

NORTH POLK COMMUNITY SCHOOL DISTRICT
ALLEMAN, IOWA

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

JUNE 30, 2015

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NORTH POLK COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Keith Muehlenthaler	President	2015
Tim Krehbiel	Vice President	2015
Brett Bruggeman	Board Member	2017
Diane Lackore	Board Member	2017
Gary Reinhart	Board Member	2017
<u>School Officials</u>		
Dan Mart	Superintendent	2015
Jacob Ballard	District Secretary/Treasurer/ Business Manager (Resigned October 31, 2014)	
Calli Landenberger	District Secretary/Treasurer/ Business Manager (Appointed November 20, 2014)	2015
Ahlers & Cooney, P.C.	Attorney	Indefinite

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Polk Community School District, Alleman Iowa, as of and for the year ended June 30, 2015 and the related notes to financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Polk Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 13 to the financial statements, North Polk Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 62 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Polk Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the five years ended June 30, 2010 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2016 on our consideration of North Polk Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering North Polk Community School District's internal control over financial reporting and compliance.

Hunt & Associates, P.C.

Oskaloosa, Iowa
January 21, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Polk Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues and other financing sources increased from \$13,634,681 in fiscal 2014 to \$14,527,477 in fiscal 2015; General Fund expenditures and other financing uses also increased from \$13,014,576 in fiscal 2014 to \$13,858,824 in fiscal 2015. The District's General Fund balance increased from \$3,388,607 in fiscal 2014 to \$4,057,260 in fiscal 2015, a 19.7% increase.
- The increase in General Fund revenues was attributable primarily to increases in state aid revenues in fiscal 2015. The increase in state grant revenue is attributable to an increase in budget enrollment. The increase in expenditures was due primarily to increases in negotiated salary and benefits plus the additional salary, benefits, and other related costs associated with serving fifty-three additional students.
- The increase in the General Fund balance is due primarily to controlling the expected increase in expenditures due to higher enrollment in relation to the available revenues.

USING THIS ANNUAL REPORT

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

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

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

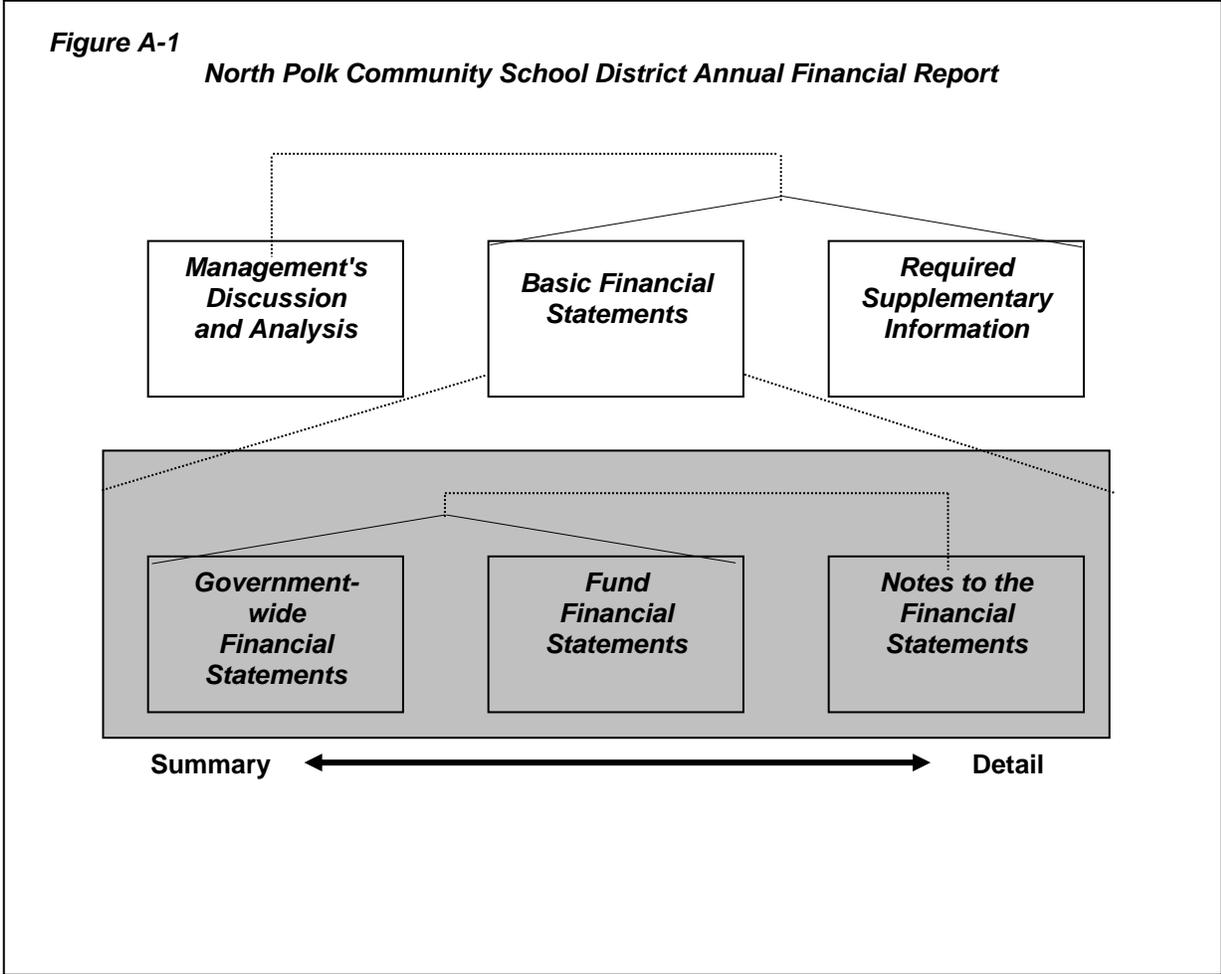


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net position at June 30, 2015 compared to June 30, 2014.

	Condensed Statement of Net position						Percentage Change 2014-2015 %
	Governmental		Business-type		Total		
	Activities		Activities		School District		
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	
	\$	\$	\$	\$	\$	\$	
Current and other assets	17,438,763	15,653,973	185,793	107,433	17,624,556	15,761,406	11.8
Capital assets	38,937,647	39,774,461	328,703	89,495	39,266,350	39,863,956	-1.5
Total assets	56,376,410	55,428,434	514,496	196,928	56,890,906	55,625,362	2.3
Deferred Inflows of Resources	1,254,582	0	36,485	0	1,291,067	0	100.0
Long-term liabilities	28,282,397	25,149,777	139,515	4,014	28,421,912	25,153,791	13.0
Other liabilities	1,501,853	1,508,295	24,566	21,761	1,526,419	1,530,056	-0.2
Total liabilities	29,784,250	26,658,072	164,081	25,775	29,948,331	26,683,847	12.2
Deferred Inflows of Resources	8,443,088	5,827,289	51,676	0	8,494,764	5,827,289	45.8
Net position:							
Net investment in capital assets	15,767,647	15,114,461	328,703	89,495	16,096,350	15,203,956	5.9
Restricted	5,148,722	5,017,633	0	0	5,148,722	5,017,633	2.6
Unrestricted	-1,512,715	2,810,979	6,521	81,658	-1,506,194	2,892,637	-152.1
TOTAL NET POSITION	19,403,654	22,943,073	335,224	171,153	19,738,878	23,114,226	-14.6

The District’s combined total net position decreased by \$3,375,348, or 14.6%, over the prior year. The largest portions of the District’s net position are cash and pooled investments and the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$131,089 or 2.6% over the prior year. Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) decreased by \$4,398,831 or 152.1%. This reduction in unrestricted net position was primarily a result of the District's net pension liability recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$-5,561,150 and \$-191,087, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the change in net position for the years ended June 30, 2015 and 2014.

