

BCLUW COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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BCLUW Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Brian Feldpausch	President	2015
Shannan Callaway	Vice President	2015
Beth Neff	Board Member	2015
Matt Garber	Board Member	2015
Doug Benjamin	Board Member	2013
Mark Gunderson	Board Member	2013
Chris Simpson	Board Member	2013
(After September 2013 Election)		
Shannan Callaway	President	2015
Matt Garber	Vice President	2015
Beth Neff	Board Member	2015
Brian Feldpausch	Board Member	2015
LJ Kopsa	Board Member	2017
Eric Engle	Board Member	2017
Lynne Kock	Board Member	2017
School Officials		
Ben Petty	Superintendent	2014
Paula Benson	Board Secretary/ Business Manager	2014
Ahlers & Cooney, P.C.	Attorney	2014

BCLUW 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 BCLUW 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 BCLUW Community School District, Conrad, 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 BCLUW 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 and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 40 through 42 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 BCLUW Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report the financial statements for the year ended June 30, 2013, (which is not presented herein) and expressed an unmodified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions 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 9, 2015 on our consideration of BCLUW 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 BCLUW Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 9, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

BCLUW 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 \$6,310,213 in fiscal year 2013 to \$6,286,807 in fiscal year 2014, while General Fund expenditures decreased from \$6,352,684 in fiscal year 2013 to \$6,281,766 in fiscal year 2014. The District's General Fund balance increased from \$1,232,578 at June 30, 2013, to a balance of \$1,237,619 at June 30, 2014, a 0.41% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local tax revenues received in fiscal year 2013. The decrease in expenditures was due primarily to decreased spending in the instruction functional area.
- The District performed a number of building and repair projects to its facilities in order to keep them in optimal condition: Painting, Lighting, Cabinets, Roofing and Sidewalk repairs.
- Moved the Pre-school on site and installed a new preschool playground and fencing
- Installed a new district wide telephone system, a new security camera system and fire alarm horns at the high school, and a new security system in the elementary and middle schools.
- District also updated several classrooms at the middle school with new carpet, ceiling tile and paint.
- The District purchased a 2014 School Bus and refurbished elementary lockers during the year along with continues HVAC replacement costs incurred at the elementary
- The District purchased a plasma cutter with grant money and district funds for Industrial Arts programs in addition to purchasing a 3D printer with grant money and donations received.

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 BCLUW 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 BCLUW 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 BCLUW Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

