

OKOBOJI COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Okoboji Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Laurie Simington	President	2013
Dee Wermersen	Vice President	2013
Joe Conover	Board Member	2015
Brad Droegmiller	Board Member	2015
Mark Hale	Board Member	2015
<b>School Officials</b>		
Gary Janssen	Superintendent	2013
Katy Sporrer	Business Manager/ District Secretary and Treasurer	2013
Cornwall, Avery, Bjornstad & Scott	Attorney	2013

OKOBOJI COMMUNITY SCHOOL DISTRICT

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Okoboji 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 Okoboji Community School District, Milford, 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 Okoboji 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 Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of Funding Progress for the Retiree Health Plan and the information on the Component Unit on pages 7 through 15 and 44 through 48 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 the 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Okoboji 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 two years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 24, 2014 on our consideration of Okoboji Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that reports 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 and should be considered in assessing the results of our audit.



NOLTE, CORNMAN & JOHNSON, P.C.

February 24, 2014  
Newton, Iowa

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Okoboji Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$10,187,496 in fiscal 2012 to \$9,749,139 in fiscal 2013, while General Fund expenditures increased from \$9,473,841 in fiscal 2012 to \$9,815,531 in fiscal 2013. This resulted in a decrease in the District's General Fund balance from \$2,378,598 in fiscal 2012 to a balance of \$2,312,206 in fiscal 2013, which is a 2.79% decrease from the prior year.
- The decrease in General Fund revenues was attributable to decreases in federal and state sources in fiscal 2013. The increase in expenditures was due primarily to an increase in instruction costs in fiscal 2013.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Okoboji Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Okoboji Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Okoboji Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

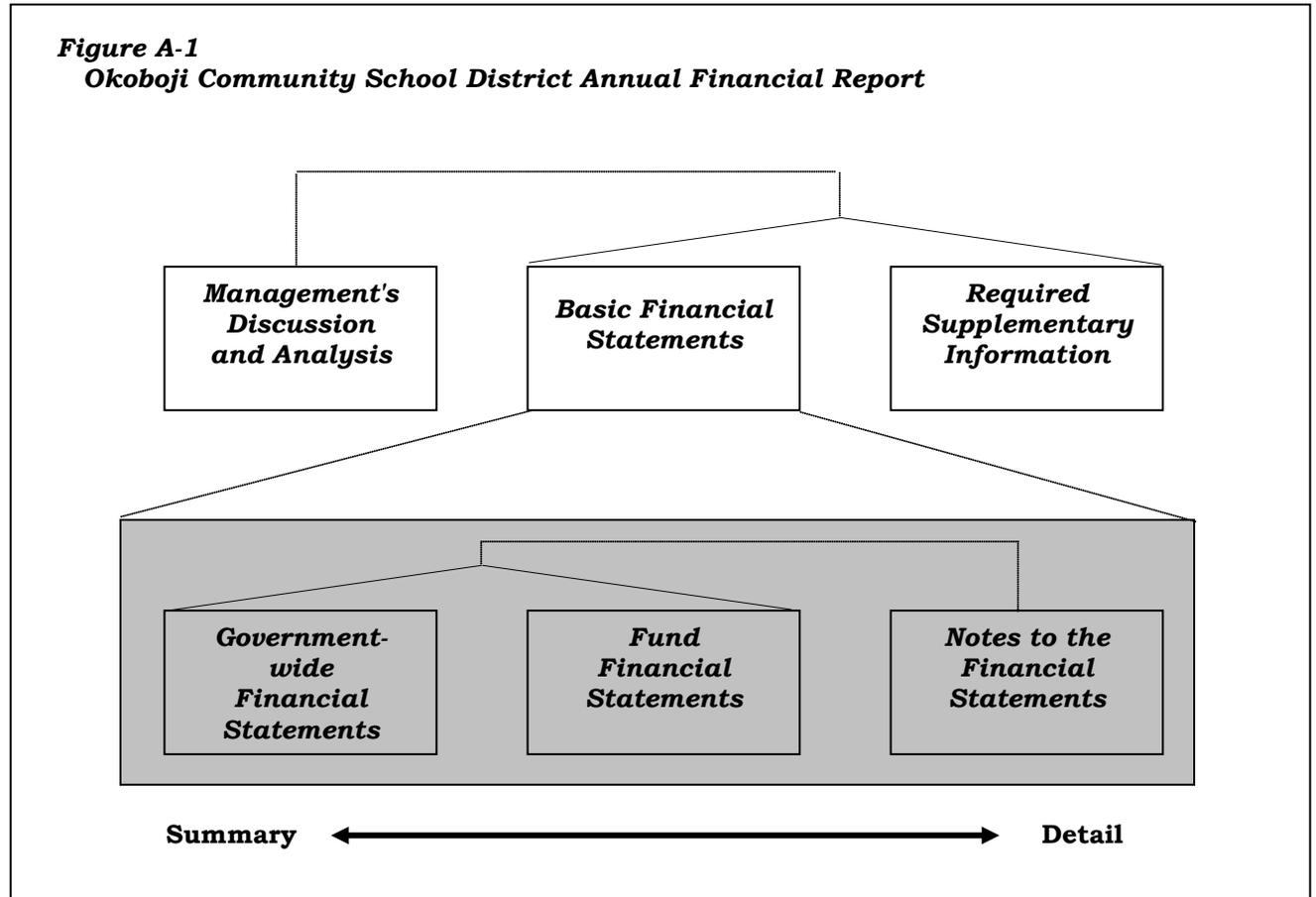


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

The two government-wide financial statements report the District’s net position and how it has changed. Net position – the difference between the District’s assets and liabilities – are one way to

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measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3  
Condensed Statement of Net Position

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 13,737,811	14,081,916	120,756	120,270	13,858,567	14,202,186	-2.42%
Capital assets	14,893,374	15,180,580	67,274	37,206	14,960,648	15,217,786	-1.69%
Total assets	<u>28,631,185</u>	<u>29,262,496</u>	<u>188,030</u>	<u>157,476</u>	<u>28,819,215</u>	<u>29,419,972</u>	<u>-2.04%</u>
Long-term obligations	3,456,697	4,081,404	19,473	19,703	3,476,170	4,101,107	-15.24%
Other liabilities	9,311,308	9,528,670	28,955	24,348	9,340,263	9,553,018	-2.23%
Total liabilities	<u>12,768,005</u>	<u>13,610,074</u>	<u>48,428</u>	<u>44,051</u>	<u>12,816,433</u>	<u>13,654,125</u>	<u>-6.14%</u>
Net position:							
Invested in capital assets, net of related debt	12,336,255	12,285,929	67,274	37,206	12,403,529	12,323,135	0.65%
Restricted	1,977,570	1,807,267	-	-	1,977,570	1,807,267	9.42%
Unrestricted	1,549,355	1,559,226	72,328	76,219	1,621,683	1,635,445	-0.84%
Total net position	<u>\$ 15,863,180</u>	<u>15,652,422</u>	<u>139,602</u>	<u>113,425</u>	<u>16,002,782</u>	<u>15,765,847</u>	<u>1.50%</u>

