,952	-	-	185,828	140,952	31.84%
Total Expenses	3,615,731	3,313,837	119,388	132,485	3,735,119	3,446,322	8.38%
Change in Net Position	$ (181,059)	$ (216,969)	$ (6,863)	$ (19,653)	$ (187,922)	$ (236,622)	-20.58%

Property tax and unrestricted state grants account for 41% of the total governmental activities revenue while charges for services and operating grants and contributions account for 100% of the total business type activities revenue. The District's expenses primarily relate to instruction and support services which account for 92% of the total expenses.

The District's total revenues were approximately $3.5 million, of which $3.4 million was for governmental activities and $113 thousand was for business type activities.

As show in Figure A-4, the district as a whole experienced a 10.51% increase in revenues and an 8.38% increase in expenses. The increase in General Fund revenues was due to higher surtaxes, tuition, and state aid received. The increase in expenditures was due to an increase in instructional salaries and maintenance costs.

Governmental Activities

Revenues for governmental activities for the year ended June 30, 2014 were $3,432,472 and expenses were $3,613,531.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5 - Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	% Change	2014	2013	% Change
Instruction	$ 2,371,189	$ 2,316,805	2.35%	$ 867,709	$ 930,860	-6.78%
Support Services	1,058,714	856,080	23.67%	1,040,046	854,749	21.68%
Other Expenses	185,828	140,952	31.84%	107,674	65,004	65.64%
Total	$ 3,615,731	$ 3,313,837	9.11%	$ 2,015,429	$ 1,850,613	8.91%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was $1,258,820.
- Federal and state governments subsidized certain programs and grants and contributions totaling $323,914.
- The net cost of governmental activities was financed with $1,396,608 in property taxes and other taxes and $384,732 in unrestricted state grants.

Business-Type Activities

Revenues for the District's business-type activities (school food and nutrition services) totaled $112,525 representing a .3% decrease over the prior year, while expenses totaled $119,388, a 9.9% decrease over the prior year. (Refer to Figure A-4.) The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services and federal and state reimbursements.

A decrease in food costs and salaries account for the decrease in expenses.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of $355,930, a 39.7% percent decrease over last year's ending fund balances of $589,806. The reason for decrease was due to overspending.

Governmental Fund Highlights

The General Fund balance decreased from $265,098 to $79,175 due, in part, to overspending. The district has successfully reorganized with Armstrong-Ringsted CSD to form North Union CSD, effective July 1, 2014. The new district will continue to whole-grade-share with North Kossuth CSD and plans to monitor revenues and expenditures closely through the consolidation process.

Proprietary Fund Highlights

The School Nutrition Fund balance decreased from $9,501 at the end of fiscal year 2013 to $2,638 at the end of fiscal year 2014. This was due to a decrease in revenues.

Budgetary Highlights

The Sentral Community School District did amend its annual budget during the fiscal year ending June 30, 2014 to reflect anticipated additional expenses.

The District's revenues were $723,959 more than budgeted, primarily due to whole-grade-sharing revenues received.

Total expenditures were less than the amended budgeted expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2014, the District had invested $1.4 million, net of accumulated depreciation, in a broad range of assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. This represents a net increase of 2.23% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Total depreciation expense for the year was $118,760.

The original cost of the District's capital assets was $2,961,731. Governmental funds account for $2,927,174 with the remainder of $34,557 accounted for in the Proprietary, School Nutrition Fund.

The largest changes in capital asset activity were due to an increase in capital improvements and a decrease in land owned by the District.

Figure A-6 - Capital Assets

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2014	2013	2014	2013	2014	2013	
Land	$ 8,000	$ 78,800	$ -	$ -	$ 8,000	$ 78,800	-89.85%
Buildings & Improvements	1,203,588	1,092,721	-	-	1,203,588	1,092,721	10.15%
Equipment, Furniture & Vehicles	146,849	154,226	8,786	11,714	155,635	165,940	-6.21%
Total	$ 1,358,437	$ 1,325,747	$ 8,786	$ 11,714	$ 1,367,223	$ 1,337,461	2.23%

Long-Term Debt

At year-end, the District had $361,133 of long-term debt outstanding. This represents a decrease of approximately 8.25% from last year. See Figure A-7 below. Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

Figure A-7 - Long-Term Debt

	Total District		Total % Change
	2014	2013	
Net OPEB liability	$ 81,133	$ 63,171	28.43%
General Obligation Bonds	280,000	330,000	-15.15%
Total	$ 361,133	$ 393,171	-8.15%

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The Sentral Community School District no longer exists. The District has reorganized with the former Armstrong-Ringsted CSD, effective July 1, 2014, forming North Union CSD.
- North Union CSD has entered into a new whole-grade-sharing agreement with North Kossuth CSD and will share grades 6-12. The two districts continue to work together to best utilize both of the districts' resources.
- North Union CSD continues to share operational positions to increase both local revenues and supplemental weighting.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional information, contact Erin Rogers, Business Manager, North Union Community School District, 600 4th Avenue, Armstrong, IA 50514.