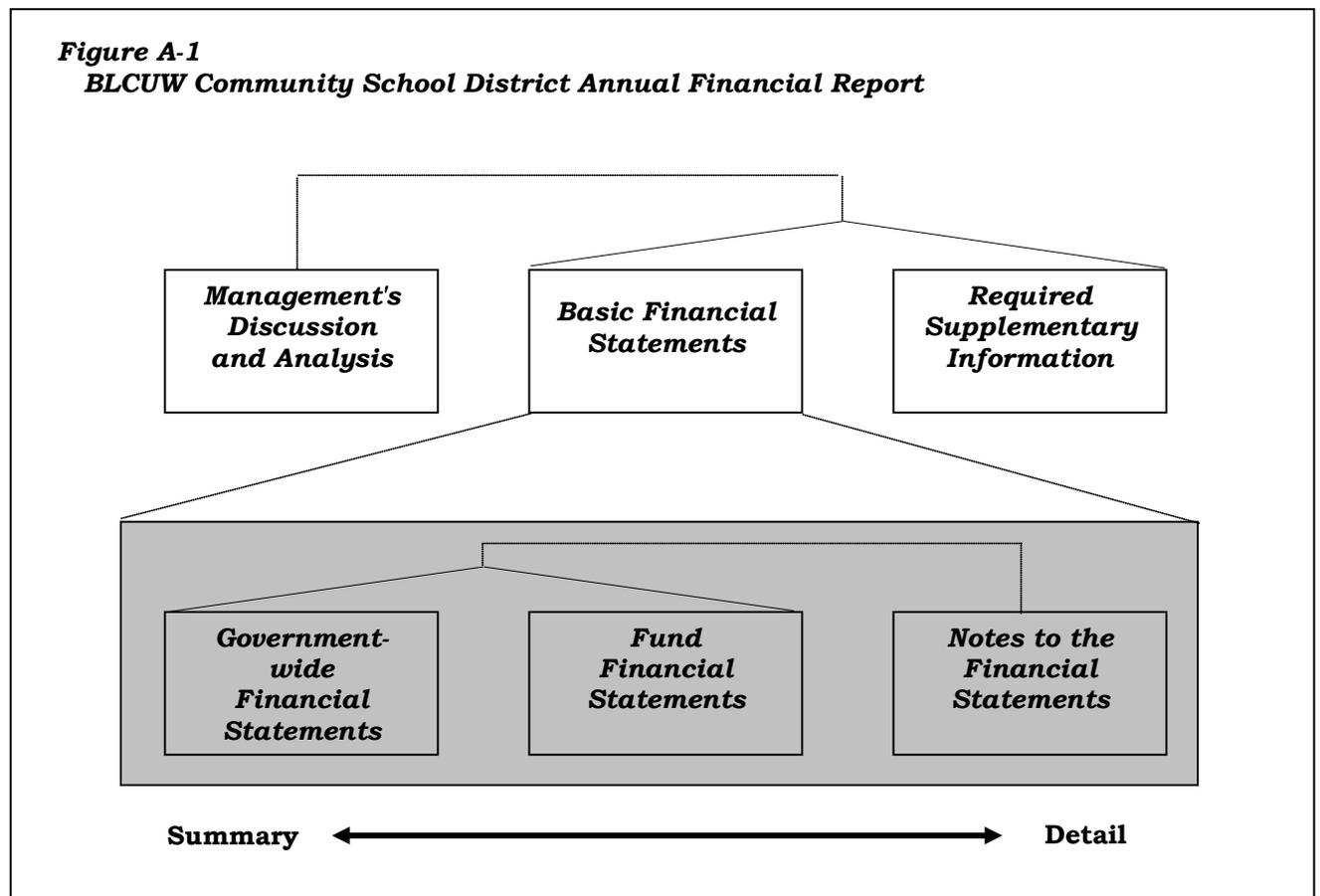


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 they have 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, Capital Projects Fund and Debt Service Fund.

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for the proprietary funds include a Statement of Net Position, 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 total 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	\$ 6,618,989	6,230,898	83,503	72,808	6,702,492	6,303,706	6.33%
Capital assets	5,279,763	5,416,392	21,117	31,227	5,300,880	5,447,619	-2.69%
Total assets	<u>11,898,752</u>	<u>11,647,290</u>	<u>104,620</u>	<u>104,035</u>	<u>12,003,372</u>	<u>11,751,325</u>	<u>2.14%</u>
Long-term liabilities	1,788,552	2,223,486	2,539	2,045	1,791,091	2,225,531	-19.52%
Other liabilities	729,192	763,420	-	-	729,192	763,420	-4.48%
Total liabilities	<u>2,517,744</u>	<u>2,986,906</u>	<u>2,539</u>	<u>2,045</u>	<u>2,520,283</u>	<u>2,988,951</u>	<u>-15.68%</u>
Deferred inflows of resources	<u>3,033,878</u>	<u>2,933,602</u>	<u>-</u>	<u>-</u>	<u>3,033,878</u>	<u>2,933,602</u>	<u>3.42%</u>
Net position:							
Net investment in capital assets	3,773,486	3,501,048	21,117	31,227	3,794,603	3,532,275	7.43%
Restricted	1,378,633	976,340	-	-	1,378,633	976,340	41.20%
Unrestricted	1,195,011	1,249,394	80,964	70,763	1,275,975	1,320,157	-3.35%
Total net position	<u>\$ 6,347,130</u>	<u>5,726,782</u>	<u>102,081</u>	<u>101,990</u>	<u>6,449,211</u>	<u>5,828,772</u>	<u>10.64%</u>

The District's total net position increased by 10.64%, or \$620,439 from the prior year. The largest portion of the District's net position is the 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 represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$402,293, or 41.20% over the prior year. The increase in restricted net position is largely a result of the improvement in fund balances in the Capital Projects: Statewide Sales, Services and Use Tax Fund and the Capital Projects: Physical Plant and Equipment Levy Fund during the year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$44,182, or 3.35%. The primary reason for this decrease in unrestricted net position is an increase in the amount of categorical funding carryover compared to the prior year.

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

Figure A-4							
Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 942,858	971,547	189,864	184,285	1,132,722	1,155,832	-2.00%
Operating grants, contributions and restricted interest	486,337	541,274	161,221	154,886	647,558	696,160	-6.98%
Capital grants, contributions and restricted interest	107,931	-	-	-	107,931	-	100.00%
General revenues:							
Property tax	2,943,790	2,956,204	-	-	2,943,790	2,956,204	-0.42%
Income surtax	361,282	322,309	-	-	361,282	322,309	12.09%
Statewide sales, services and use tax	511,866	525,855	-	-	511,866	525,855	-2.66%
Unrestricted state grants	2,752,554	2,688,434	-	-	2,752,554	2,688,434	2.39%
Unrestricted interest earnings	11,763	13,342	113	127	11,876	13,469	-11.83%
Other	46,895	38,414	2,841	3,319	49,736	41,733	19.18%
Total revenues	<u>8,165,276</u>	<u>8,057,379</u>	<u>354,039</u>	<u>342,617</u>	<u>8,519,315</u>	<u>8,399,996</u>	<u>1.42%</u>
Program expenses:							
Instructional	4,634,253	4,650,376	-	-	4,634,253	4,650,376	-0.35%
Support services	2,389,094	2,354,825	6,444	3,853	2,395,538	2,358,678	1.56%
Non-instructional programs	14,816	9,737	347,504	338,353	362,320	348,090	4.09%
Other expenses	506,765	693,656	-	-	506,765	693,656	-26.94%
Total expenses	<u>7,544,928</u>	<u>7,708,594</u>	<u>353,948</u>	<u>342,206</u>	<u>7,898,876</u>	<u>8,050,800</u>	<u>-1.89%</u>
Excess(Deficiency) in revenues over (under) expenses	620,348	348,785	91	411	620,439	349,196	77.68%
Transfers	-	(12,843)	-	12,843	-	-	0.00%
Changes in net position	620,348	335,942	91	13,254	620,439	349,196	363.18%
Net position beginning of year	<u>5,726,782</u>	<u>5,390,840</u>	<u>101,990</u>	<u>88,736</u>	<u>5,828,772</u>	<u>5,479,576</u>	<u>6.37%</u>
Net position end of year	<u>\$ 6,347,130</u>	<u>5,726,782</u>	<u>102,081</u>	<u>101,990</u>	<u>6,449,211</u>	<u>5,828,772</u>	<u>10.64%</u>

In fiscal year 2014, property tax, statewide sales and services tax and unrestricted state grants account for 76.03% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.17% of the revenue from business type activities.

