

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
TRURO, IOWA

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

JUNE 30, 2013

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INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
	<u>Board of Education</u>	
Leah Gray	President	2015
Julie Brownlee	Vice President	2015
	Board Member	2013
Dan Kirkpatrick	Board Member	2013
Bryan Arzani	Board Member	2015
Ken Stanley		
	<u>School Officials</u>	
Eric Sundermeyer	Superintendent	2013
Jennifer Jamison	District Secretary/Treasurer and Business Manager	2013
Ahlers and 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

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Interstate 35 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 Interstate 35 Community School District, Interstate 35 Iowa, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Interstate 35 Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters*Required Supplementary Information*

U.S. generally accepted accounting principles require the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 44 through 46 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.

The District has omitted the Management's Discussion and Analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Interstate 35 Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the eight years ended June 30, 2011 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 9 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 taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2014 on our consideration of Interstate 35 Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Interstate 35 Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa
February 6, 2014

Hunt + Associates, P.C.

Basic Financial Statements

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 3,510,992	\$ 19,420	\$ 3,530,412
Receivables:			
Property tax:			
Current year	47,631	-	47,631
Succeeding year	3,779,252	-	3,779,252
Accounts	3,093	928	4,021
Due from other governments	560,086	-	560,086
Inventories	-	5,710	5,710
Prepaid expenses	12,814	-	12,814
Capital assets, net of accumulated depreciation (note 4)	12,083,491	18,863	12,102,354
Total assets	19,997,359	44,921	20,042,280
Liabilities			
Accounts payable	316,040	409	316,449
Salaries and benefits payable	623,994	20,045	644,039
Accrued interest payable	17,515	-	17,515
Unearned revenue	-	7,424	7,424
Deferred revenue:			
Succeeding year property tax	3,779,252	-	3,779,252
Other	5,252	-	5,252
Long-term liabilities (note 5):			
Portion due within one year:			
General obligation bonds payable	445,000	-	445,000
Revenue bonds payable	240,000	-	240,000
Capital loan notes payable	205,000	-	205,000
Early retirement	58,818	-	58,818
Compensated absences	8,361	-	8,361
Portion due after one year:			
General obligation bonds payable	1,150,000	-	1,150,000
Revenue bonds payable	250,000	-	250,000
Capital loan notes payable	830,000	-	830,000
Early retirement	10,760	-	10,760
Net OPEB liability	401,514	17,486	419,000
Total liabilities	8,341,506	45,364	8,386,870

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 8,963,491	\$ 18,863	\$ 8,982,354
Restricted for:			
Categorical funding (note 10)	623,728	-	623,728
Debt service	460,423	-	460,423
Capital projects	783,581	-	783,581
Physical plant and equipment levy purposes	80,842	-	80,842
Student activities	160,908	-	160,908
Unrestricted	<u>582,880</u>	<u>(19,306)</u>	<u>563,574</u>
Total net position	<u>\$ 11,655,853</u>	<u>\$ (443)</u>	<u>\$ 11,655,410</u>

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 5,746,717	\$ 764,676	\$ 871,779	\$ -
Support services:				
Student	210,679	-	-	-
Instructional staff	332,395	-	-	-
Administration	1,060,886	-	-	-
Operation and maintenance of plant	609,614	37,196	-	-
Transportation	659,889	-	1,083	-
	<u>2,873,463</u>	<u>37,196</u>	<u>1,083</u>	<u>-</u>
Non-instructional programs	<u>22,667</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	42,572	-	-	6,189
Long-term debt interest and fiscal charges	100,351	-	-	-
AEA flowthrough	323,018	-	323,018	-
Depreciation (unallocated) *	346,673	-	-	-
	<u>812,614</u>	<u>-</u>	<u>323,018</u>	<u>6,189</u>
Total governmental activities	<u>9,455,461</u>	<u>801,872</u>	<u>1,195,880</u>	<u>6,189</u>

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (4,110,262)	\$ -	\$ (4,110,262)
(210,679)	-	(210,679)
(332,395)	-	(332,395)
(1,060,886)	-	(1,060,886)
(572,418)	-	(572,418)
(658,806)	-	(658,806)
(2,835,184)	-	(2,835,184)
(22,667)	-	(22,667)
(36,383)	-	(36,383)
(100,351)	-	(100,351)
-	-	-
(346,673)	-	(346,673)
(483,407)	-	(483,407)
(7,451,520)	-	(7,451,520)

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Instruction	\$ 46,932	\$ 47,844	\$ -	\$ -
Support services:				
Instructional staff	405	-	-	-
Operation and maintenance of plant	4,147	-	-	-
	<u>4,552</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs:				
Food service operations	433,304	259,459	180,144	-
Total business-type activities	<u>484,788</u>	<u>307,303</u>	<u>180,144</u>	<u>-</u>
Total	<u>\$ 9,940,249</u>	<u>\$ 1,109,175</u>	<u>\$ 1,376,024</u>	<u>\$ 6,189</u>

General revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
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

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
\$ -	\$ 912	\$ 912
-	(405)	(405)
-	(4,147)	(4,147)
-	(4,552)	(4,552)
-	6,299	6,299
-	2,659	2,659
(7,451,520)	2,659	(7,448,861)
\$ 2,576,825	\$ -	\$ 2,576,825
741,295	-	741,295
331,042	-	331,042
750,334	-	750,334
4,185,048	-	4,185,048
2,347	14	2,361
20,771	-	20,771
8,607,662	14	8,607,676
1,156,142	2,673	1,158,815
10,499,711	(3,116)	10,496,595
\$ 11,655,853	\$ (443)	\$ 11,655,410

