

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Sibley-Ocheyedan Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Keith Newman	President	2013
Cindy Onken	Vice President	2013
Cindy Roth	Board Member	2015
Dr. Daniel Berkland	Board Member	2015
Tracy Van Diepen	Board Member	2013

School Officials

Tom Becker	Superintendent	2013
LaDonn Hartzell	District Secretary/ Business Manager/Treasurer (Resigned April 2013)	2013
Kindra Reiter	District Secretary/ Business Manager/Treasurer (Appointed April 2013)	2013
Stephen Avery	Attorney	2013

Sibley-Ocheyedan 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 Sibley-Ocheyedan 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 Sibley-Ocheyedan Community School District, Sibley, 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 Sibley-Ocheyedan Community School District as of June 30, 2013, and the respective changes in financial position and, when applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sibley-Ocheyedan Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2014, on our consideration so Sibley-Ocheyedan Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sibley-Ocheyedan Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Sibley-Ocheyedan 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 \$8,102,451 in fiscal 2012 to \$7,496,006 in fiscal 2013, while General Fund expenditures increased from \$7,618,838 in fiscal 2012 to \$7,701,748 in fiscal 2013. This resulted in a decrease in the District's General Fund balance from \$1,718,147 at June 30, 2012 to a balance of \$1,512,405 June 30, 2013, which is a 11.97% decrease from the prior year.
- The decrease in General Fund revenues was mainly attributable to a decrease in state sources in fiscal 2013. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits paid to District employees.

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 Sibley-Ocheyedan 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 Sibley-Ocheyedan 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 Sibley-Ocheyedan 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 and Capital Project Accounts.

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

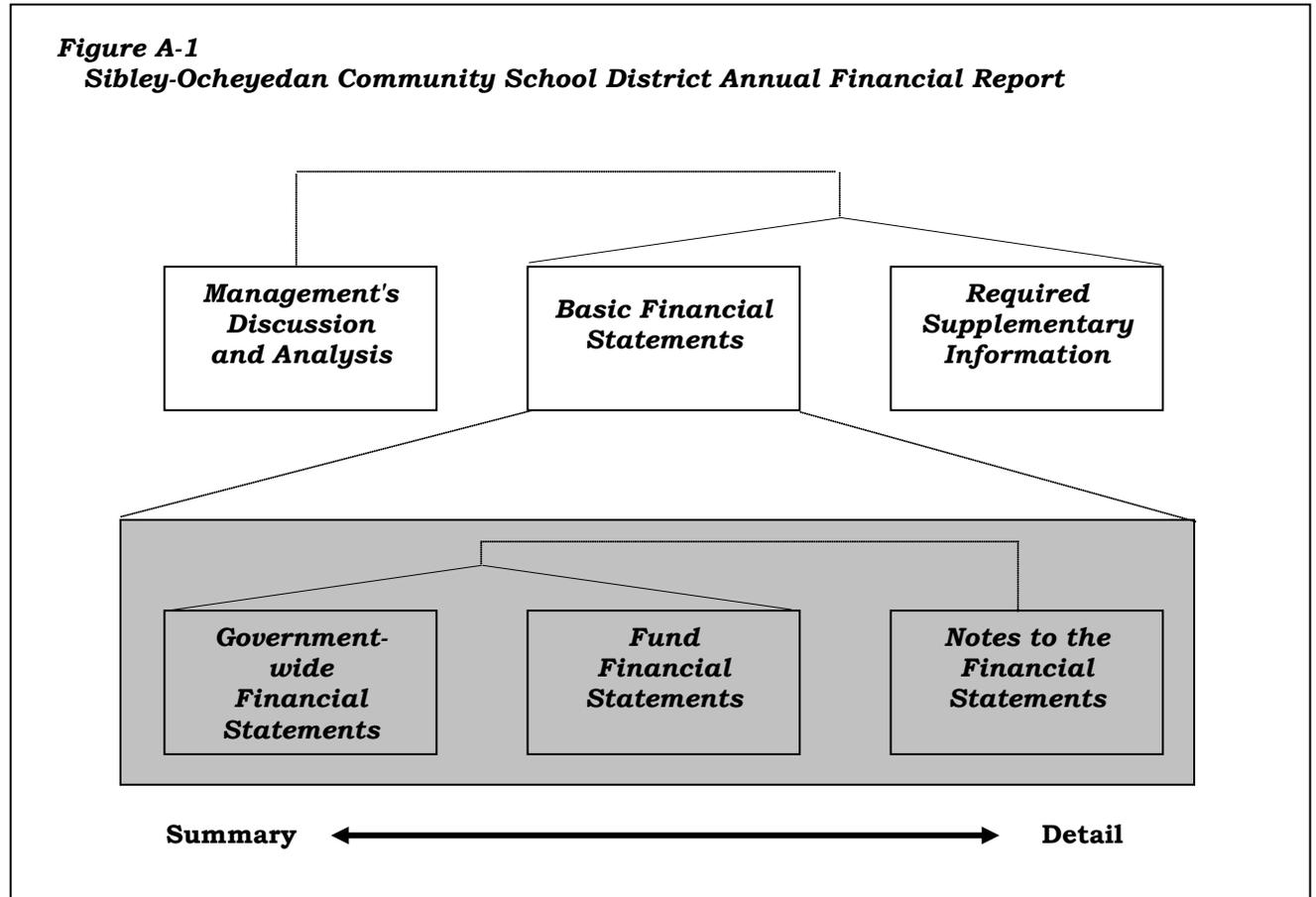


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets 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 they have changed. Net position - the difference between the District's assets and liabilities - is one

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property 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 programs as well as the other miscellaneous accounts are 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 one Enterprise Fund, the School Nutrition 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. This would include Private-Purpose Trust Fund.

- 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	\$ 6,756,891	6,782,561	114,146	119,583	6,871,037	6,902,144	-0.45%
Capital assets	6,454,146	6,775,733	66,186	38,832	6,520,332	6,814,565	-4.32%
Total assets	13,211,037	13,558,294	180,332	158,415	13,391,369	13,716,709	-2.37%
Long-term obligations	2,112,039	2,553,475	19,165	21,711	2,131,204	2,575,186	-17.24%
Other liabilities	4,229,104	4,339,165	5,132	9,830	4,234,236	4,348,995	-2.64%
Total liabilities	6,341,143	6,892,640	24,297	31,541	6,365,440	6,924,181	-8.07%
Net position:							
Invested in capital assets, net of related debt	4,852,380	4,587,431	66,186	38,832	4,918,566	4,626,263	6.32%
Restricted	1,234,472	791,902	-	-	1,234,472	791,902	55.89%
Unrestricted	783,042	1,286,321	89,849	88,042	872,891	1,374,363	-36.49%
Total net position	\$ 6,869,894	6,665,654	156,035	126,874	7,025,929	6,792,528	3.44%

The District's combined net position increased by 3.44%, or \$233,401, over the prior year. The largest portion of the District's net position is the 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 represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 55.89%, or \$442,570, over the prior year. This increase in restricted net position is mainly attributable to increases fund balance for the Capital Projects: Statewide Sales, Services and Use Tax and Management Levy funds.