The District's total revenues were approximately \$8.52 million, of which approximately \$8.17 million was for governmental activities and approximately \$0.35 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.42% increase in revenues and a 1.89% decrease in expenses. The increase in revenues is primarily due to increases in capital

contributions received from local sources for the District's HVAC upgrades. The decrease in expenditures is primarily due to a decrease in depreciation expense incurred during the year.

Governmental Activities

Revenues for governmental activities were \$8,165,276 and expenses were \$7,544,928 for the year ended June 30, 2014.

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.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 4,634,253	4,650,376	-0.35%	3,548,662	3,369,806	5.31%
Support services	2,389,094	2,354,825	1.46%	2,176,449	2,367,668	-8.08%
Non-instructional	14,816	9,737	52.16%	14,816	9,737	52.16%
Other expenses	506,765	693,656	-26.94%	267,875	461,405	-41.94%
Totals	\$ 7,544,928	7,708,594	26.33%	6,007,802	6,208,616	-3.23%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$942,858.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$594,268.
- The net cost of governmental activities was financed with \$2,943,790 in property tax, \$361,282 in income surtax, \$511,866 in statewide sales, services and use tax, \$2,752,554 in unrestricted state grants, \$11,763 in investment income and \$46,895 in other general revenues.

Business Type Activities

Revenues of the District's business type activities for the year ended June 30, 2014, were \$354,039 and expenses totaled \$353,948. 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 BCLUW 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 \$2,582,254, compared to last year's ending fund balances of \$2,265,988. The primary reason for the increase was improvement in the Capital Projects Fund and Management Levy Fund balances compared to the prior year.

Governmental Fund Highlights

- The District's decrease in General Fund financial position is the product of many factors. Revenues and expenses both decreased compared to the prior year. Although the decrease in revenues was greater than the decrease in expenses, total revenues still outpaced total expenses leading to an increase in fund balance from \$1,232,578 at June 30, 2013 to \$1,237,619 at June 30, 2014.
- The Management Levy Fund balance increased from \$418,682 at June 30, 2013, to \$479,373 at June 30, 2014, primarily due to total revenues outpacing total expenditures during the year ensuring and increase in fund balance.
- The Capital Projects Fund improved from a balance of \$405,852 at June 30, 2013 to \$677,313 at June 30, 2014. The Statewide Sales, Services and Use Tax Fund balance increased from \$370,909 at June 30, 2013 to \$510,236 at June 30, 2014 due to increases in contributions received from local sources during the year. The Physical Plant and Equipment Levy Fund balance increased from \$34,943 at June 30, 2013 to \$167,077 at June 30, 2014 primarily due to an increase in local tax sources received compared to the prior year.
- The Debt Service Fund balance increased from \$36,460 at June 30, 2013 to \$41,335 at June 30, 2014. The primary reason for this increase in fund balance is due to the District issuing \$1,435,000 of general obligation refunding bonds during the year and calling \$1,775,000 of the December 1, 2005 District general obligation bond indebtedness during the year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$101,990 at June 30, 2013 to \$102,081 at June 30, 2014, representing an increase of less than one percent. The primary reason for this increase in fund balance is an increase in federal source revenues received compared to the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, BCLUW Community School District amended its budget on time to reflect addition expenditures associated with fuel and electricity costs along with additional expenditures incurred from the refunding of general obligation bonds during the year.

The District's revenues were \$539,000 more than budgeted revenues, a variance of 6.76%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$5.30 million, 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 2.69% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$346,570.

The original cost of the District's capital assets was \$12,148,137. Governmental funds account for \$12,066,997 of this total with the remainder of \$81,140 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$4,584,153 at June 30, 2013, compared to \$4,436,000 reported at June 30, 2014. The primary reason for this decrease was due to annual depreciation incurred during the year.

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 80,000	80,000	-	-	80,000	80,000	0.00%
Construction in progress	29,124	-	-	-	29,124	-	100.00%
Buildings	4,436,000	4,584,153	-	-	4,436,000	4,584,153	-3.23%
Land improvements	141,390	151,942	-	-	141,390	151,942	-6.94%
Machinery and equipment	593,249	600,297	21,117	31,227	614,366	631,524	-2.72%
Total	\$ 5,279,763	5,416,392	21,117	31,227	5,300,880	5,447,619	-2.69%

