

ANDREW COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Notes to Basic Financial Statements		27-36
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund		38
Notes to Required Supplementary Information – Budgetary Reporting		39
Schedule of Funding Progress for the Retiree Health Plan		40
Supplementary Information:	<u>Schedule</u>	
Capital Project Accounts:		
Combining Balance Sheet	1	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	43
Schedule of Changes in Student Activity Accounts	3	44
Schedule of Revenues by Source and Expenditures by Function – All Governmental Fund Types	4	45
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 <u>Government Auditing Standards</u>		46-47
Schedule of Findings		48-53

# Andrew Community School District

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2013 Elections)</b>		
Charlie Peters	President	2013
Randy Ernst	Vice President	2013
Allan W. Till	Board Member	2015
Yvonne Weimerskirch	Board Member	2015
Eric Strathman	Board Member	2015
<b>(After September 2013 Elections)</b>		
Charlie Peters	President	2017
Randy Ernst	Vice President	2017
Allan W. Till	Board Member	2015
Yvonne Weimerskirch	Board Member	2015
Eric Strathman	Board Member	2015
<b>School Officials</b>		
Andy Crozier	Superintendent	2014
Karen Kilburg	District Secretary	2014
Adam Crigger	Business Manager	2014
Lane and Waterman	Attorney	2014

**ANDREW 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 Andrew 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 Andrew Community School District, Andrew, Iowa as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**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 Andrew Community School District as of June 30, 2014, 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, the Schedule of Funding Progress for Retiree Health Plan on pages 7 through 15 and 38 through 40 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 Andrew 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 nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, 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 29, 2015, on our consideration so Andrew 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 Andrew Community School District's internal control over financial reporting and compliance.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 29, 2015  
Newton, Iowa

---

---

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

---

Andrew Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,987,320 in fiscal year 2013 to \$3,156,592 in fiscal year 2014 and General Fund expenditures increased from \$2,875,182 in fiscal year 2013 to \$3,017,287 in fiscal year 2014. The District's General Fund balance increased from \$368,656 at June 30, 2013 to a balance of \$507,961 at June 30, 2014, a 37.79% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state source revenues in fiscal year 2014. The increase in expenditures was due primarily to an increase in expenditures for the instruction functional area. The increase in fund balance can also be attributed to the concerted effort by the Board to improve the District's fund balance and solvency ratio.

### **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 the Statement of Net Position and the Statement of Activities. These provide information about the activities of Andrew 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 Andrew 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 Andrew Community School District acts solely as an agent or custodial for the benefit of those outside of the 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 presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major governmental funds.

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

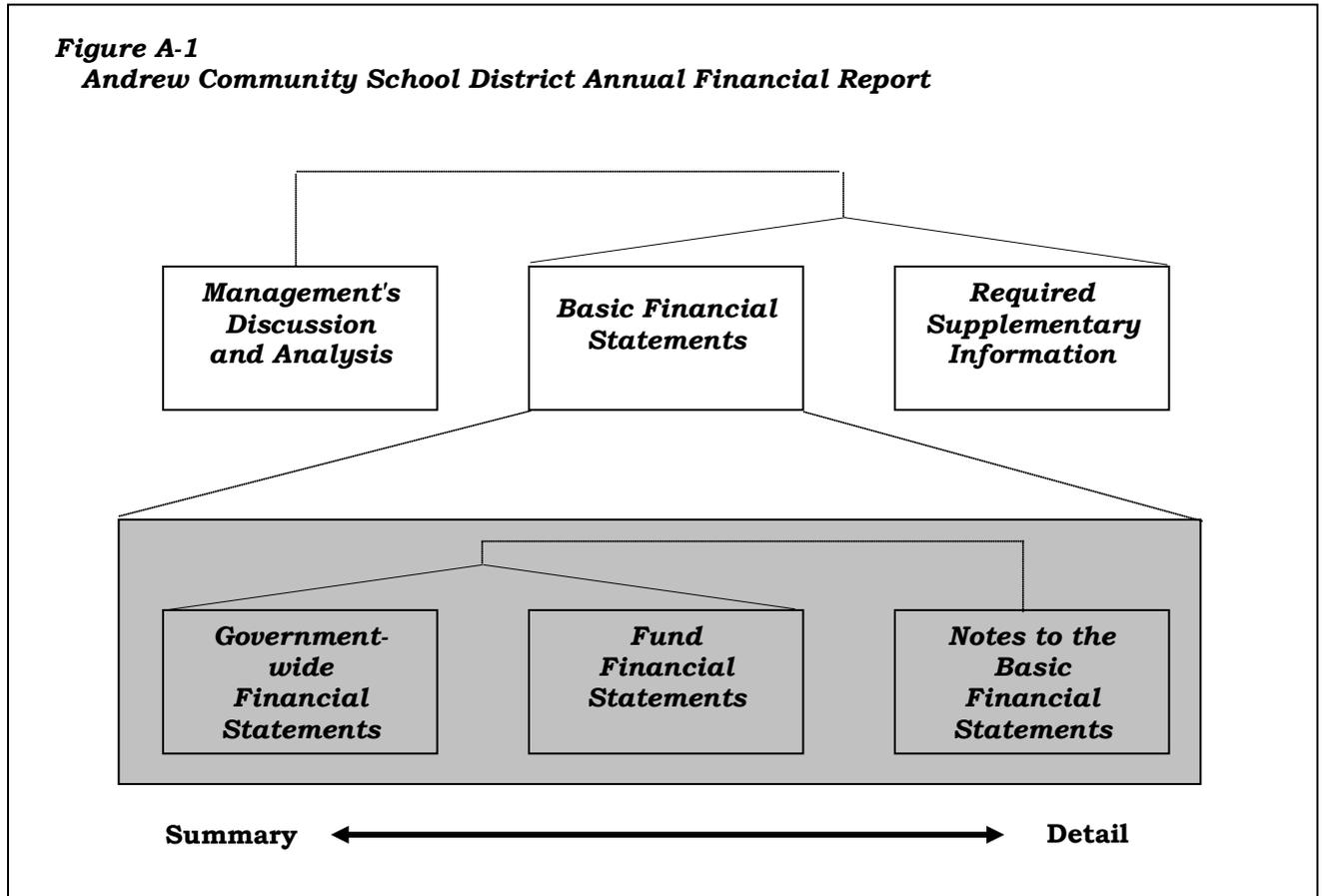


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>			
	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Fund Net Position</li> <li>• Statement of Cash Flows</li> </ul>
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
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
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

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

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

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

---

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position 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 program is included here.