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 \$501,472, or 36.49%. The decrease in unrestricted net position is mainly attributable to the decrease in fund balance for the General Fund.

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
Changes of 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	\$ 614,515	672,086	246,471	276,111	860,986	948,197	-9.20%
Operating grants, contributions and restricted interest	721,440	838,941	209,067	185,804	930,507	1,024,745	-9.20%
Capital grants, contributions and restricted interest	-	18,200	-	-	-	18,200	100.00%
General revenues:							
Property tax	3,459,397	3,575,350	-	-	3,459,397	3,575,350	-3.24%
Income surtax	241,763	252,197	-	-	241,763	252,197	-4.14%
Statewide sales, services and use tax	615,800	567,553	-	-	615,800	567,553	8.50%
Unrestricted state grants	3,409,416	3,557,496	-	-	3,409,416	3,557,496	-4.16%
Nonspecific program federal grants	-	82,099	-	-	-	82,099	-100.00%
Unrestricted investment earnings	658	595	54	57	712	652	9.20%
Other	53,960	108,551	1,484	-	55,444	108,551	-48.92%
Total revenues	9,116,949	9,673,068	457,076	461,972	9,574,025	10,135,040	-5.54%
Program expenses:							
Governmental activities:							
Instructional	5,526,038	5,880,914	-	-	5,526,038	5,880,914	-6.03%
Support services	2,671,657	2,617,998	6,028	8,780	2,677,685	2,626,778	1.94%
Non-instructional programs	-	-	421,887	416,531	421,887	416,531	1.29%
Other expenses	715,014	944,766	-	-	715,014	944,766	-24.32%
Total expenses	8,912,709	9,443,678	427,915	425,311	9,340,624	9,868,989	-5.35%
Change in net position	204,240	229,390	29,161	36,661	233,401	266,051	-12.27%
Beginning net position	6,665,654	6,436,264	126,874	90,213	6,792,528	6,526,477	4.08%
Ending net position	\$ 6,869,894	6,665,654	156,035	126,874	7,025,929	6,792,528	3.44%

In fiscal year 2013, property tax, income surtax and unrestricted state grants account for 77.99% of governmental activities revenue while charges for services and operating grants, contributions and restricted interest accounted for 99.66% of business type activities revenue.

The District's total revenues were approximately \$9.57 million of which \$9.11 million was for governmental activities and approximately \$0.46 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.54% decrease in revenues and a 5.35% decrease in expenses. The decrease in revenues is partially attributable to property tax revenue decreased \$115,953 and unrestricted state grants decreased \$148,080. The decrease in expenses can be attributed to a decrease in expenditures for the instruction functional area.

Governmental Activities

Revenues for governmental activities were \$9,116,949 and expenses were \$8,912,709 for the year ended June 30, 2013.

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	\$ 5,526,038	5,880,914	-6.03%	4,527,878	3,441,631	31.56%
Support services	2,671,657	2,617,998	2.05%	2,627,553	2,465,921	6.55%
Other expenses	715,014	944,766	-24.32%	421,323	649,128	-35.09%
Totals	\$ 8,912,709	9,443,678	-5.62%	7,576,754	6,556,680	15.56%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$614,515.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$721,440.
- The net cost of governmental activities was financed with \$3,459,397 in property tax, \$241,763 in income surtax, \$615,800 in statewide sales, services and use tax, \$3,409,416 in unrestricted state grants, \$658 in interest income and \$53,960 in other general revenues.

Business type Activities

Revenues of the District's business type activities during the year ended June 30, 2013 were \$457,076, representing a 1.06% decrease over the prior year, while expenses totaled \$427,915, a 0.61% increase over the prior year. The District's business type activities are comprised in the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Sibley-Ocheyedan 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 \$2,324,937, above last year's ending fund balances of \$2,225,452. However, the primary reason for the increase in combined fund balances is because of the increase in fund balances of the Capital Projects: Statewide Sales, Services and Use Tax and Management Funds.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. A decrease in revenues from state source revenues resulted in a decrease in revenues. An increase in salaries and benefits paid to District employees is one of the reasons for the increase in expenditures. The net result was a decrease in fund balance from \$1,718,147 at June 30, 2012 to \$1,512,405 at June 30, 2013.

- The Capital Projects account balances overall increased from \$395,449 at June 30, 2012 to \$573,121 at June 30, 2013. The increase in fund balance for the Capital Projects accounts is a result of increase in local tax source revenues received during the year.
- During the year ended June 30, 2013, the Debt Service Fund balance increased from \$11,539 at June 30, 2012 to \$18,877 at June 30, 2013. The increase in fund balance can be attributed to increased property tax revenue received as compared to the previous year.

Proprietary Fund Highlights

The School Nutrition Fund's increase in revenues was more than enough to offset the continued increase in food costs, and salaries and benefits. Overall, net position increased from \$126,874 at June 30, 2012 to \$156,035 at June 30, 2013, representing an increase of 22.98%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$20,098 more than budgeted revenues, a variance of 0.21%. The most significant variances resulted from the District receiving more in federal sources than what was 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. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$6,520,332, 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 decrease of 4.32% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$392,740.

The original cost of the District's capital assets was \$14,093,944. Governmental funds account for \$13,972,394 with the remainder of \$121,550 in the Enterprise: School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2012 as compared to \$33,250 at June 30, 2013. During the year ended June 30, 2013, the District started a sidewalk project for the football field.

Figure A-6
Capital Assets, Net of Depreciation

	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
Land	\$ 25,000	25,000	-	-	25,000	25,000	0.00%
Construction in progress	33,250	-	-	-	33,250	-	100.00%
Buildings	6,204,747	6,529,548	-	-	6,204,747	6,529,548	-4.97%
Land improvements	52,173	54,357	-	-	52,173	54,357	-4.02%
Machinery and equipment	138,976	166,828	66,186	38,832	205,162	205,660	-0.24%
Total	\$ 6,454,146	6,775,733	66,186	38,832	6,520,332	6,814,565	-4.32%

Long-Term Debt

At June 30, 2013, the District had \$2,131,204 in a total long-term debt outstanding. This represents a decrease of 17.24% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- The District had \$630,000 of outstanding general obligation bonds payable at June 30, 2013.
- The District had \$735,000 of an outstanding capital loan note payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had \$135,000 of outstanding revenue bonds payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had \$5,636 of an outstanding Belt sander/table saw lease payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had \$96,130 of an outstanding computer lease payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District has an OPEB liability of \$529,438 as of June 30, 2013. Governmental activities account for \$510,273 while business type activities account for \$19,165.

Figure A-7
Outstanding Long-Term Obligations

	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
General Obligation Bonds	\$ 630,000	935,000	-	-	630,000	935,000	-32.62%
Capital Loan Note	735,000	785,000	-	-	735,000	785,000	-6.37%
Revenue Bonds	135,000	270,000	-	-	135,000	270,000	-50.00%
Belt Sander/Table Saw Lease	5,636	10,592	-	-	5,636	10,592	-46.79%
Computer Lease	96,130	187,710	-	-	96,130	187,710	-48.79%
Net Pension Liability	-	25,034	-	-	-	25,034	-100.00%
Net OPEB Liability	510,273	340,139	19,165	21,711	529,438	361,850	46.31%
Total	\$ 2,112,039	2,553,475	19,165	21,711	2,131,204	2,575,186	-17.24%

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:

- It is a concern of this District that certain costs continue to increase, such as those associated with negotiated agreements with unions, i.e. salaries and benefits. The District continues to approve an Early Retirement Plan in an effort to achieve costs savings through higher paid teachers retiring early and hiring less experienced teachers as replacements that typically will be paid less, thus resulting in a cost savings to the District.
- With the legislature not setting the allowable growth in a timely basis, the District will find it hard to make future funding predictions.