The District's total net position increased by 1.50%, or \$236,935, over the prior year. The largest portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 9.42%, or \$170,303, over the prior year. The increase in the Management Fund balance is the main factor in the increase in restricted net position.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$13,762, or 0.84%.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4  
Change in Net Position

	Governmental Activities		Business type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 1,007,524	1,116,572	207,988	220,640	1,215,512	1,337,212	-9.10%
Operating grants and contributions and restricted interest	814,703	824,706	216,603	205,121	1,031,306	1,029,827	0.14%
General revenues:							
Property tax	8,383,163	8,032,090	-	-	8,383,163	8,032,090	4.37%
Income surtax	175,097	141,319	-	-	175,097	141,319	23.90%
Statewide sales, services and use tax	768,187	584,394	-	-	768,187	584,394	31.45%
Nonspecific program federal grants	-	137,006	-	-	-	137,006	-100.00%
Unrestricted state grants	313,797	518,839	-	-	313,797	518,839	-39.52%
Unrestricted investment earnings	62,169	58,222	1,182	989	63,351	59,211	6.99%
Other	134,112	62,718	1,769	2,602	135,881	65,320	108.02%
Total revenues	11,658,752	11,475,866	427,542	429,352	12,086,294	11,905,218	1.52%
Program expenses:							
Governmental activities:							
Instructional	7,549,635	7,219,477	-	-	7,549,635	7,219,477	4.57%
Support services	2,959,660	2,780,171	2,279	7,430	2,961,939	2,787,601	6.25%
Non-instructional programs	-	-	399,086	400,244	399,086	400,244	-0.29%
Other expenses	938,699	947,214	-	-	938,699	947,214	-0.90%
Total expenses	11,447,994	10,946,862	401,365	407,674	11,849,359	11,354,536	4.36%
Change in net position	210,758	529,004	26,177	21,678	236,935	550,682	-56.97%
Beginning net position	15,652,422	15,123,418	113,425	91,747	15,765,847	15,215,165	3.62%
Ending net position	\$ 15,863,180	15,652,422	139,602	113,425	16,002,782	15,765,847	1.50%

In fiscal 2013, property tax, income surtax, statewide sales, services, and use tax and unrestricted state grants account for 82.69% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.31% of the revenue from business type activities.

The District's total revenues were approximately \$12.09 million of which approximately \$11.66 million was for governmental activities and \$0.43 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.52% increase in revenues and a 4.36% increase in expenses. The increase in expenses is related to increased spending on instructional and support services

### Governmental Activities

Revenues for governmental activities were \$11,658,752 and expenses were \$11,447,994.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 7,549,635	7,219,477	4.57%	6,084,561	5,621,073	8.25%
Support services	2,959,660	2,780,171	6.46%	2,953,680	2,772,052	6.55%
Other expenses	938,699	947,214	-0.90%	587,526	612,459	-4.07%
Totals	\$ 11,447,994	10,946,862	4.58%	9,625,767	9,005,584	6.89%

- The cost financed by users of the District's programs was \$1,007,524.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$814,703.
- The net cost of governmental activities was financed with \$8,383,163 in property tax, \$175,097 in income surtax, \$768,187 in statewide sales, services and use tax, \$313,797 in unrestricted state grants and \$62,169 in interest income and \$134,112 in other general revenues.

### Business type Activities

Revenues of the District's business type activity were \$427,542 net of transfers and expenses were \$401,365. The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, interest income, and federal and state reimbursements.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,058,048 below last year's ending fund balances of \$4,209,513. However, the primary reason for the decrease in combined fund balances is due to the decrease in fund balance of the Capital Projects Fund balance.

### Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Decreases during the year in federal and state source revenues resulted in a decrease in revenues. The increase in instructional expenditures is one of the reasons for the increase in expenditures. The net result was a decrease in fund balance from \$2,378,598 in fiscal 2012 to \$2,312,206 in fiscal 2013.
- The Capital Projects Accounts balance decreased from \$1,101,062 in fiscal 2012 to \$878,310 in fiscal 2013. Revenues increased compared to the prior year, primarily due to increased sales tax revenue. The District used the remaining money from the fiscal 2011 revenue bond issuance to make additional principal payments on the District's revenue bond indebtedness to eliminate future interest payments.

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## Proprietary Fund Highlights

As of the year ended June 30, 2013, the School Nutrition Fund experienced a decrease in revenues and decrease in expenses as compared to June 30, 2012. Overall, net position increased from \$113,425 at June 30, 2012 to \$139,602 at June 30, 2013, representing an increase of 23.08%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$198,801 more than budgeted revenues, a variance of 1.68%. The most significant variances resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had invested \$14,960,648, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.69% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$727,358.

The original cost of the District's capital assets was \$26,175,136. Governmental funds account for \$25,788,653 with the remainder of \$386,483 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$633,318 at June 30, 2012 as compared to \$581,867 at June 30, 2013. This decrease is due to the District taking depreciation on previously capitalized land improvements.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 248,655	248,655	-	-	248,655	248,655	0.00%
Buildings	13,610,154	13,843,511	-	-	13,610,154	13,843,511	-1.69%
Land improvements	581,867	633,318	-	-	581,867	633,318	-8.12%
Machinery and equipment	452,698	455,096	67,274	37,206	519,972	492,302	5.62%
Total	\$ 14,893,374	15,180,580	67,274	37,206	14,960,648	15,217,786	-1.69%

### Long-Term Debt

At June 30, 2013, the District had \$3,476,170 in revenue bonds and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding revenue bonds payable of \$2,434,035 at June 30, 2013.

The District had a real estate contract payable of \$123,084 at June 30, 2013.

The District had outstanding termination benefits of \$235,791 payable from the Special Revenue, Management Fund at June 30, 2013.

The District has a Net OPEB liability of \$663,787 in the governmental activities and \$19,473 in the business type activities.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Revenue bonds	\$ 2,434,035	3,008,813	-	-	2,434,035	3,008,813	-19.10%
Real estate contract	123,084	132,150	-	-	123,084	132,150	-6.86%
Termination benefits	235,791	269,125	-	-	235,791	269,125	-12.39%
Net OPEB liability	663,787	671,316	19,473	19,703	683,260	691,019	-1.12%
Total	\$ 3,456,697	4,081,404	19,473	19,703	3,476,170	4,101,107	-15.24%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Polaris Industries expanded their plant in Milford, Iowa, however there is a lack of affordable housing in the Okoboji School District, so the effect on the district is unknown at this time.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Katy Sporrer, Business Manager, Okoboji Community School District, 1205 7<sup>th</sup> Street, Milford, IA 51351