Figure A-4

	Change in Net position						Percentage Change
	Governmental		Business-type		Total		
	Activities		Activities		School District		
	2015	2014(Not restated)	2015	2014(Not restated)	2015	2014(Not restated)	
\$	\$	\$	\$	\$	\$	%	
Program Revenues:							
Charges for services	1,135,954	1,135,851	567,200	545,750	1,703,154	1,681,601	1.3
Operating grants & contributions	1,699,748	1,724,730	217,597	194,266	1,917,345	1,918,996	-1
Capital grants & contributions	0	456,561	249,646	9,862	249,646	466,423	-46.5
General Revenues:							
Property taxes	5,862,341	5,825,998	0	0	5,862,341	5,825,998	.6
Income Surtax	517,212	452,456	0	0	517,212	452,456	14.3
Statewide sales tax	1,339,950	1,181,328	0	0	1,339,950	1,181,328	13.4
Unrestricted state grants	7,771,675	6,746,723	0	0	7,771,675	6,746,723	15.2
Unrestricted investment earnings	119,339	173,535	2,390	1,514	121,729	175,049	-30.5
Other revenue	75,518	223,694	0	0	75,518	223,694	-66.2
Total Revenues	18,521,737	17,920,896	1,036,833	751,392	19,558,570	18,672,268	4.7
Expenses:							
Instruction	9,391,883	8,188,622	0	0	9,391,883	8,188,622	14.7
Support services	4,809,667	4,246,506	32,790	34,102	4,842,457	4,280,608	13.1
Non-instructional programs	0	18,803	648,885	651,262	648,885	670,065	-3.2
Other expenditures	2,298,456	1,572,231	0	0	2,298,456	1,572,231	46.2
Total expenses	16,500,006	14,026,162	681,675	685,364	17,181,681	14,711,526	16.8
CHANGE IN NET POSITION	2,021,731	3,894,714	355,158	66,028	2,376,889	3,960,742	-40.0
Net position beginning of year, as restated	17,381,923	19,048,359	-19,934	105,125	17,361,989	19,153,484	-9.4
Net position end of year	19,403,654	22,943,073	335,224	171,153	19,738,878	23,114,226	-14.6

Property tax and unrestricted state grants account for 69.7% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 82.8% of the total expenses.

As shown in figure A-4 the District, as a whole, experienced a 4.7% increase in revenues and a 16.8% increase in expenses. Increases of \$259,721 in property and other tax revenues and \$1,024,952 in unrestricted state grants were used to fund increases in expenses. The increase in expenses relates to costs associated with negotiated salaries and benefits and additional staff and materials required to provide educational services to additional students.

Governmental Activities

Revenues from governmental activities were \$18,521,737 and net expenses were \$16,500,006. Total revenues exceeded expenditures in the governmental activities by \$2,021,731.

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

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2015 \$	2014 \$	Percent Change 2015-2014 %	2015 \$	2014 \$	Percent Change 2015-2014 %
Instruction	9,391,883	8,188,622	14.7	7,190,289	5,916,069	21.5
Support Services	4,809,667	4,246,506	13.3	4,739,050	4,174,594	13.5
Non-instructional Programs	0	18,803	-100.0	0	18,803	-100.0
Other Expenses	2,298,456	1,572,231	46.2	1,734,965	599,554	189.4
TOTAL	16,500,006	14,026,162	17.6	13,664,304	10,709,020	27.6

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,135,954. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,699,748.
- The net cost of governmental activities was financed with \$7,719,503 in property and other taxes, \$7,771,675 in unrestricted state grants, and \$194,857 in other unrestricted sources.

Business-Type Activities

Revenues for business-type activities were \$1,036,833 and expenses were \$681,675. The District's business type activities include the School Nutrition Fund and the Vending Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income. The District monitors its business type activities to ensure revenues are sufficient to cover expenses.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$8,948,935, 11% more than last year's fund balance of \$8,060,247. The increase is reflected primarily in the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Growth during the year in state foundation aid and grants resulted in an increase in General Fund revenues. The General Fund balance increased from \$3,388,607 to \$4,057,260 due primarily to an increase in unrestricted state aid along with careful control of expenditures.
- The Capital Projects Fund balance increased from \$4,288,507 in fiscal year 2014 to \$4,398,447 in fiscal year 2015. The fund balance is reserved for future construction, capital asset acquisitions, and building and grounds repairs and improvements.
- The Debt Service Fund balance had a slight increase of \$8,539 from fiscal year 2014 to \$41,667.

Proprietary Fund Highlights

The District's Enterprise, School Nutrition Fund net position increased from \$-22,278 as restated for fiscal year 2014 to \$332,791 in fiscal year 2015, representing an increase of \$355,069. This increase was primarily due to increases in participation, meal prices, revenues from federal and state sources, a decrease in the net pension expense, and \$249,646 in contributed equipment from the Capital Projects Fund.

Budgetary Highlights

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

The District's revenues were \$63,967 less than budgeted revenues, a variance of 0.3%. Total expenditures/expenses were under by 13.1%, or \$2,745,382, of budgeted expenditures/expenses. The overage was in the other expenditures function which was due to construction expenditure timing.

It is the District's practice to budget revenues conservatively and expenditures at the maximum authorized spending authority. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

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

The District did not exceed its budget in any function and did not exceed its unspent authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately \$39.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Figure A-7

	Capital Assets (net of depreciation)						Percent Change 2014-2015 %
	Governmental Activities		Business type Activities		Total School District		
	2015	2014	2015	2014	2015	2014	
	\$	\$	\$	\$	\$	\$	
Land	932,370	932,370	0	0	932,370	932,370	0
Construction in progress	165,806	29,728,552	0	0	165,806	29,728,552	-99.4
Buildings	33,754,894	8,191,094	0	0	33,754,894	8,191,094	312.1
Improvements	2,153,702	226,187	0	0	2,153,702	226,187	852.2
Equipment & furniture	1,930,875	696,258	328,703	89,465	2,259,578	785,723	187.6
TOTAL	38,937,647	39,774,461	328,703	89,465	39,266,350	39,863,926	-1.5

Long-Term Liabilities

At June 30, 2015 the District had \$28,421,912 in early retirement, general obligation and revenue bonds and other long-term liabilities outstanding. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-8

	Outstanding Long-Term Debt Obligations		
	Total School District		Percentage Change 2015-2014
	2015	2014, Restated	2015-2014
	\$	\$	%
General Obligation Bonds	13,680,000	14,365,000	-4.8
Revenue Bonds	9,490,000	10,000,000	-5.1
Capital Loan Notes	0	295,000	-100.0
Early Retirement	82,816	140,277	-41.0
Net Pension Liability	4,789,096	6,457,876	-25.8
Compensated Absences	0	26,514	-100.0
Net OPEB Liability	380,000	327,000	16.2
	28,421,912	31,611,667	-10.1

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Budget enrollment increased by fifty-three additional students between the 2014 and 2015 certified enrollment date. The District expects the increased enrollment trend to continue as the metro area population growth moves into District boundaries.
- The District levied an additional \$718,558 in fiscal year 2015 to provide cash reserve funds to be used to fund the various requests for SBRC allowable growth and to provide for future adequate cash flow reserves.
- Construction of the wastewater treatment facility is expected to begin in summer 2016.
- The District will negotiate a new contract agreement with the North Polk Education Association during the coming fiscal year. Settlements in excess of “new money” or allowable growth in state funding will have an adverse effect on the District’s General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 9,900,754	\$ 164,535	\$ 10,065,289
Receivables:			
Property tax:			
Current year	51,377	-	51,377
Succeeding year	6,668,341	-	6,668,341
Income surtax	431,011	-	431,011
Accounts	148,138	3,991	152,129
Due from other governments	236,306	-	236,306
Inventories	-	16,128	16,128
Prepaid expenses	2,836	1,139	3,975
Capital assets, net of accumulated depreciation (note 4)	38,937,647	328,703	39,266,350
Total assets	56,376,410	514,496	56,890,906
Deferred Outflows of Resources			
Pension related deferred outflows	1,254,582	36,485	1,291,067
Liabilities			
Accounts payable	356,975	2,024	358,999
Due to other governments	9,898	-	9,898
Salaries and benefits payable	997,732	-	997,732
Advances from grantors	974	-	974
Unearned revenue	-	22,542	22,542
Accrued interest payable	136,274	-	136,274
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	34,573	-	34,573
Bonds payable	1,210,000	-	1,210,000
Portion due after one year:			
Early retirement	48,243	-	48,243
Bonds payable	21,960,000	-	21,960,000
Net pension liability	4,653,595	135,501	4,789,096
Net OPEB liability	375,986	4,014	380,000
Total liabilities	29,784,250	164,081	29,948,331