-
- On July 1, 2013, the IPERS rate increased the employer benefit costs during fiscal 2013 to 8.67%. This will increase to 8.93% for fiscal year 2014.

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 Kindra Reiter, District Secretary/Business Manager/Treasurer, Sibley-Ocheyedan Community School District, 120 11th Avenue NE, Sibley, Iowa, 51249.

BASIC FINANCIAL STATEMENTS

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,658,276	108,442	2,766,718
Receivables:			
Property tax:			
Delinquent	61,740	-	61,740
Succeeding year	3,476,985	-	3,476,985
Income surtax	217,403	-	217,403
Accounts	-	510	510
Due from other governments	342,487	-	342,487
Inventories	-	5,194	5,194
Capital assets, net of accumulated depreciation	6,454,146	66,186	6,520,332
TOTAL ASSETS	13,211,037	180,332	13,391,369
LIABILITIES			
Accounts payable	87,120	665	87,785
Salaries and benefits payable	650,446	-	650,446
Accrued interest payable	14,553	-	14,553
Deferred revenue:			
Succeeding year property tax	3,476,985	-	3,476,985
Unearned revenue	-	4,467	4,467
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	310,000	-	310,000
Revenue bonds payable	135,000	-	135,000
Capital loan note payable	55,000	-	55,000
Belt sander/Table saw lease payable	5,636	-	5,636
Computer lease payable	96,130	-	96,130
Portion due after one year:			
General obligation bonds/notes payable	320,000	-	320,000
Capital loan note payable	680,000	-	680,000
Net OPEB liability	510,273	19,165	529,438
TOTAL LIABILITIES	6,341,143	24,297	6,310,440
NET POSITION			
Invested in capital assets, net of related debt	4,852,380	66,186	4,918,566
Restricted for:			
Categorical funding	434,658	-	434,658
Debt service	4,324	-	4,324
Management levy purposes	151,228	-	151,228
School infrastructure	518,729	-	518,729
Physical plant and equipment	54,392	-	54,392
Student activities	71,141	-	71,141
Unrestricted	783,042	89,849	927,891
TOTAL NET POSITION	\$ 6,869,894	156,035	7,080,929

SEE NOTES TO FINANCIAL STATEMENTS.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,515,887	248,344	46,526	(3,221,017)	-	(3,221,017)
Special	807,989	79,909	68,220	(659,860)	-	(659,860)
Other	1,202,162	260,865	294,296	(647,001)	-	(647,001)
	<u>5,526,038</u>	<u>589,118</u>	<u>409,042</u>	<u>(4,527,878)</u>	<u>-</u>	<u>(4,527,878)</u>
Support services:						
Student	267,095	-	4,229	(262,866)	-	(262,866)
Instructional staff	323,967	-	10,092	(313,875)	-	(313,875)
Administration	877,935	8,067	-	(869,868)	-	(869,868)
Operation and maintenance of plant	804,173	5,906	-	(798,267)	-	(798,267)
Transportation	398,487	11,424	4,386	(382,677)	-	(382,677)
	<u>2,671,657</u>	<u>25,397</u>	<u>18,707</u>	<u>(2,627,553)</u>	<u>-</u>	<u>(2,627,553)</u>
Long-term debt interest	83,207	-	-	(83,207)	-	(83,207)
Other expenses:						
AEA flowthrough	293,691	-	293,691	-	-	-
Depreciation(unallocated)*	338,116	-	-	(338,116)	-	(338,116)
	<u>631,807</u>	<u>-</u>	<u>293,691</u>	<u>(338,116)</u>	<u>-</u>	<u>(338,116)</u>
Total governmental activities	8,912,709	614,515	721,440	(7,576,754)	-	(7,576,754)
Business type activities:						
Support services:						
Administration	3,255	-	-	-	(3,255)	(3,255)
Operation and maintenance of plant	2,773	-	-	-	(2,773)	(2,773)
Total support services	<u>6,028</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,028)</u>	<u>(6,028)</u>
Non-instructional programs:						
Nutrition services	421,887	246,471	209,067	-	33,651	33,651
Total business type activities	<u>427,915</u>	<u>246,471</u>	<u>209,067</u>	<u>-</u>	<u>27,623</u>	<u>27,623</u>
Total	<u>\$ 9,340,624</u>	<u>860,986</u>	<u>930,507</u>	<u>(7,576,754)</u>	<u>27,623</u>	<u>(7,549,131)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,039,735	-	3,039,735
Debt service				337,407	-	337,407
Capital outlay				82,255	-	82,255
Income surtax				241,763	-	241,763
Statewide sales, services and use tax				615,800	-	615,800
Unrestricted state grants				3,409,416	-	3,409,416
Unrestricted investment earnings				658	54	712
Other				53,960	1,484	55,444
Total general revenues				<u>7,780,994</u>	<u>1,538</u>	<u>7,782,532</u>
Change in net position				204,240	29,161	233,401
Net position beginning of year				<u>6,665,654</u>	<u>126,874</u>	<u>6,792,528</u>
Net position end of year				<u>\$ 6,869,894</u>	<u>156,035</u>	<u>7,025,929</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 2,018,958	402,427	12,923	223,968	2,658,276
Receivables:					
Property tax:					
Delinquent	48,529	1,451	5,954	5,806	61,740
Succeeding year	2,348,144	86,915	641,925	400,001	3,476,985
Income surtax	217,403	-	-	-	217,403
Due from other governments	139,976	202,511	-	-	342,487
TOTAL ASSETS	\$ 4,773,010	693,304	660,802	629,775	6,756,891
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 44,612	33,268	-	9,240	87,120
Salaries and benefits payable	650,446	-	-	-	650,446
Deferred revenue:					
Succeeding year property tax	2,348,144	86,915	641,925	400,001	3,476,985
Income surtax	217,403	-	-	-	217,403
Total liabilities	3,260,605	120,183	641,925	409,241	4,431,954
Fund balances:					
Assigned:					
Categorical funding	434,658	-	-	-	434,658
Debt service	-	-	18,877	-	18,877
Management levy purposes	-	-	-	151,228	151,228
School infrastructure	-	518,729	-	-	518,729
Physical plant and equipment	-	54,392	-	-	54,392
Student activities	-	-	-	71,141	71,141
Unassigned:					
General	1,077,747	-	-	-	1,077,747
Student activities	-	-	-	(1,835)	(1,835)
Total fund balances	1,512,405	573,121	18,877	220,534	2,324,937
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,773,010	693,304	660,802	629,775	6,756,891