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

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

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

The required financial statements for 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 District's Internal Service Fund, one type of proprietary fund, is the same as the governmental activities, but provides more detail and additional information such as cash flows. The District currently has one Internal Service Fund, the Health Insurance Fund.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 3,106,107	2,971,508	23,872	18,197	3,129,979	2,989,705	4.69%
Capital assets	897,888	908,725	15,471	21,157	913,359	929,882	-1.78%
Total assets	4,003,995	3,880,233	39,343	39,354	4,043,338	3,919,587	3.16%
Long-term liabilities	158,387	133,954	3,325	2,593	161,712	136,547	18.43%
Other liabilities	414,586	499,271	1,004	807	415,590	500,078	-16.89%
Total liabilities	572,973	633,225	4,329	3,400	577,302	636,625	-9.32%
Deferred inflows of resources	1,215,065	1,203,375	-	-	1,215,065	1,203,375	0.97%
Net position:							
Net investment in capital assets	897,888	908,725	15,471	21,157	913,359	929,882	-1.78%
Restricted	884,291	874,201	-	-	884,291	874,201	1.15%
Unrestricted	433,778	260,707	19,543	14,797	453,321	275,504	64.54%
Total net position	\$ 2,215,957	2,043,633	35,014	35,954	2,250,971	2,079,587	8.24%

The District's combined net position increased by 8.24%, or \$171,384, over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$10,090, or 1.15% over the prior year. The increase was primarily a result of an increase in the Capital Projects: Statewide Sales, Services and Use Tax Fund balance.

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 - increased \$177,817, or 64.54%. This increase in unrestricted net position was primarily due to the increase in fund balance of the General Fund.

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

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 167,128	165,621	28,621	26,970	195,749	192,591	1.64%
Operating grants, contributions and restricted interest	259,234	267,853	60,693	63,184	319,927	331,037	-3.36%
Capital grants, contributions and restricted interest	16,373	-	-	-	16,373	-	100.00%
General revenues:							
Property tax	1,203,263	1,117,024	-	-	1,203,263	1,117,024	7.72%
Income surtax	150,841	124,584	-	-	150,841	124,584	21.08%
Statewide sales, services and use tax	239,476	233,535	-	-	239,476	233,535	2.54%
Unrestricted state grants	1,545,009	1,512,906	-	-	1,545,009	1,512,906	2.12%
Unrestricted investment earnings	674	562	-	7	674	569	18.45%
Other general revenues	26,687	17,538	5,011	2,600	31,698	20,138	57.40%
Total revenues	3,608,685	3,439,623	94,325	92,761	3,703,010	3,532,384	4.83%
Program expenses:							
Instruction	2,434,129	2,281,248	-	-	2,434,129	2,281,248	6.70%
Support services	831,881	808,703	-	470	831,881	809,173	2.81%
Non-instructional programs	-	-	95,265	98,434	95,265	98,434	-3.22%
Other expenses	170,351	167,061	-	-	170,351	167,061	1.97%
Total expenses	3,436,361	3,257,012	95,265	98,904	3,531,626	3,355,916	5.24%
Change in net position	172,324	182,611	(940)	(6,143)	171,384	176,468	-2.88%
Net position beginning of year	2,043,633	1,861,022	35,954	42,097	2,079,587	1,903,119	9.27%
Net position end of year	\$ 2,215,957	2,043,633	35,014	35,954	2,250,971	2,079,587	8.24%

In fiscal year 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 86.97% of the revenues from governmental activities while charges for service and operating grants, contributions and restricted interest accounted for 94.69% of the revenues in the business type activities.

The District's total revenues were approximately \$3.70 million of which approximately \$3.61 million was for governmental activities and approximately \$0.09 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.83% increase in revenues and a 5.24% increase in expenses. The increase in revenues can be attributed to an increase in property tax revenues and the increase in expenses was related to an increase in expenditures for instruction.

### Governmental Activities

Revenues for governmental activities were \$3,608,685 and expenses were \$3,436,361.

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, 2014 compared to the year ended June 30, 2013.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 2,434,129	2,281,248	6.70%	2,129,375	1,960,033	8.64%
Support services	831,881	808,703	2.87%	809,916	808,223	0.21%
Other expenses	170,351	167,061	1.97%	54,335	55,282	-1.71%
Totals	\$ 3,436,361	3,257,012	5.51%	2,993,626	2,823,538	6.02%

- For the year ended June 30, 2014:
- The cost financed by users of the District's programs was \$167,128.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$275,607.
- The net cost of governmental activities was financed with \$1,203,263 in property tax, \$150,841 in income surtax, \$239,476 in statewide sales, services and use tax, \$1,545,009 in unrestricted state grants, \$674 in unrestricted investment earnings and \$26,687 in other general revenues.

### Business type Activities

Revenues of the District's business type activities were \$94,325 and expenses were \$95,265. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and other miscellaneous revenue.

### INDIVIDUAL FUND ANALYSIS

As previously noted, the Andrew 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 \$1,300,942, above last year's ending fund balances of a \$1,092,177. The primary reason for the increase in combined fund balances during fiscal year 2014 is the improvement in the General Fund balance.

### Governmental Fund Highlights

- The District's General Fund financial position increased from a fund balance of \$368,656 at June 30, 2013 to \$507,961 at June 30, 2014, this represents an increase of 37.79%. Revenues increased by \$169,272 or 5.67% while expenditures increased by \$142,105 or 4.94%. The increase in revenues can be attributed to an increase in local and state source revenues and the increase in expenditures can be attributed to an increase in expenditures for the instruction functional area.
- The Special Revenue, Management Levy Fund balance decreased from \$89,511 at June 30, 2013 to \$66,166 at June 30, 2014. The decline in fund balance can be attributed to a reduction in local tax revenue when compared with the prior year.

- The Capital Projects Fund balance increased from a balance of \$582,978 at June 30, 2013 to \$674,243 at June 30, 2014. This increase was a result of a decrease in capital outlay expenditures compared to the prior year.

### Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$35,954 at June 30, 2013 to \$35,014 at June 30, 2014, representing a decrease of \$940 or 2.61%.

### BUDGETARY HIGHLIGHTS

The District's total revenues were \$165,668 more than total budgeted revenues, a variance of 4.69%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily due 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and support services functional areas due to timing of expenditures at year end without sufficient time to amend the certified budget.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2014, the District had invested \$913,359, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.78% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$99,108.