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 2,325,086	\$ 468,273	\$ 508,600	\$ 209,033	\$ 3,510,992
Receivables:					
Property tax:					
Current year	32,135	9,665	4,332	1,499	47,631
Succeeding year	2,520,208	457,743	341,301	460,000	3,779,252
Accounts	2,695	-	-	398	3,093
Due from other governments	139,108	-	420,978	-	560,086
Prepaid expenses	12,814	-	-	-	12,814
	<hr/>				
Total assets	<u>\$ 5,032,046</u>	<u>\$ 935,681</u>	<u>\$ 1,275,211</u>	<u>\$ 670,930</u>	<u>\$ 7,913,868</u>

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 236,154	\$ -	\$ 69,487	\$ 10,399	\$ 316,040
Salaries and benefits payable	623,994	-	-	-	623,994
Deferred revenue:					
Succeeding year property tax	2,520,208	457,743	341,301	460,000	3,779,252
Other	5,252	-	-	-	5,252
Total liabilities	<u>3,385,608</u>	<u>457,743</u>	<u>410,788</u>	<u>470,399</u>	<u>4,724,538</u>
Fund balances:					
Nonspendable:					
Prepaid expenses	12,814	-	-	-	12,814
Restricted for:					
Categorical funding (note 10)	623,728	-	-	-	623,728
Debt service	-	477,938	-	-	477,938
Management levy purposes	-	-	-	39,623	39,623
Student activities	-	-	-	160,908	160,908
School infrastructure	-	-	783,581	-	783,581
Physical plant and equipment	-	-	80,842	-	80,842
Assigned for special purposes	76,278	-	-	-	76,278
Unassigned	933,618	-	-	-	933,618
Total fund balances	<u>1,646,438</u>	<u>477,938</u>	<u>864,423</u>	<u>200,531</u>	<u>3,189,330</u>
Total liabilities and fund balances	<u>\$ 5,032,046</u>	<u>\$ 935,681</u>	<u>\$ 1,275,211</u>	<u>\$ 670,930</u>	<u>\$ 7,913,868</u>

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2013

Total fund balances of governmental funds	\$ 3,189,330
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.	12,083,491
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(17,515)
Long-term liabilities, including bonds and notes payable, early retirement, compensated absences, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,599,453)</u>
Net position of governmental activities	<u>\$ 11,655,853</u>

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,460,433	\$ 740,842	\$ 1,081,248	\$ 114,817	\$ 4,397,340
Tuition	469,523	-	-	-	469,523
Other	122,896	14	-	230,588	353,498
State sources	5,161,442	453	127	71	5,162,093
Federal sources	228,655	-	-	-	228,655
Total revenues	<u>8,442,949</u>	<u>741,309</u>	<u>1,081,375</u>	<u>345,476</u>	<u>10,611,109</u>
Expenditures:					
Current:					
Instruction	<u>5,505,053</u>	-	-	215,439	<u>5,720,492</u>
Support services:					
Student	240,481	-	-	265	240,746
Instructional staff	272,679	-	58,739	6,061	337,479
Administration	913,721	-	-	166,646	1,080,367
Operation and maintenance of plant	572,430	-	41,765	4,687	618,882
Transportation	560,527	-	69,300	25,351	655,178
	<u>2,559,838</u>	-	<u>169,804</u>	<u>203,010</u>	<u>2,932,652</u>
Non-instructional programs	-	-	-	1,632	1,632
Other expenditures:					
Facilities acquisition	-	-	243,407	-	243,407
Long term debt:					
Principal	-	2,140,000	-	-	2,140,000
Interest and fiscal charges	-	106,911	-	-	106,911
AEA flowthrough	323,018	-	-	-	323,018
	<u>323,018</u>	<u>2,246,911</u>	<u>243,407</u>	-	<u>2,813,336</u>
Total expenditures	<u>8,387,909</u>	<u>2,246,911</u>	<u>413,211</u>	<u>420,081</u>	<u>11,468,112</u>
Excess (deficiency) of revenues over (under) expenditures	<u>55,040</u>	<u>(1,505,602)</u>	<u>668,164</u>	<u>(74,605)</u>	<u>(857,003)</u>

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Sale of equipment	\$ 494	\$ -	\$ -	\$ -	\$ 494
Capital loan notes issued	-	1,035,000	-	-	1,035,000
Interfund transfers in (note 3)	-	515,075	-	-	515,075
Interfund transfers out (note 3)	-	-	(515,075)	(3,100)	(518,175)
Total other financing sources (uses)	<u>494</u>	<u>1,550,075</u>	<u>(515,075)</u>	<u>(3,100)</u>	<u>1,032,394</u>
Net change in fund balances	55,534	44,473	153,089	(77,705)	175,391
Fund balances beginning of year	<u>1,590,904</u>	<u>433,465</u>	<u>711,334</u>	<u>278,236</u>	<u>3,013,939</u>
Fund balances end of year	<u>\$ 1,646,438</u>	<u>\$ 477,938</u>	<u>\$ 864,423</u>	<u>\$ 200,531</u>	<u>\$ 3,189,330</u>

See notes to financial statements.