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$	2,324,937
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		6,454,146
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		217,403
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.		(14,553)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, capital loan note payable, belt sander/table saw lease payable, computer lease 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>(2,112,039)</u>
Net position of governmental activities(page 18)	\$	<u><u>6,869,894</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,978,498	698,055	337,407	324,826	4,338,786
Tuition	297,751	-	-	-	297,751
Other	112,339	1,025	-	281,956	395,320
State sources	3,840,658	-	-	-	3,840,658
Federal sources	266,260	-	-	-	266,260
Total revenues	<u>7,495,506</u>	<u>699,080</u>	<u>337,407</u>	<u>606,782</u>	<u>9,138,775</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	3,254,826	94,142	-	97,006	3,445,974
Special	801,786	-	-	-	801,786
Other	895,323	-	-	302,737	1,198,060
	<u>4,951,935</u>	<u>94,142</u>	<u>-</u>	<u>399,743</u>	<u>5,445,820</u>
Support services:					
Student	253,961	-	-	1,000	254,961
Instructional staff	306,889	-	-	-	306,889
Administration	845,393	3,550	-	-	848,943
Operation and maintenance of plant	666,868	-	-	106,105	772,973
Transportation	340,098	18,500	-	22,630	381,228
	<u>2,413,209</u>	<u>22,050</u>	<u>-</u>	<u>129,735</u>	<u>2,564,994</u>
Capital outlay	-	58,810	-	-	58,810
Long-term debt:					
Principal	-	-	586,536	-	586,536
Interest and fiscal charges	-	-	89,939	-	89,939
	<u>-</u>	<u>-</u>	<u>676,475</u>	<u>-</u>	<u>676,475</u>
Other expenditures:					
AEA flowthrough	293,691	-	-	-	293,691
	<u>293,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>293,691</u>
TOTAL EXPENDITURES	<u>7,658,835</u>	<u>175,002</u>	<u>676,475</u>	<u>529,478</u>	<u>9,039,790</u>
Excess(Deficiency) of revenues over(under) expenditures	(163,329)	524,078	(339,068)	77,304	98,985
Other financing sources(uses):					
Transfer in	-	-	346,406	42,913	389,319
Transfer out	(42,913)	(346,406)	-	-	(389,319)
Sale of equipment	500	-	-	-	500
Total other financing sources(uses)	<u>(42,413)</u>	<u>(346,406)</u>	<u>346,406</u>	<u>42,913</u>	<u>500</u>
Change in fund balance	(205,742)	177,672	7,338	120,217	99,485
Fund balances beginning of year	<u>1,718,147</u>	<u>395,449</u>	<u>11,539</u>	<u>100,317</u>	<u>2,225,452</u>
Fund balances end of year	<u>\$ 1,512,405</u>	<u>573,121</u>	<u>18,877</u>	<u>220,534</u>	<u>2,324,937</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIBLEY-OCHEYEDAN 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

Change in fund balances - total governmental funds(page 22) \$ 99,485

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. Depreciation expense exceeded capital outlay expenditures in the current year are as follows:

Expenditures for capital assets	\$ 62,881	
Depreciation expense	<u>(384,468)</u>	(321,587)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in Statement of Net Position. 586,536

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. 6,732

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (21,826)

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

Net pension liability	\$ 25,034	
Other postemployment benefits	<u>(170,134)</u>	<u>(145,100)</u>

Change in net position of governmental activities(page 19) \$ 204,240

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUND
 JUNE 30, 2013

	Enterprise Fund
	School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 108,442
Accounts receivable	510
Inventories	5,194
Total current assets	<u>114,146</u>
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	<u>66,186</u>
TOTAL ASSETS	<u>180,332</u>
LIABILITIES	
Current liabilities:	
Accounts payable	665
Unearned revenue	4,467
Total current liabilities	<u>5,132</u>
Long-term liabilities:	
Net OPEB liability	<u>19,165</u>
TOTAL LIABILITIES	<u>24,297</u>
NET POSITION	
Invested in capital assets	66,186
Unrestricted	89,849
TOTAL NET POSITION	<u>\$ 156,035</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2013

	Enterprise Fund School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 246,471
Miscellaneous	1,484
TOTAL OPERATING REVENUES	<u>247,955</u>
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	3,255
Operation and maintenance of plant:	
Services	445
Supplies	2,328
Total support services	<u>6,028</u>
Non-instructional programs:	
Food service operations:	
Salaries	134,946
Benefits	46,769
Services	122
Supplies	231,778
Depreciation	8,272
Total non-instructional programs	<u>421,887</u>
TOTAL OPERATING EXPENSES	<u>427,915</u>
OPERATING LOSS	<u>(179,960)</u>
NON-OPERATING REVENUES:	
State sources	3,736
Federal sources	205,331
Interest income	54
TOTAL NON-OPERATING REVENUES	<u>209,121</u>
Change in net position	29,161
Net position beginning of year	<u>126,874</u>
Net position end of year	<u>\$ 156,035</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	Enterprise Fund School Nutrition
Cash flows from operating activities:	
Cash received from operating activities	\$ 243,773
Donations received	1,484
Cash payments to employees for services	(186,939)
Cash payments to suppliers for goods or services	(209,217)
Net cash used in operating activities	(150,899)
Cash flows from non-capital financing activities:	
State grants received	3,736
Federal grants received	178,567
Net cash provided by non-capital financing activities	182,303
Cash flows from capital financing activities:	
Purchase of capital assets	(35,626)
Cash flows from investing activities:	
Interest on investment	54
Net decrease in cash and cash equivalents	(4,168)
Cash and cash equivalents at beginning of year	112,610
Cash and cash equivalents at end of year	\$ 108,442
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (179,960)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	26,764
Depreciation	8,272
Decrease in inventories	1,687
Increase in accounts receivable	(418)
Increase in accounts payable	260
Decrease in salaries and benefits payable	(2,678)
Decrease in unearned revenues	(2,280)
Decrease in other postemployment benefits	(2,546)
Net cash used in operating activities	\$ (150,899)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$26,764.

SEE NOTES TO FINANCIAL STATEMENTS.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2013

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 14,532
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for scholarships	<u>\$ 14,532</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Scholarship</u>
ADDITIONS:	
Local sources:	
Interest	<u>\$ 101</u>
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	<u>650</u>
Change in net position	(549)
Net position beginning of year	<u>15,081</u>
Net position end of year	<u>\$ 14,532</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

The Sibley-Ocheyedan Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served primarily includes the Cities of Sibley and Ocheyedan, Iowa and the predominate agricultural territory in Osceola County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

The Statement of Net Position presents the District's non-fiduciary 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.

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

Unrestricted net position consists of net position not meeting the definition of the 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 Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District reports the following nonmajor proprietary fund:

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

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

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements 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 either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less restrictive classifications – committed, assigned and then unassigned fund balances.

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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	\$ 2,000
Buildings	10,000
Land improvements	10,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50 years
Land improvements	5-20 years
Intangibles	5-10 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which 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 Balances - In the governmental fund financial statements, Fund balances are classified as follows:

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

Unassigned - All amounts not included in the preceding 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 by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; 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 Direct Government Obligations Portfolio which are valued at an amortized cost of \$516 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was AAA by Standard & Poor's Financial Services.