The original cost of the District's capital assets was \$3,583,394. Governmental funds account for \$3,496,895 with the remainder of \$86,499 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$139,261 at June 30, 2013, compared to \$176,050 reported at June 30, 2014. This increase resulted from the purchase of a 65-passenger bus in fiscal year 2014.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	2013-14
Land	\$ 7,201	7,201	-	-	7,201	7,201	0.00%
Buildings	703,272	752,981	-	-	703,272	752,981	-6.60%
Land improvements	26,836	30,439	-	-	26,836	30,439	-11.84%
Machinery and equipment	160,579	118,104	15,471	21,157	176,050	139,261	26.42%
Total	\$ 897,888	908,725	15,471	21,157	913,359	929,882	-1.78%

---

## Long Term Debt

At June 30, 2014, the District had long-term debt payable of \$161,712. This represents an increase of 18.43% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statement.

Figure A-7							
Outstanding Long-Term Obligations							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Computer leases	\$ 13,635	38,528	-	-	13,635	38,528	-64.61%
Termination benefits	63,033	31,701	-	-	63,033	31,701	98.84%
Net OPEB obligation	81,719	63,725	3,325	2,593	85,044	66,318	28.24%
Total	\$ 158,387	133,954	3,325	2,593	161,712	136,547	18.43%

- The District had an outstanding computer lease payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$13,635 at June 30, 2014.
- The District had outstanding termination benefits(early retirement) payable from the Special Revenue: Management Levy Fund of \$63,033 at June 30, 2014.
- The District had a net OPEB liability of \$85,044 at June 30, 2014, \$81,719 is attributable to governmental activities and \$3,325 is attributable to business type activities.

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Continued patterns of declining enrollment are creating a stagnant revenue stream from the state. The stagnant funding and rising costs are making it difficult for the District to manage the budget. The District will continue to look for alternative revenue streams to deal with these challenges.

## 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 Adam Crigger, Business Manager, Andrew Community School District, 13 S. Marion St, P.O. Box 230, Andrew, Iowa, 52030.

**ANDREW COMMUNITY SCHOOL DISTRICT**

## **BASIC FINANCIAL STATEMENTS**

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

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,571,937	12,260	1,584,197
Receivables			
Property tax:			
Delinquent	11,503	-	11,503
Succeeding year	1,215,065	-	1,215,065
Income surtax	126,508	-	126,508
Accounts	-	888	888
Due from other governments	181,094	6,207	187,301
Inventories	-	4,517	4,517
Capital assets, net of accumulated depreciation	897,888	15,471	913,359
<b>TOTAL ASSETS</b>	<b>4,003,995</b>	<b>39,343</b>	<b>4,043,338</b>
<b>LIABILITIES</b>			
Accounts payable	244,242	-	244,242
Salaries and benefits payable	169,787	1,004	170,791
Accrued interest payable	557	-	557
Long-term liabilities:			
Portion due within one year:			
Computer lease payable	13,635	-	13,635
Termination benefits payable	21,011	-	21,011
Portion due after one year:			
Termination benefits payable	42,022	-	42,022
Net OPEB liability	81,719	3,325	85,044
<b>TOTAL LIABILITIES</b>	<b>572,973</b>	<b>4,329</b>	<b>577,302</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	1,215,065	-	1,215,065
<b>NET POSITION</b>			
Net investment in capital assets	897,888	15,471	913,359
Restricted for:			
Categorical funding	132,300	-	132,300
School infrastructure	569,162	-	569,162
Physical plant and equipment	105,081	-	105,081
Management levy purposes	3,133	-	3,133
Student activities	74,615	-	74,615
Unrestricted	433,778	19,543	453,321
<b>TOTAL NET POSITION</b>	<b>\$ 2,215,957</b>	<b>35,014</b>	<b>2,250,971</b>