INTERSTATE 35 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, 2013

Net change in fund balances - total governmental funds \$ 175,391

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 Net Position 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 year are as follows:

Expenditures for capital assets	\$ 437,315	
Depreciation expense	<u>(572,304)</u>	(134,989)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. (1,035,000)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 2,140,000

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 funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 6,560

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	27,136	
Compensated absences	8,044	
Net OPEB liability	<u>(31,000)</u>	<u>4,180</u>

Change in net position of governmental activities \$ 1,156,142

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2013

	<u>Nonmajor Enterprise Funds</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 19,420
Accounts receivable	928
Inventories	<u>5,710</u>
Total current assets	<u>26,058</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation (note 4)	<u>18,863</u>
Total assets	<u>44,921</u>
Liabilities	
Current liabilities:	
Accounts payable	409
Salaries and benefits payable	20,045
Unearned revenue	<u>7,424</u>
Total current liabilities	<u>27,878</u>
Noncurrent liabilities:	
Net OPEB liability (note 5)	<u>17,486</u>
Total liabilities	<u>45,364</u>
Net Position	
Net investment in capital assets	18,863
Unrestricted	<u>(19,306)</u>
Total net position	<u>\$ (443)</u>

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

	<u>Nonmajor Enterprise Funds</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>307,303</u>
Operating expenses:	
Instruction	46,932
Support services:	
Instructional staff	405
Operation and maintenance of plant	4,147
Non-instructional programs	<u>433,304</u>
	<u>484,788</u>
Operating loss	(177,485)
Non-operating revenues:	
Interest on investments	14
State sources	3,859
Federal sources	<u>176,285</u>
Total non-operating revenues	<u>180,158</u>
Change in net position	2,673
Net position beginning of year	<u>(3,116)</u>
Net position end of year	\$ <u><u>(443)</u></u>

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	<u>Nonmajor Enterprise Funds</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 254,949
Cash received from miscellaneous operating activities	48,953
Cash payments to employees for services	(241,458)
Cash payments to suppliers for goods or services	<u>(214,000)</u>
Net cash used by operating activities	<u>(151,556)</u>
Cash flows from non-capital financing activities:	
State grants received	3,859
Federal grants received	<u>161,138</u>
Net cash provided by non-capital financing activities	<u>164,997</u>
Cash flows from investing activities:	
Interest on investments	<u>14</u>
Net increase in cash and cash equivalents	13,455
Cash and cash equivalents beginning of year	<u>5,965</u>
Cash and cash equivalents end of year	<u>\$ 19,420</u>

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	<u>Nonmajor Enterprise Funds</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (177,485)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	2,495
Commodities used	15,147
(Increase) in accounts receivable	(928)
Decrease in inventories	166
Increase in accounts payable	374
Increase in salaries and benefits payable	11,148
(Decrease) in unearned revenue	<u>(2,473)</u>
Net cash used by operating activities	<u>\$ (151,556)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$15,147 of federal commodities.

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2013

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>10,104</u>
Net position:	
Restricted for scholarships	\$ <u><u>10,104</u></u>

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2013

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 18,000	
Other financing sources:		
Interfund transfers in (note 3)		<u>3,100</u>
Total additions		<u>21,100</u>
Deductions:		
Instruction:		
Scholarships awarded		<u>19,100</u>
Change in net position		2,000
Net position beginning of year		<u>8,104</u>
Net position end of year	\$	<u><u>10,104</u></u>

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies

Interstate 35 Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education and regular pre-kindergarten. The geographic area served includes the Cities of Truro, New Virginia and St. Charles, Iowa, and agricultural territory in Madison, Clarke and Warren 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, Interstate 35 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. Interstate 35 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 Madison, Clarke and Warren County Assessor's Conference Boards.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Position (previously referred to as net assets) 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 and liabilities, with the difference reported as net position. Net position is reported in three categories:

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

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.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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 often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are 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 District-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. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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 proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund, Roadrunner Childcare Center Fund, and Preschool Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Roadrunner Childcare Center Fund is used to account for the daycare services previously provided to the community by the District. The Preschool Fund is used to account for the educational preschool services provided by the District.

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

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

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating 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.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities 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.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. 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 District-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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

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.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities 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 District-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful Lives
Buildings	15-50 years
Improvements other than buildings	20-25 years
Furniture and equipment	5-20 years

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, unearned registration fees and the succeeding year property tax receivable.

Deferred revenue in the Statement of Net Position consists of unspent grant proceeds, unearned registration fees and the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the District-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 for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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.

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 Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 2. Cash and Pooled Investments (continued)

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 202,009

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor’s Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Private Purpose Trust - Scholarship	Special Revenue - Student Activity	\$ 3,100
Debt Service	Capital Projects	515,075
		\$ 518,175

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

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 600,734	\$ -	\$ -	\$ 600,734
Construction in progress	7,600	65,824	-	73,424
Total capital assets not being depreciated	608,334	65,824	-	674,158
Capital assets being depreciated:				
Buildings	15,113,582	135,010	-	15,248,592
Improvements other than buildings	711,391	28,544	-	739,935
Furniture and equipment	2,519,074	207,937	88,194	2,638,817
Total capital assets being depreciated	18,344,047	371,491	88,194	18,627,344
Less accumulated depreciation for:				
Buildings	4,727,096	316,433	-	5,043,529
Improvements other than buildings	345,406	28,312	-	373,718
Furniture and equipment	1,661,399	227,559	88,194	1,800,764
Total accumulated depreciation	6,733,901	572,304	88,194	7,218,011
Total capital assets being depreciated, net	11,610,146	(200,813)	-	11,409,333
Governmental activities capital assets, net	\$ 12,218,480	\$ (134,989)	\$ -	\$ 12,083,491
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 352,750	\$ -	\$ -	\$ 352,750
Less accumulated depreciation	331,392	2,495	-	333,887
Business-type activities capital assets, net	\$ 21,358	\$ (2,495)	\$ -	\$ 18,863

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction \$ 117,826

Support services:

Student 812

Administration 2,940

Operation and maintenance of plant 10,451

Transportation 93,602

225,631

Unallocated depreciation 346,673

Total depreciation expense - governmental activities \$ 572,304

Business-type activities:

Food service operations \$ 2,495

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 2,320,000	\$ -	\$ 725,000	\$ 1,595,000	\$ 445,000
Revenue bonds	720,000	-	230,000	490,000	240,000
Capital loan notes	1,185,000	1,035,000	1,185,000	1,035,000	205,000
Early retirement	96,714	32,332	59,468	69,578	58,818
Compensated absences	16,405	8,361	16,405	8,361	8,361
Net OPEB liability	<u>370,514</u>	<u>31,000</u>	<u>-</u>	<u>401,514</u>	<u>-</u>
 Total	 <u>\$ 4,708,633</u>	 <u>\$ 1,106,693</u>	 <u>\$ 2,215,873</u>	 <u>\$ 3,599,453</u>	 <u>\$ 957,179</u>
	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Business-type activities:					
Net OPEB liability	<u>\$ 17,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,486</u>	<u>\$ -</u>

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of April 24, 2012			
	Interest Rates	Principal	Interest	Total
2014	0.55-0.60 %	\$ 445,000	\$ 12,242	\$ 457,242
2015	0.65-0.80	450,000	9,556	459,556
2016	0.85-1.00	455,000	6,048	461,048
2017	1.10-1.20	245,000	2,160	247,160
		\$ 1,595,000	\$ 30,006	\$ 1,625,006

Revenue Bonds

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of May 1, 2008			
	Interest Rates	Principal	Interest	Total
2014	3.75 %	\$ 240,000	\$ 14,125	\$ 254,125
2015	3.85	250,000	4,812	254,812
		\$ 490,000	\$ 18,937	\$ 508,937

The District pledged future statewide sales, services and use tax revenues to repay the \$1,345,000 bonds issued on May 1, 2008. The bonds were issued for the purpose of financing a portion of the costs of a new 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 2015. The bonds are not a general obligation of the District and the debt is not subject to the constitution debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 35 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$508,937. For the current year, \$230,000 in principal and \$22,823 in interest was paid on the bonds and total statewide sales and services tax revenues were \$750,334.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

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

- a) \$134,500 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds, if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Sufficient monthly deposits amounting to one twelfth of the next principal payment and one sixth of the next interest payment shall be made to the sinking account for the purpose of making the bond principal and interest payments when due.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Capital Loan Notes

During the year ended June 30, 2013, the District issued \$1,035,000 of Capital Loan Refunding Notes, which are payable from the Capital Projects, Physical Plant and Equipment Levy Fund to refund the May 1, 2008 notes with interest rates from 3.7% to 4.1%. As a result of the refunding, the District reduced its total debt service requirements over the life of the notes by \$78,211, resulting in a net present value economic gain of \$76,986. Details of the District's June 30, 2013 capital loan notes indebtedness are as follows:

Year Ending June 30,	Capital loan note issue of June 3, 2013			
	Interest Rates	Principal	Interest	Total
2014	0.30 %	\$ 205,000	\$ 5,186	\$ 210,186
2015	0.45	210,000	5,078	215,078
2016	0.55	205,000	4,132	209,132
2017	0.65	210,000	3,005	213,005
2018	0.80	205,000	1,640	206,640
		\$ 1,035,000	\$ 19,041	\$ 1,054,041

Early Retirement

The District offered a voluntary early retirement plan to its employees for the year ended June 30, 2013.

Eligible employees must have been at least age fifty-five but not more than age sixty-five and must have completed fifteen years of service to the District. Employees had to complete an application which was required to be approved by the Board of Education.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities (continued)

Early Retirement (continued)

The early retirement benefit for each eligible employee is equal to 1% of the employee's contract the final year of employment times the number of years of employment. The District also pays \$25 for each unused sick leave day. In addition, the District pays a monthly contribution to the retiree's single health and dental insurance at a rate equal to the amount paid by the District in the final year of employment. This insurance benefit is provided for the lesser of three years or until the retiree is eligible for Medicare.

At June 30, 2013, the District has obligations to eight participants with a total liability of \$69,578. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$59,468. The cost of early retirement payments is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 126 active and 10 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 ISEBA. 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.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	76,000
Interest on net OPEB obligation		17,000
Adjustment to annual required contribution		<u>(15,000)</u>
Annual OPEB cost		78,000
Contributions made		<u>(47,000)</u>
Increase in net OPEB obligation		31,000
Net OPEB obligation beginning of year		<u>388,000</u>
 Net OPEB obligation end of year	 \$	 <u><u>419,000</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, 2013.

For the year ended June 30, 2013, the District contributed \$47,000 to the medical plan. Plan members eligible for benefits contributed \$82,000, or 64% of the premium costs.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2011	\$ 197,961	34.4%	\$ 271,961
2012	199,039	41.7%	388,000
2013	78,000	60.3%	419,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$635,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$635,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,538,000, and the ratio of the UAAL to covered payroll was 14.0%. As of June 30, 2013, there were no trust fund assets.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

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

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

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District’s funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table projected to 2015, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2012.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years. Projected claim costs of the medical plan per month for retirees age 60 are illustrated below for the three plan options.