BASIC FINANCIAL STATEMENTS

SENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government Governmental Activities	Business Type Activities	Total
Assets			
Cash and Pooled Investments:	$ 382,291	$ 8	$ 382,299
Receivables:			
Property Tax	10,446	-	10,446
Income Surtax	146,203	-	146,203
Due from Other Governmental Agencies	657,792	-	657,792
Internal Balances	11,989	(11,989)	-
Inventories	-	5,833	5,833
Land	8,000	-	8,000
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	1,350,437	8,786	1,359,223
Total Assets	2,567,158	2,638	2,569,796
Liabilities			
Accounts Payable	488,533	-	488,533
Accrued Wages and Payroll Liabilities	209,977	-	209,977
Accrued Interest Payable	859	-	859
Advances from Grantors	8,078	-	8,078
Long-Term Liabilities:			
Debt Due Within One Year:			
Bonds Payable	50,000	-	50,000
Debt Due in More Than One Year:			
Bonds Payable	230,000	-	230,000
Net OPEB Liability	81,133	-	81,133
Total Liabilities	1,068,580	-	1,068,580
Net Position			
Net Investment in Capital Assets	1,078,437	8,786	1,087,223
Restricted for:			
Physical Plant and Equipment Levy	106,405	-	106,405
Categorical Funding	135,094	-	135,094
Debt Service	9,325	-	9,325
Student Activities	10,683	-	10,683
School Infrastructure	118,496	-	118,496
Management Levy	30,987	-	30,987
Unrestricted	9,151	(6,148)	3,003
Total Net Position	$ 1,498,578	$ 2,638	$ 1,501,216

See Accompanying Notes to Financial Statements

SENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Instruction:				
Regular Instruction	$ 1,608,427	$ 1,218,208	$ 203,082	$ -
Special Instruction	537,175	-	-	-
Other Instruction	225,587	40,612	41,578	-
Support Services:				
Student Services	56,530	-	-	-
Instructional Staff Services	59,419	-	1,100	-
Administration Services	354,846	-	-	-
Operations and Maintenance	398,075	-	-	17,568
Transportation Services	189,844	-	-	-
Other Expenditures:				
Long-term Debt Interest and Fiscal Charges	12,234	-	-	-
AEA Flow-Through	78,154	-	78,154	-
Loss on Disposal of Assets	43,800	-	-	-
Unallocated Depreciation*	51,640	-	-	-
Total Governmental Activities	3,615,731	1,258,820	323,914	17,568
Business-Type Activities:				
School Nutrition Fund	119,388	49,652	62,873	-
Total School District	$ 3,735,119	$ 1,308,472	$ 386,787	$ 17,568
General Revenues:				
Property Tax Levied For:				
General Purposes				
Management Levy				
Physical Plant and Equipment Levy				
Debt Service				
Income Surtax				
General Purposes				
Capital Outlay				
Statewide Sales and Services Tax				
Unrestricted State Grants				
Interest on Investments				
Gain from Disposal of Assets				
Miscellaneous				
Total General Revenues				
Change in Net Position				
Net Position - Beginning				
Net Position - Ending				

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (187,137)		$ (187,137)
(537,175)		(537,175)
(143,397)		(143,397)
(56,530)		(56,530)
(58,319)		(58,319)
(354,846)		(354,846)
(380,507)		(380,507)
(189,844)		(189,844)
(12,234)		(12,234)
-		-
(43,800)		(43,800)
(51,640)		(51,640)
(2,015,429)		(2,015,429)
-	$ (6,863)	(6,863)
(2,015,429)	(6,863)	(2,022,292)
872,482	-	872,482
49,623	-	49,623
43,172	-	43,172
62,348	-	62,348
134,178	-	134,178
104,551	-	104,551
130,254	-	130,254
384,732	-	384,732
1,659	-	1,659
2,200	-	2,200
49,171	-	49,171
1,834,370	-	1,834,370
(181,059)	(6,863)	(187,922)
1,679,637	9,501	1,689,138
$ 1,498,578	$ 2,638	$ 1,501,216