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 6,668,341	\$ -	\$ 6,668,341
Pension related deferred inflows	1,774,747	51,676	1,826,423
	<u>8,443,088</u>	<u>51,676</u>	<u>8,494,764</u>
Total deferred inflows of resources			
Net Position			
Net investment in capital assets	15,767,647	328,703	16,096,350
Restricted for:			
Categorical funding and local grants	476,137	-	476,137
Debt service	1,277,310	-	1,277,310
Capital projects	2,903,269	-	2,903,269
Physical plant and equipment levy purposes	123,261	-	123,261
Management levy purposes	166,774	-	166,774
Student activities	201,971	-	201,971
Unrestricted	<u>(1,512,715)</u>	<u>6,521</u>	<u>(1,506,194)</u>
	<u>\$ 19,403,654</u>	<u>\$ 335,224</u>	<u>\$ 19,738,878</u>
Total net position			

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular	\$ 6,341,833	\$ 563,920	\$ 827,414	\$ -
Special	1,169,964	123,117	68,559	-
Other	1,880,086	429,165	189,419	-
	<u>9,391,883</u>	<u>1,116,202</u>	<u>1,085,392</u>	<u>-</u>
Support services:				
Student	430,263	-	-	-
Instructional staff	582,304	167	45,942	-
Administration	1,365,748	-	-	-
Operation and maintenance of plant	1,588,257	17,762	4,923	-
Transportation	843,095	1,823	-	-
	<u>4,809,667</u>	<u>19,752</u>	<u>50,865</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	21,200	-	-	-
Long-term debt interest and fiscal charges	610,753	-	-	-
AEA flowthrough	563,491	-	563,491	-
Depreciation (unallocated) *	1,103,012	-	-	-
	<u>2,298,456</u>	<u>-</u>	<u>563,491</u>	<u>-</u>
Total governmental activities	<u>16,500,006</u>	<u>1,135,954</u>	<u>1,699,748</u>	<u>-</u>
Business-Type Activities:				
Support services:				
Administration	16,807	-	-	-
Operation and maintenance of plant	15,983	-	-	-
	<u>32,790</u>	<u>-</u>	<u>-</u>	<u>-</u>

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (4,950,499)	\$ -	\$ (4,950,499)
(978,288)	-	(978,288)
(1,261,502)	-	(1,261,502)
<u>(7,190,289)</u>	<u>-</u>	<u>(7,190,289)</u>
(430,263)	-	(430,263)
(536,195)	-	(536,195)
(1,365,748)	-	(1,365,748)
(1,565,572)	-	(1,565,572)
(841,272)	-	(841,272)
<u>(4,739,050)</u>	<u>-</u>	<u>(4,739,050)</u>
(21,200)	-	(21,200)
(610,753)	-	(610,753)
-	-	-
(1,103,012)	-	(1,103,012)
<u>(1,734,965)</u>	<u>-</u>	<u>(1,734,965)</u>
<u>(13,664,304)</u>	<u>-</u>	<u>(13,664,304)</u>
-	(16,807)	(16,807)
-	(15,983)	(15,983)
<u>-</u>	<u>(32,790)</u>	<u>(32,790)</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities (continued):				
Non-instructional programs:				
Food service operations	\$ 648,705	\$ 567,200	\$ 217,597	\$ 249,646
Other enterprise operations	180	-	-	-
	<u>648,885</u>	<u>567,200</u>	<u>217,597</u>	<u>249,646</u>
 Total business-type activities	 <u>681,675</u>	 <u>567,200</u>	 <u>217,597</u>	 <u>249,646</u>
 Total	 <u>\$ 17,181,681</u>	 <u>\$ 1,703,154</u>	 <u>\$ 1,917,345</u>	 <u>\$ 249,646</u>

General revenues:

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

Total general revenues

Change in net position

Net position beginning of year, as restated

Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$	\$ 385,738	\$ 385,738
	(180)	(180)
-	385,558	385,558
-	352,768	352,768
(13,664,304)	352,768	(13,311,536)
\$ 4,227,239	\$ -	\$ 4,227,239
1,090,515	-	1,090,515
544,587	-	544,587
517,212	-	517,212
1,339,950	-	1,339,950
7,771,675	-	7,771,675
119,339	2,390	121,729
75,518	-	75,518
15,686,035	2,390	15,688,425
2,021,731	355,158	2,376,889
17,381,923	(19,934)	17,361,989
<u>\$ 19,403,654</u>	<u>\$ 335,224</u>	<u>\$ 19,738,878</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 5,200,012	\$ 33,547	\$ 4,182,138	\$ 460,160	\$ 9,875,857
Receivables:					
Property tax:					
Current year	31,737	8,120	8,078	3,442	51,377
Succeeding year	4,260,755	1,392,751	574,834	440,001	6,668,341
Income surtax	431,011	-	-	-	431,011
Accounts	133,609	-	-	14,529	148,138
Due from other governments	28,075	-	208,231	-	236,306
Prepaid expenses	2,836	-	-	-	2,836
	<hr/>				
Total assets	<u>\$ 10,088,035</u>	<u>\$ 1,434,418</u>	<u>\$ 4,973,281</u>	<u>\$ 918,132</u>	<u>\$ 17,413,866</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 330,405	\$ -	\$ -	\$ 26,570	\$ 356,975
Due to other governments	9,898	-	-	-	9,898
Salaries and benefits payable	997,732	-	-	-	997,732
Advances from grantors	974	-	-	-	974
Total liabilities	<u>1,339,009</u>	<u>-</u>	<u>-</u>	<u>26,570</u>	<u>1,365,579</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	4,260,755	1,392,751	574,834	440,001	6,668,341
Other	431,011	-	-	-	431,011
Total deferred inflows of resources	<u>4,691,766</u>	<u>1,392,751</u>	<u>574,834</u>	<u>440,001</u>	<u>7,099,352</u>
Fund balances:					
Nonspendable:					
Prepaid expenses	2,836	-	-	-	2,836
Restricted for:					
Categorical funding (note 11)	476,067	-	-	-	476,067
Local grants	70	-	-	-	70
Revenue bonds	-	-	750,701	-	750,701
Debt service	-	41,667	621,216	-	662,883
School infrastructure	-	-	2,897,364	-	2,897,364
Physical plant and equipment	-	-	123,261	-	123,261
Other capital projects	-	-	5,905	-	5,905
Management levy purposes	-	-	-	249,590	249,590
Student activities	-	-	-	201,971	201,971
Committed for:					
Curriculum books	102,000	-	-	-	102,000
Technology	50,500	-	-	-	50,500
Assigned for local projects	122,048	-	-	-	122,048
Unassigned	3,303,739	-	-	-	3,303,739
Total fund balances	<u>4,057,260</u>	<u>41,667</u>	<u>4,398,447</u>	<u>451,561</u>	<u>8,948,935</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,088,035</u>	<u>\$ 1,434,418</u>	<u>\$ 4,973,281</u>	<u>\$ 918,132</u>	<u>\$ 17,413,866</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2015