PPO 500	PPO 750	HMO 500
\$ 896	\$ 848	\$ 807

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered payroll for the year ended June 30, 2013. Contribution requirements are established by State statute. The District’s contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$385,447, \$340,760, and \$344,139, respectively, equal to the required contributions for each year.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 8. Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision, life and prescription drugs.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2013 were \$1,030,828.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

Interstate 35 Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$323,018 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Limited English proficient program	\$ 1,294
Home school assistance program	5,647
At-risk programs	50,285
Gifted and talented programs	23,184
Returning dropouts and dropout prevention programs	233,910
Four year old preschool state aid	138,363
Teacher salary supplement	17,740
Market factor	1,358
Iowa early intervention block grant	20,640
Child development	2,327
Professional development for model core curriculum	51,285
Professional development	75,182
Market factor incentives	113
STEM grant	<u>2,400</u>
 Total	 \$ <u><u>623,728</u></u>

Note 11. Deficit Fund Balances

At June 30, 2013, the School Nutrition, Roadrunner Childcare Center and Preschool Funds within the nonmajor Enterprise Funds had deficit unrestricted net positions of \$2,572, \$14,896, and \$1,838, respectively.

Note 12. Subsequent Events

In September 2013, the District entered into a capital lease purchase agreement totaling \$409,153 for five buses. The District paid an initial payment of \$105,346 with the balance of \$303,807 to be paid in three annual payments including interest at 2%.

In July 2013, the District approved a contract for \$1,249,000 for work on a new fitness center.

In July 2013, the District approved a contract for \$64,800 for replacement of the gymnasium roof.

Required Supplementary Information

INTERSTATE 35 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, 2013

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 5,220,361	\$ 307,317	\$ 5,527,678	\$ 5,302,408	\$ 5,302,408	\$ 225,270
State sources	5,162,093	3,859	5,165,952	5,228,326	5,228,326	(62,374)
Federal sources	228,655	176,285	404,940	315,000	315,000	89,940
Total revenues	10,611,109	487,461	11,098,570	10,845,734	10,845,734	252,836
EXPENDITURES/EXPENSES:						
Instruction	5,720,492	46,932	5,767,424	5,472,220	6,000,000	232,576
Support services	2,932,652	4,552	2,937,204	2,915,520	3,300,000	362,796
Non-instructional programs	1,632	433,304	434,936	435,000	475,000	40,064
Other expenditures	2,813,336	-	2,813,336	1,596,586	2,821,018	7,682
Total expenditures/expenses	11,468,112	484,788	11,952,900	10,419,326	12,596,018	643,118
Excess (deficiency) of revenues over (under) expenditures/ expenses	(857,003)	2,673	(854,330)	426,408	(1,750,284)	895,954
Other financing sources, net	1,032,394	-	1,032,394	-	-	1,032,394
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	175,391	2,673	178,064	426,408	(1,750,284)	1,928,348
Balance beginning of year	3,013,939	(3,116)	3,010,823	2,906,142	2,906,142	104,681
Balance end of year	<u>\$ 3,189,330</u>	<u>\$ (443)</u>	<u>\$ 3,188,887</u>	<u>\$ 3,332,550</u>	<u>\$ 1,155,858</u>	<u>\$ 2,033,029</u>

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2013

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 known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$2,176,692.

During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information
Year Ended June 30, 2013

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	\$ -	\$ 1,491	\$ 1,491	0.0%	\$ 4,103	36.3%
2011	July 1, 2009	-	1,491	1,491	0.0%	3,894	38.3%
2012	July 1, 2009	-	1,491	1,491	0.0%	4,373	34.1%
2013	July 1, 2012	-	635	635	0.0%	4,538	14.0%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 37,954	\$ 171,079	\$ 209,033
Receivables:			
Property tax:			
Current year	1,499	-	1,499
Succeeding year	460,000	-	460,000
Accounts	170	228	398
Total assets	\$ 499,623	\$ 171,307	\$ 670,930
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 10,399	\$ 10,399
Deferred revenue:			
Succeeding year property tax	460,000	-	460,000
Total liabilities	460,000	10,399	470,399
Fund balances:			
Restricted for:			
Management levy purposes	39,623	-	39,623
Student activities	-	160,908	160,908
Total fund balances	39,623	160,908	200,531
Total liabilities and fund balances	\$ 499,623	\$ 171,307	\$ 670,930

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2013

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local sources:			
Local tax	\$ 114,817	\$ -	\$ 114,817
Other	3,869	226,719	230,588
State sources	71	-	71
Total revenues	118,757	226,719	345,476
Expenditures:			
Current:			
Instruction	8,842	206,597	215,439
Support services:			
Student	-	265	265
Instructional staff	6,061	-	6,061
Administration	166,646	-	166,646
Operation and maintenance of plant	4,137	550	4,687
Transportation	25,231	120	25,351
Non-instructional programs	1,632	-	1,632
Total expenditures	212,549	207,532	420,081
Excess (deficiency) of revenues over (under) expenditures	(93,792)	19,187	(74,605)
Other financing uses:			
Interfund transfers out	-	(3,100)	(3,100)
Net change in fund balances	(93,792)	16,087	(77,705)
Fund balances beginning of year	133,415	144,821	278,236
Fund balances end of year	\$ 39,623	\$ 160,908	\$ 200,531

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 432,090	\$ 76,510	\$ 508,600
Receivables:			
Property tax:			
Current year	-	4,332	4,332
Succeeding year	-	341,301	341,301
Due from other governments	420,978	-	420,978
 Total assets	 \$ 853,068	\$ 422,143	\$ 1,275,211
 Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 69,487	\$ -	\$ 69,487
Deferred revenue:			
Succeeding year property tax	-	341,301	341,301
Total liabilities	69,487	341,301	410,788
 Fund balances:			
Restricted for:			
School infrastructure	783,581	-	783,581
Physical plant and equipment	-	80,842	80,842
Total fund balances	783,581	80,842	864,423
 Total liabilities and fund balances	 \$ 853,068	\$ 422,143	\$ 1,275,211