Long-Term Debt

At June 30, 2014, the District had \$1,791,091 in long-term debt outstanding. This represents a decrease of 19.52% from last year. (See Figure A-7) The primary reason for this was due to complete refunding of the District's \$1,775,000 general obligation indebtedness issue date December 1, 2005 with \$1,435,000 in general obligation bonds dated February 19, 2014. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- The District had \$1,435,000 of outstanding general obligation bonds at June 30, 2014, payable from the Debt Service Fund.
- The District had a computer lease payable of \$71,277 at June 30, 2014 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had total outstanding termination benefits payable from the Special Revenue, Management Fund of \$67,798 at June 30, 2014.
- The District had a net OPEB liability of \$217,016 at June 30, 2014. Governmental activities account for \$214,477 of this total while the remaining \$2,539 is accounted for as a part of the District's business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
General obligation bonds	\$ 1,435,000	1,775,000	-	-	1,435,000	1,775,000	-19.15%
Computer lease	71,277	140,344	-	-	71,277	140,344	-49.21%
Termination benefits	67,798	135,358	-	-	67,798	135,358	-49.91%
Net OPEB liability	214,477	172,784	2,539	2,045	217,016	174,829	24.13%
Total	\$ 1,788,552	2,223,486	2,539	2,045	1,791,091	2,225,531	-19.52%

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:

- 2.80% contract settlement w/professional staff.
- Decrease in enrollment.
- SAVE and voter approved PPEL tax continues to keep the district's facilities in good shape.
- Continue to share a superintendent, a transportation director and a couple of teachers.
- Began using P-cards to ease on-line and other purchases.
- Added a BD classroom to lower outsourcing of students with behavior issues.
- Loss of REAP funds.
- Last year to purchase technology that is reimbursable with Microsoft Settlement Funds.

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 Paula Benson, Board Secretary/Business Manager, BCLUW Community School District, 610 E Center St., PO Box 670, Conrad, Iowa, 50621.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,911,517	73,834	2,985,351
Receivables:			
Property tax:			
Delinquent	32,435	-	32,435
Succeeding year	3,033,878	-	3,033,878
Income surtax	286,226	-	286,226
Accounts	3,626	952	4,578
Due from other governments	351,307	-	351,307
Inventories	-	8,717	8,717
Capital assets, net of accumulated depreciation	5,279,763	21,117	5,300,880
TOTAL ASSETS	11,898,752	104,620	12,003,372
LIABILITIES			
Accounts payable	105,502	-	105,502
Salaries and benefits payable	611,129	-	611,129
Accrued interest payable payable	12,561	-	12,561
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	345,000	-	345,000
Computer lease payable	71,277	-	71,277
Termination benefit payable	24,268	-	24,268
Portion due after one year:			
General obligation bonds payable	1,090,000	-	1,090,000
Termination benefit payable	43,530	-	43,530
Net OPEB liability	214,477	2,539	217,016
TOTAL LIABILITIES	2,517,744	2,539	2,520,283
DEFERRED INFLOWS OF RESOURCES:			
Unavailable property tax revenue	3,033,878	-	3,033,878
NET POSITION			
Net investment in capital assets	3,773,486	21,117	3,794,603
Restricted for:			
Categorical funding	114,357	-	114,357
Debt service	28,774	-	28,774
Management levy purposes	411,575	-	411,575
Student activities	142,179	-	142,179
Public education and recreation levy	4,435	-	4,435
School infrastructure	510,236	-	510,236
Physical plant and equipment	167,077	-	167,077
Unrestricted	1,195,011	80,964	1,275,975
TOTAL NET POSITION	\$ 6,347,130	102,081	6,449,211

SEE NOTES TO FINANCIAL STATEMENTS.

**BCLUW 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	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,684,043	393,247	27,926	-	(2,262,870)	-	(2,262,870)
Special	718,024	97,178	62,256	-	(558,590)	-	(558,590)
Other	1,232,186	347,889	157,095	-	(727,202)	-	(727,202)
	<u>4,634,253</u>	<u>838,314</u>	<u>247,277</u>	<u>-</u>	<u>(3,548,662)</u>	<u>-</u>	<u>(3,548,662)</u>
Support services:							
Student	151,450	24,829	170	-	(126,451)	-	(126,451)
Instructional staff	266,441	-	-	-	(266,441)	-	(266,441)
Administration	764,400	68,212	-	-	(696,188)	-	(696,188)
Operation and maintenance of plant	686,134	-	-	107,931	(578,203)	-	(578,203)
Transportation	520,669	11,503	-	-	(509,166)	-	(509,166)
	<u>2,389,094</u>	<u>104,544</u>	<u>170</u>	<u>107,931</u>	<u>(2,176,449)</u>	<u>-</u>	<u>(2,176,449)</u>
Non-instructional:							
Food service operations	8,162	-	-	-	(8,162)	-	(8,162)
Community service operations	6,654	-	-	-	(6,654)	-	(6,654)
	<u>14,816</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,816)</u>	<u>-</u>	<u>(14,816)</u>
Long-term debt interest	80,733	-	-	-	(80,733)	-	(80,733)
Other expenditures:							
AEA flowthrough	238,890	-	238,890	-	-	-	-
Depreciation(unallocated)*	187,142	-	-	-	(187,142)	-	(187,142)
	<u>426,032</u>	<u>-</u>	<u>238,890</u>	<u>-</u>	<u>(187,142)</u>	<u>-</u>	<u>(187,142)</u>
Total governmental activities	7,544,928	942,858	486,337	107,931	(6,007,802)	-	(6,007,802)
Business Type activities:							
Support services:							
Operation and maintenance of plant	6,444	-	-	-	-	(6,444)	(6,444)
Non-instructional programs:							
Food service operations	347,504	189,864	161,221	-	-	3,581	3,581
Total business type activities	353,948	189,864	161,221	-	-	(2,863)	(2,863)
Total	<u>\$ 7,898,876</u>	<u>1,132,722</u>	<u>647,558</u>	<u>107,931</u>	<u>(6,007,802)</u>	<u>(2,863)</u>	<u>(6,010,665)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,310,406	-	2,310,406
Debt services					397,739	-	397,739
Capital outlay					235,645	-	235,645
Income surtax					361,282	-	361,282
Statewide sales, services and use tax					511,866	-	511,866
Unrestricted state grants					2,752,554	-	2,752,554
Unrestricted investment earnings					11,763	113	11,876
Other general revenues					46,895	2,841	49,736
Total general revenues					<u>6,628,150</u>	<u>2,954</u>	<u>6,631,104</u>
Change in net position					620,348	91	620,439
Net position beginning of year					5,726,782	101,990	5,828,772
Net position end of year					<u>\$ 6,347,130</u>	<u>102,081</u>	<u>6,449,211</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

