

BAXTER COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Baxter Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Elections)		
Curt Hansen	President	2015
Deborah Meyer	Board Member	2015
Colette Kunkel	Board Member	2015
Randy Fuchs	Board Member	2013
Jon Northrup	Board Member	2013
(After September 2013 Elections)		
Curt Hansen	President	2015
Deborah Meyer	Board Member	2015
Colette Kunkel	Board Member	2015
Cory Robinson	Board Member	2017
Jon Northrup	Board Member	2017
School Officials		
Matt Patton	Superintendent	2014
Julie McWhirter	District Secretary/Treasurer and Business Manager	2014
Lane & Waterman LLP	Attorney	2014

BAXTER 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 Baxter 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 Baxter Community School District, Baxter, 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 Baxter Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of Funding Progress for the Retiree Health Plan and Schedule of Funding Progress for the Supplemental Pension Plan on pages 7 through 15 and 40 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Baxter 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 eight years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2005 (which are not presented herein) and expressed an unmodified opinion on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2015, on our consideration of Baxter 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 and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Baxter Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Baxter 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 decreased from \$4,162,782 in fiscal year 2013 to \$4,151,366 in fiscal year 2014, while General Fund expenditures decreased from \$4,144,980 in fiscal year 2013 to \$4,005,247 in fiscal year 2014. Revenues outpaced expenditures resulting in an increase in the District's General Fund balance from \$980,053 at June 30, 2013 to a balance of \$1,126,172 at June 30, 2014.
- The decrease in General Fund revenues occurred mainly in the state source categories. The decrease in expenditures was due primarily to a decrease in the support services functional area compared to fiscal year 2013.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Baxter 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 Baxter 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 Baxter Community School District acts solely as an agent or custodian 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 as presenting the Schedule of Funding Progress for the Retiree Health Plan and the Schedule of Funding Progress for the Supplemental Pension Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
Baxter Community School District Annual Financial Report

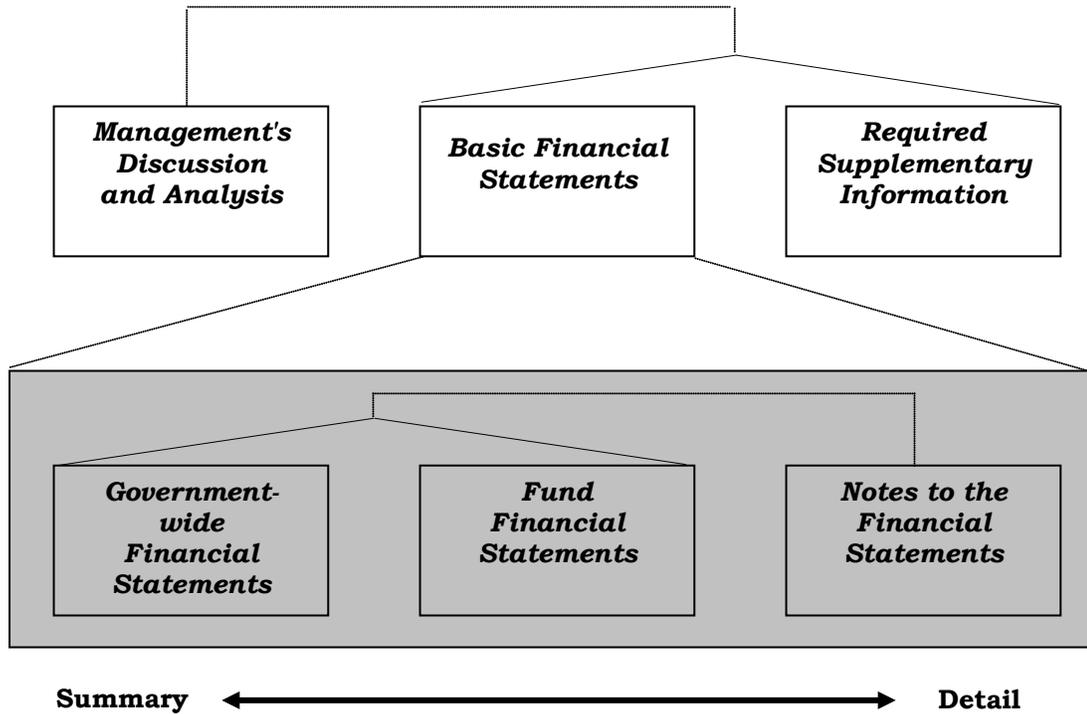


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows
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 is an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health, additional non-financial factors, such as changes in the District’s property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has 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 required financial statements for the proprietary funds include a Statement of Net Position, a 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	\$ 3,942,353	3,918,900	5,592	9,001	3,947,945	3,927,901	0.51%
Capital assets	5,877,888	6,013,462	20,574	24,287	5,898,462	6,037,749	-2.31%
Total assets	<u>9,820,241</u>	<u>9,932,362</u>	<u>26,166</u>	<u>33,288</u>	<u>9,846,407</u>	<u>9,965,650</u>	<u>-1.20%</u>
Long-term liabilities	1,701,848	2,134,843	2,115	1,600	1,703,963	2,136,443	-20.24%
Other liabilities	471,445	431,993	13,412	14,337	484,857	446,330	8.63%
Total liabilities	<u>2,173,293</u>	<u>2,566,836</u>	<u>15,527</u>	<u>15,937</u>	<u>2,188,820</u>	<u>2,582,773</u>	<u>-15.25%</u>
Deferred inflows of resources	<u>1,414,904</u>	<u>1,626,791</u>	-	-	<u>1,414,904</u>	<u>1,626,791</u>	<u>-13.02%</u>
Net position:							
Net investment in capital assets	4,222,888	3,998,462	20,574	24,287	4,243,462	4,022,749	5.49%
Restricted	820,543	744,624	-	-	820,543	744,624	10.20%
Unrestricted	1,188,613	995,649	(9,935)	(6,936)	1,178,678	988,713	19.21%
Total net position	<u>\$ 6,232,044</u>	<u>5,738,735</u>	<u>10,639</u>	<u>17,351</u>	<u>6,242,683</u>	<u>5,756,086</u>	<u>8.45%</u>

The District's total net position increased by 8.45%, or \$486,597 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 by \$75,919, or 10.20% over the prior year. The increase in restricted net position was attributable to increases in the Capital Projects 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 \$189,965, or 19.21%. The main reason for the increase in unrestricted net position was the increase in the General Fund unassigned balance.