See Accompanying Notes to Financial Statements

SENTRAL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Pooled Investments	$ 124,826	$ 97,659	$ 107,808	$ 51,998	$ 382,291
Receivables:					
Property Taxes	8,869	-	439	1,138	10,446
Income Surtax	83,545	-	62,658	-	146,203
Due from Other Governmental Agencies	618,568	20,837	18,387	-	657,792
Due from Other Funds	11,989	-	-	-	11,989
Total Assets	847,797	118,496	189,292	53,136	1,208,721
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts Payable	467,022	-	20,229	1,282	488,533
Accrued Wages and Payroll Liabilities	209,977	-	-	-	209,977
Advances from Grantors	8,078	-	-	-	8,078
Total Liabilities	685,077	-	20,229	1,282	706,588
Deferred Inflows of Resources					
Unavailable Revenues:					
Income Surtax	83,545	-	62,658	-	146,203
Total Deferred Inflows of Resources	83,545	-	62,658	-	146,203
Fund Balances					
Restricted for:					
Categorical Funding	135,094	-	-	-	135,094
Debt Service	-	-	-	10,184	10,184
Student Activites	-	-	-	10,683	10,683
Management Levy	-	-	-	30,987	30,987
School Infrastructure	-	118,496	-	-	118,496
Physical Plant and Equipment	-	-	106,405	-	106,405
Unassigned	(55,919)	-	-	-	(55,919)
Total Fund Balances	79,175	118,496	106,405	51,854	355,930
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 847,797	$ 118,496	$ 189,292	$ 53,136	$ 1,208,721

See Accompanying Notes to Financial Statements

SENTRAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2014

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 16)	$	355,930
Income surtax receivable at June 30, 2014 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Net Position.		146,203
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,358,437
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.		(859)
Long-term liabilities, including bonds and notes payable and other postemployment benefits payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		(361,133)
Total Net Position - Governmental Activities (page 13)	$	1,498,578

SENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds
Revenues					
Local Sources:					
Local Tax	$ 1,013,535	$ 130,254	$ 152,880	$ 111,971	$ 1,408,640
Tuition	1,201,595	-	-	-	1,201,595
Other	33,896	11,452	20,011	42,697	108,056
State Sources	607,926	-	18	-	607,944
Federal Sources	100,701	-	17,568	-	118,269
Total Revenues	2,957,653	141,706	190,477	154,668	3,444,504
Expenditures					
Instruction:					
Regular Instruction	1,570,926	-	-	2,022	1,572,948
Special Instruction	537,175	-	-	-	537,175
Other Instruction	189,702	-	-	35,885	225,587
Support Services:					
Student Services	56,530	-	-	-	56,530
Instructional Staff Services	26,067	-	33,352	-	59,419
Administration Services	299,676	14,745	55,781	-	370,202
Operations and Maintenance	229,089	150,182	85,038	52,031	516,340
Transportation Services	158,457	-	-	-	158,457
Other Expenditures:					
Facilities Acquisition	-	70,413	-	-	70,413
Long-Term Debt:					
Principal	-	-	-	50,000	50,000
Interest and Fiscal Charges	-	-	-	12,355	12,355
AEA Flow-Through	78,154	-	-	-	78,154
Total Expenditures	3,145,776	235,340	174,171	152,293	3,707,580
Excess (Deficiency) of Revenues Over (Under) Expenditures	(188,123)	(93,634)	16,306	2,375	(263,076)
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	2,200	-	27,000	-	29,200
Transfers In	-	25,000	-	-	25,000
Transfers Out	-	-	-	(25,000)	(25,000)
Total Other Financing Sources	2,200	25,000	27,000	(25,000)	29,200
Net Change in Fund Balance	(185,923)	(68,634)	43,306	(22,625)	(233,876)
Fund Balances at Beginning of Year	265,098	187,130	63,099	74,479	589,806
Fund Balances at End of Year	$ 79,175	$ 118,496	$ 106,405	$ 51,854	$ 355,930

See Accompanying Notes to Financial Statements

SENTRAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net Change in Fund Balances - Total Governmental funds (page 18)		$ (233,876)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred inflows. They are, however, recorded as revenues in the Statement of Activities. This represents the change in income surtax receivable from the prior year.		(12,032)
Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	219,322	
Depreciation expense	(115,832)	103,490
Accrued interest expense that does not require current financial resources.		121
Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on sale or disposal of fixed assets. This is the effect on the change in net position on the statement of activities.		(70,800)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds without affecting net position. The Statement of Activities does not reflect the payment of principal on long-term debt. The principal paid on long-term debt during the current year was:		50,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Other Postemployment Benefits		(17,962)
Change in Net Position of Governmental Activities (page 15)		$ (181,059)

See Accompanying Notes to Financial Statements

SENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	School Nutrition Fund
Assets	
Current Assets:	
Cash and Pooled Investments	$ 8
Inventories	5,833
Total Current Assets	5,841
Noncurrent Assets:	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	8,786
Total Assets	14,627
Liabilities	
Due to Other Funds	11,989
Total Liabilities	11,989
Net Position	
Net Investment in Capital Assets	8,786
Unrestricted	(6,148)
Total Net Position	$ 2,638