OKOBOJI COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

OKOBOJI COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business type Activities	Total	Okoboji Community School Foundation
<b>ASSETS</b>				
Cash and pooled investments	\$ 5,180,266	115,563	5,295,829	256,300
Receivables:				
Property tax:				
Delinquent	41,733	-	41,733	-
Succeeding year	8,008,920	-	8,008,920	-
Income surtax	146,163	-	146,163	-
Accounts	8,497	327	8,824	-
Inventories	-	4,866	4,866	-
Due from other governments	352,232	-	352,232	-
Capital assets, net of accumulated depreciation	14,893,374	67,274	14,960,648	-
<b>TOTAL ASSETS</b>	<b>28,631,185</b>	<b>188,030</b>	<b>28,819,215</b>	<b>256,300</b>
<b>LIABILITIES</b>				
Accounts payable	266,745	-	266,745	-
Salaries and benefits payable	1,004,279	20,686	1,024,965	-
Interest payable	7,612	-	7,612	-
Deferred revenue:				
Succeeding year property tax	8,008,920	-	8,008,920	-
Other	23,752	-	23,752	-
Unearned revenue	-	8,269	8,269	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds payable	343,980	-	343,980	-
Real estate contract payable	123,084	-	123,084	-
Termination benefits payable	26,626	-	26,626	-
Portion due after one year:				
Revenue bonds payable	2,090,055	-	2,090,055	-
Termination benefits payable	209,165	-	209,165	-
Net OPEB liability	663,787	19,473	683,260	-
<b>TOTAL LIABILITIES</b>	<b>12,768,005</b>	<b>48,428</b>	<b>12,816,433</b>	<b>-</b>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	12,336,255	67,274	12,403,529	-
Restricted for:				
Scholarships	-	-	-	256,300
Categorical funding	475,131	-	475,131	-
Debt service	43,379	-	43,379	-
Management levy	458,140	-	458,140	-
Student activities	122,610	-	122,610	-
School infrastructure	604,511	-	604,511	-
Physical plant and equipment	273,799	-	273,799	-
Unrestricted	1,549,355	72,328	1,621,683	-
<b>TOTAL NET POSITION</b>	<b>\$ 15,863,180</b>	<b>139,602</b>	<b>16,002,782</b>	<b>256,300</b>

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

	Net (Expense) Revenue and Changes in Net Position						
	Program Revenues			Primary Government		Component Unit	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total	Okoboji Community School Foundation
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 4,547,436	512,881	33,885	(4,000,670)	-	(4,000,670)	-
Special	1,671,723	269,038	111,969	(1,290,716)	-	(1,290,716)	-
Other	1,330,476	220,560	316,741	(793,175)	-	(793,175)	-
	<u>7,549,635</u>	<u>1,002,479</u>	<u>462,595</u>	<u>(6,084,561)</u>	<u>-</u>	<u>(6,084,561)</u>	<u>-</u>
Support services:							
Student	249,545	-	-	(249,545)	-	(249,545)	-
Instructional staff	318,957	-	935	(318,022)	-	(318,022)	-
Administration	1,072,898	-	-	(1,072,898)	-	(1,072,898)	-
Operation and maintenance of plant	862,553	-	-	(862,553)	-	(862,553)	-
Transportation	455,707	5,045	-	(450,662)	-	(450,662)	-
	<u>2,959,660</u>	<u>5,045</u>	<u>935</u>	<u>(2,953,680)</u>	<u>-</u>	<u>(2,953,680)</u>	<u>-</u>
Long-term debt interest	99,068	-	-	(99,068)	-	(99,068)	-
Other expenses:							
AEA flowthrough	351,173	-	351,173	-	-	-	-
Depreciation(unallocated)*	488,458	-	-	(488,458)	-	(488,458)	-
	<u>839,631</u>	<u>-</u>	<u>351,173</u>	<u>(488,458)</u>	<u>-</u>	<u>(488,458)</u>	<u>-</u>
Total governmental activities	11,447,994	1,007,524	814,703	(9,625,767)	-	(9,625,767)	-
Business type activities:							
Support services:							
Operation and maintenance of plant	2,279	-	-	-	(2,279)	(2,279)	-
	<u>2,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,279)</u>	<u>(2,279)</u>	<u>-</u>
Non-instructional programs:							
Nutrition services	399,086	207,988	216,603	-	25,505	25,505	-
Total business type activities	401,365	207,988	216,603	-	23,226	23,226	-
Total primary government	<u>\$ 11,849,359</u>	<u>1,215,512</u>	<u>1,031,306</u>	<u>(9,625,767)</u>	<u>23,226</u>	<u>(9,602,541)</u>	<u>-</u>
Total component unit	<u>\$ 13,605</u>	<u>-</u>	<u>10,000</u>				<u>3,605</u>
<b>General Revenues:</b>							
Property tax for:							
General purposes				\$ 8,019,760	-	8,019,760	-
Capital outlay				363,403	-	363,403	-
Income surtax				175,097	-	175,097	-
Statewide sales, services and use tax				768,187	-	768,187	-
Unrestricted state grants				313,797	-	313,797	-
Unrestricted investment earnings				62,169	1,182	63,351	2,919
Unrealized gain on investments				-	-	-	572
Other				134,112	1,769	135,881	-
Total general revenues				<u>9,836,525</u>	<u>2,951</u>	<u>9,839,476</u>	<u>3,491</u>
Change in net position				210,758	26,177	236,935	(114)
Net position beginning of year				15,652,422	113,425	15,765,847	256,414
Net position end of year				<u>\$ 15,863,180</u>	<u>139,602</u>	<u>16,002,782</u>	<u>256,300</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 3,322,654	762,072	865,661	4,950,387
Receivables:				
Property tax:				
Delinquent	37,466	1,794	2,473	41,733
Succeeding year	7,278,430	380,486	350,004	8,008,920
Income surtax	146,163	-	-	146,163
Accounts	8,472	-	-	8,472
Due from other governments	230,263	121,729	240	352,232
<b>TOTAL ASSETS</b>	<b>\$ 11,023,448</b>	<b>1,266,081</b>	<b>1,218,378</b>	<b>13,507,907</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 258,618	7,285	842	266,745
Salaries and benefits payable	1,004,279	-	-	1,004,279
Deferred revenue:				
Succeeding year property tax	7,278,430	380,486	350,004	8,008,920
Income surtax	146,163	-	-	146,163
Other	23,752	-	-	23,752
Total liabilities	8,711,242	387,771	350,846	9,449,859
Fund balances:				
Restricted for:				
Categorical funding	475,131	-	-	475,131
Debt service	-	-	50,991	50,991
Management levy purposes	-	-	693,931	693,931
Student activities	-	-	122,610	122,610
School infrastructure	-	604,511	-	604,511
Physical plant and equipment	-	273,799	-	273,799
Assigned	11,414	-	-	11,414
Unassigned	1,825,661	-	-	1,825,661
Total fund balances	2,312,206	878,310	867,532	4,058,048
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 11,023,448</b>	<b>1,266,081</b>	<b>1,218,378</b>	<b>13,507,907</b>