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

Figure A-4							
Changes in 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
Revenues:							
Program revenues:							
Charges for service	\$ 728,740	626,106	119,080	104,096	847,820	730,202	16.11%
Operating grants, contributions and restricted interest	342,362	358,395	69,318	72,610	411,680	431,005	-4.48%
General revenues:							
Property tax	1,626,943	1,553,141	-	-	1,626,943	1,553,141	4.75%
Income surtax	225,039	178,998	-	-	225,039	178,998	25.72%
Statewide sales, services, and use tax	315,806	325,754	-	-	315,806	325,754	-3.05%
Unrestricted state grants	1,967,929	2,109,235	-	-	1,967,929	2,109,235	-6.70%
Unrestricted investment earnings	5,895	7,100	3	15	5,898	7,115	-17.10%
Other	63,474	85,779	2,063	4,043	65,537	89,822	-27.04%
Total revenues	<u>5,276,188</u>	<u>5,244,508</u>	<u>190,464</u>	<u>180,764</u>	<u>5,466,652</u>	<u>5,425,272</u>	<u>0.76%</u>
Program expenses:							
Instruction	2,908,598	2,780,644	-	-	2,908,598	2,780,644	4.60%
Support services	1,472,984	1,767,326	833	2,020	1,473,817	1,769,346	-16.70%
Non-instructional programs	-	-	196,343	197,023	196,343	197,023	-0.35%
Other expenditures	401,297	413,802	-	-	401,297	413,802	-3.02%
Total expenses	<u>4,782,879</u>	<u>4,961,772</u>	<u>197,176</u>	<u>199,043</u>	<u>4,980,055</u>	<u>5,160,815</u>	<u>-3.50%</u>
Change in net position	493,309	282,736	(6,712)	(18,279)	486,597	264,457	84.00%
Net position beginning of year	<u>5,738,735</u>	<u>5,455,999</u>	<u>17,351</u>	<u>35,630</u>	<u>5,756,086</u>	<u>5,491,629</u>	<u>4.82%</u>
Net position end of year	<u>\$ 6,232,044</u>	<u>5,738,735</u>	<u>10,639</u>	<u>17,351</u>	<u>6,242,683</u>	<u>5,756,086</u>	<u>8.45%</u>

In fiscal year 2014, local tax, statewide sales, services and use tax and unrestricted state grants account for 78.38% of the revenue from governmental activities while charges for service and operating grants and contributions and restricted interest account for 98.92% of the revenue from business type activities.

The District's total revenues were approximately \$5.47 million, of which approximately \$5.28 million was for governmental activities and approximately \$0.19 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.76% increase in revenues and a 3.50% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$5,276,188 and expenses were \$4,782,879. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs 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	\$ 2,908,598	2,780,644	4.60%	1,980,726	1,938,675	2.17%
Support services	1,472,984	1,767,326	-16.65%	1,472,531	1,766,951	-16.66%
Other expenses	401,297	413,802	-3.02%	258,520	271,645	-4.83%
Totals	<u>\$ 4,782,879</u>	<u>4,961,772</u>	<u>-3.61%</u>	<u>3,711,777</u>	<u>3,977,271</u>	<u>-6.68%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$728,740.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$342,362.
- The net cost of governmental activities was financed with \$1,626,943 in property tax, \$225,039 in income surtax, \$315,806 in statewide sales, services and use tax, \$1,967,929 in unrestricted state grants, \$5,895 in interest income and \$63,474 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$190,464 and expenses were \$197,176. 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, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Baxter 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 balance of \$1,821,987, above last year's ending fund balances of \$1,691,738.

Governmental Fund Highlights

- The District's increase in the General Fund balance from \$980,053 at June 30, 2013 to \$1,126,172 at June 30, 2014 is the product of many factors. An increase in local source revenues during the year combined with a decrease in expenditures resulted in a net increase of \$146,119.
- The Capital Projects Fund balance increased from \$307,723 at June 30, 2013 to \$449,884 at June 30, 2014. During fiscal year 2014 the Capital Projects: Statewide Sales, Services and Use Tax Fund balance increased \$69,670 and the Capital Projects: Physical Plant and Equipment Levy Fund balance increased \$72,491.

- The District's Debt Service Fund balance decreased from \$181,518 at June 30, 2013 to \$15,979 at June 30, 2014. The majority of the decrease was due the District calling \$70,000 of the 2004 GO Bonds.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$17,351 at June 30, 2013 to \$10,639 at June 30, 2014, representing a decrease of 38.68%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$128,372 less than budgeted revenues, a variance of 2.30%. The most significant variance resulted from the District receiving less from local source revenues than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$5,898,462, 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 2.31% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$202,225.

The original cost of the District's capital assets was \$9,004,571. Governmental funds account for \$8,939,511 with the remaining of \$65,060 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment was \$168,737 at June 30, 2013, compared to \$142,542 at June 30, 2014. The change mainly resulted from depreciation expense charged during the fiscal year 2014.

	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
Land	\$ 105,602	105,602	-	-	105,602	105,602	0.00%
Buildings	5,562,213	5,662,287	-	-	5,562,213	5,662,287	-1.77%
Land improvements	88,105	101,123	-	-	88,105	101,123	-12.87%
Machinery and equipment	121,968	144,450	20,574	24,287	142,542	168,737	-15.52%
Total	\$ 5,877,888	6,013,462	20,574	24,287	5,898,462	6,037,749	-2.31%

Long-Term Debt

At June 30, 2014, the District had \$1,703,963 in total long-term debt outstanding. This represents a decrease of 20.24% 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 statements.

- The District had total outstanding General Obligation Bonds payable of \$1,655,000 at June 30, 2014.
- The District had net OPEB liability payable of \$48,963 at June 30, 2014, of which, \$46,848 was attributable to governmental activities and \$2,115 to business type activities.

	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
General obligation bonds	\$ 1,655,000	1,880,000	-	-	1,655,000	1,880,000	-11.97%
Revenue bonds	-	135,000	-	-	-	135,000	-100.00%
Termination benefits	-	84,413	-	-	-	84,413	-100.00%
Net OPEB liability	46,848	35,430	2,115	1,600	48,963	37,030	32.23%
	<u>\$ 1,701,848</u>	<u>2,134,843</u>	<u>2,115</u>	<u>1,600</u>	<u>1,703,963</u>	<u>2,136,443</u>	<u>-20.24%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

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 Julie McWhirter, Board Secretary, Baxter Community School District, 202 East State Street, Baxter, Iowa, 50028.