See Accompanying Notes to Financial Statements

SENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	School Nutrition Fund
Operating Revenues:	
Charges for Services	$ 49,652
Total Operating Revenue	49,652
Operating Expenses:	
Non-Instructional Programs:	
Food Service Operations:	
Salaries	42,577
Benefits	21,576
Food	49,583
Supplies	2,550
Other Expense	173
Depreciation	2,929
Total Operating Expenses	119,388
Operating (Loss)	(69,736)
Non-Operating Revenue:	
State Lunch Reimbursements	910
National School Lunch Program	53,626
Federal Food Commodities Received	8,337
Total Non-Operating Revenue	62,873
Change in Net Position	(6,863)
Net Position - Beginning of Year	9,501
Net Position - Ending	$ 2,638

See Accompanying Notes to Financial Statements

SENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	School Nutrition Fund
Cash Flows from Operating Activities	
Cash Received from Customers	$ 49,652
Cash Payments for Salaries and Benefits	(64,153)
Cash Payments for Goods and Services	(46,515)
Net Cash (Used) by Operating Activities	(61,016)
Cash Flows from Non-Capital Financing Activities	
Federal Appropriations Received	53,626
State Appropriations Received	910
Cash Received from General Fund	4,768
Net Cash Provided by Non-Capital Financing Activities	59,304
Net (Decrease) in Cash and Cash Equivalents	(1,712)
Cash and Cash Equivalents at Beginning of Year	1,720
Cash and Cash Equivalents at End of Year	$ 8
Reconciliation of Operating (Loss) to Net Cash (Used) in Operating Activities:	
Operating (Loss)	$ (69,736)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) in Operating Activities:	
Depreciation Expense	2,929
Commodities Used	8,337
Change in Assets and Liabilities:	
Increase in Inventory	(2,546)
Net Cash (Used) by Operating Activities	$ (61,016)
Supplemental Schedule of Noncash Noncapital Financial Activities:	
Federal Food Commodities Received	$ 8,337

See Accompanying Notes to Financial Statements

SENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	Private Purpose Trust Scholarship
Assets	
Cash and Pooled Investments	$ 150,956
Total Assets	150,956
Net Position	
Restricted for Scholarships	150,956
Total Net Position	$ 150,956

See Accompanying Notes to Financial Statements

SENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Private Purpose Trust Scholarship
Additions:	
Local Sources:	
Interest on Investments	$ 1,026
Total Additions	1,026
Deductions	
Support Services	
Scholarships Awarded	1,812
Total Deductions	1,812
Change in Net Position	(786)
Net Position Beginning of the Year	151,742
Net Position End of Year	$ 150,956

See Accompanying Notes to Financial Statements

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sentral Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the Cities of Lone Rock and Fenton, Iowa, and agricultural area in Kossuth and Palo Alto Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. The District is currently engaged in a three way sharing agreement with the North Kossuth Community School District and Armstrong-Ringsted Community School District for grades six through twelve.

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, Sentral Community School District has included all funds, organizations, account groups, 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 Sentral 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 do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Kossuth County Assessor Conference Boards.

B. Basis of Presentation

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

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

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

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- ***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.

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

The District first uses restricted resources to finance qualifying activities.

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

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

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

- The **Capital Projects Fund, Statewide Sales, Services and Use Tax** is used to account for property tax levy per thousand dollars of assessed valuation in the District for the for the acquisition and construction of capital facilities and other capital assets.

- The **Capital Projects Fund, Physical Plant and Equipment Levy** is used to account for the purchase of equipment and the repairing, remodeling, and construction of the buildings and land improvements.

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.

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Measurement Focus and Basis of Accounting

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

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

Cash and Pooled Investments – The cash balances of most District funds are pooled and invested, while all other funds have separate accounts. Investments are stated at fair value except for 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 governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years.

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 contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

Land	$ 1,000
Buildings	$ 10,000
Improvements other than Buildings	$ 10,000
Furniture and Equipment:	
School Nutrition Fund Equipment	$ 500
Other Furniture and Equipment	$ 2,500

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

Buildings	50 years
Improvements other than Buildings	20 years
Furniture and Equipment	5 – 15 years

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

Unearned Revenue – When assets are recognized in connection with a transaction before the earning process is complete, those assets must be offset by a corresponding liability for unearned revenue. Unearned revenue consists of unspent grant proceeds.

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

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

Fund Equity – In the governmental fund financial statements, fund 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.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the other expenditures functional area and the District exceeded its General Fund unspent authorized budget.

Note 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2014, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to 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.

Custodial Credit Risk – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 397 days or less. The District's investments consist of certificates of deposit that have original maturities of less than 397 days.