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 346,406
Management	General Fund	193
	Total	<u>\$ 346,599</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed to pay the principle and interest for the Apple computer lease payable, the sander/saw lease payable, revenue bonds payable and capital loan note payable.

The transfer from the General Fund to the Management Levy Fund was needed as a corrective action to a prior year audit comment for incorrectly receiving insurance dividends into the General Fund.

(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	\$ 25,000	-	-	25,000
Construction in progress	-	33,250	-	33,250
Total capital assets not being depreciated	<u>25,000</u>	<u>33,250</u>	<u>-</u>	<u>58,250</u>
Capital assets being depreciated:				
Buildings	12,370,722	-	-	12,370,722
Land improvements	270,829	11,131	-	281,960
Machinery and equipment	1,259,562	18,500	16,600	1,261,462
Total capital assets being depreciated	<u>13,901,113</u>	<u>29,631</u>	<u>16,600</u>	<u>13,914,144</u>
Less accumulated depreciation for:				
Buildings	5,841,174	324,801	-	6,165,975
Land improvements	216,472	13,315	-	229,787
Machinery and equipment	1,092,734	46,352	16,600	1,122,486
Total accumulated depreciation	<u>7,150,380</u>	<u>384,468</u>	<u>16,600</u>	<u>7,518,248</u>
Total capital assets being depreciated, net	<u>6,750,733</u>	<u>(354,837)</u>	<u>-</u>	<u>6,395,896</u>
Governmental activities capital assets, net	<u>\$ 6,775,733</u>	<u>(321,587)</u>	<u>-</u>	<u>6,454,146</u>
Business type activities:				
Machinery and equipment	\$ 85,924	35,626	-	121,550
Less accumulated depreciation	47,092	8,272	-	55,364
Business type activities capital assets, net	<u>\$ 38,832</u>	<u>27,354</u>	<u>-</u>	<u>66,186</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Support services:	
Administration	\$ 1,052
Operation and maintenance	11,005
Transportation	34,295
	<hr/>
	46,352
Unallocated depreciation	338,116
	<hr/>
Total governmental activities depreciation expense	\$ 384,468
	<hr/>
Business type activities:	
Food services	\$ 8,272
	<hr/>

(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:					
General Obligation Bonds	\$ 935,000	-	305,000	630,000	310,000
Capital Loan Note	785,000	-	50,000	735,000	55,000
Revenue Bonds	270,000	-	135,000	135,000	135,000
Belt Sander/Table Saw Lease	10,592	-	4,956	5,636	5,636
Computer Lease	187,710	-	91,580	96,130	96,130
Net OPEB Liability	340,139	170,134	-	510,273	-
Net Pension Liability	25,034	-	25,034	-	-
Total	<hr/> <hr/> \$ 2,553,475	170,134	611,570	2,112,039	601,766
Business type activities:					
Net OPEB Liability	\$ 21,711	-	2,546	19,165	-
	<hr/> <hr/>				

On December 17, 2012 the District revised its early retirement policy and no longer provides a cash payout option as part of the early retirement incentive. This revision terminated the District's reporting requirements under GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers. Benefits under the new plan will be included as an explicit rate subsidy and reported in accordance with GASB Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue Dated May 15, 2008			
	Interest Rates	Principal	Interest	Total
2014	3.48	% \$ 310,000	21,924	331,924
2015	3.48	320,000	11,136	331,136
Total		<hr/> <hr/> \$ 630,000	33,060	663,060

Capital Loan Note

Detail of the District's June 30, 2013 capital loan note indebtedness is as follows:

Year Ending June 30,	Notes Dated December 18, 2008				
	Interest Rates		Principal	Interest	Total
2014	3.50	% \$	55,000	33,612	88,612
2015	4.25		55,000	31,688	86,688
2016	4.25		60,000	29,350	89,350
2017	4.25		60,000	26,800	86,800
2018	4.25		65,000	24,250	89,250
2019-2023	4.75-5.00		360,000	74,713	434,713
2024	5.00		80,000	4,000	84,000
Total			<u>\$ 735,000</u>	<u>224,413</u>	<u>959,413</u>

Revenue Bonds Payable

Detail of the District's June 30, 2013 revenue bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue Dated June 23, 2008				
	Interest Rates		Principal	Interest	Total
2014	4.00	% \$	135,000	5,400	140,400

The District has pledged future statewide sales, services and use tax revenues to repay the \$760,000 of bonds issued in June 2008. The bonds were issued for the purpose of financing a portion of the costs of implementing energy conservation measures including installation of a building control system and to improve, repair and remodel existing school buildings. 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 2014. 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 23% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$140,400. For the current year, \$135,000 of principal and \$10,598 of interest was paid on the bonds and statewide sales, services and use tax revenues were \$615,800.

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

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Belt Sander/Table Saw Lease Payable

During the year ended June 30, 2011, the District entered into a lease agreement with Kansas State Bank of Manhattan for a belt sander and table saw. Annual lease payments will be made from the Capital Projects: Statewide Sales, Services and Use Tax Fund. Details of the District's lease payments are as follows:

Year Ending June 30,	Belt Sander/Table Saw Lease Dated July 21, 2010				
	Interest Rates	Principal	Interest	Total	
2014	13.70	% \$ 5,636	772	6,408	

Apple Computer Lease Payable

During the year ended June 30, 2013, the District entered into a lease agreement with Apple Computer for computers for the District's one to one initiative. Annual lease payments will be made from the Capital Projects: Statewide Sales, Services and Use Tax Fund. Details of the District's lease payments are as follows:

Year Ending June 30,	Apple Computer Lease Dated July 15, 2010				
	Interest Rates	Principal	Interest	Total	
2014	5.00	% \$ 96,130	4,838	100,968	

(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 covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$424,332, \$386,022 and \$319,803 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 89 active and 13 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a fully-insured medical plan, is administered by Wellmark Blue Cross Blue Shield. Certified teaching staff who retired during fiscal years 2002 through 2005 receive health coverage up to \$550 per month until age 65 while certified teaching staff who retired in fiscal year 2007 and later receive coverage of up to \$550 per month for 60 months. All other retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution 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	\$ 275,962
Interest on net OPEB obligation	9,046
Adjustment to annual required contribution	<u>(32,495)</u>
Annual OPEB cost	252,513
Contributions made	<u>(84,925)</u>
Increase in net OPEB obligation	167,588
Net OPEB obligation - beginning of year	<u>361,850</u>
Net OPEB obligation - end of year	<u><u>\$ 529,438</u></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, 2013.

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:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	275,259	24.70%	236,000
2012	176,521	28.71%	361,850
2013	252,513	33.63%	529,438

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 \$1,671,512, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,671,512. The covered payroll (annual payroll of active employees covered by the plan) was \$4,365,918, and the ratio of the UAAL to the covered payroll was 38.3%. 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 frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 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 \$568 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

The District is a member in the Iowa Star Schools 28E Retention Pool Trust. The Iowa Star Schools 28E Retention Pool Trust is a voluntary joint undertaking of units of government to create and maintain a fully-funded health benefits program through cooperative action with private agencies, as authorized by Chapter 28E of the Code of Iowa. The Trust maintains a fully funded health benefits program. District contributions to Schools 28E Retention Pool Trust for the year ended June 30, 2013 were \$937,099.