BAXTER COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,054,062	1,852	2,055,914
Receivables:			
Property tax:			
Delinquent	13,682	-	13,682
Succeeding year	1,414,904	-	1,414,904
Income surtax	174,689	-	174,689
Due from other governments	213,438	-	213,438
Inventories	-	3,740	3,740
Bond discounts and bond issue costs	21,519	-	21,519
Net pension asset	50,059	-	50,059
Capital assets, net of accumulated depreciation	5,877,888	20,574	5,898,462
Total assets	9,820,241	26,166	9,846,407
Liabilities			
Accounts payable	114,945	-	114,945
Salaries and benefits payable	344,166	11,091	355,257
Advances from grantors	84	-	84
Accrued interest payable	12,250	-	12,250
Unearned revenue	-	2,321	2,321
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	195,000	-	195,000
Portion due after one year:			
General obligation bonds payable	1,460,000	-	1,460,000
Net OPEB liability	46,848	2,115	48,963
Total liabilities	2,173,293	15,527	2,188,820
Deferred inflows of resources			
Unavailable property tax revenue	1,414,904	-	1,414,904
Net Position			
Net investment in capital assets	4,222,888	20,574	4,243,462
Restricted for:			
Categorical funding	136,978	-	136,978
Debt service	3,729	-	3,729
Management levy purposes	118,202	-	118,202
Student activities	81,988	-	81,988
Support trust	29,762	-	29,762
School infrastructure	282,448	-	282,448
Physical plant and equipment	167,436	-	167,436
Unrestricted	1,188,613	(9,935)	1,178,678
Total net position	\$ 6,232,044	10,639	6,242,683

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,764,201	514,890	62,935	(1,186,376)	-	(1,186,376)
Special	380,712	55,041	28,742	(296,929)	-	(296,929)
Other	763,685	158,809	107,455	(497,421)	-	(497,421)
	<u>2,908,598</u>	<u>728,740</u>	<u>199,132</u>	<u>(1,980,726)</u>	<u>-</u>	<u>(1,980,726)</u>
Support services:						
Student	69,497	-	-	(69,497)	-	(69,497)
Instructional staff	119,809	-	-	(119,809)	-	(119,809)
Administration	583,288	-	-	(583,288)	-	(583,288)
Operation and maintenance of plant	467,579	-	-	(467,579)	-	(467,579)
Transportation	232,811	-	453	(232,358)	-	(232,358)
	<u>1,472,984</u>	<u>-</u>	<u>453</u>	<u>(1,472,531)</u>	<u>-</u>	<u>(1,472,531)</u>
Long-term debt interest	94,414	-	-	(94,414)	-	(94,414)
Other expenses:						
AEA flowthrough	142,777	-	142,777	-	-	-
Depreciation(unallocated)*	164,106	-	-	(164,106)	-	(164,106)
	<u>306,883</u>	<u>-</u>	<u>142,777</u>	<u>(164,106)</u>	<u>-</u>	<u>(164,106)</u>
Total governmental activities	<u>4,782,879</u>	<u>728,740</u>	<u>342,362</u>	<u>(3,711,777)</u>	<u>-</u>	<u>(3,711,777)</u>
Business type activities:						
Support services:						
Operation and maintenance of plant	833	-	-	-	(833)	(833)
Non-instructional programs:						
Food service operations	196,343	119,080	69,318	-	(7,945)	(7,945)
Total business type activities	<u>197,176</u>	<u>119,080</u>	<u>69,318</u>	<u>-</u>	<u>(8,778)</u>	<u>(8,778)</u>
Total	<u>\$ 4,980,055</u>	<u>847,820</u>	<u>411,680</u>	<u>(3,711,777)</u>	<u>(8,778)</u>	<u>(3,720,555)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,239,183	-	1,239,183
Debt service				329,463	-	329,463
Capital outlay				58,297	-	58,297
Income surtax				225,039	-	225,039
Statewide sales, services and use tax				315,806	-	315,806
Unrestricted state grants				1,967,929	-	1,967,929
Unrestricted investment earnings				5,895	3	5,898
Other general revenues				63,474	2,063	65,537
Total general revenues				<u>4,205,086</u>	<u>2,066</u>	<u>4,207,152</u>
Change in net position				493,309	(6,712)	486,597
Net position beginning of year				5,738,735	17,351	5,756,086
Net position end of year				<u>\$ 6,232,044</u>	<u>10,639</u>	<u>6,242,683</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 1,452,321	359,581	13,147	229,013	2,054,062
Receivables:					
Property tax:					
Delinquent	8,637	501	2,832	1,712	13,682
Succeeding year	860,411	50,491	354,002	150,000	1,414,904
Income surtax	142,927	31,762	-	-	174,689
Due from other governments	76,184	137,254	-	-	213,438
Total assets	\$ 2,540,480	579,589	369,981	380,725	3,870,775
Liabilities, deferred inflows of resources and fund balances					
Liabilities:					
Accounts payable	\$ 66,720	47,452	-	773	114,945
Salaries and benefits payable	344,166	-	-	-	344,166
Advances from grantors	84	-	-	-	84
Total liabilities	410,970	47,452	-	773	459,195
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	860,411	50,491	354,002	150,000	1,414,904
Income surtax	142,927	31,762	-	-	174,689
Total deferred inflows of resources	1,003,338	82,253	354,002	150,000	1,589,593
Fund balances:					
Restricted for:					
Categorical funding	136,978	-	-	-	136,978
Debt service	-	-	15,979	-	15,979
Management levy purposes	-	-	-	118,202	118,202
Student activities	-	-	-	81,988	81,988
Support trust	-	-	-	29,762	29,762
School infrastructure	-	282,448	-	-	282,448
Physical plant and equipment	-	167,436	-	-	167,436
Unassigned	989,194	-	-	-	989,194
Total fund balances	1,126,172	449,884	15,979	229,952	1,821,987
Total liabilities, deferred inflows of resources and fund balances	\$ 2,540,480	579,589	369,981	380,725	3,870,775