Total fund balances of governmental funds		\$ 8,948,935
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		38,937,647
The Internal Service Fund, used to account for the District's flex benefit plan, is incorporated into the governmental activities due to the integral nature of the Fund to those activities.		24,897
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		431,011
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(136,274)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
	Deferred outflows of resources	\$ 1,254,582
	Deferred inflows of resources	<u>(1,774,747)</u>
		(520,165)
Long-term liabilities, including early retirement, bonds payable, net pension liability and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(28,282,397)</u>
Net position of governmental activities		<u>\$ 19,403,654</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 4,264,233	\$ 1,084,693	\$ 541,679	\$ 410,162	\$ 6,300,767
Tuition	508,986	-	-	-	508,986
Other	267,014	4,909	66,428	468,961	807,312
Intermediate sources	6,493	-	-	-	6,493
State sources	9,235,986	5,821	1,342,857	2,335	10,586,999
Federal sources	244,054	-	11,445	-	255,499
Total revenues	<u>14,526,766</u>	<u>1,095,423</u>	<u>1,962,409</u>	<u>881,458</u>	<u>18,466,056</u>
Expenditures:					
Current:					
Instruction	8,828,379	-	84,351	578,697	9,491,427
Support services:					
Student	437,948	-	-	5,951	443,899
Instructional staff	563,292	-	36,281	6,929	606,502
Administration	1,333,767	713	41,284	30,343	1,406,107
Operation and maintenance of plant	1,429,794	-	177,011	131,326	1,738,131
Transportation	702,153	-	117,544	26,656	846,353
	<u>4,466,954</u>	<u>713</u>	<u>372,120</u>	<u>201,205</u>	<u>5,040,992</u>
Other expenditures:					
Facilities acquisition	-	-	385,056	-	385,056
Long term debt:					
Principal	-	1,490,000	-	-	1,490,000
Interest and fiscal charges	-	615,910	-	-	615,910
AEA flowthrough	563,491	-	-	-	563,491
	<u>563,491</u>	<u>2,105,910</u>	<u>385,056</u>	<u>-</u>	<u>3,054,457</u>
Total expenditures	<u>13,858,824</u>	<u>2,106,623</u>	<u>841,527</u>	<u>779,902</u>	<u>17,586,876</u>
Excess (deficiency) of revenues over (under) expenditures	<u>667,942</u>	<u>(1,011,200)</u>	<u>1,120,882</u>	<u>101,556</u>	<u>879,180</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Sale of equipment	\$ 711	\$ -	\$ 2,150	\$ -	\$ 2,861
Compensation for loss of capital assets	-	-	6,647	-	6,647
Interfund transfers in (note 3)	-	1,019,739	-	-	1,019,739
Interfund transfers out (note 3)	-	-	(1,019,739)	-	(1,019,739)
Total other financing sources (uses)	<u>711</u>	<u>1,019,739</u>	<u>(1,010,942)</u>	<u>-</u>	<u>9,508</u>
Net change in fund balances	668,653	8,539	109,940	101,556	888,688
Fund balances beginning of year	<u>3,388,607</u>	<u>33,128</u>	<u>4,288,507</u>	<u>350,005</u>	<u>8,060,247</u>
Fund balances end of year	<u>\$ 4,057,260</u>	<u>\$ 41,667</u>	<u>\$ 4,398,447</u>	<u>\$ 451,561</u>	<u>\$ 8,948,935</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ 888,688

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

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

Capital outlays	\$ 622,924	
Depreciation expense	<u>(1,459,738)</u>	(836,814)

The increase in the net position of the Internal Service Fund represents an
overcharge to the governmental funds served and is therefore adjusted
through the governmental activities expenses. 10,162

Income surtax revenue not received until several months after the District's
fiscal year end is not considered available revenue and is recognized as
deferred inflows of resources in the governmental funds. 46,173

Repayment of long-term liabilities is an expenditure in the governmental
funds, but it reduces long-term liabilities in the Statement of Net Position. 1,490,000

Interest on long-term debt in the Statement of Activities differs from the
amount reported in the governmental funds because interest is recorded as
an expenditure in the governmental funds when due. In the Statement of
Activities, however, interest expense is recognized as the interest accrues,
regardless of when it is due. 5,157

The current year District employer share of IPERS contributions are reported
as expenditures in the governmental funds, but are reported as a deferred
outflow of resources in the Statement of Net Position. 126,247

NORTH POLK COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

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

	Early retirement \$	57,461	
	Compensated absences	26,514	
	Pension expense	261,143	
	Net OPEB liability	<u>(53,000)</u>	\$ <u>292,118</u>
Change in net position of governmental activities			\$ <u><u>2,021,731</u></u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2015

	Enterprise Funds			Internal Service
	School Nutrition	Nonmajor - Vending	Total	Employee Flex Benefit
Assets				
Cash and cash equivalents	\$ 162,102	\$ 2,433	\$ 164,535	\$ 24,897
Accounts receivable	3,991	-	3,991	-
Inventories	16,128	-	16,128	-
Prepaid expenses	1,139	-	1,139	-
Capital assets, net of accumulated depreciation (note 4)	328,703	-	328,703	-
Total assets	<u>512,063</u>	<u>2,433</u>	<u>514,496</u>	<u>24,897</u>
Deferred Outflows of Resources				
Pension related deferred outflows	<u>36,485</u>	<u>-</u>	<u>36,485</u>	<u>-</u>
Liabilities				
Accounts payable	2,024	-	2,024	-
Unearned revenue	22,542	-	22,542	-
Net pension liability	135,501	-	135,501	-
Net OPEB liability	4,014	-	4,014	-
Total liabilities	<u>164,081</u>	<u>-</u>	<u>164,081</u>	<u>-</u>
Deferred Inflows of Resources				
Pension related deferred inflows	<u>51,676</u>	<u>-</u>	<u>51,676</u>	<u>-</u>
Fund Net Position				
Net investment in capital assets	328,703	-	328,703	-
Unrestricted	<u>4,088</u>	<u>2,433</u>	<u>6,521</u>	<u>24,897</u>
Total fund net position	<u>\$ 332,791</u>	<u>\$ 2,433</u>	<u>\$ 335,224</u>	<u>\$ 24,897</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Enterprise Funds			Internal Service
	School Nutrition	Nonmajor - Vending	Total	Employee Flex Benefit
Operating revenues:				
Local sources:				
Charges for services	\$ 567,200	\$ -	\$ 567,200	\$ 69,198
Operating expenses:				
Support services:				
Salaries	6,805	-	6,805	-
Benefits	1,128	-	1,128	59,697
Purchased services	10,276	-	10,276	-
Supplies	10,527	-	10,527	-
Other	4,054	-	4,054	-
	<u>32,790</u>	<u>-</u>	<u>32,790</u>	<u>59,697</u>
Non-instructional programs:				
Salaries	257,311	-	257,311	-
Benefits	15,626	-	15,626	-
Purchased services	1,188	-	1,188	-
Supplies	340,235	180	340,415	-
Depreciation	34,174	-	34,174	-
Other	171	-	171	-
	<u>648,705</u>	<u>180</u>	<u>648,885</u>	<u>-</u>
Total operating expenses	<u>681,495</u>	<u>180</u>	<u>681,675</u>	<u>59,697</u>
Operating income (loss)	(114,295)	(180)	(114,475)	9,501
Non-operating revenues:				
Interest on investments	2,121	269	2,390	661
Capital contributions	249,646	-	249,646	-
State sources	6,082	-	6,082	-
Federal sources	211,515	-	211,515	-
Total non-operating revenues	<u>469,364</u>	<u>269</u>	<u>469,633</u>	<u>661</u>
Change in fund net position	355,069	89	355,158	10,162
Fund net position beginning of year, as restated	<u>(22,278)</u>	<u>2,344</u>	<u>(19,934)</u>	<u>14,735</u>
Fund net position end of year	<u>\$ 332,791</u>	<u>\$ 2,433</u>	<u>\$ 335,224</u>	<u>\$ 24,897</u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Enterprise Funds			Internal Service
	School Nutrition	Nonmajor - Vending	Total	Employee Flex Benefit
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 562,516	\$ -	\$ 562,516	\$ -
Cash received from miscellaneous operating activities	10,616	-	10,616	73,824
Cash paid to employees for services	(324,049)	-	(324,049)	(59,697)
Cash paid to suppliers for goods or services	(313,640)	(360)	(313,820)	(360)
Net cash provided by (used by) operating activities	(64,557)	(360)	(64,737)	13,767
Cash flows from non-capital financing activities:				
State grants received	6,082	-	6,082	-
Federal grants received	159,571	-	159,571	-
Net cash provided by non-capital financing activities	165,653	-	165,653	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(23,736)	-	(23,736)	-
Cash flows from investing activities:				
Interest on investments	2,121	269	2,390	661
Net increase in cash and cash equivalents	79,481	(91)	79,570	14,428
Cash and cash equivalents beginning of year	82,621	2,344	84,965	10,469
Cash and cash equivalents end of year	\$ 162,102	\$ 2,253	\$ 164,535	\$ 24,897

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Enterprise Funds			Internal
	School Nutrition	Nonmajor - Vending	Total	Service Employee Flex Benefit
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ (114,295)	\$ (180)	\$ (114,475)	\$ 9,501
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	34,174	-	34,174	-
Commodities used	51,944	-	51,944	-
(Increase) decrease in accounts receivable	(154)	-	(154)	4,626
Decrease in inventories	1,364	-	1,364	-
Increase in accounts payable	(497)	-	(497)	(360)
Increase in salaries and benefits payable	(2,784)	-	(2,784)	-
Increase in unearned revenue	6,086	-	6,086	-
(Decrease) in net pension liability	(79,027)	-	(79,027)	-
(Increase) in deferred outflows of resources	(13,044)	-	(13,044)	-
Increase in deferred inflows of resources	51,676	-	51,676	-
Net cash provided by (used by) operating activities	\$ <u>(64,557)</u>	\$ <u>(180)</u>	\$ <u>(64,737)</u>	\$ <u>13,767</u>

Non-cash financing activities:

During the year ended June 30, 2015, the District received \$51,944 of federal commodities. In addition, the School Nutrition Fund received \$249,646 of equipment which was purchased through the Capital Projects Fund.