Note 3 – CAPITAL ASSETS

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

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 78,800	$ -	$ 70,800	$ 8,000
Total Assets Not Being Depreciated	78,800	-	70,800	8,000
Capital Assets Being Depreciated				
Buildings and Improvements	2,176,185	167,677	-	2,343,862
Furniture and Equipment	580,298	51,645	56,631	575,312
Total Capital Assets Being Depreciation	2,756,483	219,322	56,631	2,919,174
Less: Accumulated Depreciation for:				
Buildings and Improvements	1,083,464	56,810	-	1,140,274
Furniture and Equipment	426,072	59,022	56,631	428,463
Total Accumulated Depreciation	1,509,536	115,832	56,631	1,568,737
Total Capital Assets Being Depreciated, Net	1,246,947	103,490	-	1,350,437
Governmental Activities Capital Assets, Net	$ 1,325,747	$ 103,490	$ 70,800	$ 1,358,437
Business-type Activity:				
Furniture and Equipment	$ 34,557	$ -	$ -	$ 34,557
Less Accumulated Depreciation	22,843	2,928	-	25,771
Business-Type Activity Capital Assets, Net	$ 11,714	$ (2,928)	$ -	$ 8,786

Depreciation expense was charged to the following functions:

Governmental Activities:	
Transportation Services	$ 31,387
Administration	4,175
Regular Instruction	17,517
Operation and Maintenance	11,113
Unallocated	51,640
Total depreciation expense - governmental activities	$ 115,832
Business-type Activities:	
Food Service Operations	$ 2,928

Note 3 – CAPITAL ASSETS (Continued)

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-type Activity
Land	$ 8,000	$ -
Capital Assets (net of accumulated depreciation)	1,350,437	8,786
Less:		
Bonds Payable	(280,000)	-
Investment in Capital Assets, Net of Related Debt	$ 1,078,437	$ 8,786

Note 4 – LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 330,000	$ -	$ 50,000	$ 280,000	$ 50,000
Net OPEB Liablity	63,171	17,962	-	81,133	-
Long-Term Liabilities	$ 393,171	$ 17,962	$ 50,000	$ 361,133	$ 50,000

General Obligation Bonds

The District adopted a resolution, on September 15, 2009, providing for the issuance of $525,000 in General Obligation School Refunding Bonds, Series 2009. Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30	Interest Rates	Principal	Interest
2015	2.90	$ 50,000	$ 10,305
2016	3.85	55,000	8,855
2017	3.85	55,000	6,738
2018	3.85	60,000	4,620
2019	3.85	60,000	2,310
	Total	$ 280,000	$ 32,828

Note 5 – INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2014, short-term interfund borrowings were as follows:

Fund Due To	Fund Due From	Amount
General Fund	Nutrition Fund	$ 11,989
		$ 11,989

The purpose of the interfund balance from the Nutrition Fund to the General Fund is reimbursement for salaries and benefits that was paid out of the General Fund that is related to the Nutrition Fund.

Note 6 – INTERFUND TRANSFERS

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

Transfer To	Transfer From	Amount
Capital Projects:	Special Revenue:	
Statewide Sales, Services and Use Tax	Student Activity - Nonmajor	$ 25,000

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

Note 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 $122,989, $116,476, and $89,310, respectively, equal to the required contributions for each year.

Note 7 – OTHER POSTEMPLOYMENT BENEFITS

During fiscal 2010, the District adopted the provisions of GASB 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions". The major change under GASB 45 is to attribute the cost of post-employment benefits to the time during which the employee is working for the employer.

Note 7 – **OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Accordingly, a prospective liability is recorded at June 30, 2014 for a Post-Employment Benefit Obligation as determined by an actuarial calculation.

Plan Description. An employee who has a minimum of 10 years of service and age 55 are provided single coverage health insurance until they reach the age of 65. Premiums are based on the full active employee premium rate.

Funding Policy. 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 other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

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

Annual required contribution	$ 24,054
Interst on net OPEB obligation	1,579
Adjustment to annual required contribution	(4,841)
Annual OPEB cost (Expense)	20,792
Contributions made	(2,830)
Increase in net OPEB obligation	17,962
Net OPEB obligation - beginning of year	63,171
Net OPEB obligation - end of year	$ 81,133

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	$ 17,833	0.30%	$ 45,374
2013	$ 20,406	12.79%	$ 63,171
2014	$ 20,792	13.61%	$ 81,133

Note 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2012 was as follows:

Actuarial accrued liability (AAL)	$	126,221
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	$	126,221
Covered payroll (active members)	$	1,346,948
UAAL as a percentage of covered payroll		9.4%

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the 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 substantive plan 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 and do not explicitly reflect the potential effect of legal or contractual funding limitation. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of shot-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 8 – OPERATING LEASES

The District has leased a copier. The lease has been classified as an operating lease, and accordingly, all rents are expensed as incurred. The lease will expire in 2018 and require various minimum annual rentals.

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2014:

Year Ending June 30,	Amount	
2015	$	2,556
2016		2,556
2017		2,556
2018		213
	$	7,881

Rents for the year ended June 30, 2014 for the operating lease totaled $2,556.