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$ 1,821,987
 <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.	5,877,888
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	174,689
Bond issue costs and bond discounts are an expense when incurred in the governmental funds, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.	21,519
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(12,250)
Supplemental pension benefits are not yet available to finance expenditures of the current period.	50,059
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, termination benefits payable other postemployment benefits and supplemental pension benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,701,848)</u>
Net position of governmental activities(page 18)	<u><u>\$ 6,232,044</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,207,118	96,731	329,463	205,019	1,838,331
Tuition	550,061	-	-	-	550,061
Other	86,008	-	795	163,071	249,874
State sources	2,193,141	315,833	153	106	2,509,233
Federal sources	115,038	-	-	-	115,038
Total revenues	<u>4,151,366</u>	<u>412,564</u>	<u>330,411</u>	<u>368,196</u>	<u>5,262,537</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,627,902	-	-	114,501	1,742,403
Special	363,623	-	-	-	363,623
Other	574,818	-	-	154,885	729,703
	<u>2,566,343</u>	<u>-</u>	<u>-</u>	<u>269,386</u>	<u>2,835,729</u>
Support services:					
Student	99,556	-	-	-	99,556
Instructional staff	114,243	-	-	-	114,243
Administration	535,022	61,835	-	-	596,857
Operation and maintenance of plant	368,758	-	-	79,486	448,244
Transportation	178,548	9,400	-	11,816	199,764
	<u>1,296,127</u>	<u>71,235</u>	<u>-</u>	<u>91,302</u>	<u>1,458,664</u>
Capital outlay	-	238,775	-	-	238,775
Long-term debt:					
Principal	-	-	360,000	-	360,000
Interest and fiscal charges	-	-	96,343	-	96,343
	<u>-</u>	<u>-</u>	<u>456,343</u>	<u>-</u>	<u>456,343</u>
Other expenditures:					
AEA flowthrough	142,777	-	-	-	142,777
Total expenditures	<u>4,005,247</u>	<u>310,010</u>	<u>456,343</u>	<u>360,688</u>	<u>5,132,288</u>
Excess(deficiency) of revenues over(under) expenditures	146,119	102,554	(125,932)	7,508	130,249
Other financing sources(uses):					
Transfer in	-	110,000	70,393	-	180,393
Transfer out	-	(70,393)	(110,000)	-	(180,393)
Total other financing sources(uses)	<u>-</u>	<u>39,607</u>	<u>(39,607)</u>	<u>-</u>	<u>-</u>
Change in fund balances	146,119	142,161	(165,539)	7,508	130,249
Fund balances beginning of year	<u>980,053</u>	<u>307,723</u>	<u>181,518</u>	<u>222,444</u>	<u>1,691,738</u>
Fund balances end of year	<u>\$ 1,126,172</u>	<u>449,884</u>	<u>15,979</u>	<u>229,952</u>	<u>1,821,987</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BAXTER 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

Change in fund balances - total governmental funds(page 22) \$ 130,249

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

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

Capital outlay	\$ 72,120	
Depreciation expense	(198,512)	
Loss on disposal of capital assets	<u>(9,182)</u>	(135,574)

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. 360,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 5,681

Income surtax accounts receivable is not available to finance expenditures in the current year period in the governmental funds. 13,651

Bond issue costs and bond discounts are reported as expenses in the governmental funds, but are capitalized and amortized over the life of the bonds in the Statement of Activities. (3,752)

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

Termination benefits	84,413	
Other postemployment benefits	(11,418)	
Supplemental pension benefits	<u>50,059</u>	<u>123,054</u>

Changes in net position of governmental activities(page 19) \$ 493,309

SEE NOTES TO FINANCIAL STATEMENTS.

BAXTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	Enterprise: School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 1,852
Inventories	3,740
Total current assets	5,592
Noncurrent assets:	
Capital assets, net of accumulated depreciation	20,574
Total assets	26,166
Liabilities	
Current liabilities:	
Salaries and benefits payable	11,091
Unearned revenue	2,321
Total current liabilities	13,412
Noncurrent liabilities:	
Net OPEB liability	2,115
Total liabilities	15,527
Net Position	
Net investment in capital assets	20,574
Unrestricted	(9,935)
Total net position	\$ 10,639

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise: School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 119,080
Other local revenue	2,063
Total operating revenues	121,143
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	833
Non-instructional programs:	
Food service operations:	
Salaries	54,868
Benefits	25,651
Supplies	110,134
Other	1,977
Depreciation	3,713
Total operating expenses	196,343
Operating loss	(76,033)
Non-operating revenues:	
State sources	1,463
Federal sources	67,855
Interest income	3
Total non-operating revenues	69,321
Change in net position	(6,712)
Net position beginning of year	17,351
Net position end of year	\$ 10,639

SEE NOTES TO FINANCIAL STATEMENTS

BAXTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise: School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 118,277
Cash received from miscellaneous	2,063
Cash payments to employees for services	(80,126)
Cash payments to suppliers for goods or services	(103,382)
Net cash used in operating activities	(63,168)
Cash flows from non-capital financing activities:	
State grants received	1,463
Federal grants received	58,368
Net cash provided by non-capital financing activities	59,831
Cash flows from investing activities:	
Interest on investments	3
Net decrease in cash and cash equivalents	(3,334)
Cash and cash equivalents beginning of year	5,186
Cash and cash equivalents end of year	\$ 1,852
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (76,033)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	9,487
Depreciation	3,713
Decrease in inventories	75
Decrease in salaries and benefits payable	(122)
Decrease in unearned revenue	(803)
Increase in other postemployment benefits	515
Net cash used in operating activities	\$ (63,168)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$9,487 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS

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

Note 1. Summary of Significant Accounting Policies

The Baxter Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. 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 Baxter, Iowa, and the predominate agricultural territory in Jasper and Marshall Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Baxter 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 Baxter 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 Jasper and Marshall Counties 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 nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that 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 and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor proprietary fund:

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

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 – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise 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 and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, 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 repair 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	\$ -
Buildings	5,000
Land improvements	5,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings	25-50 years
Land improvements	20-30 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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 consists 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 for 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 Balances - In the governmental fund financial statements, fund balances are classified as follows:

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

Unassigned - All amounts not included in the preceding classification.

E. Budgeting and Budgetary Control

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 other expenditures functional area.

Note 2. Cash and Pooled Investments

The District’s deposits in banks at June 30, 2014 were entirely covered by Federal depository insurance or by the State Sinking Funds in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$23 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’s and 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	Capital Projects: Statewide Sales, Services and Use Tax	\$ 70,393
Capital Projects: Statewide Sales, Services and Use Tax	Debt Service	110,000
Total		\$ 180,393

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was the remaining debt sinking monies used to pay principal and interest on the District’s revenue bonded indebtedness.