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2013

	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 750,334	\$ 330,914	\$ 1,081,248
State sources	-	127	127
Total revenues	<u>750,334</u>	<u>331,041</u>	<u>1,081,375</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	58,739	-	58,739
Operation and maintenance of plant	13,600	28,165	41,765
Transportation	69,300	-	69,300
Other expenditures:			
Facilities acquisition	229,300	14,107	243,407
Total expenditures	<u>370,939</u>	<u>42,272</u>	<u>413,211</u>
Excess of revenues over expenditures	379,395	288,769	668,164
Other financing uses:			
Interfund transfers out	<u>(289,005)</u>	<u>(226,070)</u>	<u>(515,075)</u>
Net change in fund balances	90,390	62,699	153,089
Fund balances beginning of year	<u>693,191</u>	<u>18,143</u>	<u>711,334</u>
Fund balances end of year	<u>\$ 783,581</u>	<u>\$ 80,842</u>	<u>\$ 864,423</u>

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF NET POSITION
NONMAJOR ENTERPRISE FUNDS

June 30, 2013

	School Nutrition	Roadrunner Childcare Center	Preschool	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 25,668	\$ (14,896)	\$ 8,648	\$ 19,420
Accounts receivable	928	-	-	928
Inventories	5,710	-	-	5,710
Total current assets	<u>32,306</u>	<u>(14,896)</u>	<u>8,648</u>	<u>26,058</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation	18,863	-	-	18,863
Total assets	<u>51,169</u>	<u>(14,896)</u>	<u>8,648</u>	<u>44,921</u>
Liabilities				
Current liabilities:				
Accounts payable	409	-	-	409
Salaries and benefits payable	13,699	-	6,346	20,045
Unearned revenue	5,429	-	1,995	7,424
Total current liabilities	<u>19,537</u>	<u>-</u>	<u>8,341</u>	<u>27,878</u>
Noncurrent liabilities:				
Net OPEB liability	15,341	-	2,145	17,486
Total liabilities	<u>34,878</u>	<u>-</u>	<u>10,486</u>	<u>45,364</u>
Net Position				
Net investment in capital assets	18,863	-	-	18,863
Unrestricted	<u>(2,572)</u>	<u>(14,896)</u>	<u>(1,838)</u>	<u>(19,306)</u>
Total net position	<u>\$ 16,291</u>	<u>\$ (14,896)</u>	<u>\$ (1,838)</u>	<u>\$ (443)</u>

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 Year Ended June 30, 2013

	School Nutrition	Roadrunner Childcare Center	Preschool	Total
Operating revenues:				
Local sources:				
Charges for services	\$ 259,459	\$ -	\$ 47,844	\$ 307,303
Operating expenses:				
Instruction	-	-	46,932	46,932
Support services:				
Instructional staff	405	-	-	405
Operation and maintenance of plant	3,462	-	685	4,147
Non-instructional programs	433,304	-	-	433,304
	<u>437,171</u>	<u>-</u>	<u>47,617</u>	<u>484,788</u>
Operating income (loss)	(177,712)	-	227	(177,485)
Non-operating revenues:				
Interest on investments	14	-	-	14
State sources	3,859	-	-	3,859
Federal sources	176,285	-	-	176,285
Total non-operating revenues	<u>180,158</u>	<u>-</u>	<u>-</u>	<u>180,158</u>
Change in net position	2,446	-	227	2,673
Net position beginning of year	<u>13,845</u>	<u>(14,896)</u>	<u>(2,065)</u>	<u>(3,116)</u>
Net position end of year	<u>\$ 16,291</u>	<u>\$ (14,896)</u>	<u>\$ (1,838)</u>	<u>\$ (443)</u>

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2013

	School Nutrition	Roadrunner Childcare Center	Preschool	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 254,949	\$ -	\$ -	\$ 254,949
Cash received from miscellaneous operating activities	1,354	-	47,599	48,953
Cash payments to employees for services	(194,795)	-	(46,663)	(241,458)
Cash payments to suppliers for goods or services	(213,281)	-	(719)	(214,000)
Net cash provided by (used by) operating activities	<u>(151,773)</u>	<u>-</u>	<u>217</u>	<u>(151,556)</u>
Cash flows from non-capital financing activities:				
State grants received	3,859	-	-	3,859
Federal grants received	161,138	-	-	161,138
Net cash provided by non-capital financing activities	<u>164,997</u>	<u>-</u>	<u>-</u>	<u>164,997</u>
Cash flows from investing activities:				
Interest on investments	14	-	-	14
Net increase in cash and cash equivalents	13,238	-	217	13,455
Cash and cash equivalents beginning of year	<u>12,430</u>	<u>(14,896)</u>	<u>8,431</u>	<u>5,965</u>
Cash and cash equivalents end of year	<u>\$ 25,668</u>	<u>\$ (14,896)</u>	<u>\$ 8,648</u>	<u>\$ 19,420</u>

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2013

	<u>School Nutrition</u>	<u>Roadrunner Childcare Center</u>	<u>Preschool</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ (177,712)	\$ -	\$ 227	\$ (177,485)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	2,495	-	-	2,495
Commodities used	15,147	-	-	15,147
(Increase) in accounts receivable	(928)	-	-	(928)
Decrease in inventories	166	-	-	166
Increase (decrease) in accounts payable	409	-	(35)	374
Increase in salaries and benefits payable	10,878	-	270	11,148
(Decrease) in unearned revenue	(2,228)	-	(245)	(2,473)
Net cash provided by (used by) operating activities	<u>\$ (151,773)</u>	<u>\$ -</u>	<u>\$ 217</u>	<u>\$ (151,556)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$15,147 of federal commodities.