Note 8 – 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 $78,154 for the year ended June 30, 2014, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9 – RISK MANAGEMENT

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

Note 10 – REORGANIZATION

The voters of the Sentral and Armstrong-Ringsted School Districts have approved a reorganization of the districts effective July 1, 2014 with the new district being called the North Union Community School District. Beginning in fiscal year 2015, the North Union CSD will adopt GASB Statement No. 69, *Government Combinations and Disposals of Government Operations.* The beginning net position of North Union CSD will be the combining carrying values of Sentral and Armstrong-Ringsted's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The succeeding year property taxes for fiscal year 2014 for Sentral and Armstrong-Ringsted, which were levied for the North Union CSD for fiscal year 2015 totaling $3,060,911, have the same levy rates with the exception of the debt service levy. The total succeeding year property taxes for the debt service levy is $602,172 with Sentral's portion being $150,805 based on a levy rate of 1.27172.

Note 11 – DEFICIT BALANCE

The Nutrition Fund had a deficit fund balance as of June 30, 2014 of ($6,148). This deficit will be financed through future revenues and through the reorganization of the district with Armstrong-Ringsted to create the North Union CSD.

Note 12- CATEGORICAL FUNDING

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

Program	Amount
Gifted and Talented	$ 55,003
Teacher Salary Supplement	31,906
Educator Quality	7,929
Professional Development	27,322
Market Factor	2,728
Beginning Teacher Mentoring	403
Successful Progression of Early Readers	4,250
Teacher Leadership	5,553
Total	$ 135,094

REQUIRED SUPPLEMENTARY INFORMATION

SENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Receipts						
Local Sources:						
Local Taxes	$ 1,408,640	$ -	$ 1,408,640	$ 1,137,481	$ 1,137,481	$ 271,159
Tuition	1,201,595	-	1,201,595	520,000	520,000	681,595
Other	108,056	49,652	157,708	300,880	300,880	(143,172)
State Sources	607,944	910	608,854	643,709	643,709	(34,855)
Federal Sources	118,269	61,963	180,232	231,000	231,000	(50,768)
Total Receipts	3,444,504	112,525	3,557,029	2,833,070	2,833,070	723,959
Expenditures						
Instruction	2,335,710	-	2,335,710	1,902,900	2,602,900	267,190
Support Services	1,160,948	-	1,160,948	995,900	1,695,900	534,952
Non-Instructional Programs	-	119,388	119,388	127,000	177,000	57,612
Other Expenditures	210,922	-	210,922	151,857	201,857	(9,065)
Total Expenditures	3,707,580	119,388	3,826,968	3,177,657	4,677,657	850,689
Excess (Deficiency) of Revenues Over Expenditures	(263,076)	(6,863)	(269,939)	(344,587)	(1,844,587)	1,574,648
Other Financing Sources (Uses)						
Proceeds of Sale of Capital Asset	29,200	-	29,200	-	-	29,200
Total Other Financing Sources (Uses)	29,200	-	29,200	-	-	29,200
Change in Fund Balance	(233,876)	(6,863)	(240,739)	(344,587)	(1,844,587)	1,603,848
Fund Balance at Beginning of Year	589,806	9,501	599,307	599,307	599,307	-
Fund Balance at End of Year	$ 355,930	$ 2,638	$ 358,568	$ 254,720	$ (1,245,280)	$ 1,603,848

See Accompanying Independent Auditor's Report

SENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by $1,500,000.

During the year ended June 30, 2014, expenditures in the other expenditures functional area exceeded the amounts budgeted and the District did exceed its General Fund unspent authorized budget.

SENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
YEAR ENDED JUNE 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	7/1/2009	$ -	$ 113,000	$ 113,000	0%	$ 1,052,000	10.7%
2011	7/1/2009	$ -	$ 112,000	$ 112,000	0%	$ 1,121,000	10.0%
2012	7/1/2009	$ -	$ 111,000	$ 111,000	0%	$ 1,157,000	9.6%
2013	7/1/2012	$ -	$ 137,002	$ 137,002	0%	$ 1,325,161	10.3%
2014	7/1/2012	$ -	$ 126,221	$ 126,221	0%	$ 1,346,948	9.4%

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.

OTHER SUPPLEMENTARY INFORMATION

SENTRAL COMMUNITY SCHOOL DISTRICT **SCHEDULE 1**
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2014

	Special Revenue Funds		Debt Service Fund	
	Student Activity	Management	Debt Service	Total
Assets				
Cash and Pooled Investments	$ 10,683	$ 31,765	$ 9,550	$ 51,998
Receivables:				
Property Tax	-	504	634	1,138
Total Assets	10,683	32,269	10,184	53,136
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	-	1,282	-	1,282
Total Liabilities	-	1,282	-	1,282
Fund Balances				
Restricted for:				
Student Activities	10,683	-	-	10,683
Management	-	30,987	-	30,987
Debt Service	-	-	10,184	10,184
Total Fund Balances	10,683	30,987	10,184	51,854
Total Liabilities and Fund Balance	$ 10,683	$ 32,269	$ 10,184	$ 53,136