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$293,691 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) Operating Lease

The District entered into an operating lease on January 13, 2009 to lease copier equipment. The lease has been classified as an operating lease and, accordingly, all payments are charged to expense as incurred. The lease expires January 13, 2014.

The following is a schedule of future payments required under the operating lease which has an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2013:

Year Ending June 30,	Amount
2014	<u>\$ 12,918</u>

(11) Construction Commitment

The District has entered into a contract of \$48,000 for new sidewalk at the football field. As of June 30, 2013, costs of \$33,250 have been incurred on the contract and the remaining \$14,750 will be paid as work on the project progresses.

(12) Deficit Fund Balance

At June 30, 2013, the Special Revenue: Student Activity Fund had six accounts with a deficit unassigned fund balance of \$1,835.

(13) Categorical Funding

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

Project	Amount
Weighted limited english proficiency	\$ 33,891
Gifted and talented	127,432
Teacher salary supplement	1,174
Four-year-old preschool state aid	55,003
At-risk supplementary weighting	29,788
Professional development, model core curriculum	42,615
Professional development	18,577
Dropout and dropout prevention	126,178
Total	<u>\$ 434,658</u>

(14) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is as follows:

	Invested in Capital Assets	Debt Service	Unassigned/ Unrestricted
General Fund balance (Exhibit C)	\$ -	18,877	1,077,747
Student Activities balance (Exhibit C)	-	-	(1,835)
Invested in capital assets, net of accumulated depreciation	6,454,146	-	-
General obligation bond capitalized indebtedness	(630,000)	-	-
Revenue bond capitalized indebtedness	(135,000)	-	-
Capital loan note capitalized indebtedness	(735,000)	-	-
Belt sander/Table saw lease payable	(5,636)	-	-
Computer lease payable	(96,130)	-	-
Income surtax	-	-	217,403
Accrued interest payable	-	(14,533)	-
Net OPEB liability	-	-	(510,273)
Net position (Exhibit A)	<u>\$ 4,852,380</u>	<u>4,344</u>	<u>783,042</u>

REQUIRED SUPPLEMENTARY INFORMATION

SIBLEY-OCHEYEDAN 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	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,031,857	248,009	5,279,866	5,306,766	5,306,766	(26,900)
State sources	3,840,658	3,736	3,844,394	3,893,987	3,893,987	(49,593)
Federal sources	266,260	205,331	471,591	375,000	375,000	96,591
Total revenues	9,138,775	457,076	9,595,851	9,575,753	9,575,753	20,098
Expenditures/Expenses:						
Instruction	5,445,820	-	5,445,820	6,315,572	6,315,572	869,752
Support services	2,564,994	6,028	2,571,022	3,207,811	3,207,811	636,789
Non-instructional programs	-	421,887	421,887	480,000	480,000	58,113
Other expenditures	1,028,976	-	1,028,976	1,099,883	1,099,883	70,907
Total expenditures/expenses	9,039,790	427,915	9,467,705	11,103,266	11,103,266	1,635,561
Excess(Deficiency) of revenues over(under) expenditures/expenses	98,985	29,161	128,146	(1,527,513)	(1,527,513)	1,655,659
Other financing sources, net	500	-	500	-	-	500
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	99,485	29,161	128,646	(1,527,513)	(1,527,513)	1,656,159
Balance beginning of year	2,225,452	126,874	2,352,326	1,826,074	1,826,074	526,252
Balance end of year	\$ 2,324,937	156,035	2,480,972	298,561	298,561	2,182,411

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIBLEY-OCHEYEDAN 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.

SIBLEY-OCHEYEDAN 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 Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 443	\$ 443	0.0%	\$ 4,626	9.6%
2011	July 1, 2009	-	1,113	1,113	0.0%	4,692	23.7%
2012	July 1, 2009	-	1,113	1,113	0.0%	4,059	27.4%
2013	July 1, 2012	-	1,672	1,672	0.0%	4,366	38.3%

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

SUPPLEMENTARY INFORMATION

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 145,422	78,546	223,968
Receivables:			
Property tax:			
Delinquent	5,806	-	5,806
Succeeding year	400,001	-	400,001
TOTAL ASSETS	\$ 551,229	78,546	629,775
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	9,240	9,240
Deferred revenue:			
Succeeding year property tax	400,001	-	400,001
Total liabilities	400,001	9,240	409,241
Fund balances:			
Restricted for:			
Management levy purposes	151,228	-	151,228
Student activities	-	71,141	71,141
Unassigned	-	(1,835)	(1,835)
Total fund balances	151,228	69,306	220,534
TOTAL LIABILITIES AND FUND BALANCES	\$ 551,229	78,546	629,775

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Management Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 324,826	-	324,826
Other	4,401	277,555	281,956
TOTAL REVENUES	329,227	277,555	606,782
EXPENDITURES:			
Current:			
Instruction:			
Regular	97,006	-	97,006
Other	-	302,737	302,737
Support services:			
Student	1,000	-	1,000
Operation and maintenance of plant	106,105	-	106,105
Transportation	22,630	-	22,630
TOTAL EXPENDITURES	226,741	302,737	529,478
Excess(Deficiency) of revenues over(under) expenditures	102,486	(25,182)	77,304
Other financing sources:			
Transfer in	42,913	-	42,913
Change in net position	145,399	(25,182)	120,217
Net position beginning of year	5,829	94,488	100,317
Net position end of year	\$ 151,228	69,306	220,534

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIBLEY-OCHEYEDAN 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
ASSETS			
Cash and pooled investments	\$ 321,468	80,959	402,427
Receivables:			
Property tax:			
Delinquent	-	1,451	1,451
Succeeding year	-	86,915	86,915
Due from other governments	202,511	-	202,511
TOTAL ASSETS	\$ 523,979	169,325	693,304
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 5,250	28,018	33,268
Deferred revenue:			
Succeeding year property tax	-	86,915	86,915
Total liabilities	5,250	114,933	120,183
Fund balances:			
Restricted for:			
School infrastructure	518,729	-	518,729
Physical plant and equipment	-	54,392	54,392
Total fund balances	518,729	54,392	573,121
TOTAL LIABILITIES AND FUND BALANCES	\$ 523,979	169,325	693,304