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures/ Transfers Out	Balance End of Year
HS Vocal	\$ 3,923	\$ 3,668	\$ 3,935	\$ 3,656
HS Band	5,890	4,749	3,248	7,391
Co-ed Athletic Gates	10,387	30,934	36,442	4,879
Cross Country	1,962	1,806	1,539	2,229
Golf	1,210	750	1,960	-
HS Cheerleaders	4,938	6,448	10,528	858
Dance Team	8,545	12,132	14,523	6,154
Boys Basketball	1,655	2,641	1,610	2,686
Football	5,049	21,050	7,158	18,941
Baseball	1,982	3,497	3,919	1,560
Boys Track	1,885	4,220	4,236	1,869
Wrestling	5,638	6,390	3,281	8,747
Girls Basketball	4,602	2,530	1,429	5,703
Volleyball	1,906	2,624	2,545	1,985
Softball	1,264	2,380	2,280	1,364
Girls Track	3,240	4,192	5,182	2,250
HS General Athletics	1,242	4,035	4,646	631
JH Athletics	1,637	8,033	8,122	1,548
Knowledge Bowl	-	557	557	-
Concessions	30,334	55,779	49,538	36,575
AED Grant	87	-	-	87
Athletic Complex	88	-	-	88
Interest	-	53	53	-
TAG Activity Fund Balance	580	-	-	580
Honor Society	354	334	682	6
HS Student Council	3,518	12,225	11,255	4,488
FFA	12,595	23,074	23,787	11,882
HS Book Club	1,136	-	-	1,136
Senior Breakfast	95	50	28	117
Math & Science Club	264	-	-	264
Middle School Band	1,851	188	-	2,039
Vocal Entry Fees	108	-	-	108
7th & 8th Vocal	1,765	163	-	1,928
Elementary Vocal	229	849	-	1,078
Class of 2011	22	-	22	-
Class of 2012	383	-	383	-
Class of 2013	1,520	82	1,602	-
Class of 2014	1,690	450	1,301	839
Class of 2015	590	2,143	150	2,583
Class of 2016	-	440	-	440

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures/ Transfers Out	Balance End of Year
High School Fundraising	\$ 1,373	\$ 708	\$ -	\$ 2,081
Strength and Agility	12	-	-	12
Preschool	758	-	-	758
Elementary Classes	2,144	2,163	1,883	2,424
Middle School Classes	5,400	-	-	5,400
JH Student Council	10,970	1,323	2,294	9,999
Wrestling Cheerleading	-	4,059	514	3,545
	<u>\$ 144,821</u>	<u>\$ 226,719</u>	<u>\$ 210,632</u>	<u>\$ 160,908</u>

See accompanying independent auditor's report.

INTERSTATE 35 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,			
	2013	2012	2011	2010
Revenues:				
Local sources:				
Local tax	\$ 4,397,340	\$ 4,190,206	\$ 3,993,720	\$ 3,713,350
Tuition	469,523	376,761	377,762	409,448
Other	353,498	380,561	325,713	405,991
Intermediate sources	-	-	353	1,995
State sources	5,162,093	5,037,781	4,636,905	3,989,444
Federal sources	228,655	323,488	270,037	628,378
Total revenues	\$ 10,611,109	\$ 10,308,797	\$ 9,604,490	\$ 9,148,606
Expenditures:				
Instruction	\$ 5,720,492	\$ 5,438,875	\$ 5,270,885	\$ 5,327,859
Support services:				
Student	240,746	227,848	170,644	166,748
Instructional staff	337,479	362,936	436,885	318,651
Administration	1,080,367	1,092,208	958,645	968,134
Operation and maintenance of plant	618,882	601,767	577,505	657,582
Transportation	655,178	592,832	519,369	715,343
Non-instructional programs	1,632	612	8,190	-
Other expenditures:				
Facilities acquisition	243,407	74,323	334,101	558,685
Long-term debt:				
Principal	2,140,000	3,156,073	833,311	770,000
Interest and fiscal charges	106,911	240,899	216,501	242,153
AEA flowthrough	323,018	309,745	335,812	331,913
Total expenditures	\$ 11,468,112	\$ 12,098,118	\$ 9,661,848	\$ 10,057,068

See accompanying independent auditor's report.

	2009	2008	2007	2006	2005	2004
\$	3,689,949	\$ 3,326,721	\$ 3,296,822	\$ 3,033,229	\$ 2,961,634	\$ 2,503,938
	430,322	355,098	322,459	283,603	230,110	188,971
	428,611	443,370	500,273	458,751	415,118	345,482
	20,671	673	9,691	3,663	180	860
	4,735,246	4,752,359	4,453,988	3,711,595	3,534,845	3,343,852
	433,239	635,610	169,225	172,332	172,013	125,386
\$	<u>9,738,038</u>	<u>9,513,831</u>	<u>8,752,458</u>	<u>7,663,173</u>	<u>7,313,900</u>	<u>6,508,489</u>
\$	5,719,591	\$ 5,211,380	\$ 4,874,895	\$ 4,150,579	\$ 4,174,310	\$ 3,835,990
	136,504	133,351	124,138	170,046	177,068	174,280
	190,381	79,919	55,002	48,296	37,662	73,135
	928,888	838,959	860,317	872,124	786,083	670,130
	753,379	644,583	639,872	658,572	676,195	553,359
	519,824	507,750	465,040	447,807	484,531	458,525
	-	-	-	-	-	-
	2,639,674	537,325	51,501	52,552	80,903	510
	555,000	385,000	375,000	365,000	355,000	350,000
	245,357	158,623	169,947	180,522	189,391	196,648
	309,836	300,529	282,513	233,707	222,803	216,931
\$	<u>11,998,434</u>	<u>8,797,419</u>	<u>7,898,225</u>	<u>7,179,205</u>	<u>7,183,946</u>	<u>6,529,508</u>

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

To the Board of Education of
Interstate 35 Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Interstate 35 Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Interstate 35 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 Interstate 35 Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Interstate 35 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 deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-13 and I-E-13 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-13, I-C-13 and I-D-13 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Interstate 35 Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters 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, 2013 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.