**BCLUW COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General	Management Levy	Capital Projects	Debt Service	Nonmajor	Total
ASSETS						
Cash and pooled investments	\$ 1,783,157	476,707	450,492	37,029	164,132	2,911,517
Receivables:						
Property tax:						
Delinquent	22,572	2,666	2,551	4,306	340	32,435
Succeeding year	2,186,817	200,000	236,277	379,941	30,843	3,033,878
Income surtax	286,226	-	-	-	-	286,226
Accounts	844	-	749	-	2,033	3,626
Due from other governments	127,786	-	223,521	-	-	351,307
TOTAL ASSETS	\$ 4,407,402	679,373	913,590	421,276	197,348	6,618,989
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 85,611	-	-	-	19,891	105,502
Salaries and benefits payable	611,129	-	-	-	-	611,129
Total liabilities	696,740	-	-	-	19,891	716,631
Deferre inflows of resources:						
Unavailable revenue:						
Succeeding year property tax	2,186,817	200,000	236,277	379,941	30,843	3,033,878
Income surtax	286,226	-	-	-	-	286,226
Total deferred inflows of resources	2,473,043	200,000	236,277	379,941	30,843	3,320,104
Fund balances:						
Restricted for:						
Categorical funding	114,357	-	-	-	-	114,357
Debt service	-	-	-	41,335	-	41,335
Management levy purposes	-	479,373	-	-	-	479,373
Student activities	-	-	-	-	142,179	142,179
Public education and recreation levy	-	-	-	-	4,435	4,435
School infrastructure	-	-	510,236	-	-	510,236
Physical plant and equipment	-	-	167,077	-	-	167,077
Unassigned	1,123,262	-	-	-	-	1,123,262
Total fund balances	1,237,619	479,373	677,313	41,335	146,614	2,582,254
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,407,402	679,373	913,590	421,276	197,348	6,618,989

SEE NOTES TO FINANCIAL STATEMENTS.

BCLUW 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)	\$	2,582,254
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		5,279,763
Accounts receivable income surtax, are not yet available to finance expenditures of the current year and therefore, are recognized as deferred inflows of resources in the governmental funds.		286,226
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(12,561)
Long-term liabilities, including bonds payable, computer lease payable, termination benefits payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(1,788,552)</u>
Net position of governmental activities(page 18)	\$	<u><u>6,347,130</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Debt Service	Nonmajor	Total
Revenues:						
Local sources:						
Local tax	\$ 2,397,993	240,839	235,645	397,739	30,682	3,302,898
Tuition	459,797	-	-	-	-	459,797
Other	192,326	6,603	108,635	978	343,308	651,850
State sources	3,074,098	-	511,866	-	-	3,585,964
Federal sources	162,593	-	-	-	-	162,593
Total revenues	6,286,807	247,442	856,146	398,717	373,990	8,163,102
Expenditures:						
Current:						
Instruction:						
Regular	2,462,561	69,528	-	-	-	2,532,089
Special	687,818	-	-	-	-	687,818
Other	778,633	-	-	-	388,421	1,167,054
	3,929,012	69,528	-	-	388,421	4,386,961
Support services:						
Student	143,125	-	-	-	-	143,125
Instructional staff	251,717	-	-	-	-	251,717
Administration	772,160	22,424	770	-	-	795,354
Operation and maintenance of plant	545,181	58,663	40,898	-	8,031	652,773
Transportation	398,367	27,974	89,465	-	-	515,806
	2,110,550	109,061	131,133	-	8,031	2,358,775
Non-instructional:						
Food service operations	-	8,162	-	-	-	8,162
Community service operations	3,314	-	-	-	3,340	6,654
	3,314	8,162	-	-	3,340	14,816
Capital outlay	-	-	385,882	-	-	385,882
Long-term debt:						
Principal	-	-	-	1,844,067	-	1,844,067
Interest and fiscal charges	-	-	-	84,336	-	84,336
	-	-	-	1,928,403	-	1,928,403
Other expenditures:						
AEA flowthrough	238,890	-	-	-	-	238,890
Total expenditures	6,281,766	186,751	517,015	1,928,403	399,792	9,313,727
Excess(deficiency) of revenues over(under) expenditures	5,041	60,691	339,131	(1,529,686)	(25,802)	(1,150,625)
Other financing sources(uses):						
Refunding general obligation bond issuance	-	-	-	1,435,000	-	1,435,000
Premium on refunding general obligation bond issuance	-	-	-	37,483	-	37,483
Discount on refunding general obligation bond issuance	-	-	-	(11,480)	-	(11,480)
Transfer in	-	-	-	73,558	-	73,558
Transfer out	-	-	(73,558)	-	-	(73,558)
Insurance proceeds	-	-	5,888	-	-	5,888
Total other financing sources(uses)	-	-	(67,670)	1,534,561	-	1,466,891
Changes in fund balances	5,041	60,691	271,461	4,875	(25,802)	316,266
Fund balances beginning of year	1,232,578	418,682	405,852	36,460	172,416	2,265,988
Fund balances end of year	\$ 1,237,619	479,373	677,313	41,335	146,614	2,582,254