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2015

	Private Purpose <u>Trust</u>	<u>Scholarship</u>
Assets:		
Cash and pooled investments	\$ <u>3,645</u>	
Liabilities:		
Accounts payable		<u>500</u>
Fiduciary Net Position:		
Restricted for scholarships		\$ <u><u>3,145</u></u>

See notes to financial statements.

NORTH POLK COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 Year Ended June 30, 2015

	<u>Private Purpose</u>	<u>Trust</u>
	<u>Scholarship</u>	
Additions:		
Local sources:		
Gifts and contributions	\$	1,329
Interest		<u>330</u>
Total additions		<u>1,659</u>
Deductions:		
Instruction:		
Scholarships awarded		<u>3,900</u>
Change in fiduciary net position		(2,241)
Fiduciary net position beginning of year		<u>5,386</u>
Fiduciary net position end of year	\$	<u><u>3,145</u></u>
See notes to financial statements.		

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

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

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

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2015 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred inflows of resources on the modified accrual basis for the governmental funds. For the government-wide statements, on the Statement of Activities the income surtax revenue is recognized.

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

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

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

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2015.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures/expenses did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

At June 30, 2015, the District had investments as follows:

	<u>Fair Value</u>
Money Market Mutual Funds	\$ <u>623,028</u>

The investment in the money market mutual funds is valued at fair value.

Credit Risk – The investment in the money market mutual fund was rated AAAM by Standard & Poor's Financial Services.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>1,019,739</u>

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 932,370	\$ -	\$ -	\$ 932,370
Construction in progress	29,728,552	117,284	29,680,030	165,806
Total capital assets not being depreciated	<u>30,660,922</u>	<u>117,284</u>	<u>29,680,030</u>	<u>1,098,176</u>
Capital assets being depreciated:				
Buildings	14,127,521	26,459,340	-	40,586,861
Improvements other than buildings	306,804	2,044,339	-	2,351,143
Furniture and equipment	3,553,027	1,681,991	67,238	5,167,780
Total capital assets being depreciated	<u>17,987,352</u>	<u>30,185,670</u>	<u>67,238</u>	<u>48,105,784</u>
Less accumulated depreciation for:				
Buildings	5,936,427	895,540	-	6,831,967
Improvements other than buildings	80,617	116,824	-	197,441
Furniture and equipment	2,856,769	447,374	67,238	3,236,905
Total accumulated depreciation	<u>8,873,813</u>	<u>1,459,738</u>	<u>67,238</u>	<u>10,266,313</u>
Total capital assets being depreciated, net	<u>9,113,539</u>	<u>28,725,932</u>	<u>-</u>	<u>37,839,471</u>
Governmental activities capital assets, net	<u>\$ 39,774,461</u>	<u>\$ 28,843,216</u>	<u>\$ 29,680,030</u>	<u>\$ 38,937,647</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business-type activities:				
Furniture and equipment	\$ 212,442	\$ 273,382	\$ -	\$ 485,824
Less accumulated depreciation	122,947	34,174	-	157,121
Business-type activities capital assets, net	<u>\$ 89,495</u>	<u>\$ 239,208</u>	<u>\$ -</u>	<u>\$ 328,703</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 32,558
Special	2,142
Other	169,946

Support services:

Instructional staff	1,970
Operation and maintenance of plant	12,247
Transportation	<u>137,863</u>

356,726

Unallocated depreciation 1,103,012

Total depreciation expense - governmental activities \$ 1,459,738

Business-type activities:

Food service operations \$ 34,174

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year, as Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 140,277	\$ -	\$ 57,461	\$ 82,816	\$ 34,573
General obligation bonds	14,365,000	-	685,000	13,680,000	695,000
Revenue bonds	10,000,000	-	510,000	9,490,000	515,000
Notes payable	295,000	-	295,000	-	-
Net pension liability	6,243,348	-	1,589,753	4,653,595	-
Compensated absences	26,514	-	26,514	-	-
Net OPEB liability	322,986	53,000	-	375,986	-
Total	\$ 31,393,125	\$ 53,000	\$ 3,163,728	\$ 28,282,397	\$ 1,244,573
	Balance Beginning of Year, as Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Business-type activities:					
Net pension liability	\$ 214,528	\$ -	\$ 79,027	\$ 135,501	\$ -
Net OPEB liability	4,014	-	-	4,014	-
Total	\$ 218,542	\$ -	\$ 79,027	\$ 139,515	\$ -

Early Retirement

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

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

Further details of those plans are available upon request of District management. No early retirement benefit was offered for the year ended June 30, 2015.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Long-Term Liabilities (continued)

Early Retirement (continued)

At June 30, 2015, the District had obligations to five participants with a total liability of \$82,816. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$57,461. Early retirement is recorded as a long-term liability of the Governmental Activities in the government-wide financial statements.

General Obligation Bonds

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated September 15, 2011			Issue dated January 1, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2016	2.000 %	\$ 315,000	\$ 309,706	1.400 %	\$ 380,000	\$ 77,045
2017	2.500	320,000	303,406	1.400	390,000	71,725
2018	3.000	330,000	295,406	1.400	390,000	66,265
2019	4.000	340,000	285,506	1.000	395,000	60,805
2020	4.000	350,000	271,906	1.200	405,000	56,855
2021	3.250	365,000	257,906	1.350	405,000	51,995
2022	3.250	375,000	246,044	1.500	415,000	46,528
2023	3.500	390,000	233,856	1.650	420,000	40,302
2024	3.500	400,000	220,206	1.750	430,000	33,373
2025	3.500	415,000	206,206	1.850	435,000	25,847
2026	3.500	430,000	191,682	2.000	440,000	17,800
2027	3.500	445,000	176,631	2.000	450,000	9,000
2028	3.500	1,005,000	161,056	-	-	-
2029	3.625	1,045,000	125,881	-	-	-
2030	4.000	-	88,000	-	-	-
2031	4.000	2,200,000	88,000	-	-	-
		<u>\$ 8,725,000</u>	<u>\$ 3,461,398</u>		<u>\$ 4,955,000</u>	<u>\$ 557,540</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds (continued)