Interstate 35 Community School District's Responses to Findings

Interstate 35 Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Interstate 35 Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Interstate 35 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.

Oskaloosa, Iowa
February 6, 2014

Hunt & Associates, P.C.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-13 Financial Reporting – During the audit, we identified material amounts of disbursements, payables and capital asset additions not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all disbursements, payables and capital asset additions are identified and included in the District’s financial statements.

Response – We will double check these in the future to avoid missing any disbursements, payables or capital asset transactions.

Conclusion – Response accepted.

I-B-13 Computer Backup – We noted that the District’s accounting system backup is not stored off-site daily or weekly.

Recommendation – All information in the District’s computer system should be backed up and stored off-site at least weekly and preferably daily. This would help to protect the District’s accounting information in the case of a computer crash or natural disaster.

Response – We will investigate methods of backing up the accounting system on a regular basis and storing the information off-site or virtually.

Conclusion – Response accepted.

I-C-13 Fundraisers – We noted an athletic fundraiser where a portion of the related invoice was paid directly from the cash collected. Only the checks received were turned in to the District and recorded as revenue.

Recommendation – All fundraisers should run through the District. All receipts should be turned in to the District intact and all related expenses should be paid through the normal disbursement process. Otherwise, revenues and expenditures are both understated and the budget and District oversight are bypassed.

Response – We will try to make sure all future fundraisers are properly run through the District.

Conclusion – Response accepted.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

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

Internal Control Deficiencies (continued):

I-D-13 Preschool Receipts – During the audit, we noted that receipts for preschool registration and monthly fees were not clearly marked to indicate whether they were for three and five-year-olds, which would be recorded in the Preschool Fund, or for four-year-olds, which would be recorded in the General Fund.

Recommendation – The District should streamline their preschool receipting process in order to accurately report revenues between funds.

Response – We will adjust our preschool receipting process so that the preschool revenues are properly recorded in the future.

Conclusion – Response accepted.

I-E-13 Banker’s Trust – We noted that the District did not reconcile the Banker’s Trust revenue bond accounts. This led to unrecorded transactions that were undetected. We noted unrecorded revenue bond payments of \$252,823 and unrecorded interfund transfers of \$259,375. Adjusting journal entries have been made to the general ledger to record and correct these items.

Recommendation – All accounts, including the Bankers Trust revenue bond accounts, should be reconciled and tied to the general ledger each month. Any differences should be investigated and corrected. This would allow the District to timely detect and correct errors or omissions and would provide accurate and reliable financial information of the District throughout the year for the Board of Education’s management decisions.

Response – Bank reconciliations for all accounts will be tied to the general ledger in the future. Any differences will be investigated and corrected timely.

Conclusion – Response accepted.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting:

- II-A-13 Certified Budget – Expenditures for the year ended June 30, 2013, did not exceed the amounts budgeted.
- II-B-13 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-13 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-13 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Travis Egli, Coach Owns Egli Feed & Supply	Supplies	\$240
DeAnn Strange, Secretary Spouse owns D&L Electric & Auto	Purchased Services	\$90
Vicki Westerly, Teacher Spouse owns Teen Driver	Purchased Services	\$2,400

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

In accordance with an Attorney General’s opinion dated November 9, 1976, the above transactions with spouses of employees do not appear to represent a conflict of interest.

- II-E-13 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-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-13 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

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

II-J-13 Certified Annual Report – We noted no significant deficiencies in the amounts reported on the Certified Annual Report. However, the report was not certified to the Iowa Department of Education timely.

Recommendation – The Certified Annual Report should be certified to the Iowa Department of Education by its due date.

Response – We will certify the report timely in the future.

Conclusion – Response accepted.

II-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-13 Statewide Sales and Services 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance	\$	693,191
Revenues:		
Sales tax revenues		750,334
Expenditures/transfers out:		
School infrastructure construction	229,300	
Equipment	115,823	
Other	25,816	
Transfers to other funds:		
Debt Service Fund	289,005	659,944
Ending balance	\$	783,581

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

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

- II-M-13 Financial Condition – At June 30, 2013, the Enterprise, School Nutrition Fund, Roadrunner Childcare Center Fund, and Preschool Fund had deficit unrestricted net position of \$2,572, \$14,896, and \$1,838, respectively.

Recommendation – The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response – The Roadrunner Childcare Center Fund was discontinued in fiscal year 2010, after the fund's inability to produce enough cash flow to meet its expenditures. The District will carry the deficit balance forward unless a fund transfer is approved from another fund to eliminate the deficit. We will continue to investigate alternatives to eliminate the deficits in the School Nutrition Fund and the Preschool Fund.

Conclusion – Response accepted.

- II-N-13 Student Activity Fund – During our audit issues arose about the appropriateness of certain accounts, receipts, and expenditures in the Special Revenue, Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. We noted that Booster Club non-cocurricular revenues and expenditures were still recorded in the Student Activity Fund.

Recommendation – The Booster Club should account for their own transactions or the District should set up an Agency Fund for the Booster Club transactions.

Response – We will set up and record the Booster Club transactions in an Agency Fund.

Conclusion – Response accepted.