The transfer from the Debt Service Fund to the Capital Projects: Statewide Sales, Services and Use Tax Fund was for the bond reserve requirement that was not applied to the final payment of principal and interest on the District’s revenue bonded indebtedness.

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 105,602	-	-	105,602
Total capital assets not being depreciated	<u>105,602</u>	-	-	<u>105,602</u>
Capital assets being depreciated:				
Buildings	7,698,456	51,014	-	7,749,470
Land improvements	401,179	-	-	401,179
Machinery and equipment	671,851	21,106	9,697	683,260
Total capital assets being depreciated	<u>8,771,486</u>	<u>72,120</u>	<u>9,697</u>	<u>8,833,909</u>
Less accumulated depreciation for:				
Buildings	2,036,169	151,088	-	2,187,257
Land improvements	300,056	13,018	-	313,074
Machinery and equipment	527,401	34,406	515	561,292
Total accumulated depreciation	<u>2,863,626</u>	<u>198,512</u>	<u>515</u>	<u>3,061,623</u>
Total capital assets being depreciated, net	<u>5,907,860</u>	<u>(126,392)</u>	<u>9,182</u>	<u>5,772,286</u>
Governmental activities capital assets, net	<u>\$ 6,013,462</u>	<u>(126,392)</u>	<u>9,182</u>	<u>5,877,888</u>
Business type activities:				
Machinery and equipment	\$ 65,060	-	-	65,060
Less accumulated depreciation	40,773	3,713	-	44,486
Business type activities capital assets, net	<u>\$ 24,287</u>	<u>(3,713)</u>	<u>-</u>	<u>20,574</u>
Governmental activities:				
Support services:				
Operation and maintenance of plant				\$ 4,690
Transportation				29,716
				<u>34,406</u>
Unallocated depreciation				<u>164,106</u>
Total governmental activities depreciation expense				<u>\$ 198,512</u>
Business type activities:				
Food service operations				<u>\$ 3,713</u>

Note 5. Long-Term Liabilities

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

	Balance			Balance	Due
	Beginning	Additions	Deletions	End of	Within
	of Year			Year	One Year
Governmental activities:					
General obligation bonds	\$ 1,880,000	-	225,000	1,655,000	195,000
Revenue bonds	135,000	-	135,000	-	-
Termination benefits *	84,413	-	84,413	-	-
Net OPEB liability	35,430	11,418	-	46,848	-
	<u>\$ 2,134,843</u>	<u>11,418</u>	<u>444,413</u>	<u>1,701,848</u>	<u>195,000</u>
Business type activities:					
Net OPEB liability	\$ 1,600	515	-	2,115	-

* Termination benefits are now accounted for under GASB Statement No. 27 - Accounting for Pensions by State and Local Governmental Employers and shown on the Statement of Net Position as a net pension asset.

General Obligation Bonds Payable

Details of the District's June 30, 2014 general obligation bonded debt is as follows:

Year	Bond issue of June 1, 2006			Bond issue of July 1, 2004			Total		
	Ending	Interest		Interest			Principal	Interest	Total
June 30,	Rates	Principal	Interest	Rates	Principal	Interest	Principal	Interest	Total
2015	4.50%	\$ 70,000	10,126	4.25%	\$ 125,000	68,798	195,000	78,924	273,924
2016	4.50	75,000	6,976	4.40	130,000	63,298	205,000	70,274	275,274
2017	4.50	80,000	3,600	4.50	135,000	57,448	215,000	61,048	276,048
2018	-	-	-	4.60	145,000	51,238	145,000	51,238	196,238
2019	-	-	-	4.70	150,000	44,422	150,000	44,422	194,422
2020-2024	-	-	-	4.80-5.05	745,000	105,903	745,000	105,903	850,903
Total		<u>\$ 225,000</u>	<u>20,702</u>		<u>\$ 1,430,000</u>	<u>391,105</u>	<u>1,655,000</u>	<u>411,807</u>	<u>2,066,807</u>

On May 1, 2014 the District called \$70,000 of general obligation bonds issued July 1, 2004, these bonds are dated 2024 with an interest rate of 5.05%. The District saved \$35,350 in interest payments over the next 10 years by calling these bonds early.

Termination Benefits (Early Retirement)

The District has offered voluntary early retirement plans to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

At June 30, 2014, the District had obligations to two participants who retired under a former plan that offered \$200/month contributions to health insurance premiums until the participants reach Medicare eligibility. The remaining liability of that offering was \$6,800. The District approved a different plan during fiscal year 2014 that offered a cash payment incentive based on a percentage of current salary and payable in full during the fiscal year following retirement.

At June 30, 2014, the District had obligations to two successful candidates for \$29,875. Early retirement benefits paid during the year ended June 30, 2014 totaled \$77,613. Early retirement is now accounted for under GASB No. 27 - Accounting for Pensions by State and Local Governmental Employers and is shown on the Statement of Net Position as a net pension asset.

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 \$240,380, \$218,542 and \$207,330, respectively, equal to the required contributions for each year.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 22 active and 3 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 Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit 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	\$ 21,353
Interest on net OPEB obligation	926
Adjustment to annual required contribution	(5,133)
Annual OPEB cost	<u>17,146</u>
Contributions made	<u>(5,213)</u>
Increase in net OPEB obligation	11,933
Net OPEB obligation beginning of year	37,030
Net OPEB obligation end of year	<u>\$ 48,963</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.

For the year ended June 30, 2014, the District contributed \$5,213 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation 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	\$ 25,861	57.10%	\$ 27,236
2013	23,190	57.77	37,030
2014	17,146	30.40	48,963

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$101,916, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$101,916. The covered payroll (annual payroll of active employees covered by the plan) was \$2,276,137, and the ratio of the UAAL to covered payroll was 4.48%. 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 the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

Projected claim costs of the medical plan are \$1,373 per month for retirees who less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Supplemental Pension Plan

The District implemented GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and GASB Statement No. 50, Pension Disclosures - an Amendment of GASB Statements No. 25 and 27, during the year ended June 30, 2014.

Plan Description - The District offers a supplemental pension (early retirement incentive) for certified teaching staff and non-certified staff who attain age 55 with 15 or more years and an average of at least thirty hours per week of service to the District, submit an application to the Board of Directors, receive Board approval and retire by June 30th of the same year.