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013

<b>Total fund balances of governmental funds(page 20)</b>	\$	4,058,048
 <b>Amounts reported for governmental activities in the statement of net position are different because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		14,893,374
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		229,904
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		146,163
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.		(7,612)
Long-term liabilities, including revenue bonds payable, termination benefits payable, real estate contract payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(3,456,697)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>15,863,180</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 7,679,379	1,131,590	496,607	9,307,576
Tuition	728,443	-	-	728,443
Other	236,884	10,796	251,464	499,144
Intermediate sources	500	-	-	500
State sources	863,398	118	167	863,683
Federal sources	240,535	-	-	240,535
<b>TOTAL REVENUES</b>	<b>9,749,139</b>	<b>1,142,504</b>	<b>748,238</b>	<b>11,639,881</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	4,313,314	134,516	156,376	4,604,206
Special	1,638,770	-	-	1,638,770
Other	1,022,595	2,799	260,870	1,286,264
	<b>6,974,679</b>	<b>137,315</b>	<b>417,246</b>	<b>7,529,240</b>
Support services:				
Student	245,561	-	-	245,561
Instructional staff	189,751	147,339	-	337,090
Administration	945,670	8,327	130,611	1,084,608
Operation and maintenance of plant	757,763	25,542	48,943	832,248
Transportation services	350,934	119,372	13,759	484,065
	<b>2,489,679</b>	<b>300,580</b>	<b>193,313</b>	<b>2,983,572</b>
Capital outlay	-	242,735	-	242,735
Long-term debt:				
Principal	-	-	583,844	583,844
Interest and fiscal charges	-	-	100,782	100,782
	<b>-</b>	<b>-</b>	<b>684,626</b>	<b>684,626</b>
Other expenditures:				
AEA flowthrough	351,173	-	-	351,173
<b>TOTAL EXPENDITURES</b>	<b>9,815,531</b>	<b>680,630</b>	<b>1,295,185</b>	<b>11,791,346</b>
Excess(Deficiency) of revenues over(under)expenditures	(66,392)	461,874	(546,947)	(151,465)
Other financing sources(uses):				
Transfer in	-	-	684,626	684,626
Transfer out	-	(684,626)	-	(684,626)
Total other financing sources(uses)	<b>-</b>	<b>(684,626)</b>	<b>684,626</b>	<b>-</b>
Net change in fund balances	(66,392)	(222,752)	137,679	(151,465)
Fund balance beginning of year	2,378,598	1,101,062	729,853	4,209,513
Fund balance end of year	<b>\$ 2,312,206</b>	<b>878,310</b>	<b>867,532</b>	<b>4,058,048</b>

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI 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(page 22) \$ (151,465)

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

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

Expenditures for capital assets	\$ 428,527	
Depreciation expense	(715,733)	(287,206)

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 4,137

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. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuance and repayments are as follows:

Repaid		583,844
--------	--	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,714

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 18,871

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

Termination benefits	33,334	
Other postemployment benefits	7,529	40,863

Change in net position of governmental activities(page 19) \$ 210,758

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Cash and pooled investments	\$ 115,563	229,879
Accounts receivable	327	25
Inventories	4,866	-
Capital assets, net of accumulated depreciation	67,274	-
<b>TOTAL ASSETS</b>	<b>188,030</b>	<b>229,904</b>
LIABILITIES		
Current liabilities:		
Salaries and benefits payable	20,686	-
Unearned revenue	8,269	-
<b>Total current liabilities</b>	<b>28,955</b>	<b>-</b>
Long-term liabilities:		
Net OPEB liability	19,473	-
<b>Total long-term liabilities</b>	<b>19,473</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>48,428</b>	<b>-</b>
NET POSITION		
Invested in capital assets	67,274	-
Unrestricted	72,328	229,904
<b>TOTAL NET POSITION</b>	<b>\$ 139,602</b>	<b>229,904</b>

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 207,988	-
Miscellaneous	1,769	1,194,950
TOTAL OPERATING REVENUES	<u>209,757</u>	<u>1,194,950</u>
OPERATING EXPENSES:		
Support services:		
Operation and maintenance of plant:		
Services	2,279	-
Non-instructional programs:		
Food service operations:		
Salaries	126,447	-
Benefits	45,946	-
Services	725	-
Supplies	214,148	-
Depreciation	11,625	-
	<u>398,891</u>	<u>-</u>
Other enterprise operations:		
Benefits	-	1,176,316
Services	-	17,261
Total non-instructional programs	<u>398,891</u>	<u>1,193,577</u>
TOTAL OPERATING EXPENSES	<u>401,170</u>	<u>1,193,577</u>
OPERATING GAIN(LOSS)	<u>(191,413)</u>	<u>1,373</u>
NON-OPERATING REVENUES:		
State sources	3,784	-
Federal sources	212,819	-
Interest income	1,182	2,764
TOTAL NON-OPERATING REVENUES	<u>217,785</u>	<u>2,764</u>
Change in net position before other financing uses	26,372	4,137
Other financing uses:		
Loss on asset disposal	(195)	-
Change in net position	26,177	4,137
Net position beginning of year	<u>113,425</u>	<u>225,767</u>
Net position end of year	<u>\$ 139,602</u>	<u>229,904</u>

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

	Business type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 214,762	-
Cash received from miscellaneous operating activities	1,769	1,194,925
Cash payments to employees for services	(172,021)	-
Cash payments to suppliers for goods or services	(193,048)	(1,193,577)
Net cash used in operating activities	<u>(148,538)</u>	<u>1,348</u>
Cash flows from non-capital financing activities:		
State grants received	3,784	-
Federal grants received	188,007	-
Net cash provided by non-capital financing activities	<u>191,791</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(41,888)	-
Cash flows from investing activities:		
Interest on investments	1,182	2,764
Net increase in cash and cash equivalents	2,547	4,112
Cash and cash equivalents at beginning of year	113,016	225,767
Cash and cash equivalents at end of year	<u>\$ 115,563</u>	<u>229,879</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating gain(loss)	\$ (191,413)	1,373
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	24,812	-
Depreciation	11,625	-
Increase in inventories	(708)	-
Decrease(Increase) in accounts receivable	2,769	(25)
Increase in salaries and benefits payable	602	-
Increase in unearned revenue	4,005	-
Decrease in other postemployment benefits	(230)	-
Net cash used in operating activities	<u>\$ (148,538)</u>	<u>1,348</u>

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$24,812.

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2013

	Private Purpose Trust
	Scholarship
ASSETS	
Cash and pooled investments	\$ 31,517
LIABILITIES	
	-
NET POSITION	
Restricted for scholarships	\$ 31,517

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust
	Scholarship
ADDITIONS:	
Local sources:	
Interest	\$ 134
Contributions	5,900
TOTAL ADDITIONS	6,034
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	5,211
Change in net position	823
Net position beginning of year	30,694
Net position end of year	\$ 31,517

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**(1) Summary of Significant Accounting Policies**

The Okoboji Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Milford, Arnolds Park, Fostoria, Okoboji, West Okoboji and Wahpeton, Iowa and the agricultural area in Dickinson and Clay 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, Okoboji 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.