Year Ending June 30,	Total		
	Principal	Interest	Total
2016	\$ 695,000	\$ 386,751	\$ 1,081,751
2017	710,000	375,131	1,085,131
2018	720,000	361,671	1,081,671
2019	735,000	346,311	1,081,311
2020	755,000	328,761	1,083,761
2021	770,000	309,901	1,079,901
2022	790,000	292,572	1,082,572
2023	810,000	274,158	1,084,158
2024	830,000	253,579	1,083,579
2025	850,000	232,053	1,082,053
2026	870,000	209,482	1,079,482
2027	895,000	185,631	1,080,631
2028	1,005,000	161,056	1,166,056
2029	1,045,000	125,881	1,170,881
2030	-	88,000	88,000
2031	2,200,000	88,000	2,288,000
	<u>\$ 13,680,000</u>	<u>\$ 4,018,938</u>	<u>\$ 17,698,938</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2015 school infrastructure sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2016	1.25 %	\$ 515,000	\$ 204,871	\$ 719,871
2017	1.25	520,000	198,403	718,403
2018	1.25-1.40	530,000	191,840	721,840
2019	1.40-1.60	555,000	184,643	739,643
2020	1.60-1.80	565,000	176,238	741,238
2021	1.80-2.00	575,000	166,543	741,543
2022	2.00-2.15	585,000	155,518	740,518
2023	2.15-2.30	595,000	143,271	738,271
2024	2.30-2.45	605,000	129,918	734,918
2025	2.45-2.50	620,000	115,365	735,365
2026	2.50-2.60	635,000	99,833	734,833
2027	2.60-2.75	650,000	83,445	733,445
2028	2.75-3.00	670,000	65,783	735,783
2029	3.00	690,000	46,220	736,220
2030	3.00-3.10	1,180,000	25,220	1,205,220
		\$ 9,490,000	\$ 1,987,111	\$ 11,477,111

The District pledged future statewide sales, services and use tax revenues to repay the \$10,000,000 bonds issued in March of 2012. The bonds were issued for the purpose of financing a portion of the construction and equipping of a new high school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require 54 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$11,477,111. For the current year, principal of \$510,000 and interest of \$211,278 was paid on the bonds and total statewide sales, services and use tax revenues were \$1,339,950.

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

- a) Bonds maturing after January 1, 2019, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- b) \$750,701 of the proceeds from the bonds issued have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

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

Note 6. Pension Plan

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Pension Plan (continued)

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$831,986.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability of \$4,789,096 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was 0.120757 percent, which was an increase of 0.008283 from its proportion measured as of June 30, 2013.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Pension Plan (continued)

For the year ended June 30, 2015, the District recognized pension expense of \$404,193. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 52,048	\$ -
Changes of assumptions	211,354	-
Net difference between projected and actual earnings on pension plan investments	-	1,826,423
Changes in proportion and differences between District contributions and proportionate share of contributions	195,679	-
District contributions subsequent to the measurement date	<u>831,986</u>	<u>-</u>
Total	<u>\$ 1,291,067</u>	<u>\$ 1,826,423</u>

\$831,986 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2016	\$ (349,344)
2017	(349,344)
2018	(349,344)
2019	(349,344)
2020	<u>30,034</u>
Total	<u>\$ (1,367,342)</u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Pension Plan (continued)

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Salary increases (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15%	6.76
Private Equity	13%	11.34
Real Estate	8%	3.52
Core Plus Fixed Income	28%	2.06
Credit Opportunities	5%	3.67
TIPS	5%	1.92
Other Real Assets	2%	6.27
Cash	1%	(0.69)
	<hr/>	
Total	<u>100%</u>	

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Pension Plan (continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 9,048,862	\$ 4,789,096	\$ 1,193,412

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Note 7. Other Postemployment Benefits (OPEB)

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

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

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

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

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 82,000
Interest on net OPEB obligation	8,000
Adjustment to annual required contribution	<u>(26,000)</u>
Annual OPEB cost	64,000
Contributions made	<u>(11,000)</u>
Increase in net OPEB obligation	53,000
Net OPEB obligation beginning of year	<u>327,000</u>
Net OPEB obligation end of year	<u><u>\$ 380,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$11,000 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 67,638	28.2%	\$ 279,000
2014	64,914	26.1%	327,000
2015	64,000	17.2%	380,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$466,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$466,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,796,000, and the ratio of the UAAL to covered payroll was 16.7%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Other Postemployment Benefits (OPEB) (continued)

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

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

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

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

Note 8. Operating Lease

The District is obligated under two copier equipment leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations and, therefore, are not reflected on the District's Statement of Net Position. The agreements provide for monthly lease payments of \$3,242.54 and \$910.00, respectively, with annual increases during the term of the leases.

The total lease payments under the lease agreements are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2016	\$ 27,133
2017	<u>2,730</u>
	<u>\$ 29,863</u>

Total payments under the lease agreements for the year ended June 30, 2015 were \$49,353.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Risk Management

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

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$563,491 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Limited English proficiency	\$ 3,515
Home school assistance program	104,948
Returning dropouts and dropout prevention programs	46,196
Four year old preschool state aid	175,506
Teacher salary supplement	5,374
Successful progression for early readers	22,380
Professional development for model core curriculum	43,844
Professional development	32,096
Teacher leadership grants	42,208
Total	\$ 476,067

Note 12. Construction Commitments

The District has entered into a contract totaling \$1,496,000 for a wastewater treatment facility. As of June 30, 2015, work had not yet begun on the project.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local government which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business-type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business-type Activities	Enterprise, School Nutrition Fund
Net position June 30, 2014, as previously reported	\$ 22,943,073	\$ 171,153	\$ 168,809
Net pension liability at June 30, 2014	(6,243,348)	(214,528)	(214,528)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	682,198	23,441	23,441
Net position July 1, 2014, as restated	\$ 17,381,923	\$ (19,934)	\$ (22,278)

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Required Supplementary Information

NORTH POLK COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year Ended June 30, 2015

	Governmental Funds - Actual	Proprietary Funds - Enterprise - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 7,617,065	\$ 819,236	\$ 8,436,301	\$ 9,467,517	\$ (1,031,216)
Intermediate sources	6,493	-	6,493	7,000	(507)
State sources	10,586,999	6,082	10,593,081	9,747,339	845,742
Federal sources	255,499	211,515	467,014	345,000	122,014
Total revenues	18,466,056	1,036,833	19,502,889	19,566,856	(63,967)
EXPENDITURES/EXPENSES:					
Instruction	9,491,427	-	9,491,427	10,448,843	957,416
Support services	5,040,992	32,790	5,073,782	5,848,620	774,838
Non-instructional programs	-	648,885	648,885	660,330	11,445
Other expenditures	3,054,457	-	3,054,457	4,056,140	1,001,683
Total expenditures/expenses	17,586,876	681,675	18,268,551	21,013,933	2,745,382
Excess (deficiency) of revenues over (under) expenditures/expenses	879,180	355,158	1,234,338	(1,447,077)	2,681,415
Other financing sources, net	9,508	-	9,508	(6,878)	16,386
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	888,688	355,158	1,243,846	(1,453,955)	2,697,801
Balance beginning of year, as restated	8,060,247	(19,934)	8,040,313	4,321,721	3,718,592
Balance end of year	<u>\$ 8,948,935</u>	<u>\$ 335,224</u>	<u>\$ 9,284,159</u>	<u>\$ 2,867,766</u>	<u>\$ 6,416,393</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2015

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

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

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

During the year ended June 30, 2015, expenditures/expenses did not exceed the amounts budgeted.

NORTH POLK COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
 Last Fiscal Year*
 (In Thousands)

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.120757
District's proportionate share of the net pension liability	\$ 4,789
District's covered-employee payroll	\$ 9,317
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	51.40%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

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NORTH POLK COMMUNITY SCHOOL DISTRICT

Schedule of the District's Contributions

Iowa Public Employees' Retirement System
Last Ten Fiscal Years
(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contributions	\$ 832	\$ 706	\$ 639	\$ 577
Contributions in relation to the statutorily required contribution	<u>(832)</u>	<u>(706)</u>	<u>(639)</u>	<u>(577)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 9,317	\$ 7,902	\$ 7,374	\$ 7,169
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 477	\$ 394	\$ 396	\$ 349	\$ 302	\$ 272
<u>(477)</u>	<u>(394)</u>	<u>(396)</u>	<u>(349)</u>	<u>(302)</u>	<u>(272)</u>
<u>\$ -</u>					
\$ 6,867	\$ 5,919	\$ 6,208	\$ 5,765	\$ 5,245	\$ 4,734
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY Year Ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

NORTH POLK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2015

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 1,285	\$ 1,285	0.0%	\$ 5,370	23.9%
2011	July 1, 2009	-	1,283	1,283	0.0%	6,880	18.6%
2012	July 1, 2009	-	1,238	1,238	0.0%	7,138	17.3%
2013	July 1, 2012	-	475	475	0.0%	2,758	17.2%
2014	July 1, 2012	-	466	466	0.0%	2,677	17.4%
2015	July 1, 2012	-	466	466	0.0%	2,796	16.7%

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

See accompanying independent auditor's report.