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIBLEY-OCHEYEDAN 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	\$ 615,800	82,255	698,055
Other	25	1,000	1,025
TOTAL REVENUES	<u>615,825</u>	<u>83,255</u>	<u>699,080</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	66,601	27,541	94,142
Support services:			
Administration	3,550	-	3,550
Transportation	-	18,500	18,500
Other expenditures:			
Capital outlays	5,250	53,560	58,810
TOTAL EXPENDITURES	<u>75,401</u>	<u>99,601</u>	<u>175,002</u>
Excess(Deficiency) of revenues over(under) expenditures	540,424	(16,346)	524,078
Other financing uses:			
Transfer out	(346,406)	-	(346,406)
Change in net position	194,018	(16,346)	177,672
Net position beginning of year	<u>324,711</u>	<u>70,738</u>	<u>395,449</u>
Net position end of year	<u>\$ 518,729</u>	<u>54,392</u>	<u>573,121</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIBLEY-OCHEYEDAN 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	Balance End of Year
Boys basketball	\$ 1,937	5,848	5,776	2,009
Cross country	547	2,954	2,731	770
Football	1,939	11,559	11,404	2,094
Boys golf	1,574	1,646	2,069	1,151
Boys track	163	4,943	5,503	(397)
Baseball	2	3,531	4,029	(496)
Wrestling	547	11,291	11,102	736
Girls basketball	1,578	13,055	12,995	1,638
Softball	1	5,063	4,813	251
Girls track	351	4,424	5,007	(232)
Girls volleyball	1,921	8,647	9,865	703
Girls golf	2,494	370	1,804	1,060
Weightlifting	13	-	-	13
Dance team	2,285	1,736	3,199	822
Cheerleaders	580	3,506	1,867	2,219
Co-ed athletics	149	962	1,229	(118)
HS Concessions	43	13,811	14,431	(577)
Athletics	1,111	2,796	2,091	1,816
Athletics and Fitness	-	4,250	1,900	2,350
Student assistance	1,259	-	-	1,259
International club	3,234	1,499	1,567	3,166
Pep club	-	335	335	-
Art club	2,284	853	366	2,771
Science club	661	900	433	1,128
Industrial tech club	2,643	1,510	1,457	2,696
Speech club	9,187	126	2,410	6,903
Quill club	64	-	-	64
Drama club	4,695	-	-	4,695
HS activity	2,692	5,507	4,808	3,391
FFA	22,159	99,620	116,301	5,478
MS band	-	4,371	4,084	287
HS band	-	15,913	15,928	(15)
MS concessions	2,678	5,557	6,796	1,439
Vocal music	2,747	9,211	7,514	4,444
MS activities	3,112	16,729	18,681	1,160
National honor society	322	1,145	807	660
HS student leadership	1,443	100	1,095	448
Annual club	1,770	9,700	1,609	9,861
Elementary activities	12,663	-	11,583	1,080
Prom	2,078	3,879	3,381	2,576
Class of 2012	131	-	131	-
Class of 2013	1,431	208	1,636	3
Total	\$ 94,488	277,555	302,737	69,306

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIBLEY-OCHEYEDAN 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	\$ 4,338,786	4,396,542	4,150,745	3,751,485	3,613,910	3,222,773	3,146,175	3,057,682	3,166,335	2,909,796
Tuition	297,751	338,486	296,961	328,210	273,957	251,630	184,206	252,136	226,228	168,361
Other	395,320	453,808	428,385	446,877	461,457	524,755	462,940	441,271	402,033	535,133
State sources	3,840,658	4,116,649	3,808,346	3,507,678	4,435,413	4,420,383	2,876,109	3,892,147	3,672,039	3,445,911
Federal sources	266,260	369,025	479,190	743,282	231,027	239,551	230,034	309,049	254,119	244,550
Total	\$ 9,138,775	9,674,510	9,163,627	8,777,532	9,015,764	8,659,092	6,899,464	7,952,285	7,720,754	7,303,751
Expenditures:										
Instruction:										
Regular	\$ 3,445,974	3,689,847	3,225,005	3,143,148	3,138,026	3,238,813	2,972,147	2,965,110	2,848,585	3,088,736
Special	801,786	900,814	820,208	1,106,025	1,391,602	1,259,281	1,091,078	954,725	690,073	799,427
Other	1,198,060	1,209,865	1,236,736	915,486	821,885	785,195	924,693	862,477	891,442	677,601
Support services:										
Student	254,961	257,784	265,709	270,603	264,265	287,663	199,600	172,466	220,483	198,888
Instructional staff	306,889	301,607	262,609	153,184	170,012	174,299	319,025	210,667	222,105	174,239
Administration	848,943	843,037	707,795	749,817	820,030	836,214	805,178	725,969	604,896	317,775
Operation and maintenance of plant	772,973	766,430	806,082	734,281	780,494	699,473	834,642	892,056	748,234	933,046
Transportation	381,228	362,574	339,197	285,159	293,804	297,702	390,150	377,711	434,252	284,364
Capital outlays	58,810	52,932	140,690	969,199	970,280	873,761	302,002	50,379	202,571	332,131
Long-term debt:										
Principal	586,536	566,579	460,000	425,000	380,000	245,000	235,000	225,000	210,000	200,000
Interest and fiscal charges	89,939	111,622	112,019	144,314	95,683	113,209	111,865	121,428	130,351	138,044
Other expenditures:										
AEA flow-through	293,691	295,638	332,139	332,779	310,801	294,935	282,816	275,616	270,801	271,598
Total	\$ 9,039,790	9,358,729	8,708,189	9,228,995	9,436,882	9,105,545	8,468,196	7,833,604	7,473,793	7,415,849

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct 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. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sibley-Ocheyedan 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.

Sibley-Ocheyedan Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2014
Newton, Iowa

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees and officials to prevent an individual employee from handling duties which are incompatible. For the District, one individual has control over each of the following areas:

- 1) Cash - bank reconciliations, cash receipts and the disbursement function.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Inventories - handling inventory and recording inventory records.
- 4) Long-term debt - maintaining debt records and control of cash, reconciliations and approval.
- 5) Receipts - journalizing, posting and reconciling.
- 6) Disbursements - purchase order processing, check preparation, signing checks, mailing and recording, voucher preparation and reconciling disbursements to the check register.
- 7) Wire transfers - processing and approving.
- 8) Payroll - approval of and recording employees added or deleted from the payroll system, entering contracts into the system and verifying accuracy, approval of and payment of payroll taxes, write checks, sign checks and post payroll to the general ledger.
- 9) Financial reporting - preparing, reconciling and approving.
- 10) Computer systems - performing all general accounting functions and controlling all data input and output.
- 11) Journal entries - approval and posting.

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

Response - The District understands the nature of the weakness and the necessity of oversight and review procedures. The District will review its procedures and implement changes where possible.

Conclusion - Response accepted.

I-B-13 Capital Assets - Board Policy 802.4R1 states, “The fixed assets manager, in conjunction with the fixed assets management team, will conduct an annual fixed assets physical count to develop the annual fixed assets listing in a manner similar to the initial fixed assets listing process. At least every three years, someone other than the person in custody of the fixed assets in the building/department/room will perform the fixed assets physical count for the building/department/room.” An independent reconciliation of capital assets to the accounting records is not performed. In addition, identifying tags are not placed on capital assets.

Recommendation - Capital assets should be periodically reconciled to the accounting records by an individual having no responsibility for the assets. Identification tags should be placed on all capital assets.

Response - The District understands the nature of the weakness and the necessity for the management team to provide oversight and review of capital assets. The Board, Superintendent and the Fixed Asset Management Team will review the policies on capital assets and determine actions required.

Conclusion - Response accepted.

I-C-13 Scholarship Awards - We noted during our audit that scholarship checks were being written from several different accounts in the Student Activity Fund.