These financial statements present Okoboji Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting because of the significance of its operational or financial relationship with the District. Certain disclosures about the component unit are not included because the component unit is unaudited.

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

Discrete Component Unit - Okoboji Community School Foundation is a legally separate not-for-profit foundation. The Foundation was established for the purpose of granting scholarships to students of the Okoboji Community School District who will attend community colleges and universities. The Foundation is governed by an independent Board of Directors.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously called statement of 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:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. Unspent bond proceeds for construction of capital assets have been added to invested in capital assets, net of related debt.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District also reports one nonmajor proprietary fund:

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

The District also reports one other proprietary fund:

The Internal Service Fund is used to account for the self-funded employee health insurance plan of the District and the employee's flexible spending plan. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

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

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

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all

considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

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

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

The District maintains its financial records during the fiscal year on a cash basis. At the end of the fiscal year, for reporting purposes, the District prepares the financial statements on an accrual basis by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

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

Asset Class	Amount
Land	\$ 0
Buildings	2,500
Land improvements	2,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

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

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

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

Assigned - Amounts are not available for appropriation but are set aside for a specific purpose. The assigned balance is for the OES Sensory Project.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Position - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

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

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

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Government Obligations Portfolio which are valued at an amortized cost of \$1,173 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**(3) Interfund Transfers**

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

Transfer to	Transfer from	Amount
	Capital Projects:	
	Statewide Sales,	
Debt Service	Services, and Use Tax	\$ 684,626

The transfer from the Capital Projects: Statewide Sales, Services, and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's real estate contract and revenue bond indebtedness.

**(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	\$ 248,655	-	-	248,655
Total capital assets not being depreciated	248,655	-	-	248,655
Capital assets being depreciated:				
Buildings	20,541,440	190,570	-	20,732,010
Land improvements	1,405,887	13,080	-	1,418,967
Machinery and equipment	3,229,309	224,877	65,165	3,389,021
Total capital assets being depreciated	25,176,636	428,527	65,165	25,539,998
Less accumulated depreciation for:				
Buildings	6,697,929	423,927	-	7,121,856
Land improvements	772,569	64,531	-	837,100
Machinery and equipment	2,774,213	227,275	65,165	2,936,323
Total accumulated depreciation	10,244,711	715,733	65,165	10,895,279
Total capital assets being depreciated, net	14,931,925	(287,206)	-	14,644,719
Governmental activities capital assets, net	\$ 15,180,580	(287,206)	-	14,893,374
Business type activities:				
Machinery and equipment	\$ 358,157	41,888	13,562	386,483
Less accumulated depreciation	320,951	11,625	13,367	319,209
Business type activities capital assets, net	\$ 37,206	30,263	195	67,274

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 17,111
Other	63,760
Support services:	
Instructional staff	36,984
Administration	2,488
Operation and maintenance	15,179
Transportation	91,753
	<u>227,275</u>
Unallocated depreciation	<u>488,458</u>
Total governmental activities depreciation expense	<u>\$ 715,733</u>
Business type activities:	
Food services	<u>\$ 11,625</u>

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 3,008,813	0	574,778	2,434,035	343,980
Real estate contract	132,150	0	9,066	123,084	123,084
Termination benefits	269,125	0	33,334	235,791	26,626
Net OPEB liability	671,316	0	7,529	663,787	0
Total	<u>\$ 4,081,404</u>	<u>0</u>	<u>624,707</u>	<u>3,456,697</u>	<u>493,690</u>
	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business Type Activities:					
Net OPEB liability	\$ 19,703	0	230	19,473	0

Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue of August 23, 2010			
	Interest Rates	Principal	Interest	Total
2014	3.50	% \$ 343,980	79,708	423,688
2015	3.50	356,216	67,474	423,690
2016	3.50	368,885	54,804	423,689
2017	3.50	382,005	41,684	423,689
2018	3.50	395,592	28,097	423,689
2019-2020	3.50	587,357	15,602	602,959
Total		<u>\$ 2,434,035</u>	<u>287,369</u>	<u>2,721,404</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,500,000 bonds issued in August 2010. The bonds were issued for the purpose of financing school renovations. 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 2020. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 79% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,721,404. For the current year, \$574,778 of principal and \$113,184 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$768,187.

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

The bonds will only be redeemed from the future earnings of the statewide sales, services and use tax revenues received by the District and the bond holders hold a lien on the future revenues received.

Real Estate Contract

In fiscal 2009, the District borrowed \$163,000 for the purchase of a building to house the alternative high school. Principal and interest payments will be made from the Capital Projects: Statewide Sales, Services and Use Tax Fund. Details of the District's June 30, 2013 real estate contract indebtedness are as follows:

Year Ending June 30,	Real Estate Contract			
	Interest Rate	Principal	Interest	Total
2014	5.00 %	\$ 123,084	1,529	124,613

Monthly payments of \$1,289 are due through September 1, 2013. At that time, the remaining balance of \$120,746 will have to be repaid or refinanced.

Termination Benefits

For FY2012 the District approved a voluntary early retirement plan for certified employees. Employees were eligible if they were at least age fifty-five by January 1, 2012 and completed fifteen years continuous service to the District. Employees must have completed an application which was subject to approval by the Board of Education.

The benefit has a value of \$50,000 and may either be taken in cash payments over six fiscal years or applied to insurance on a monthly basis, until exhausted. This Board does not intend to offer early retirement in the next two (2) years. Future Boards will determine if early retirement is offered (per Board Policy 407.3).

At June 30, 2013, the District has obligations to five participants with a total liability of \$235,791. Early retirement expenditures for the year ended June 30, 2013 totaled \$33,334.

**(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$505,571, \$481,365 and \$396,087 respectively, equal to the required contributions for each year.

**(7) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 127 active and 21 retired members in the plan.

The medical/prescription drug benefit, which is a partially self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield of Iowa. 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 of the District (ARC), 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.

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

Annual required contribution	\$ 146,457
Interest on net OPEB obligation	17,275
Adjustment to annual required contribution	(96,292)
Annual OPEB cost	<u>67,440</u>
Contributions made	<u>(75,199)</u>
Increase in net OPEB obligation	(7,759)
Net OPEB obligation - beginning of year	<u>691,019</u>
Net OPEB obligation - end of year	<u>\$ 683,260</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2012.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 320,015	30.79%	\$ 443,805
2012	345,855	28.52%	691,019
2013	67,440	111.51%	683,260

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 \$684,305, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$684,305. The covered payroll (annual payroll of active employees covered by the plan) was \$5,112,048, and the ratio of the UAAL to the covered payroll was 13.39%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare 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 the 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 that

are 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 July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The health cost trend rate for basis of the actuarial was 6% per year.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the 2006 Society of Actuaries Study.

Projected claim costs of the medical plan are \$504 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Risk Management**

In addition, the District is exposed to various risks to 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$351,173 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.