There are 41 active members in the plan as of July 1, 2013. The pension benefit is 0.5% per year of continuous service to a maximum of 20% of the employee's regular contractual salary or from the salary schedule, if applicable, in effect during the employee's last year of employment; exclusive of any salary supplements and exclusive of supplemental payment and extended contract payment.

Funding Policy - Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for future benefits. The District makes the contributions from the Special Revenue, Management Levy Fund.

Annual Pension Cost and Net Pension Obligation – The District's annual pension cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 27, as amended by GASB Statement No. 50. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. As the District's plan is not an ongoing plan, the cost is amortized over 5 years, which reflects the maximum amount of time the liability would be recognized given the plan as adopted as of July 1, 2013.

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

Annual required contribution	\$ 24,154
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>24,154</u>
Contributions made	<u>(74,213)</u>
Increase in net pension obligation	(50,059)
Net pension obligation beginning of year	-
Net pension obligation end of year	<u><u>\$ (50,059)</u></u>

For calculation of the net pension obligation, the actuary has set the transition day as July 1, 2013. The end of year net pension 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.

For the year ended June 30, 2014, the District made no contributions to the pension plan. The District's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation as of June 30, 2014 are summarized as follows:

Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2014	\$ 24,154	307.25%	\$ (50,059)

Funded Status and Funding Progress - As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was approximately \$133,972 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$133,972 the covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,668,507 and the ratio of the UAAL to covered payroll was 8.03%. 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 reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and employee retirement age. Actuarially determined amounts are subject to continual revision as actual results are compared with past

expectations and new estimates are made about the future. As this is the first year the UAAL was calculated for financial statements, there is no 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. The Schedule of Funding Progress for the Supplemental Pension Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2013 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The salary increase rate was assumed to be 3% per year. The actuarial assumptions used for mortality rates, employee termination by age and group, employee retirement by age and group and others are similar or identical to the GASB Statement No. 45 assumptions used to determine the net OPEB liability. The UAAL is being amortized as a level dollar cost using a closed group method over 5 year.

The actuarial result estimated two new retirees accepting early retirement supplemental benefits under the Plan for the year ending June 30, 2015. As of the date of this report, zero retirees accepted early retirement supplemental benefits for the year ending June 30, 2015. The difference will be reflected on the District's financial statements for the subsequent year.

Note 9. 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 \$265,081.

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.

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

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$142,777 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 11. 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>
Gifted and Talented Programs	\$ 76,216
Returning Dropouts and Dropout Prevention Programs	7,865
Beginning Teacher Mentoring and Induction	154
Four-year-old Preschool State Aid	22,511
Iowa Arts Council, Artist in the School	166
Professional Development for Model Core Curriculum	4,150
Professional Development	5,078
Teacher Leadership Grant	6,311
Successful Progression for Early Readers	14,527
Total	<u>\$ 136,978</u>

Note 12. Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2014, expenditures in the other expenditures functional area exceeded the certified budget.

Note 13. Deficit Net Position

The School Nutrition Fund had a deficit unrestricted net position of \$9,935 at June 30, 2014.

Note 14. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of 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

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,638,266	121,146	2,759,412	3,119,199	3,119,199	(359,787)
State sources	2,509,233	1,463	2,510,696	2,181,174	2,181,174	329,522
Federal sources	115,038	67,855	182,893	281,000	281,000	(98,107)
Total revenues	<u>5,262,537</u>	<u>190,464</u>	<u>5,453,001</u>	<u>5,581,373</u>	<u>5,581,373</u>	<u>(128,372)</u>
Expenditures/expenses:						
Instruction	2,835,729	-	2,835,729	3,735,000	3,735,000	899,271
Support services	1,458,664	833	1,459,497	2,326,700	2,326,700	867,203
Non-instructional programs	-	196,343	196,343	201,000	201,000	4,657
Other expenditures	837,895	-	837,895	824,491	824,491	(13,404)
Total expenditures/expenses	<u>5,132,288</u>	<u>197,176</u>	<u>5,329,464</u>	<u>7,087,191</u>	<u>7,087,191</u>	<u>1,757,727</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	130,249	(6,712)	123,537	(1,505,818)	(1,505,818)	1,629,355
Balances beginning of year	<u>1,691,738</u>	<u>17,351</u>	<u>1,709,089</u>	<u>1,654,265</u>	<u>1,654,265</u>	<u>54,824</u>
Balances end of year	<u>\$ 1,821,987</u>	<u>10,639</u>	<u>1,832,626</u>	<u>148,447</u>	<u>148,447</u>	<u>1,684,179</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER 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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. 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 other expenditures functional area exceeded the amounts budgeted.

BAXTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 298,483	\$ 298,483	0.00%	\$ 2,391,245	12.48%
2011	July 1, 2009	-	267,402	267,402	0.00	2,144,386	12.47
2012	July 1, 2009	-	183,755	183,755	0.00	2,326,999	7.90
2013	July 1, 2012	-	113,692	113,692	0.00	2,337,561	4.86
2014	July 1, 2012	-	101,916	101,916	0.00	2,276,137	4.48

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

BAXTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
SUPPLEMENTAL PENSION 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)
2014	July 1, 2013	-	\$ 133,972	\$ 133,972	0.00	\$ 1,668,507	8.03%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual pension cost and Net OPEB obligation, funded status and funding progress.

BAXTER COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

BAXTER COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue			Total
	Management Levy	Student Activity	Support Trust	
Assets				
Cash and pooled investments	\$ 116,490	82,761	29,762	229,013
Receivables:				
Property tax:				
Delinquent	1,712	-	-	1,712
Succeeding year	150,000	-	-	150,000
Total assets	\$ 268,202	82,761	29,762	380,725
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	\$ -	773	-	773
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	150,000	-	-	150,000
Fund Balances:				
Restricted for:				
Management levy purposes	118,202	-	-	118,202
Student activities	-	81,988	-	81,988
Support trust	-	-	29,762	29,762
Total fund balances	118,202	81,988	29,762	229,952
Total liabilities, deferred inflows of resources and fund balances	\$ 268,202	82,761	29,762	380,725