SEE NOTES TO FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 1,635,569	145,305	34,081	-	(1,456,183)	-	(1,456,183)
Special	670,724	-	13,989	-	(656,735)	-	(656,735)
Other	127,836	21,823	89,556	-	(16,457)	-	(16,457)
	<u>2,434,129</u>	<u>167,128</u>	<u>137,626</u>	<u>-</u>	<u>(2,129,375)</u>	<u>-</u>	<u>(2,129,375)</u>
Support services:							
Student	67,341	-	170	-	(67,171)	-	(67,171)
Instructional staff	22,168	-	-	-	(22,168)	-	(22,168)
Administration	258,876	-	-	-	(258,876)	-	(258,876)
Operation and maintenance of plant	200,323	-	-	16,373	(183,950)	-	(183,950)
Transportation	283,173	-	5,422	-	(277,751)	-	(277,751)
	<u>831,881</u>	<u>-</u>	<u>5,592</u>	<u>16,373</u>	<u>(809,916)</u>	<u>-</u>	<u>(809,916)</u>
Long-term debt interest	1,023	-	-	-	(1,023)	-	(1,023)
Other expenses:							
AEA flowthrough	116,016	-	116,016	-	-	-	-
Depreciation(unallocated)*	53,312	-	-	-	(53,312)	-	(53,312)
	<u>169,328</u>	<u>-</u>	<u>116,016</u>	<u>-</u>	<u>(53,312)</u>	<u>-</u>	<u>(53,312)</u>
Total governmental activities	<u>3,436,361</u>	<u>167,128</u>	<u>259,234</u>	<u>16,373</u>	<u>(2,993,626)</u>	<u>-</u>	<u>(2,993,626)</u>
Business type activities:							
Non-instructional programs:							
Food service operations	95,265	28,621	60,693	-	-	(5,951)	(5,951)
Total business type activities	<u>95,265</u>	<u>28,621</u>	<u>60,693</u>	<u>-</u>	<u>-</u>	<u>(5,951)</u>	<u>(5,951)</u>
Total	<u>\$ 3,531,626</u>	<u>195,749</u>	<u>319,927</u>	<u>16,373</u>	<u>(2,993,626)</u>	<u>(5,951)</u>	<u>(2,999,577)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$ 1,097,764	-		1,097,764
Capital outlay				105,499	-		105,499
Income surtax				150,841	-		150,841
Statewide sales, services and use tax				239,476	-		239,476
Unrestricted state grants				1,545,009	-		1,545,009
Unrestricted investment earnings				674	-		674
Other				26,687	5,011		31,698
Total general revenues				<u>3,165,950</u>	<u>5,011</u>		<u>3,170,961</u>
Change in net position				172,324	(940)		171,384
Net position beginning of year				2,043,633	35,954		2,079,587
Net position end of year				<u>\$ 2,215,957</u>	<u>35,014</u>		<u>2,250,971</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Nonmajor: Student Activity	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 827,045	65,507	577,250	52,572	1,522,374
Receivables:					
Property tax:					
Delinquent	9,836	659	1,008	-	11,503
Succeeding year	858,628	200,000	156,437	-	1,215,065
Income surtax	126,508	-	-	-	126,508
Due from other governments	84,731	-	96,363	-	181,094
<b>TOTAL ASSETS</b>	<b>\$ 1,906,748</b>	<b>266,166</b>	<b>831,058</b>	<b>52,572</b>	<b>3,056,544</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 243,864	-	378	-	244,242
Salaries and benefits payable	169,787	-	-	-	169,787
Total liabilities	413,651	-	378	-	414,029
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	858,628	200,000	156,437	-	1,215,065
Income surtax	126,508	-	-	-	126,508
Total deferred inflows of resources	985,136	200,000	156,437	-	1,341,573
Fund balances:					
Restricted for:					
Categorical funding	132,300	-	-	-	132,300
School infrastructure	-	-	569,162	-	569,162
Physical plant and equipment	-	-	105,081	-	105,081
Management levy purposes	-	66,166	-	-	66,166
Student activities	-	-	-	74,615	74,615
Unassigned:					
General	375,661	-	-	-	375,661
Student activities	-	-	-	(22,043)	(22,043)
Total fund balances	507,961	66,166	674,243	52,572	1,300,942
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,906,748</b>	<b>266,166</b>	<b>831,058</b>	<b>52,572</b>	<b>3,056,544</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>	\$	1,300,942
 <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 the governmental funds.		897,888
Accounts receivable income surtax are not yet available to to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		126,508
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		49,563
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(557)
Long-term liabilities, including computer lease payable, termination benefits 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>(158,387)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>2,215,957</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Nonmajor: Debt Service	Nonmajor: Student Activity	Total
<b>REVENUES:</b>						
Local sources:						
Local tax	\$ 1,174,830	68,909	105,499	-	-	1,349,238
Tuition	91,515	-	-	-	-	91,515
Other	81,825	-	1	-	21,849	103,675
State sources	1,714,954	-	239,476	-	-	1,954,430
Federal sources	88,588	-	16,373	-	-	104,961
<b>Total revenues</b>	<b>3,151,712</b>	<b>68,909</b>	<b>361,349</b>	<b>-</b>	<b>21,849</b>	<b>3,603,819</b>
<b>EXPENDITURES:</b>						
Current:						
Instruction:						
Regular	1,457,242	47,281	-	-	-	1,504,523
Special	631,712	-	-	-	-	631,712
Other	98,566	-	-	-	20,309	118,875
	<b>2,187,520</b>	<b>47,281</b>	<b>-</b>	<b>-</b>	<b>20,309</b>	<b>2,255,110</b>
Support services:						
Student	63,513	-	-	-	-	63,513
Instructional staff	20,983	-	-	-	-	20,983
Administration	240,486	-	-	-	-	240,486
Operation and maintenance of plant	143,408	44,973	-	-	-	188,381
Transportation	233,169	-	80,579	-	-	313,748
	<b>701,559</b>	<b>44,973</b>	<b>80,579</b>	<b>-</b>	<b>-</b>	<b>827,111</b>
Capital outlay	-	-	175,223	-	-	175,223
Long-term debt:						
Principal	-	-	-	24,893	-	24,893
Interest and fiscal charges	-	-	-	1,581	-	1,581
	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,474</b>	<b>-</b>	<b>26,474</b>
Other expenditure:						
AEA flowthrough	116,016	-	-	-	-	116,016
<b>Total expenditures</b>	<b>3,005,095</b>	<b>92,254</b>	<b>255,802</b>	<b>26,474</b>	<b>20,309</b>	<b>3,399,934</b>
Excess(Deficiency) of revenues over(under) expenditures	146,617	(23,345)	105,547	(26,474)	1,540	203,885
Other financing sources(uses):						
Transfers in	-	-	-	26,474	-	26,474
Transfers out	(12,192)	-	(14,282)	-	-	(26,474)
Sale of equipment	4,880	-	-	-	-	4,880
<b>Total other financing sources(uses)</b>	<b>(7,312)</b>	<b>-</b>	<b>(14,282)</b>	<b>26,474</b>	<b>-</b>	<b>4,880</b>
Change in fund balances	139,305	(23,345)	91,265	-	1,540	208,765
Fund balances beginning of year	368,656	89,511	582,978	-	51,032	1,092,177
Fund balances end of year	<b>\$ 507,961</b>	<b>66,166</b>	<b>674,243</b>	<b>-</b>	<b>52,572</b>	<b>1,300,942</b>

SEE NOTES TO FINANCIAL STATEMENTS.

ANDREW 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, 2014

<b>Change in fund balances - total governmental funds(page 22)</b>	\$	208,765
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 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. Expenditures for capital outlays and depreciation expense for the year is as follows:		
Capital outlay	\$ 82,585	
Depreciation expense	<u>(93,422)</u>	(10,837)
 Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.		 4,866
 Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis.		 (6,595)
 Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		 24,893
 Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		 558
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Termination benefits	(31,332)	
Other postemployment benefits	<u>(17,994)</u>	<u>(49,326)</u>
 <b>Changes in net position of governmental activities(page 19)</b>	 \$	 <u><u>172,324</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2014

	Business Type	
	Activities:	
	Enterprise	Governmental
	Fund	Activities:
	School	Internal
	Nutrition	Service
<b>ASSETS</b>		
Current assets:		
Cash and pooled investments	\$ 12,260	49,563
Accounts receivable	888	-
Due from other governments	6,207	-
Inventories	4,517	-
	<u>23,872</u>	<u>49,563</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	15,471	-
<b>TOTAL ASSETS</b>	<u>39,343</u>	<u>49,563</u>
<b>LIABILITIES</b>		
Current liabilities:		
Salaries and benefits payable	1,004	-
Noncurrent liabilities:		
Net OPEB liability	3,325	-
<b>TOTAL LIABILITIES</b>	<u>4,329</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	15,471	-
Unrestricted	19,543	49,563
<b>TOTAL NET POSITION</b>	<u>\$ 35,014</u>	<u>49,563</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service
<b>OPERATING REVENUES:</b>		
Local sources:		
Charges for service	\$ 28,621	-
Miscellaneous	5,011	12,084
<b>TOTAL OPERATING REVENUES</b>	<b>33,632</b>	<b>12,084</b>
<b>OPERATING EXPENSES:</b>		
Support services:		
Administration		
Benefits	-	18,679
Non-instructional programs:		
Food service operations:		
Salaries	28,535	-
Benefits	10,171	-
Services	1,487	-
Supplies	49,366	-
Other	20	-
Depreciation	5,686	-
	95,265	-
<b>TOTAL OPERATING EXPENSES</b>	<b>95,265</b>	<b>18,679</b>
<b>OPERATING LOSS</b>	<b>(61,633)</b>	<b>(6,595)</b>
<b>NON-OPERATING REVENUES:</b>		
State sources	823	-
Federal sources	59,870	-
<b>TOTAL NON-OPERATING REVENUES</b>	<b>60,693</b>	<b>-</b>
Change in net position	(940)	(6,595)
Net position beginning of year	35,954	56,158
Net position end of year	\$ 35,014	49,563