Supplementary Information

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 250,884	\$ 209,276	\$ 460,160
Receivables:			
Property tax:			
Current year	3,442	-	3,442
Succeeding year	440,001	-	440,001
Accounts	-	14,529	14,529
	\$ 694,327	\$ 223,805	\$ 918,132
Total assets			
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 4,736	\$ 21,834	\$ 26,570
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	440,001	-	440,001
Fund balances:			
Restricted for:			
Management levy purposes	249,590	-	249,590
Student activities	-	201,971	201,971
Total fund balances	249,590	201,971	451,561
	\$ 694,327	\$ 223,805	\$ 918,132
Total liabilities, deferred inflows of resources and fund balances			

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local sources:			
Local tax	\$ 410,162	\$ -	\$ 410,162
Other	15,293	453,668	468,961
State sources	2,335	-	2,335
Total revenues	427,790	453,668	881,458
Expenditures:			
Current:			
Instruction	112,747	465,950	578,697
Support services:			
Student	901	5,050	5,951
Instructional staff	4,763	2,166	6,929
Administration	28,673	1,670	30,343
Operation and maintenance of plant	129,209	2,117	131,326
Transportation	26,656	-	26,656
Total expenditures	302,949	476,953	779,902
Excess (deficiency) of revenues over (under) expenditures	124,841	(23,285)	101,556
Fund balances beginning of year	124,749	225,256	350,005
Fund balances end of year	\$ 249,590	\$ 201,971	\$ 451,561

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Assets				
Cash and pooled investments	\$ 4,061,050	\$ 115,183	\$ 5,905	\$ 4,182,138
Receivables:				
Property tax:				
Current year	-	8,078	-	8,078
Succeeding year	-	574,834	-	574,834
Due from other governments	208,231	-	-	208,231
Total assets	<u>\$ 4,269,281</u>	<u>\$ 698,095</u>	<u>\$ 5,905</u>	<u>\$ 4,973,281</u>
Deferred Inflows of Resources and Fund Balances				
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	\$ -	\$ 574,834	\$ -	\$ 574,834
Fund balances:				
Restricted for:				
Revenue bonds	750,701	-	-	750,701
Debt service	621,216	-	-	621,216
School infrastructure	2,897,364	-	-	2,897,364
Physical plant and equipment	-	123,261	-	123,261
Other capital projects	-	-	5,905	5,905
Total fund balances	<u>4,269,281</u>	<u>123,261</u>	<u>5,905</u>	<u>4,398,447</u>
Total deferred inflows of resources and fund balances	<u>\$ 4,269,281</u>	<u>\$ 698,095</u>	<u>\$ 5,905</u>	<u>\$ 4,973,281</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ -	\$ 541,679	\$ -	\$ 541,679
Other	64,698	984	746	66,428
State sources	1,339,950	2,907	-	1,342,857
Federal sources	-	11,445	-	11,445
Total revenues	<u>1,404,648</u>	<u>557,015</u>	<u>746</u>	<u>1,962,409</u>
Expenditures:				
Current:				
Instruction	-	84,351	-	84,351
Support services:				
Instructional staff	36,281	-	-	36,281
Administration	41,236	44	4	41,284
Operation and maintenance of plant	91,109	85,902	-	177,011
Transportation	-	117,544	-	117,544
Other expenditures:				
Facilities acquisition	300,322	68,892	15,842	385,056
Total expenditures	<u>468,948</u>	<u>356,733</u>	<u>15,846</u>	<u>841,527</u>
Excess (deficiency) of revenues over (under) expenditures	935,700	200,282	(15,100)	1,120,882
Other financing sources (uses):				
Sale of equipment	-	2,150	-	2,150
Compensation for loss of capital assets	6,647	-	-	6,647
Interfund transfers out	(722,778)	(296,961)	-	(1,019,739)
Total other financing sources (uses)	<u>(716,131)</u>	<u>(294,811)</u>	<u>-</u>	<u>(1,010,942)</u>
Net change in fund balances	219,569	(94,529)	(15,100)	109,940
Fund balances beginning of year	<u>4,049,712</u>	<u>217,790</u>	<u>21,005</u>	<u>4,288,507</u>
Fund balances end of year	<u>\$ 4,269,281</u>	<u>\$ 123,261</u>	<u>\$ 5,905</u>	<u>\$ 4,398,447</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics				
All Sports	\$ 50,288	\$ 28,265	\$ 51,240	\$ 27,313
Weight Lifting	176	1,380	1,556	-
Cross Country	-	3,642	3,402	240
Cheerleading	3,351	4,191	3,158	4,384
Senior Moms	73	-	-	73
Boys Tennis	1,315	120	705	730
Coed Golf	2,859	927	512	3,274
Boys Basketball	2,091	21,535	13,527	10,099
Football	5,494	29,630	34,164	960
Soccer	1,258	2,973	1,019	3,212
Baseball	10,994	21,598	25,160	7,432
Boys Track	5,392	4,366	2,393	7,365
Wrestling	11,429	7,469	5,115	13,783
Girls Basketball	638	9,162	9,800	-
Volleyball	4,491	6,585	7,456	3,620
Girls Soccer	-	2,668	2,379	289
Girls Tennis	5,867	1,477	475	6,869
Softball	5,195	6,981	10,066	2,110
Girls Track	2,352	4,507	3,579	3,280
	<u>113,263</u>	<u>157,476</u>	<u>175,706</u>	<u>95,033</u>
Activities				
Elementary Academic Excellence	1,247	-	-	1,247
Camp Hantesa	4,247	911	15	5,143
HS Yearbook	5,095	7,903	7,710	5,288
Elementary Yearbook	4,845	1,994	1,402	5,437
National Honor Society	527	573	358	742
Student Council	8,480	2,044	968	9,556
Student Council - Character Counts	148	-	-	148
MS Student Council	9,344	7,027	5,816	10,555
Key Club	8	-	-	8
Drama	582	2,055	1,245	1,392
HS Musical	4,108	2,693	6,801	-
HS Vocal Music	-	577	577	-
HS Instrumental Music	-	10,109	10,109	-
Speech	-	482	482	-
Show Choir	1,858	-	-	1,858

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Activities (continued)				
HS Dance	\$ 11,782	\$ 5,790	9,942	\$ 7,630
Flags	-	1,232	-	1,232
FFA	6,989	36,448	29,861	13,576
Horticulture	3,149	1,192	-	4,341
Tag/Mock Trial	15	-	-	15
National Art Honor Society	295	-	32	263
Class of 2011	2,024	-	-	2,024
Class of 2012	8,198	-	-	8,198
Class of 2013	394	-	394	-
Class of 2014	10,285	-	10,285	-
Class of 2015	4,008	46,671	45,263	5,416
Class of 2016	4,197	3,429	2,149	5,477
Class of 2017	1,244	358	-	1,602
Class of 2018	931	428	-	1,359
Class of 2019	458	450	-	908
Class of 2020	329	408	-	737
Class of 2021	-	525	-	525
Junior-Senior High Academic Excellence	779	-	51	728
West Running Club	2,026	1,300	1,989	1,337
Concessions	236	74,058	74,294	-
MS Yearbook	2	822	408	416
MS Concessions	4,338	-	4,338	-
Baseball Concessions	9,825	-	45	9,780
Band Trip	-	86,713	86,713	-
	<u>111,993</u>	<u>296,192</u>	<u>301,247</u>	<u>106,938</u>
 Total	 <u>\$ 225,256</u>	 <u>\$ 453,668</u>	 <u>\$ 476,953</u>	 <u>\$ 201,971</u>

See accompanying independent auditor's report.