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	Special Revenue			Total
	Management Levy	Student Activity	Support Trust	
Revenues:				
Local sources:				
Local tax	\$ 205,019	-	-	205,019
Other	3,551	159,164	356	163,071
State sources	106	-	-	106
Total revenues	<u>208,676</u>	<u>159,164</u>	<u>356</u>	<u>368,196</u>
Expenditures:				
Current:				
Instruction:				
Regular	114,501	-	-	114,501
Other	-	154,529	356	154,885
Support services:				
Operation and maintenance of plant	79,486	-	-	79,486
Transportation	11,816	-	-	11,816
Total expenditures	<u>205,803</u>	<u>154,529</u>	<u>356</u>	<u>360,688</u>
Change in fund balances	2,873	4,635	-	7,508
Fund balances beginning of year	<u>115,329</u>	<u>77,353</u>	<u>29,762</u>	<u>222,444</u>
Fund balances end of year	<u>\$ 118,202</u>	<u>81,988</u>	<u>29,762</u>	<u>229,952</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER 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
Assets			
Cash and pooled investments	\$ 192,646	166,935	359,581
Receivables:			
Property tax:			
Delinquent	-	501	501
Succeeding year	-	50,491	50,491
Income surtax	-	31,762	31,762
Due from other governments	137,254	-	137,254
Total assets	\$ 329,900	249,689	579,589
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Accounts payable	\$ 47,452	-	47,452
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	50,491	50,491
Income surtax	-	31,762	31,762
Total deferred inflows of resources	-	82,253	82,253
Fund Balances:			
Restricted for:			
School infrastructure	282,448	-	282,448
Physical plant and equipment	-	167,436	167,436
Total fund balances	282,448	167,436	449,884
Total liabilities, deferred inflows of resources and fund balances	\$ 329,900	249,689	579,589

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	96,731	96,731
State sources	315,806	27	315,833
Total revenues	315,806	96,758	412,564
Expenditures:			
Current:			
Support services:			
Administration	61,835	-	61,835
Transportation	9,400	-	9,400
Capital outlay	214,508	24,267	238,775
Total expenditures	285,743	24,267	310,010
Excess of revenues over expenditures	30,063	72,491	102,554
Other financing sources(uses):			
Transfer in	110,000	-	110,000
Transfer out	(70,393)	-	(70,393)
Total other financing sources(uses)	39,607	-	39,607
Change in fund balances	69,670	72,491	142,161
Fund balances beginning of year	212,778	94,945	307,723
Fund balances end of year	\$ 282,448	167,436	449,884

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER 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
Drama	\$ 3,887	2,650	1,202	5,335
FCCLA	493	918	1,290	121
Sinfully delicious	165	-	-	165
Speech	-	295	295	-
Vocal music	963	104	773	294
Instrumental music	7,171	5,895	7,715	5,351
Athletics	7,251	82	3,237	4,096
CMB shared athletics	13,334	13,046	12,159	14,221
CMB hall of fame	1,826	1,368	3,194	-
CMB boys basketball	-	4,954	357	4,597
Ranck volleyball	756	4,715	5,471	-
CMB football	-	15,357	14,829	528
Luther football	14,172	21,480	23,108	12,544
CMB baseball	-	4,329	4,329	-
CMB boys track	-	22,512	22,512	-
CMB boys golf	-	579	579	-
CMB wrestling	-	890	420	470
CMB girls basketball	-	4,597	2,040	2,557
CMB volleyball	-	2,384	1,572	812
CMB softball	-	452	452	-
CMB girls track	-	5,867	5,867	-
CMB cross country	-	785	785	-
CMB soccer	-	1,193	1,150	43
Swalwell athletic donation	1,397	355	1,530	222
Cheerleading	1,659	2,833	3,137	1,355
Drill team	124	8,924	8,583	465
Student council	-	9,197	7,856	1,341
Class of 2008	916	-	-	916
Class of 2009	341	-	-	341
Class of 2010	1,602	-	-	1,602
Class of 2011	1,191	-	-	1,191
Class of 2012	221	-	-	221
Class of 2013	432	-	-	432
Class of 2014	1,302	3,481	3,669	1,114
Class of 2015	-	2,247	2,247	-
Honor society	-	371	371	-
SAAD	225	-	-	225
Fourth grade	66	-	-	66
Art club	839	1,086	214	1,711
Brummel basketball	2,009	531	546	1,994
Zabel basketball	418	1,088	1,155	351
Seeman baseball	-	980	-	980
Interest	-	82	82	-
Yearbook	8,823	7,975	6,336	10,462
FFA	200	-	-	200
Special activities	3,060	-	-	3,060
PBIS	2,430	5,562	5,467	2,525
Library	80	-	-	80
Total	<u>\$ 77,353</u>	<u>159,164</u>	<u>154,529</u>	<u>81,988</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

BAXTER 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	\$ 1,838,331	2,053,584	1,869,511	1,906,598	1,736,270	1,675,453	1,507,373	1,538,509	1,407,863	1,254,508
Tuition	550,061	446,777	449,299	447,630	393,026	433,004	369,585	342,593	333,183	301,927
Other	249,874	272,899	357,049	334,597	258,832	271,924	251,382	611,037	303,030	1,005,798
Intermediate sources	-	-	-	-	-	-	1,385	5,267	-	-
State sources	2,509,233	2,332,328	2,445,064	1,958,552	1,775,379	2,092,757	2,055,222	1,778,228	1,695,082	1,495,322
Federal sources	115,038	134,611	153,541	306,966	322,827	163,183	92,714	258,869	510,090	103,111
Total	\$ 5,262,537	5,240,199	5,274,464	4,954,343	4,486,334	4,636,321	4,277,661	4,534,503	4,249,248	4,160,666
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,742,403	1,734,857	1,819,644	1,748,316	1,485,428	1,546,516	1,559,368	1,374,303	1,305,718	1,301,060
Special	363,623	419,456	442,950	351,381	343,217	323,256	326,864	312,220	203,249	184,931
Other	729,703	625,915	670,589	481,706	493,505	447,058	394,144	425,547	342,909	359,441
Support services:										
Student	99,556	133,325	118,322	153,220	159,454	100,320	99,192	131,502	83,375	78,838
Instructional staff	114,243	136,153	120,383	147,906	136,881	106,009	113,186	115,979	122,060	112,324
Administration	596,857	703,539	649,141	601,104	604,441	584,217	560,410	550,534	555,113	473,409
Operation and maintenance of plant	448,244	451,130	384,412	446,470	402,519	427,196	386,243	436,435	348,217	289,695
Transportation	199,764	165,099	258,483	157,478	193,501	177,720	145,105	226,416	155,952	145,956
Non-instructional programs	-	-	-	-	-	-	-	-	-	281
Capital outlay	238,775	108,296	100,442	85,676	100,847	110,715	126,758	149,120	3,567,484	902,055
Long-term debt:										
Principal	360,000	345,000	300,000	285,000	321,500	293,986	276,472	283,448	265,788	209,710
Interest and fiscal charges	96,343	109,565	120,685	132,986	142,134	152,073	161,774	166,341	160,663	170,417
Other expenditures:										
AEA flow-through	142,777	142,157	143,190	142,721	142,330	134,025	123,149	111,514	103,006	92,979
Total	\$ 5,132,288	5,074,492	5,128,241	4,733,964	4,525,757	4,403,091	4,272,665	4,283,359	7,213,534	4,321,096

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.
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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 Baxter Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Baxter 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 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Baxter Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Baxter Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Baxter 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, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Baxter 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 which 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.