Recommendation - If these student activity groups intend on awarding scholarships each year, the District needs to make these groups aware to fundraise specifically for the purpose of awarding a scholarship. Revenues and subsequent expenditures for scholarships from the activity fund groups would be more appropriately handled in the Private Purpose Trust Fund.

Response - The District understands the nature of the weakness. The District will inform each activity group who intends to award scholarships that they need to fundraise specifically for the purpose of awarding a scholarship. The District will handle the revenue and subsequent expenditures for scholarships from activity groups in the Private Purpose Trust Fund.

Conclusion - Response accepted.

We noted during our audit, that when scholarship checks were written from the Student Activity Fund and Private-Purpose Trust, the checks were being written to the student only.

Recommendation - Checks written for scholarships should be written to the student and the college the student is attending once the student has provided proof of attendance. If the District wants to write the check directly to the student, the District should issue a W-2 to the student to be in compliance with Internal Revenue Service requirements.

Response - The District understands the nature of the weakness. The District will ensure checks written for scholarships will be written to the college in care of the student once the student has provided proof of attendance.

Conclusion - Response accepted.

I-D-13 Gate Admissions - It was noted that the District does not use pre-numbered tickets for all events that requires an admission.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District understands the nature of the weakness. The Superintendent, business office personnel and Athletic Director will prepare a School Business Procedure Manual to implement guidelines for the gate admission process and handling of cash.

Conclusion - Response accepted.

OTHER MATTERS:

I-E-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 - The District understands the nature of the weakness. The Superintendent and the Board have begun reviewing policies starting with the 100 series. In addition, Board policies are now being posted to the District's website

Conclusion - Response accepted.

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 - During our audit, we noted that the District awarded students incentive prizes for being top sellers in fundraisers for the Future Farmers of America. Giving prizes for fundraisers do not appear to meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place and make necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979.

Response - The District understands the nature of the weakness. The District has reviewed the use of student incentive prizes for being top sellers and is in the process of making necessary adjustments to comply.

Conclusion - Response accepted.

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, however we noted the following during our audit:

We noted instances of employees not turning in detailed receipts for meal purchases when using the district's credit card. Board policy 401.10 states "Employees and officers using a school district credit card must submit a detailed receipt in addition to a credit card receipt indicating the date, purpose and nature of the expense. Failure to provide a proper receipt shall make the employee responsible for expenses incurred."

Recommendation - The District should review Board policy 401.10 with employees and require a detailed receipt in addition to a credit card receipt indicating the date, purpose and nature of the expense incurred on the District's credit cards.

Response - The District understands the nature of the weakness. The Board will review Board policy 401.10 and then communicate to the employees that a detailed credit card receipt is required.

Conclusion - Response accepted.

We noted an employee paid hotel charges for a District allowed conference with a personal credit card and then received reimbursement from the District. This practice allowed the employee to earn personal credit card redeemable points from District purchases. Any redeemable points received by the employee as a result of purchases made on behalf of the District appeared nominal.

Recommendation - Chapter 279.30 of the Code of Iowa states in part "Each warrant must be made payable only to the person performing the service or presenting the verified bill, and must state the purpose for which the warrant is issued." To improve controls over District purchases, all payments should be made directly to the vendor by the District.

Additionally, no District employee should gain a benefit from District purchases made on a personal credit card.

Response - The District understands the nature of the weakness. The District will review the use of District credit cards with employees. The use of personal credit card was an unintentional situation that occurred.

Conclusion - Response accepted.

II-D-13 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
LaDonn Hartzell, Business Manager Spouse is part owner of Hartzell & Rosenberg Construction	Snow removal per bid	\$2,245

In accordance with the Attorney General's opinion dated November 9, 1976, the above transaction with the spouse of an employee does not appear to cause a conflict of interest.

II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to 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 - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students reported was overstated by 0.7 student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District's auditor will contact the Iowa Department of Education and Department of Management to resolve this matter.

Conclusion - Response accepted.

II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-13 Deposits and Investments - 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 allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the 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		\$	324,711
Revenues:			
Statewide sales and services tax revenue	\$	615,800	
Other local revenues		25	615,825
Total revenues			<u>940,536</u>
Expenditures/transfers out:			
School infrastructure construction	\$	5,250	
Equipment		70,151	
Transfers to other funds:			
Debt service fund		346,406	421,807
Ending balance			<u>\$ 518,729</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 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District needs to have the Board President sign all officiating contracts to be in compliance with 291.1 of the Code of Iowa.

Response - The District understands the nature of the weakness. The Superintendent will discuss this with the Athletic Director and have the Board President sign all officiating contracts.

Conclusion - Response accepted.

II-N-13 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. More specific examples of these instances of questioned items and recommendations are as follows:

Questionable Revenues and Expenses: We noted during our audit that \$330 was spent from the Student Activity Fund for pizza to be provided at a parent-teacher conference.

Recommendation - The purchase of pizza for a parent-teacher conference does not appear to be cocurricular or extracurricular in nature and therefore would be inappropriate from the Student Activity Fund. These expenditures would be more appropriately expensed from the General Fund assuming it meets public purpose.

Response - The District understands the nature of the weakness. The District will pay for these meal purchases from the General Fund.

Conclusion - Response accepted.

We also noted during our audit that Target donations as well as Lifetouch Picture commissions were being received to the Student Activity Fund.

Recommendation - According to Chapter 298A.2 of the Code of Iowa all money received by a District must be accounted for in the General Fund excepted for money required by law to be accounted for in another fund. Commissions and undesignated donations are not specifically identified as allowable revenue for the Student Activity Fund, therefore Lifetouch commissions and Target donations should be received into the General Fund.

Response - The District understands the nature of the weakness. The District will receipt commission revenues and undesignated donations to the General Fund.

Conclusion - Response accepted.

- II-O-13 Supporting Documents for Payments to Officials - We noted during the audit that payments were made to athletic officials from the Student Activity fund, however, there were not always copies of the contracts with the paid bills.

Recommendation - Pursuant to a valid contractual agreement between the school board and the officials, which includes terms and conditions for payment and compliance with Chapters 279.29 and 279.30 of the Code of Iowa, officials can be paid after the service has been rendered. For non-contract officials or substitute officials, payment should be made after services have been rendered and audited and allowed similar to other vendor payments. The district should have a policy and (athletic) officials should be informed that payment will be made in this manner unless a valid contract exists. Copies of the signed contracts should be supplied to the accounting staff before checks are issued. The signed contract or other form of documentation should then be kept with the paid bills.

Response - The District understands the nature of the weakness. The District will review the process of payments to athletic officials.

Conclusion - Response accepted.

- II-P-13 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations which have been outstanding for over a year.

Recommendation - The District should research the outstanding checks to determine if they should be re-issued. Once checks have been outstanding for two years, the checks should be submitted to the Treasurer of Iowa as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District understands the weakness. The District will review outstanding checks and take necessary steps to remedy the issue.

Conclusion - Response accepted.

- II-Q-13 Financial Condition - We noted during our audit the Special Revenue, Student Activity Fund had six negative accounts totaling \$1,835 at June 30, 2013.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits.

Response - The District understands the nature of the weakness. The District will continue to monitor these accounts and investigate alternatives to eliminate the deficits.

Conclusion - Response accepted.