SEE NOTES TO FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	Business Type	
	Enterprise	Governmental
	Fund	Activities:
	School	Internal
	Nutrition	Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 29,220	-
Cash received from miscellaneous operating activities	5,011	12,084
Cash payments to employees for services	(36,970)	-
Cash payments to suppliers for goods or services	(44,874)	(18,679)
Net cash used in operating activities	(47,613)	(6,595)
Cash flows from non-capital financing activities:		
State grants received	823	-
Federal grants received	51,612	-
Net cash provided by non-capital financing activities	52,435	-
Net increase(decrease) in cash and cash equivalents	4,822	(6,595)
Cash and cash equivalents beginning of year	7,438	56,158
Cash and cash equivalents end of year	\$ 12,260	49,563
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (61,633)	(6,595)
Adjustments to reconcile operating loss to net used in operating activities:		
Commodities consumed	7,635	-
Depreciation	5,686	-
Increase in inventories	(829)	-
Decrease in accounts receivable	599	-
Decrease in accounts payable	(807)	-
Increase in salaries and benefits payable	1,004	-
Increase in other postemployment benefits	732	-
Net cash used in operating activities	\$ (47,613)	(6,595)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received federal commodities valued at \$7,635.

SEE NOTES TO FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 1. Summary of Significant Accounting Policies**

The Andrew Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through sixth. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Andrew, Iowa, and the predominate agricultural territory in Jackson 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, Andrew 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 Andrew Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

***B. Basis of Presentation***

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

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

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt 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. Enabling legislation did not result in any restricted net position.

*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 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 non-major governmental funds. Combining schedules are 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 Management Fund is used to account for resources used to pay the costs of unemployment benefits, termination benefits, insurance agreements and liability insurance.

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

The District reports the following non-major proprietary funds:

The District's proprietary funds are the Enterprise: School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded health insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and Statement of Activities. This chargeback is based upon a percentage of total employees by the participants' various functional areas.

### ***C. Measurement Focus and Basis of Accounting***

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

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

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

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

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

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

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

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

#### ***D. Assets, Liabilities, Deferred Inflows of Resources and Fund 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.

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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and 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, 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	2,000
Land improvements	2,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Useful Lives
Buildings	20-50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

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

Deferred Inflows of Resources - 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 inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivable and income surtax receivable not collected within sixty days after year end.

Deferred inflows of resources 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 are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

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

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

Unassigned - All amounts not included in other spendable classifications.

***E. Budgeting and Budgetary Accounting***

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the instruction and the support services functional areas.

**Note 2. Cash and Pooled Investments**

The District’s deposits at June 30, 2014 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District’s agent in the District’s name, or by multiple financial institution collateral pool 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, 2014 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$13,055 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa School Joint Investment Trust was rated AAA by Standard & Poor’s Financial Services.

**Note 3. Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	General Fund	\$ 12,192
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	14,282
Total		\$ 26,474

The General Fund transferred monies to the Debt Service Fund for the payment of principle and interest on a computer lease.

The Capital Projects: Statewide Sales, Services and Use Tax Fund transferred to the Debt Service Fund to pay the principle and interest on a computer lease.

**Note 4. Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 7,201	-	-	7,201
Total capital assets not being depreciated	<u>7,201</u>	<u>-</u>	<u>-</u>	<u>7,201</u>
Capital assets being depreciated:				
Buildings & Improvements	2,207,032	-	-	2,207,032
Land improvements	85,613	-	-	85,613
Machinery and equipment	1,417,196	82,585	302,732	1,197,049
Total capital assets being depreciated	<u>3,709,841</u>	<u>82,585</u>	<u>302,732</u>	<u>3,489,694</u>
Less accumulated depreciation for:				
Buildings	1,454,051	49,709	-	1,503,760
Land improvements	55,174	3,603	-	58,777
Machinery and equipment	1,299,092	40,110	302,732	1,036,470
Total accumulated depreciation	<u>2,808,317</u>	<u>93,422</u>	<u>302,732</u>	<u>2,599,007</u>
Total capital assets being depreciated, net	<u>901,524</u>	<u>(10,837)</u>	<u>-</u>	<u>890,687</u>
Governmental activities capital assets, net	<u>\$ 908,725</u>	<u>(10,837)</u>	<u>-</u>	<u>897,888</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 86,499	-	-	86,499
Less accumulated depreciation	65,342	5,686	-	71,028
Business type activities capital assets, net	<u>\$ 21,157</u>	<u>(5,686)</u>	<u>-</u>	<u>15,471</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 1,205
Other	822
Support services:	
Administration	1,346
Operation and maintenance of plant	533
Transportation	<u>36,204</u>
	40,110
Unallocated depreciation	<u>53,312</u>
Total governmental activities depreciation expense	<u>\$ 93,422</u>
Business type activities:	
Food service operations	<u>\$ 5,686</u>

## **Note 5. Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Termination benefits	\$ 31,701	63,033	31,701	63,033	21,011
Computer lease (April 20, 2011)	11,877	-	11,877	-	-
Computer lease (August 20, 2011)	26,651	-	13,016	13,635	13,635
Net OPEB liability	63,725	17,994	-	81,719	-
Total	\$ 133,954	81,027	56,594	158,387	34,646
<b>Business type activities:</b>					
Net OPEB liability	\$ 2,593	732	-	3,325	-

### ***Computer Leases***

On August 20, 2011, the District entered into a lease agreement with Apple Computer Inc. for computers for the District's One to One Initiative. Annual principal and interest will be paid from the Capital Projects: Local Option Statewide Sales, Services and Use Tax.

Year Ending June 30,	Computer lease dated August 20, 2011			
	Interest Rates	Principal	Interest	Total
2015	4.75%	\$ 13,635	648	14,283

### ***Termination Benefits***

The District offered a voluntary early retirement plan to its employees in fiscal years 2010 and 2014. Eligible employees had to be at least age fifty-five and must have completed ten years of service as a full-time employee. Employees were required to complete an application, which was subject to approval by the Board of Education.

For the fiscal year 2010 early retirement incentive, the benefit was based on the employee salary schedule in effect the last year of the employee's employment with the District. The employee received 50 percent of the salary as of the date of retirement, less phase money, supplemental pay or extended contract pay and was paid over 4 years.