Baxter Community School District's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Baxter 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 27, 2015
Newton, Iowa

BAXTER 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 internal accounting control 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, initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Inventories - ordering, receiving, issuing and storing.
- 5) Capital assets - purchasing, recording and reconciling.
- 6) Wire transfers - processing and approving.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Transfers - preparing and approving.
- 9) Journal entries - writing, approving and posting
- 10) Financial reporting - preparing, reconciling and approving.
- 11) Computer systems - performing all general accounting functions and controlling all data input and output.
- 12) School lunch program - collecting, receipting and depositing.

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

Response - The District will continue to review the control procedures to obtain maximum segregation of duties whenever feasible.

Conclusion - Response accepted.

I-B-14 Purchase Orders - Of the 28 disbursements in our sample from the Student Activity Fund, we noted 2 instances of purchase orders dated after the purchase date.

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 District will continue to work diligently to be sure that this doesn't happen. It is the District's general practice to have all purchase orders approved prior to ordering. Generally, in the instances where the PO's were dated after the purchase date, there was still a verbal conversation and approval with the superintendent.

Conclusion - Response accepted.

I-C-14 Timesheet Approval - We noted during our audit that timesheets are not consistently approved before being paid through payroll.

Recommendation - The District should review its procedures to ensure that timesheets are properly approved and documented before being submitted to payroll for processing.

Response - We will ensure that all timesheets are approved prior to payment.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the certified budget amounts in the other expenditures functional area.

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 work to avoid exceeding the certified budget amounts and should we anticipate exceeding the amounts, will work to get the budget amended.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - We noted that the District purchased tickets to a football game as a gift to be given to volunteer football coaches. Article III, Section 31 of the Constitution of Iowa provides that public funds may only be spent for the public benefit. This does not appear to meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from purchasing gifts for volunteers. The District should review the purchasing procedures it has in place and make necessary

adjustments to ensure that all purchases meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Response - The District will not purchase gifts for volunteer coaches.

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. However, we noted a purchase from the District credit card at Bandit Burrito that did not have a detailed receipt. Board Policy 803.9 states "Employees and officers using a school district credit card must submit a detailed receipt in addition to a credit card receipt indicating the date, purpose and nature of the expense for each claim item. Failure to provide a proper receipt will make the employee responsible for expenses incurred."

Recommendation - The District should review procedures in place with personnel using the district credit cards to ensure the proper detailed documentation will be available with paid credit card statements as is required by District board policy. If receipts are not available, individuals should be responsible for the expense as stated in the District's board policy.

Response - The District will ensure that all receipts presented for reimbursement will be detailed prior to reimbursement approval or the request will not be approved.

Conclusion - Response accepted.

- 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, we noted that the District did not name the District's official depositories or the maximum amounts to be held in each depository in the board minutes.

Recommendation - Iowa Code section 12C.2 states that board minutes "shall distinctly name each depository approved and specify the maximum amount that may be kept on deposit in each depository."

Response - The District will ensure that the official depository approved for the District and the maximum amounts kept on deposit will be clearly recorded in the minutes.

Conclusion - Response accepted.

- II-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

- II-H-14 Supplementary Weighting - We noted no variances regarding the supplementary weighting certified to the Iowa Department of Education.

- II-I-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

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 Financial Condition - The District's School Nutrition Fund had deficit unrestricted net position of \$9,935 at June 30, 2014.

Recommendation - The District should continue to monitor the deficit balance and investigate alternatives to eliminate the deficit.

Response - The District is continually monitoring the Nutrition account balance and has taken steps to help curb or eliminate the negative balance.

Conclusion - Response accepted.

II-M-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 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		\$ 212,778
Revenues:		
Sales tax revenues	\$ 315,806	
Transfer from other funds	110,000	425,806
		<u>638,584</u>
Expenditures:		
School infrastructure construction	214,508	
Equipment	71,235	
Transfers to other funds:		
Debt service fund	70,393	356,136
		<u>356,136</u>
Ending Balance		<u>\$ 282,448</u>

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

II-N-14 Student Activity Fund - During our audit concerns arose about certain accounts within the Student Activity Fund. In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program.

During our audit concerns arose about the propriety of certain receipts, expenditures and accounts within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not

be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more appropriately included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.9). More specific examples of findings are listed below.

Questionable Accounts - We noted during our audit that the Student Activity Fund is has a library and a Positive Behavioral Interventions & Supports program(PBIS). These accounts appear to be instructional in nature and should be accounted for in the General Fund.

Recommendation - The District should account for these activities in the General Fund.

Response - The District will move the PBIS and library accounts to the general fund.

Conclusion - Response accepted.

Graduated Class Accounts - We noted during our audit that the Student Activity Fund has a several old graduated class accounts, 2008, 2009, 2010, 2011, 2012 and 2013, with balances totaling \$4,703 still on the District's books as of June 30, 2014.

Recommendation - 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 distribute funds of past class accounts according to Activities Director recommendation and Board of Directors approval. In addition, the graduating class will indicate where any remaining moneys will be reallocated.

Conclusion - Response accepted.

Inactive Accounts - We noted a SAAD account with a balance of \$225 that has not had any activity since 2007 and an FFA account with a balance of \$200 that has not had activity since 2009.

Recommendation - The District should review these accounts with the Activities Director and determine if the accounts should be closed. The remaining funds 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 inactive accounts and reallocate the remaining funds according to Activities Director recommendation and Board of Directors approval.

Conclusion - Response accepted.