SENTRAL COMMUNITY SCHOOL DISTRICT SCHEDULE 2

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL NONMAJOR FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds		Debt Service Fund	
	Student Activity	Management	Debt Service	Total
Revenues				
Local Sources				
Local Tax	$ -	$ 49,623	$ 62,348	$ 111,971
Other	40,612	2,085	-	42,697
Total Revenues	40,612	51,708	62,348	154,668
Expenditures				
Instruction:				
Regular Instruction	-	2,022	-	2,022
Other Instruction	35,885	-	-	35,885
Support Services:				
Operations & Maintenance	-	52,031	-	52,031
Other Expenditures:				
Long-Term Debt				
Principal	-	-	50,000	50,000
Interest and Fiscal Charges	-	-	12,355	12,355
Total Expenditures	35,885	54,053	62,355	152,293
Excess (Deficiency) of Revenues Over Expenditures	4,727	(2,345)	(7)	2,375
Other Financing Sources (Uses)				
Transfers Out	(25,000)	-	-	(25,000)
Total Other Financing Sources (Uses)	(25,000)	-	-	(25,000)
Net Change in Fund Balances	(20,273)	(2,345)	(7)	(22,625)
Fund Balances at Beginning of Year	30,956	33,332	10,191	74,479
Fund Balances at End of Year	$ 10,683	$ 30,987	$ 10,184	$ 51,854

SENTRAL COMMUNITY SCHOOL DISTRICT **SCHEDULE 3**

SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY

FOR THE YEAR ENDED JUNE 30, 2014

	Balance June 30, 2013	Revenues and Interfund Transfers	Expenditures and Transfers	Balance June 30, 2014
Vocal	$ 142	$ -	$ -	$ 142
Band Resale	-	199	156	43
Athletic	6,377	-	3,389	2,988
Annual	138	728	-	866
Student Council	4,310	6,068	7,842	2,536
School Front	31	-	31	-
Library Fair	1,542	4,554	5,838	258
Elementary	18,415	29,063	43,629	3,849
Total for Activity Funds	$ 30,956	$ 40,612	$ 60,885	$ 10,683

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SENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis of Accounting				
	2014	2013	2012	2011	2010
Revenues:					
Local Sources:					
Local Tax	$ 1,408,640	$ 1,297,757	$ 1,306,045	$ 1,310,064	$ 1,407,575
Tuition	1,201,595	1,115,659	507,447	388,168	321,654
Other	108,056	100,946	129,068	85,444	85,522
State Sources	607,944	496,587	699,972	613,968	492,437
Federal Sources	118,269	79,424	125,538	185,081	217,598
	$ 3,444,504	$ 3,090,373	$ 2,768,070	$ 2,582,725	$ 2,524,786
Expenditures:					
Instruction:	$ 2,335,710	$ 2,295,266	$ 1,704,902	$ 1,574,152	$ 1,540,144
Support Services:					
Student Services	56,530	5,747	1,208	8,872	1,432
Instructional Staff Services	59,419	29,235	15,791	105,990	71,174
Administration Services	370,202	346,574	327,279	292,322	273,427
Operations and Maintenance	516,340	316,014	377,373	446,142	487,499
Transportation Services	158,457	156,343	151,587	150,641	135,294
Non-Instructional Programs	-	-	-	-	-
Other Expenditures:					
Facilities Acquisition	70,413	2,600	6,200	-	-
Long-term Debt:					
Principal	50,000	50,000	50,000	45,000	50,000
Interest and Other Charges	12,355	13,818	14,705	15,413	32,059
AEA Flowthrough	78,154	75,948	75,575	84,547	83,591
	$ 3,707,580	$ 3,291,545	$ 2,724,620	$ 2,723,079	$ 2,674,620

	2009	2008	2007	2006	2005
	$ 1,569,247	$ 1,815,653	$ 1,862,048	$ 1,410,953	$ 1,349,511
	281,848	324,394	281,223	245,337	265,316
	80,433	156,265	211,957	187,767	177,995
	665,988	820,434	769,169	883,955	858,307
	124,494	65,957	118,679	151,152	172,681
	$ 2,722,010	$ 3,182,703	$ 3,243,076	$ 2,879,164	$ 2,823,810
	$ 1,539,644	$ 1,753,475	$ 1,696,300	$ 1,893,077	$ 2,096,484
	3,199	1,688	30,099	52,264	90,394
	82,659	83,057	86,254	99,947	53,341
	266,005	332,679	346,911	336,874	329,491
	392,796	363,850	264,890	371,063	249,203
	132,868	122,601	117,504	113,950	136,974
	-	-	-	12,763	26,141
	-	186,755	7,476	-	89,378
	35,000	35,000	35,000	30,000	30,000
	30,555	32,375	34,195	35,755	37,315
	79,390	79,045	77,056	76,210	76,215
	$ 2,562,116	$ 2,990,525	$ 2,695,685	$ 3,021,903	$ 3,214,936

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WILLIAMS & COMPANY P.C.
Certified Public Accountants

Independent Auditors' 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
Sentral Community School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of Sentral Community School District, Fenton 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, and have issued our report thereon dated February 16, 2015.