For the fiscal year 2014 early retirement incentive, the benefit was a choice between two options. Option 1 was a cash payment of \$30,000 paid over 3 years, with the first payment to be made in October of 2014. Option 2 was that the District will pay 100% of family medical insurance for the duration of 30 months and in the event of death, the remaining installments will be null and void.

As of June 30, 2014, the District has an obligation to two early retirees in the amount of \$63,033. During fiscal year 2014, the District made its final payment to the 2010 early retirees in the amount of \$31,701.

## **Note 6. Pension and Retirement Benefits**

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$99,421, \$95,858 and \$95,582, respectively, equal to the required contributions for each year.

**Note 7. Other Postemployment Benefits**

Plan Description - The District operates a single-employer employee health benefit plan, which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 28 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Cypress Benefit Administrators. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which result 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 (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 24,755
Interest on net OPEB obligation	1,658
Adjustment to annual required contribution	<u>(3,929)</u>
Annual OPEB cost	22,484
Contributions made	<u>(3,758)</u>
Increase in net OPEB obligation	18,726
Net OPEB obligation beginning of year	<u>66,318</u>
Net OPEB obligation end of year	<u><u>\$ 85,044</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

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, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 20,689	15.02%	\$ 48,671
2013	21,868	19.30	66,318
2014	22,484	16.71	85,044

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$151,374, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$151,374. The covered payroll (annual payroll of active employees covered by the plan) was \$961,055, and the ratio of the UAAL to covered payroll was 15.8%. As of June 30, 2014 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2011 actuarial valuation date, the Frozen Entry Age Actuarial Cost Method. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000 Society of Actuaries Study, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the 2006 Society of Actuaries. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **Note 8. Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, life, accidental death and dismemberment and long-term disability. The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2014 were \$310,830. Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

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

#### **Note 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$116,016 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **Note 10. Deficit Fund Balance**

At June 30, 2014, the Special Revenue: Student Activity Fund had 14 negative accounts with a combined deficit unassigned fund balance of \$22,043.

**Note 11. Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budget appropriations at the functional level. During the year ended June 30, 2014, expenditures in the instruction and support services functional areas exceeded the amounts budgeted.

**Note 12. Categorical Funding**

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

<u>Program</u>	<u>Amount</u>
Home school assistance	\$ 56
Returning dropouts and dropout prevention	52,370
Beginning teacher mentoring and induction	1,794
Four-year-old preschool state aid	64,454
Professional development for model core curriculum	6,782
Successful progression for early readers	5,366
Teacher leadership grant	1,478
Total	<u>\$ 132,300</u>

**Note 13. Reconciliation of Governmental Fund Balances to Net Position**

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

	<u>Management Levy</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ 66,166	375,661
Internal Service Fund	-	49,563
Income Surtax	-	126,508
Termination benefits	(63,033)	-
Computer lease payable	-	(13,635)
Accrued interest payable	-	(557)
Net OPEB liability	-	(81,719)
Deficit unassigned student activities	-	(22,043)
Net position (Exhibit A)	<u>\$ 3,133</u>	<u>433,778</u>

**Note 14. Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68 Accounting and Financial Reporting for Pensions – an Amendment to GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

**REQUIRED SUPPLEMENTARY INFORMATION**

ANDREW COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 1,544,428	33,632	1,578,060	1,710,933	1,710,933	(132,873)
State sources	1,954,430	823	1,955,253	1,695,543	1,695,543	259,710
Federal sources	104,961	59,870	164,831	126,000	126,000	38,831
Total revenues	<u>3,603,819</u>	<u>94,325</u>	<u>3,698,144</u>	<u>3,532,476</u>	<u>3,532,476</u>	<u>165,668</u>
Expenditures/expenses:						
Instruction	2,255,110	-	2,255,110	2,235,084	2,235,084	(20,026)
Support services	827,111	-	827,111	796,165	796,165	(30,946)
Non-instructional programs	-	95,265	95,265	112,200	112,200	16,935
Other expenditures	317,713	-	317,713	457,286	457,286	139,573
Total expenditures/expenses	<u>3,399,934</u>	<u>95,265</u>	<u>3,495,199</u>	<u>3,600,735</u>	<u>3,600,735</u>	<u>105,536</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	203,885	(940)	202,945	(68,259)	(68,259)	271,204
Other financing sources, net	<u>4,880</u>	<u>-</u>	<u>4,880</u>	<u>-</u>	<u>-</u>	<u>4,880</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures and other financing sources	208,765	(940)	207,825	(68,259)	(68,259)	276,084
Balances beginning of year	<u>1,092,177</u>	<u>35,954</u>	<u>1,128,131</u>	<u>913,975</u>	<u>913,975</u>	<u>214,156</u>
Balances end of year	<u>\$ 1,300,942</u>	<u>35,014</u>	<u>1,335,956</u>	<u>845,716</u>	<u>845,716</u>	<u>490,240</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2014, expenditures in the instruction and support services functional areas exceeded the amounts budgeted.

ANDREW COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

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	7/1/2009	\$ -	\$ 162,913	\$ 162,913	0.0%	\$ 1,607,960	10.1%
2011	7/1/2009	-	162,913	162,913	0.0	1,563,459	10.4
2012	7/1/2011	-	166,253	166,253	0.0	1,056,840	15.7
2013	7/1/2011	-	163,634	163,634	0.0	949,478	17.2
2014	7/1/2011	-	151,374	151,374	0.0	961,055	15.8

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## **SUPPLEMENTARY INFORMATION**