**(10) Categorical Funding**

The District's ending reserved balances for categorical funding as of June 30, 2013 are broken out by the following projects:

Project	Amount
Teacher Salary Supplement	\$ 92,311
4 Year Old Preschool	324,171
Professional Development	30,233
Beginning Teacher Mentoring	8,233
Market Factor	4,756
Market Factor Incentives	6,552
Gifted and Talented	8,875
Total	<u>\$ 475,131</u>

**(11) Assigned Fund Balances**

The District's ending assigned fund balances as of June 30, 2013 are intended for the following projects:

<u>Project</u>	<u>Amount</u>
1:1 Computer Technology	\$ 1,098
Elementary School Field Trip	3,369
Elementary School Sensory Project	1,150
Elementary School Guided Reading	50
Elementary School Supplies	3,503
Elementary School BD Youth Programs	794
Middle School Supplies	200
Okoboji Scrip	1,250
Total	<u>\$ 11,414</u>

REQUIRED SUPPLEMENTARY INFORMATION

OKOBOJI COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON 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	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 10,535,163	210,939	10,746,102	10,635,413	10,635,413	110,689
Intermediate sources	500	-	500	-	-	500
State sources	863,683	3,784	867,467	913,209	913,209	(45,742)
Federal sources	240,535	212,819	453,354	320,000	320,000	133,354
Total revenues	<u>11,639,881</u>	<u>427,542</u>	<u>12,067,423</u>	<u>11,868,622</u>	<u>11,868,622</u>	<u>198,801</u>
Expenditures/Expenses:						
Instruction	7,529,240	-	7,529,240	8,342,283	8,342,283	813,043
Support services	2,983,572	2,279	2,985,851	3,369,400	3,369,400	383,549
Non-instructional programs	-	398,891	398,891	395,168	435,800	36,909
Other expenditures	1,278,534	-	1,278,534	1,498,406	1,498,406	219,872
Total expenditures/expenses	<u>11,791,346</u>	<u>401,170</u>	<u>12,192,516</u>	<u>13,605,257</u>	<u>13,645,889</u>	<u>1,453,373</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(151,465)	26,372	(125,093)	(1,736,635)	(1,777,267)	1,652,174
Other financing sources, net	-	(195)	(195)	-	-	(195)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(151,465)	26,177	(125,288)	(1,736,635)	(1,777,267)	1,651,979
Balance beginning of year	<u>4,209,513</u>	<u>113,425</u>	<u>4,322,938</u>	<u>2,316,378</u>	<u>2,316,378</u>	<u>(2,006,560)</u>
Balance end of year	<u>\$ 4,058,048</u>	<u>139,602</u>	<u>4,197,650</u>	<u>579,743</u>	<u>539,111</u>	<u>(354,581)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2013, the District adopted one budget amendment increasing noninstructional programs expenditures by \$40,632.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	\$ -	\$ 2,555	\$ 2,555	0.0%	\$ 5,692	44.89%
2011	July 1, 2009	\$ -	\$ 2,460	\$ 2,460	0.0%	\$ 5,290	46.50%
2012	July 1, 2009	\$ -	\$ 2,320	\$ 2,320	0.0%	\$ 5,486	42.29%
2013	July 1, 2012	\$ -	\$ 684	\$ 684	0.0%	\$ 5,112	13.38%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ASSETS, LIABILITIES AND NET POSITION  
COMPONENT UNIT  
JUNE 30, 2013

	<u>Okoboji Community School Foundation</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 256,300
<b>Liabilities</b>	<u>-</u>
<b>Net Position</b>	
Unrestricted	<u>\$ 256,300</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND  
CHANGES IN NET POSITION  
COMPONENT UNIT  
YEAR ENDED JUNE 30, 2013

	Okoboji Community School Foundation
Support and Revenue:	
Investment earnings	\$ 2,919
Direct public support	10,000
Unrealized gain on investments	572
Total support and revenue	13,491
Expenses:	
Misc expenses	105
Scholarships	13,500
Total expenses	13,605
Change in net position	(114)
Net position beginning of year	256,414
Net position end of year	\$ 256,300

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

OKOBOJI COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and pooled investments	\$ 691,458	123,212	814,670	50,991	865,661
Receivables:					
Property tax					
Delinquent	2,473	-	2,473	-	2,473
Succeeding year	350,004	-	350,004	-	350,004
Due from other governments	-	240	240	-	240
<b>TOTAL ASSETS</b>	<b>\$ 1,043,935</b>	<b>123,452</b>	<b>1,167,387</b>	<b>50,991</b>	<b>1,218,378</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	842	842	-	842
Deferred revenue:					
Succeeding year property tax	350,004	-	350,004	-	350,004
Total liabilities	350,004	842	350,846	-	350,846
Fund balances:					
Restricted for:					
Debt service	-	-	-	50,991	50,991
Management levy purposes	693,931	-	693,931	-	693,931
Student activities	-	122,610	122,610	-	122,610
Total fund balances	693,931	122,610	816,541	50,991	867,532
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,043,935</b>	<b>123,452</b>	<b>1,167,387</b>	<b>50,991</b>	<b>1,218,378</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2013

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 496,607	-	496,607	-	496,607
Other	11,402	239,399	250,801	663	251,464
State sources	167	-	167	-	167
<b>TOTAL REVENUES</b>	<b>508,176</b>	<b>239,399</b>	<b>747,575</b>	<b>663</b>	<b>748,238</b>
EXPENDITURES:					
Current:					
Instruction:					
Regular	156,376	-	156,376	-	156,376
Other	-	260,870	260,870	-	260,870
Support services:					
Administration	129,922	689	130,611	-	130,611
Operation and maintenance of plant	48,943	-	48,943	-	48,943
Transportation	13,759	-	13,759	-	13,759
Long-term debt:					
Principal	-	-	-	583,844	583,844
Interest and fiscal charges	-	-	-	100,782	100,782
<b>TOTAL EXPENDITURES</b>	<b>349,000</b>	<b>261,559</b>	<b>610,559</b>	<b>684,626</b>	<b>1,295,185</b>
Excess(Deficiency) of revenues over(under) expenditures	159,176	(22,160)	137,016	(683,963)	(546,947)
Other financing sources:					
Transfer in	-	-	-	684,626	684,626
Net change in fund balances	159,176	(22,160)	137,016	663	137,679
Fund balance beginning of year	534,755	144,770	679,525	50,328	729,853
Fund balance end of year	\$ 693,931	122,610	816,541	50,991	867,532