Internal Control Over Financial Reporting

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

A *deficiency* in internal control exists when the design or operation of a 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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as items 14-II-A and 14-II-B to be material weaknesses in internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 certain deficiencies in internal control that we consider to be material weaknesses.

203 North Grand Avenue P.O. Box 908 Spencer, Iowa 51301-0908
712-262-1500 FAX 712-262-2920

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sentral 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Sentral Community School District's Response to Findings

Sentral Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The 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 results 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 Sentral 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.

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
February 16, 2015

SENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

PART I – SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

(A) An unmodified opinion was issued on the financial statements.

(B) Material Weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.

(C) The audit did not disclose any non-compliance, which is material to the financial statements.

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCES OF NON-COMPLIANCE: No matters were reported.

MATERIAL WEAKNESSES:

14-II-A Financial Reporting

Criteria – The District is responsible for the accuracy and correct reporting of the financial statements.

Condition – During our audit, we identified material amounts of accounts payable and expenses and immaterial amounts of account receivable, inventories, accrued liabilities, and revenues not properly recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Effect – Financial statements were materially misstated.

Recommendation – The District should implement procedures to ensure all accounts receivables, inventories, accounts payables, accrued liabilities, revenues and expenses are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any of the above mentioned transactions and verify expenses have been recorded properly.

Conclusion – Response accepted.

14-II-B Segregation of Duties

Criteria – The District is responsible for the establishment of adequate segregation of duties to help prevent losses from employee error or dishonesty and therefor maximizes the accuracy of the District's financial statements.

Condition – The District has a small staff and accordingly has not been able to achieve full segregation of duties over all accounting transactions. It was determined that incompatible duties in the cash receipts and revenue area, such as the person making up the deposit, recording the deposit in the accounting software and depositing it into the bank are being performed by the same person. In the same manner, all areas of payroll are being performed by the same employee.

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

Effect – As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period. Internal controls that are in place could be averted, overridden, or not consistently implemented.

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the District should review the operating procedures for cash receipts and payroll and see if other employees could review or perform some of the tasks performed by the same employee to obtain the maximum internal control possible under the circumstances.

Response – The District feels that additional personnel would not be cost effective. Management and the school board of the newly reorganized North Union CSD will review procedures and investigate available alternatives.

Conclusion – Response accepted.

PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

14-III-A: Certified Budget – Expenditures for the year ended June 30, 2014 exceeded the certified budget amounts in the other expenditures functional area. The District also exceeded its General Fund unspent authorized budget for the year ended June 30, 2014 by approximately $323,000.

Recommendation – The North Union CSD should contact the Iowa Department of Education and the School Budget Review Committee to resolve the General Fund unspent authorized budget over expenditure.

Response – The North Union CSD will contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Conclusion – Response accepted.

14-III-B: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

14-III-C: Travel Expense – No expenditures of Sentral Community School District were for travel expenses of spouses of District officials or employees.

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

Name, Title, and Business Connection	Transaction Description	Amount
Ronald Dacken, Board Member Owner of Dacken and Associates	Property Insurance	$ 48,097

PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING (CONTINUED)

In accordance with the Code of Iowa, the above transaction may represent conflict of interest since the total received during the fiscal year is greater then $2,500. This transaction may represent a conflict of interest and the District should contact legal council for determination.

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

14-III-F: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.

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

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

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

14-III-J: Certified Annual Report – The Certified Annual Report was filed timely with the Department of Education.

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

14-III-L: Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provision of chapter 423F.3 of the Code of Iowa were noted.

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

SENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING (CONTINUED)

Beginning Balance		$ 187,130
Revenues/Transfers In:		
Statewide Sales and Services Tax Revenue	130,254	
Other Local Revenue	11,452	
Transfers from Other Funds	25,000	166,706
		353,836
Expenditures/Transfers Out:		
Administration Services	14,745	
School Infrastructure:		
Facilities Acquisition	70,413	
Other Improvements	150,182	235,340
Ending Balance		$ 118,496

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.

14-III-M: Deficit Balances – The Nutrition Fund had a deficit balance at June 30, 2014.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit.

Response – The District is aware of this situation and future revenues and the reorganization of the District with Armstrong-Ringsted to create the North Union CSD will eliminate this deficit by June 30, 2015.

Conclusion – Response accepted.

14-III-N: Student Activity Fund: - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. All moneys in Student Activity Fund appear to be extracurricular or co-curricular in nature.