SEE NOTES TO FINANCIAL STATEMENTS.

BCLUW 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

Net change in fund balances - total governmental funds(page 22) \$ 316,266

*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, depreciation expense and loss on disposal for the current year are as follows:

Capital outlay	\$ 214,586	
Depreciation expense	(343,271)	
Loss on disposal of assets	<u>(7,944)</u>	(136,629)

Income surtax account receivable is not available to finance expenditures of the current year and are not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.

2,174

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances and repayments, as follows:

Issued	\$ (1,435,000)	
Repaid	<u>1,844,067</u>	409,067

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

3,603

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 fund.

Termination benefits	67,560	
Net OPEB liability	<u>(41,693)</u>	<u>25,867</u>

Changes in net position of governmental activities(page 19) \$ 620,348

SEE NOTES TO FINANCIAL STATEMENTS.

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

		Enterprise School Nutrition
ASSETS		
Cash and pooled investments	\$	73,834
Accounts receivable		952
Inventories		8,717
Capital assets, net of accumulated depreciation		21,117
TOTAL ASSETS		104,620
 LIABILITIES		
Net OPEB liability		2,539
 NET POSITION		
Net investment in capital assets		21,117
Unrestricted		80,964
TOTAL NET POSITION	\$	102,081

SEE NOTES TO FINANCIAL STATEMENTS.

BCLUW 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	\$ 189,864
Miscellaneous	2,841
Total operating revenues	192,705
Operating Expenses:	
Support Services:	
Operations and maintenance of plant Services	6,444
Non-instructional programs:	
Food service operations:	
Salaries	95,834
Benefits	23,972
Services	300
Supplies	217,288
Depreciation	3,299
Total non-instructional programs	340,693
Total operating expenses	347,137
Operating loss	(154,432)
Non-operating revenues(expenses):	
Loss on disposal	(6,811)
State sources	3,095
Federal sources	158,126
Interest income	113
Total non-operating revenues(expenses)	154,523
Change in net position	91
Net position beginning of year	101,990
Net position end of year	\$ 102,081

SEE NOTES TO FINANCIAL STATEMENTS.

BCLUW 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	\$ 191,911
Cash received from miscellaneous operating activities	2,841
Cash payments to employees for services	(119,312)
Cash payments to suppliers for goods or services	(202,645)
Net cash used in operating activities	(127,205)
Cash flows from non-capital financing activities:	
State grants received	3,095
Federal grants received	136,327
Net cash provided by non-capital financing activities	139,422
Cash flows from investing activities:	
Interest on investments	113
Net increase in cash and cash equivalents	12,330
Cash and cash equivalents beginning of year	61,504
Cash and cash equivalents end of year	\$ 73,834
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (154,432)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	21,799
Depreciation	3,299
Increase in inventories	(412)
Decrease in accounts receivable	2,047
Increase in net OPEB liability	494
Net cash used in operating activities	\$ (127,205)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$21,799 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

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

(1) Summary of Significant Accounting Policies

The BCLUW Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Beaman, Conrad, Liscomb, Union, and Whitten, Iowa, and the predominate agricultural territory in Hardin, Grundy 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, BLCUW 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 BCLUW 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 Grundy, Marshall and Hardin County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Position and the Statement of Activities report information on all of the 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 three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation, increased by unspent bond proceeds and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints 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, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining statements are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

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

The Management Fund is utilized to account for the payment of property insurance and unemployment benefits.

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 long-term debt.

The District reports the following non-major proprietary fund:

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

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

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

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

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

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

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

The District maintains its financial records 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 investments non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide statement of net position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

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

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.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivables and other receivables 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.

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 other spendable classifications.

E. Budgets and Budgetary Accounting

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

(2) **Cash and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. As of June 30, 2014, the District had no investments.