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 485,179	276,893	762,072
Receivables:			
Property tax			
Delinquent	-	1,794	1,794
Succeeding year	-	380,486	380,486
Due from other governments	121,729	-	121,729
<b>TOTAL ASSETS</b>	<b>\$ 606,908</b>	<b>659,173</b>	<b>1,266,081</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 2,397	4,888	7,285
Deferred revenue:			
Succeeding year property tax	-	380,486	380,486
<b>Total liabilities</b>	<b>2,397</b>	<b>385,374</b>	<b>387,771</b>
Fund Balances:			
Restricted for:			
School infrastructure	604,511	-	604,511
Physical plant and equipment	-	273,799	273,799
<b>Total fund balances</b>	<b>604,511</b>	<b>273,799</b>	<b>878,310</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 606,908</b>	<b>659,173</b>	<b>1,266,081</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 768,187	363,403	1,131,590
Other	6,072	4,724	10,796
State sources	-	118	118
TOTAL REVENUES	<u>774,259</u>	<u>368,245</u>	<u>1,142,504</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	27,911	106,605	134,516
Other	2,799	-	2,799
Support services:			
Instructional staff	1,320	146,019	147,339
Administration	-	8,327	8,327
Operation and maintenance of plant	20,270	5,272	25,542
Transportation	85,996	33,376	119,372
Capital outlay	177,868	64,867	242,735
TOTAL EXPENDITURES	<u>316,164</u>	<u>364,466</u>	<u>680,630</u>
Excee of revenues over expenditures	458,095	3,779	461,874
Other financing uses:			
Transfer out	(684,626)	-	(684,626)
Net change in fund balances	(226,531)	3,779	(222,752)
Fund balance beginning of year	831,042	270,020	1,101,062
Fund balance end of year	<u>\$ 604,511</u>	<u>273,799</u>	<u>878,310</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund and Intrafund Transfers	Balance End of Year
All School Play	\$ 1,505	1,045	856	-	1,694
Speech	1,239	-	2,555	1,316	-
Debate Tournament	454	1,937	545	-	1,846
HS Debate	3,100	110	7,404	6,290	2,096
Debate Fundraiser	972	-	-	-	972
Show Choir	4,502	721	1,688	215	3,750
Jazz Band	-	2,311	4,765	2,454	-
Musical	6,049	1,723	2,884	-	4,888
Cross Country	266	846	1,442	430	100
Tennis	37	-	-	-	37
Boys Basketball	47	9,396	9,756	1,418	1,105
Boys Basketball - Fundraiser	-	2,083	-	(2,083)	-
Football	1,463	12,406	6,925	(70)	6,874
Football Fundraisers	7,050	1,080	5,470	-	2,660
Baseball	425	17	6,619	6,480	303
Boys Track	189	202	4,010	4,645	1,026
Boys Golf	-	347	1,722	1,430	55
Wrestling	1,299	11,314	9,630	(1,756)	1,227
Wrestling Fundraisers	-	400	586	186	-
Girls Basketball	3,620	13,909	10,472	(2,522)	4,535
Volleyball	3,172	5,252	4,801	(1,440)	2,183
Softball	4,318	1,859	8,491	4,630	2,316
Softball Fundraiser	78	526	599	-	5
Girls Track	652	183	5,084	4,345	96
Girls Golf	-	91	758	667	-
MS Athletics	1,035	2,322	5,811	3,060	606
Class of 2011	58	-	-	(58)	-
Class of 2012	250	-	-	(250)	-
Class of 2013	1,933	820	1,312	-	1,441
Class of 2014	1,804	1,312	2,620	-	496
Class of 2015	1,139	375	37	-	1,477
Class of 2016	809	372	74	-	1,107
Class of 2017	-	-	-	1,287	1,287
National Honor Society	-	-	85	85	-
Activity Tickets	105	9,137	199	(9,043)	-
Interest	1,277	2,027	-	(3,175)	129
Concessions	1,818	35,134	22,054	(13,330)	1,568

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund and Intrafund Transfers	Balance End of Year
Student Pop	539	5,067	5,000	-	606
Pioneer Club	-	19,132	8,604	(10,469)	59
Student Council	2,335	1,625	1,775	215	2,400
Student Council Milk	1,478	-	600	-	878
Cheerleaders - Football	4	682	1,233	942	395
Cheerleaders - Basketball	208	-	-	142	350
Cheerleaders - Wrestling	136	621	271	146	632
Drill Team	589	-	1,307	800	82
Prom	-	2,389	99	860	3,150
Annual	3,836	4,709	6,414	-	2,131
Spanish Club	10,922	6,249	11,836	645	5,980
Science Club	1,368	-	-	-	1,368
FFA	18,250	51,369	60,444	(6,262)	2,913
FFA - Fruit Sales	25,764	1,791	5,040	7,122	29,637
Thespian Club	2,355	-	378	-	1,977
Art Appreciation	347	320	148	645	1,164
Art Society Fundraiser	630	-	160	-	470
Industrial Arts Club	1,153	-	-	430	1,583
Academic Awards	96	-	-	-	96
Key Club	1,636	1,097	1,064	430	2,099
HS Spec Ed Club	2,098	223	467	430	2,284
Elementary	1,705	28	1,454	-	279
EL/MS Special Ed Club	85	-	-	-	85
OES Character Counts	493	240	326	-	407
Elementary K-Kids Club	322	-	-	-	322
MS Student Senate	178	-	-	-	178
MS Concessions	722	3,293	3,432	-	583
OMS TAG - Boston Trip	6,333	3,452	8,991	-	794
MS Magazine Sales	5,577	16,830	12,573	(1,287)	8,547
MS Spirit Club	205	-	-	-	205
MS Builders Club	239	-	-	-	239
Needs Fund	4,199	1,025	689	-	4,535
Needs Fund - Athletics	250	-	-	-	250
MS Archery Club	53	-	-	-	53
Total	\$ 144,770	239,399	261,559	-	122,610

OKOBOJI COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 INTERNAL SERVICE FUNDS  
 JUNE 30, 2013

	Medical	Flex	Total
ASSETS			
Cash and pooled investments	\$ 202,776	27,103	229,879
Accounts receivable	25	-	25
TOTAL ASSETS	202,801	27,103	229,904
LIABILITIES			
	-	-	-
NET POSITION			
Unrestricted	\$ 202,801	27,103	229,904

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET POSITION  
 INTERNAL SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2013

	Medical	Flex	Total
OPERATING REVENUE:			
Local sources:			
Miscellaneous	\$ 1,131,350	63,600	1,194,950
OPERATING EXPENSES:			
Other enterprise operations:			
Benefits	1,117,998	58,318	1,176,316
Services	17,261	-	17,261
TOTAL OPERATING EXPENSES	1,135,259	58,318	1,193,577
OPERATING INCOME (LOSS)	(3,909)	5,282	1,373
NON-OPERATING REVENUES:			
Interest income	2,764	-	2,764
Change in net position	(1,145)	5,282	4,137
Net position beginning of year	203,946	21,821	225,767
Net position end of year	\$ 202,801	27,103	229,904

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2013

	Medical	Flex	Total
Cash flows from operating activities:			
Cash received from miscellaneous operating activities	\$ 1,131,325	63,600	1,194,925
Cash payments to suppliers for goods or services	(1,135,259)	(58,318)	(1,193,577)
Net cash provided by(used in) operating activities	(3,934)	5,282	1,348
Cash flows from investing activities:			
Interest on investments	2,764	-	2,764
Net increase(decrease) in cash and cash equivalents	(1,170)	5,282	4,112
Cash and cash equivalents at beginning of year	203,946	21,821	225,767
Cash and cash equivalents at end of year	\$ 202,776	27,103	229,879
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (3,909)	5,282	1,373
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Increase in accounts receivable	(25)	-	(25)
Net cash provided by(used in) operating activities	\$ (3,934)	5,282	1,348