NORTH POLK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2015

	<u>Admin. Pop</u>	<u>Jr./Sr. Teacher Pop</u>	<u>Central Teacher Pop</u>	<u>West Teacher Pop</u>
Balance beginning of year	\$ (160)	\$ (726)	\$ (1,227)	\$ (409)
Additions:				
Collections	160	726	1,227	409
Deductions:				
Miscellaneous	-	-	-	-
Balance end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

<u>Activity Host Account</u>	<u>Total</u>
\$ 458	\$ (2,064)
14,975	17,497
<u>15,433</u>	<u>15,433</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2015	2014	2013	2012
Revenues:				
Local sources:				
Local tax	\$ 6,300,767	\$ 6,255,038	\$ 7,081,562	\$ 6,891,670
Tuition	508,986	484,725	481,569	402,825
Other	807,312	1,431,915	869,240	860,697
Intermediate sources	6,493	6,415	6,812	6,446
State sources	10,586,999	9,281,191	7,293,134	6,905,962
Federal sources	255,499	387,766	391,913	581,138
Total revenues	\$ 18,466,056	\$ 17,847,050	\$ 16,124,230	\$ 15,648,738
Expenditures:				
Instruction	\$ 9,491,427	\$ 8,516,881	\$ 8,251,584	\$ 7,708,646
Support services:				
Student	443,899	471,076	462,852	454,272
Instructional staff	606,502	727,294	1,016,119	588,895
Administration	1,406,107	1,295,624	1,307,063	1,202,040
Operation and maintenance of plant	1,738,131	3,345,982	1,652,070	1,200,207
Transportation	846,353	841,163	685,002	743,973
Non-instructional programs	-	18,803	13,383	17,906
Other expenditures:				
Facilities acquisition	385,056	3,767,166	17,371,359	6,454,172
Long-term debt:				
Principal	1,490,000	810,000	939,591	1,218,766
Interest and fiscal charges	615,910	645,598	656,751	685,344
AEA flowthrough	563,491	516,116	471,552	451,679
Total expenditures	\$ 17,586,876	\$ 20,955,703	\$ 32,827,326	\$ 20,725,900

See accompanying independent auditor's report.

	2011	2010	2009	2008	2007	2006
\$	6,134,612	\$ 5,480,433	\$ 5,471,896	\$ 5,063,894	\$ 4,579,249	\$ 4,439,507
	384,328	406,505	385,067	377,427	373,556	453,526
	648,902	549,255	590,844	682,738	644,800	528,220
	6,191	6,061	7,077	-	11,188	-
	6,456,463	5,141,864	5,594,749	5,613,106	4,807,369	4,384,723
	537,555	1,068,579	201,505	122,121	116,978	120,573
\$	<u>14,168,051</u>	<u>12,652,697</u>	<u>12,251,138</u>	<u>11,859,286</u>	<u>10,533,140</u>	<u>9,926,549</u>
\$	7,556,683	\$ 7,234,467	\$ 6,745,150	\$ 6,212,557	\$ 5,880,151	\$ 5,305,288
	420,799	406,682	580,964	366,617	318,675	334,752
	501,029	512,060	427,478	281,882	222,144	192,359
	1,181,327	972,391	1,007,788	909,889	867,148	876,731
	1,122,173	1,106,351	1,258,570	1,093,517	1,003,448	839,188
	631,611	660,852	535,704	586,689	441,554	398,838
	15,552	33,084	6,934	-	-	-
	286,396	259,186	442,816	965,308	65,258	17,497
	566,009	1,140,263	1,087,375	1,044,152	895,700	860,451
	71,458	116,019	151,701	180,526	169,461	198,610
	473,163	441,730	377,956	363,229	317,861	283,630
\$	<u>12,826,200</u>	<u>12,883,085</u>	<u>12,622,436</u>	<u>12,004,366</u>	<u>10,181,400</u>	<u>9,307,344</u>

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

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

We have audited in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Polk Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 21, 2016.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-15, I-B-15, and I-D-15 to be significant deficiencies.

Compliance

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

North Polk Community School District's Responses to the Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 report is not suitable for any other purpose.

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

Hunt & Associates, P.C.

Oskaloosa, Iowa
January 21, 2016

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-15 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District has taken steps to segregate duties between the present personnel. However, a second individual is not reviewing the bank reconciliations or journal entries.

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

Response – We will continue to review our procedures and implement additional controls where possible. We intend to have an independent person review bank reconciliations and journal entries in fiscal year 2016.

Conclusion – Response accepted.

I-B-15 Fundraisers – We noted in our testing of Special Revenue, Student Activity Fund fundraisers that no fundraiser reconciliations are prepared by the activity sponsors. We also noted that no gate ticket reconciliations were prepared for football games.

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

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

Conclusion – Response accepted.

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

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

Internal Control Deficiencies (continued):

- I-C-15 Check Dating and Bank Reconciliations – We noted \$336,043 of checks for accounts payable that were written in July and August 2015 but were dated back to June 30, 2015 and included as outstanding checks on the June bank reconciliation. We also noted \$984,776 of accrued payroll which had been posted against cash but was properly dated. An adjustment was necessary to reflect the proper balances on the District’s financial statements.

Recommendation – This practice understates cash, accrued payroll, and accounts payable. The outstanding checks on the bank reconciliation should include only checks that had been written June 30 or earlier but had not cleared through the bank. All checks should be dated the day they are written.

Response – We will properly record and date checks and payroll in the future.

Conclusion – Response accepted.

- I-D-15 Insurance Premiums – We noted in our testing of early retirement insurance payments that employee contributions qualifying as the COBRA portion of the health insurance premium for continuation of insurance coverage were recorded as revenue in the Special Revenue, Management Levy Fund. However, the related expenditures were properly recorded from the General Fund.

Recommendation – The COBRA employee contributions should be recorded in the General Fund and would then properly match the related expenditures. Subsequent to year end, the District transferred \$12,533 from the Management Levy Fund to the General Fund to correct the COBRA revenues. The District should establish controls to reconcile COBRA premium expenditures to the related revenue and to record these revenues in the General Fund.

Response – We will establish the necessary controls to match the COBRA insurance premium contributions to the related expenditure and we will show the contributions as revenues in the proper fund in the future.

Conclusion – Response accepted.

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Part II: Other Findings Related to Statutory Reporting:

- II-A-15 Certified Budget – Expenditures/expenses for the year ended June 30, 2015, did not exceed the amounts budgeted.
- II-B-15 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-15 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-15 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Julie Krehbiel, Spouse of Board Vice President Tim Krehbiel	Teacher associate	\$18,964
Celeste Muehlenthaler, Spouse of Board President Keith Muehlenthaler	Substitute teaching	\$788
Kevin Muehlenthaler, Son of Board President Keith Muehlenthaler	Band instructor	\$23,476

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

- II-E-15 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-15 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-15 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-15 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

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

II-I-15 Deposits and Investments – The District has investments in a money market mutual fund, which is not an allowable investment under its investment policy.

Recommendation – The District should either update the investment policy to allow money market mutual funds or transfer the investment to an allowable investment.

Response – We will update our investment policy to include this type of investment.

Conclusion – Response accepted.

II-J-15 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and, except as noted in item I-C-15, we noted no significant deficiencies in the amounts reported.

II-K-15 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

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

II-L-15 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	4,049,712
Revenues:			
Interest	\$	48,196	
Other local revenues		16,502	
Statewide sales, services and use tax		1,339,950	
Compensation for loss of capital assets		<u>6,647</u>	1,411,295
Expenditures/transfers out:			
School infrastructure construction		242,386	
Equipment		99,803	
Other		126,759	
Transfers to other funds:			
Debt Service Fund		<u>722,778</u>	<u>1,191,726</u>
Ending balance		\$	<u><u>4,269,281</u></u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

NORTH POLK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

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

II-M-15 Financial Condition – At June 30, 2015, the governmental activities had a deficit unrestricted net position of \$1,512,715. This deficit balance was caused by the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27, which requires the inclusion of the District’s proportionate share of the IPERS pension liability and the related deferred outflows of resources and deferred inflows of resources in the District’s financial statements.

Recommendation – Even though the deficit arose due to the net pension liability and deferred outflows and inflows of resources, the District should investigate ways to return the governmental activities to a sound financial condition.

Response – We are unsure of what steps can be taken at this time to alleviate the strain of the District’s proportionate share of the IPERS liability and the related deferred outflows and inflows of resources since actions related to this area are controlled by the Iowa Legislature. However, we will look into this situation and investigate ways to return the governmental activities to a sound financial condition.

Conclusion – Response accepted.