(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	<u>\$ 73,558</u>

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

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 80,000	-	-	80,000
Construction in progress	-	29,124	-	29,124
Total capital assets not being depreciated	80,000	29,124	-	109,124
Capital assets being depreciated:				
Buildings	9,193,398	28,437	-	9,221,835
Land improvements	211,035	-	-	211,035
Machinery and equipment	2,378,438	157,025	10,460	2,525,003
Total capital assets being depreciated	11,782,871	185,462	10,460	11,957,873
Less accumulated depreciation for:				
Buildings	4,609,245	176,590	-	4,785,835
Land improvements	59,093	10,552	-	69,645
Machinery and equipment	1,778,141	156,129	2,516	1,931,754
Total accumulated depreciation	6,446,479	343,271	2,516	6,787,234
Total capital assets being depreciated, net	5,336,392	(157,809)	7,944	5,170,639
Governmental activities capital assets, net	\$ 5,416,392	(128,685)	7,944	5,279,763
Business type activities:				
Machinery and equipment	\$ 93,172	-	12,032	81,140
Less accumulated depreciation	61,945	3,299	5,221	60,023
Business type activities capital assets, net	\$ 31,227	(3,299)	6,811	21,117

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 68,980
Other	10,539
Support services:	
Administration	9,487
Operation and maintenance of plant	3,476
Transportation	63,647
	156,129
Unallocated depreciation	187,142
Total governmental activities depreciation expense	\$ 343,271
Business type activities:	
Food service operations	\$ 3,299

(5) **Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,775,000	1,435,000	1,775,000	1,435,000	345,000
Computer lease	140,344	-	69,067	71,277	71,277
Termination benefits	135,358	-	67,560	67,798	24,268
Net OPEB liability	172,784	41,693	-	214,477	-
Total	\$ 2,223,486	1,476,693	1,911,627	1,788,552	440,545
Business type activities:					
Net OPEB liability	\$ 2,045	494	-	2,539	-

General Obligation Bonds

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

Year Ending June 30,	Refunding Bond Issue of February 19, 2014				
	Interest Rates	Principal	Interest	Total	
2015	2.00 %	\$ 345,000	34,440	379,440	
2016	2.00	355,000	21,800	376,800	
2017	2.00	365,000	14,700	379,700	
2018	2.00	370,000	7,400	377,400	
Total		\$ 1,435,000	78,340	1,513,340	

Computer Lease Payable

Details of the District's June 30, 2014 computer lease indebtedness, paid from the Capital Projects: Statewide Sales, Services and Use Tax Fund, are as follows:

Year Ending June 30,	Interest Rate	Computer lease of July 13, 2012			
		Principal	Interest	Total	
2015	3.20 %	\$ 71,277	2,281	73,558	

Termination Benefits

The District did not offer a voluntary early retirement plan to District employees during fiscal year 2014. However, the District offered a voluntary early retirement plan to its certified employees in prior years. Eligible employees must have been at least age fifty-five and employees must have completed fifteen years of service to the District. Employees must complete an application which must be approved by the Board of Education.

Early retirees were given the option to receive their benefit in a cash payout or to apply it to insurance payments until the employee reaches ages 65 or the money runs out whichever occurs first. The early retirement benefit for each eligible employee was 60% of the employees retirement year salary, less

supplemental pay or extended contract pay. Cash payouts for early retirement benefits are to be paid in two equal installments, one in June 2013 and the second payment in June 2014. Insurance premiums are applied on a monthly basis to the retirement benefit until it is used up or the employee reaches age 65.

At June 30, 2014, the District has obligations to three participants with a total liability of \$67,798. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$67,560.

(6) Current Refunding

On February 19, 2014 the District issued \$1,435,000 in general obligation bonds with interest rates of 2.00 percent to refund \$1,775,000 of the outstanding general obligation bonds dated December 1, 2005 with interest rates from 3.45 to 3.85 percent. The new refunding bond has been added to the appropriate financial statements and schedules. The economic savings for the refunding is \$82,413.

(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 61 active and 4 retired members in the plan. Retired participants must be age 55 or older at age of retirement.

The benefits are provided through fully-insured plans with Wellmark. Retirees under age 65 pay the same premiums 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 any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for 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	\$	55,642
Interest on net OPEB obligation		4,316
Adjustment to annual required contribution		(12,656)
Annual OPEB cost		<u>47,302</u>
Contributions made		(5,115)
Increase in net OPEB obligation		<u>42,187</u>
Net OPEB obligation beginning of year		<u>174,829</u>
Net OPEB obligation end of year	\$	<u><u>217,016</u></u>

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

For the year ended June 30, 2014, the District contributed \$5,115 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 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 47,805	0.00%	\$ 133,413
2013	48,581	14.75%	174,829
2014	47,302	10.81%	217,016

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 \$402,817, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$402,817. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,262,076 and the ratio of the UAAL to covered payroll was 12.35%. 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 events far into 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 frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

Projected claim costs of the medical plan are \$779 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) 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 \$333,744, \$323,401 and \$301,048, respectively, equal to the required contributions for each year.

(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 July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, disability and life insurance. District contributions to ISEBA for the year ended June 30, 2014 were \$615,483.

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

(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 \$238,890 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.

(11) Categorical Funding

The District's ending restricted balances for categorical funding at June 30, 2014 are comprised of the following programs:

Program	Amount
Home school assistance program	\$ 362
Weighted at-risk supplemental programs	16,293
Gifted and talented programs	2,400
Returning dropouts and dropout prevention programs	3,604
Teacher salary supplement	558
Four-year old preschool state aid	4,394
Successful progression for early readers	13,115
Professional Development for the model core curriculum	73,426
Teacher leadership grants	205
Total	<u>\$ 114,357</u>

(12) Construction Commitments

As of June 30, 2014, the District has not entered into any construction contracts. However, at June 30, 2014, the District has architectural fees as construction in progress for a bus barn project and a wrestling room project. These projects are expected to begin in fiscal 2015. Once completed, the costs of the projects will be added to the District's capital asset listing.