ANDREW COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 473,177	104,073	577,250
Receivables:			
Property tax:			
Delinquent	-	1,008	1,008
Succeeding year	-	156,437	156,437
Due from other governments	96,363	-	96,363
<b>TOTAL ASSETS</b>	<b>\$ 569,540</b>	<b>261,518</b>	<b>831,058</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 378	-	378
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	156,437	156,437
Fund balances:			
Restricted for:			
School infrastructure	569,162	-	569,162
Physical plant and equipment	-	105,081	105,081
Total fund balances	569,162	105,081	674,243
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 569,540</b>	<b>261,518</b>	<b>831,058</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
REVENUES:			
Local sources:			
Local tax	\$ -	105,499	105,499
Other	1	-	1
State sources	239,476	-	239,476
Federal sources	16,373	-	16,373
TOTAL REVENUES	<u>255,850</u>	<u>105,499</u>	<u>361,349</u>
EXPENDITURES:			
Current:			
Support services:			
Transportation	-	80,579	80,579
Capital outlay	126,923	48,300	175,223
TOTAL EXPENDITURES	<u>126,923</u>	<u>128,879</u>	<u>255,802</u>
Excess(Deficiency) of revenues over(under) expenditures	128,927	(23,380)	105,547
Other financing uses:			
Transfers out	(14,282)	-	(14,282)
Change in fund balances	114,645	(23,380)	91,265
Fund balances beginning of year	454,517	128,461	582,978
Fund balances end of year	<u>\$ 569,162</u>	<u>105,081</u>	<u>674,243</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<u><b>Athletics</b></u>				
General Athletics	\$ 6,759	4,871	4,605	7,025
Girls Fundraiser	1,175	-	-	1,175
Boys Fundraising	(91)	-	-	(91)
Uniforms	90	-	-	90
Football	182	-	-	182
Extra Curricular	25,933	4,448	5,830	24,551
Cross Country	(335)	-	-	(335)
Boys Basketball	(2,181)	-	-	(2,181)
Baseball	(2,591)	-	-	(2,591)
Boys Track	(137)	-	-	(137)
Girls Basketball	(713)	-	-	(713)
Volleyball	(2,097)	-	-	(2,097)
Golf	(430)	-	-	(430)
Softball	(9,113)	-	-	(9,113)
Girls Track	(1,002)	-	-	(1,002)
	<u>15,449</u>	<u>9,319</u>	<u>10,435</u>	<u>14,333</u>
<u><b>Music</b></u>				
General Music	3,937	-	70	3,867
Music Store	(1,930)	-	-	(1,930)
	<u>2,007</u>	<u>-</u>	<u>70</u>	<u>1,937</u>
<u><b>Clubs</b></u>				
Art Club	1,915	-	-	1,915
Yearbook	2,218	631	805	2,044
Concession Stand	1,589	-	-	1,589
Cheerleaders	(751)	-	-	(751)
Hawk Club	(342)	-	-	(342)
Student Council	20,503	8,144	6,788	21,859
Thespians	401	-	-	401
Foreign Language Travel	354	-	-	354
	<u>25,887</u>	<u>8,775</u>	<u>7,593</u>	<u>27,069</u>
<u><b>Graduating Classes</b></u>				
Class of 2010	10	-	-	10
Class of 2012	794	-	-	794
Class of 2014	515	-	-	515
	<u>1,319</u>	<u>-</u>	<u>-</u>	<u>1,319</u>
<u><b>Miscellaneous Accounts</b></u>				
After Prom	487	-	-	487
Courtesy Funds	294	230	304	220
General Activity	1,807	3,257	991	4,073
Media Center	(330)	-	-	(330)
Elementary Store	4,112	268	916	3,464
	<u>6,370</u>	<u>3,755</u>	<u>2,211</u>	<u>7,914</u>
Total	<u>\$ 51,032</u>	<u>21,849</u>	<u>20,309</u>	<u>52,572</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 1,349,238	1,477,078	1,401,063	1,359,466	1,273,686	1,283,580	1,262,113	1,233,121	1,150,990	1,094,923
Tuition	91,515	97,070	113,322	168,556	224,707	192,479	244,416	217,216	180,403	187,982
Other	103,675	104,895	98,432	140,070	142,758	168,849	189,702	252,106	205,904	129,851
State sources	1,954,430	1,667,627	1,564,195	1,603,462	1,413,679	1,711,917	1,761,428	1,653,670	1,488,919	1,470,942
Federal sources	104,961	94,888	69,920	199,542	279,971	127,568	100,404	104,795	100,566	115,315
<b>Total</b>	<b>\$ 3,603,819</b>	<b>3,441,558</b>	<b>3,246,932</b>	<b>3,471,096</b>	<b>3,334,801</b>	<b>3,484,393</b>	<b>3,558,063</b>	<b>3,460,908</b>	<b>3,126,782</b>	<b>2,999,013</b>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,504,523	1,431,139	1,443,022	1,514,721	1,413,842	1,389,751	1,440,601	1,442,977	1,306,298	1,411,343
Special	631,712	617,419	460,705	466,998	470,935	512,417	564,583	432,742	435,917	479,930
Other	118,875	110,016	154,963	299,282	351,671	323,252	246,690	308,830	297,596	298,307
Support services:										
Student	63,513	61,958	54,527	52,054	26,377	62,423	61,352	56,213	53,293	81,796
Instructional	20,983	4,753	32,994	93,121	33,046	85,700	79,774	69,017	59,782	65,819
Administration	240,486	262,559	287,930	268,314	299,487	299,846	352,678	342,602	352,480	318,940
Operation and maintenance of plant	188,381	185,933	168,812	160,186	161,571	168,224	181,477	161,148	169,707	159,688
Transportation	313,748	216,857	285,793	224,862	222,280	262,324	208,781	264,822	234,984	177,090
Non-instructional programs	-	-	-	2,123	1,771	2,316	2,233	1,855	1,650	17,847
Capital outlay	175,223	269,129	110,704	73,813	206,948	104,699	319,672	103,170	158,218	286,517
Long-term debt:										
Principal	24,893	23,968	11,217	20,000	20,000	20,000	20,000	-	-	-
Interest and other charges	1,581	2,506	975	-	-	-	-	-	-	-
Other expenditures:										
AEA flow-through	116,016	111,779	110,959	125,158	124,457	117,250	115,944	109,236	98,400	97,695
<b>Total</b>	<b>\$ 3,399,934</b>	<b>3,298,016</b>	<b>3,122,601</b>	<b>3,300,632</b>	<b>3,332,385</b>	<b>3,348,202</b>	<b>3,593,785</b>	<b>3,292,612</b>	<b>3,168,325</b>	<b>3,394,972</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

**To the Board of Education of the Andrew Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Andrew Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 29, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Andrew Community School District's internal control over financial reporting to determine the auditing 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 Andrew Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Andrew 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 that might be material weaknesses or significant deficiencies and, therefore, there can be no assurance all deficiencies, significant material weaknesses or 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 material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in part I of the accompanying Schedule of Findings as items I-B-14 thru I-D-14 to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Andrew 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, 2014 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.

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

Andrew Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Andrew 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 of 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 Andrew 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 29, 2015  
Newton, Iowa

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

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - bank reconciliations, cash receipts and the disbursement function, handling petty cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Inventories - purchasing, handling, counting and maintaining inventory records.
- 4) Receipts - collecting, filling out deposit slip, depositing, recording, journalizing, posting and reconciling.
- 5) Disbursements - purchase order processing, check preparation, signing checks, mailing and recording, voucher preparation and reconciling disbursements to the check register.
- 6) Payroll - approval of and payment of payroll taxes, distributing payroll checks and posting payroll.
- 7) Wire transfers - processing and approving.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.
- 10) Journal entries - writing, posting and approval.

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 will continue to monitor its internal control procedures with limited staff to be as efficient as possible.