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 JUNE 30, 2013

		Private Purpose Trust - Scholarship Fund						
		Clara Conkey Scholarship	H.E. Jacobs Scholarship	Kramer Scholarship	OHS Scholarship	Vestergaard Scholarship	Buchanan Scholarship	Total
ASSETS								
Cash and pooled investments	\$	4,104	10,000	2,366	2,408	11,200	1,439	31,517
LIABILITIES		-	-	-	-	-	-	-
NET POSITION								
Restricted for scholarships	\$	4,104	10,000	2,366	2,408	11,200	1,439	31,517

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund						
	Clara Conkey Scholarship	H.E. Jacobs Scholarship	Kramer Scholarship	OHS Scholarship	Vestergaard Scholarship	Buchanan Scholarship	Total
	ADDITIONS:						
Local sources:							
Interest	\$ 9	111	7	-	-	7	134
Contributions	-	-	-	600	5,300	-	5,900
<b>TOTAL ADDITIONS</b>	<b>9</b>	<b>111</b>	<b>7</b>	<b>600</b>	<b>5,300</b>	<b>7</b>	<b>6,034</b>
DEDUCTIONS:							
Instruction:							
Regular:							
Scholarships awarded	-	111	500	600	4,000	-	5,211
Change in net position	9	-	(493)	-	1,300	7	823
Net position beginning of year	4,095	10,000	2,859	2,408	9,900	1,432	30,694
Net position end of year	\$ 4,104	10,000	2,366	2,408	11,200	1,439	31,517

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 9,307,576	8,762,689	9,031,113	8,530,278	7,995,383	7,425,261	7,804,516	6,866,765	6,522,808	6,212,458
Tuition	728,443	849,882	710,323	616,747	492,471	565,965	547,104	471,660	404,145	271,723
Other	499,144	411,369	418,119	418,349	545,049	471,259	695,224	401,532	361,779	374,327
Intermediate sources	500	3,580	2,700	-	-	-	-	-	-	-
State sources	863,683	1,069,971	980,673	416,163	1,432,268	1,945,081	1,830,669	2,085,303	2,250,304	2,070,348
Federal sources	240,535	383,261	461,724	938,420	702,721	180,647	259,106	288,506	120,445	135,627
<b>Total</b>	<b>\$ 11,639,881</b>	<b>11,480,752</b>	<b>11,604,652</b>	<b>10,919,957</b>	<b>11,167,892</b>	<b>10,588,213</b>	<b>11,136,619</b>	<b>10,113,766</b>	<b>9,659,481</b>	<b>9,064,483</b>
Expenditures:										
Instruction:										
Regular	\$ 4,604,206	4,187,462	4,242,024	4,133,788	4,182,045	3,835,710	3,767,315	3,659,712	3,465,089	3,401,583
Special	1,638,770	1,499,152	1,473,944	1,353,992	1,324,689	1,305,797	1,234,842	1,164,236	1,102,321	1,082,119
Other	1,286,264	1,249,650	1,269,808	1,225,056	1,244,589	876,267	851,826	845,396	800,438	785,768
Support services:										
Student	245,561	363,459	254,227	259,635	229,474	305,035	443,438	474,575	298,795	304,356
Instructional staff	337,090	264,126	520,624	254,432	245,583	339,627	322,767	558,304	265,083	250,005
Administration	1,084,608	1,028,400	1,074,838	1,011,057	846,376	843,449	827,716	787,710	801,969	733,467
Operation and maintenance of plant	832,248	738,547	865,116	794,111	808,885	882,472	822,464	751,089	716,128	640,696
Transportation	484,065	427,325	465,630	388,581	428,071	393,666	438,837	361,773	226,331	289,369
Capital outlay	242,735	660,406	2,787,053	297,105	500,647	125,360	592,510	1,058,877	962,361	4,121,315
Long-term debt:										
Principal	574,778	357,861	612,748	777,689	747,805	714,338	873,086	973,509	1,205,000	685,000
Interest and fiscal charges	109,848	118,807	106,831	40,737	68,043	88,620	116,630	137,364	267,554	203,522
Other expenditures:										
AEA flow-through	351,173	334,755	372,750	358,743	320,746	312,783	307,878	288,255	290,337	285,224
<b>Total</b>	<b>\$ 11,791,346</b>	<b>11,229,950</b>	<b>14,045,593</b>	<b>10,894,926</b>	<b>10,946,953</b>	<b>10,023,124</b>	<b>10,599,309</b>	<b>11,060,800</b>	<b>10,401,406</b>	<b>12,782,424</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

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

To the Board of Education of the  
Okoboji Community School District:

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Okoboji 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 24, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Okoboji Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Okoboji Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Okoboji 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement 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.

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

## **Compliance and Other Matters**

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

## **Okoboji Community School District's Responses to Findings**

Okoboji Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Okoboji Community School District's responses 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 Okoboji Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

February 24, 2014  
Newton, Iowa

OKOBOJI COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

**Part I: Findings Related to the Financial Statements:**

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Time Sheets - We noted during our audit the District's is not maintaining records for non-certified coaches as required by the Department of Labor in regards to tracking hours worked.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches.

Response - We have developed a procedure to track hours worked for non-certified coaches.

Conclusion - Response accepted.

OTHER MATTERS:

I-B-13 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - We have set-up a Review Schedule for Board Policies.

Conclusion - Response accepted.

OKOBOJI COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

**Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-13 Certified Budget - District disbursements for the year ended June 30, 2013, did not exceed the amount budgeted.
- II-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 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 - No business transactions between the District and District officials were noted.
- 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 insure that the coverage is adequate for current operations.
- II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- 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 in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments - We noted 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.
- II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit.

Beginning Balance		\$	831,042
Revenues:			
Sales Tax Revenues	\$	768,187	
Other Local Revenues		6,072	774,259
			<u>1,605,301</u>
Expenditures/Transfers out:			
School Infrastructure Construction	\$	152,359	
Equipment		158,615	
Other		5,190	
Transfers to Other Funds			
Debt Service Fund		684,626	1,000,790
			<u>1,000,790</u>
Ending balance		\$	<u>604,511</u>

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.

II-M-13 Retention of Supporting Documentation - Chapter 291.6 of the Code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. We noted during our audit that official's contracts from athletic events are thrown away at the end of each year.

Recommendation - The District Secretary should be required by the Board of Directors of the District to preserve all copies of pertinent paperwork and invoices for the District to be in compliance with 291.6 of the Code of Iowa

Response - We have developed a procedure to maintain athletic official contracts according to 291.6 of the Code of Iowa.

Conclusion - Response accepted.