Conclusion - Response accepted.

I-B-14 Student Activity Purchase Orders - We noted 9 of 12 disbursements tested in the Student Activity Fund lacked an approved purchase order.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The Activities Director will work on implementing a purchase order system for the Student Activity Fund.

Conclusion - Response accepted.

- I-C-14 Credit Cards - We noted during our audit that 10 of 20 credit card disbursements tested lacked an approved purchase order and 5 of 20 credit card disbursements tested lacked detailed invoices to support the purchases. District Board policy 705.4 states in part "No purchase of goods using a school credit card is allowed without a properly executed purchase order." District Board policy 401.10 states in part, "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 for each claim item. Failure to provide a proper receipt will make the employee responsible for expenses incurred.

Recommendation - The District should review the procedures in place regarding credit card purchases and make necessary changes so that all credit card transactions are approved by the appropriate administrator before the ordering of goods takes place and supported by detailed receipts/invoices.

Response - The District will make sure credit card transactions are accompanied by purchase orders.

Conclusion - Response accepted.

- I-D-14 Negative Lunch Account Balances - We noted during the audit that the Nutrition Fund is carrying several significant negative student lunch account balances on the books.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances from the families. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - The District will continue to pursue receiving funds back from negative lunch accounts and review procedures to keep accounts from becoming negative to an excessive amount.

Conclusion - Response accepted.

**OTHER MATTERS:**

I-E-14 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 timely manner.

Response - The Board of Education will update policies that are out of date.

Conclusion - Response accepted.

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

II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014 exceeded the amounts budgeted in the instruction and support services expenditures functional areas.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District will amend its budget if it is going to exceed published expenses.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - We noted disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979 as follows:

**Gift Cards** - We noted during our audit the District purchased 20 \$100 and 20 \$50 Walmart gift cards to be given to teachers for teacher appreciation. Gift cards are not appropriate since Chapter 279.29 of the Code of Iowa requires the District Board of Directors to 'audit and allow' all bills. The gift certificate does not allow the Board the ability to perform the required function of approval of the final purchase. This also does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Further, gift cards are considered a cash equivalent and giving these as part of a teacher appreciation does not qualify for an exclusion per IRS Publication 525. The amount received by each employee should be included in taxable income and reported on the employee's w-2 wages per IRS publication 525.

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. The District should also review IRS Publication 525 on Employee Compensation.

Response - The District will not issue gift cards.

Conclusion - Response accepted.

**Incentive Prizes** - We noted the District purchased incentive prizes totaling \$579.88 to be given to students for improvement on the Iowa Assessments test. These prizes ranged from \$10 to \$60 and included 3 \$15 gift cards. Giving students prizes for

performance incentives does not appear to meet public purpose as defined in the 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 will not award incentive prizes.

Conclusion - Response accepted.

II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-14 Business Transactions - No business transactions between the District and District officials were noted.

II-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, certain immaterial instances of non-compliance below:

**Publication of Minutes** - We noted the minutes were not always published within 2 weeks required by Chapter 279.35 of the Iowa Code.

Recommendation - The District should publish the minutes within two weeks of the Board Meeting as required by 279.35 of the Code of Iowa.

Response - The District will publish minutes within the 2-week requirement.

Conclusion - Response accepted.

**Official Depositories** - We noted that the District did not record board approval of official depositories, distinctly name each depository approved, and specify the maximum amounts to be held in each depository in the board minutes.

Recommendation - Chapter 12C.2 of the Code of Iowa states, "The approval of a financial institution as a depository of public funds for a public body shall be by written resolution or order that shall be entered of record in the minutes of the approving board, and that shall distinctly name each depository approved, and specify the maximum amount that may be kept on deposit in each depository." The District should review procedures to comply with Chapter 12C.2 of the Code of Iowa.

Response - The District will name official depositories and assign maximum amounts to these.

Conclusion - Response accepted.

II-G-14 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by 1.0 student.

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

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

Conclusion - Response accepted.

- II-H-14 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 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-14 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-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-14 Statewide Sales, Service 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.3 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 reports (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, 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 2014 audit:

Beginning balance		\$ 454,517
Revenues:		
Sales tax revenues	\$ 239,476	
Other local revenues	1	
Federal revenues	16,373	255,850
		710,367
Expenditures/transfers out:		
School infrastructure construction	126,923	
Transfers to other funds:		
Debt service fund	14,282	141,205
		141,205
Ending balance		\$ 569,162

For the year ended June 30, 2014, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

- II-M-14 Financial Condition - At June 30, 2014, the Special Revenue: Student Activity Fund had 14 negative accounts with a deficit unassigned fund balance of \$22,043.

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

Response - The District will review fund balances to find alternatives to help relieve the negative funds.

Conclusion - Response accepted.

II-N-14 Inactive Student Activity Fund Accounts - We noted multiple inactive accounts being maintained in the Student Activity Fund. These accounts include: Girls Fundraiser, Art Club, Uniforms, Football, Concessions, Thespians, Foreign Language Travel, After Prom, Class of 2010, Class of 2012, Boys Fundraising, Music Store, Media Center, Cross Country, Boys Basketball, Baseball, Boys Track, Girls Basketball, Volleyball, Golf, Softball, Girls Track, Hawk Club and Cheerleaders.

Recommendation - These accounts should be reviewed by the District on an annual basis and determine if these accounts should be closed and remaining money distributed within the Student Activity Fund.

At year end, class officers of the graduating class should decide what happens with unused class funds. The remaining moneys in the graduating class account should be reclassified to the proper fund according to the class' wishes. If unused funds are to remain in the student activity fund, the remaining funds should be redistributed amongst other activity fund accounts or used for startup funds for the next incoming class. Since the District is unable to determine what the wishes were for previous classes, the remaining moneys in the Graduate Class Contributions account should be reallocated amongst the other student activity fund accounts based on recommendations made by the Activities Director and approved by the District's Board of Directors.

Response - The District will review the Student Activity Fund accounts with the respective chairs/officers to close accounts are no longer active

Conclusion - Response accepted.

II-O-14 Electronic Check Retention - Chapter 291.6 of the code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. During our audit, we noted there were no electronic images or copies of the actual checks written for the Student Activity Fund from Maquoketa State Bank account available for audit.

Recommendation - The District Secretary should be required by the Board of Directors of the District to preserve all copies of pertinent paperwork for the District to be in compliance with 291.6 of the Code of Iowa. The District could choose to retain electronic images of the front and back of each cancelled check to be in compliance with Chapter 554D.114 of the Code of Iowa.

Response - The District will retain electronic images of fronts and backs of all checks in the future.

Conclusion - Response accepted.