(13) Operating Leases

The District entered into a 60 month contract with U.S. Bank Equipment Finance in November 2011 to lease five copy machines. The remaining amount to be paid on the lease is as follows:

Year Ended June 30,	Lease Payment
2015	\$ 34,620
2016	34,620
2017	14,425
Total	<u>\$ 83,665</u>

The District entered into a 60 month contract with DeLage land Financial Services Inc. to lease a copy machine in September 2013. The remaining amount to be repaid on the lease is as follows:

Year Ended June 30,	Lease Payment
2015	\$ 3,420
2016	3,420
2017	3,420
2018	3,420
2019	855
Total	<u>\$ 14,535</u>

(14) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is the following:

	Net investment in capital assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	479,373	41,335	1,123,262
Capital assets, net of accumulated depreciation	5,279,763	-	-	-
General obligation bond capitalized indebtedness	(1,435,000)	-	-	-
Computer lease capitalized indebtedness	(71,277)	-	-	-
Termination benefits payable	-	(67,798)	-	-
Accrued interest payable	-	-	(12,561)	-
Income surtax	-	-	-	286,226
Net OPEB liability	-	-	-	(214,477)
Net position (Exhibit A)	<u>\$ 3,773,486</u>	<u>411,575</u>	<u>28,774</u>	<u>1,195,011</u>

(15) Prospective Accounting Change

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

BCLUW COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

BCLUW COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON 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 Actual	Fund Actual		Original	Final	
Revenues:						
Local sources	\$ 4,414,545	192,818	4,607,363	4,753,677	4,753,677	(146,314)
State sources	3,585,964	3,095	3,589,059	2,950,464	2,950,464	638,595
Federal sources	162,593	158,126	320,719	274,000	274,000	46,719
Total revenues	8,163,102	354,039	8,517,141	7,978,141	7,978,141	539,000
Expenditures/Expenses:						
Instruction	4,386,961	-	4,386,961	4,453,000	4,553,000	166,039
Support services	2,358,775	6,444	2,365,219	2,304,500	2,404,500	39,281
Non-instructional programs	14,816	347,504	362,320	387,000	387,000	24,680
Other expenditures	2,553,175	-	2,553,175	1,384,419	2,607,800	54,625
Total expenditures/expenses	9,313,727	353,948	9,667,675	8,528,919	9,952,300	284,625
Excess(Deficiency) of revenues over (under) expenditures/expenses	(1,150,625)	91	(1,150,534)	(550,778)	(1,974,159)	823,625
Other financing sources, net	1,466,891	-	1,466,891	-	-	1,466,891
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	316,266	91	316,357	(550,778)	(1,974,159)	2,290,516
Balances beginning of year	2,265,988	101,990	2,367,978	2,029,357	2,029,357	338,621
Balances end of year	\$ 2,582,254	102,081	2,684,335	1,478,579	55,198	2,629,137

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BCLUW 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, the District adopted one budget amendment, increasing budgeted expenditures by \$1,423,381.

BCLUW COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 359,000	359,000	0.00%	\$ 3,776,000	9.51%
2011	July 1, 2009	-	359,000	359,000	0.00%	3,802,000	9.44%
2012	July 1, 2009	-	359,000	359,000	0.00%	3,812,000	9.42%
2013	July 1, 2012	-	412,231	412,231	0.00%	2,967,143	13.89%
2014	July 1, 2012	-	402,817	402,817	0.00%	3,262,076	12.35%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Student Activity	Public Education and Recreation Levy	Total
ASSETS			
Cash and pooled investments	\$ 154,647	9,485	164,132
Receivables:			
Property tax:			
Delinquent	-	340	340
Succeeding year	-	30,843	30,843
Accounts	2,033	-	2,033
TOTAL ASSETS	\$ 156,680	40,668	197,348
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 14,501	5,390	19,891
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	30,843	30,843
Fund balances:			
Restricted for:			
Student activities	142,179	-	142,179
Public education and recreation levy	-	4,435	4,435
Total fund balances	142,179	4,435	146,614
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 156,680	40,668	197,348

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Student Activity	Public Education and Recreation Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	30,682	30,682
Other	343,308	-	343,308
Total revenues	343,308	30,682	373,990
Expenditures:			
Current:			
Instruction:			
Other	367,676	20,745	388,421
Support services:			
Operation and maintenance of plant	-	8,031	8,031
Non-instructional programs:			
Community service operations	-	3,340	3,340
Total expenditures	367,676	32,116	399,792
Deficiency of revenues under expenditures	(24,368)	(1,434)	(25,802)
Fund balances beginning of year	166,547	5,869	172,416
Fund balances end of year	\$ 142,179	4,435	146,614

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BCLUW 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	\$ 286,715	163,777	450,492
Recivables:			
Property tax:			
Delinquent	-	2,551	2,551
Succeeding year	-	236,277	236,277
Accounts	-	749	749
Due from other governments	223,521	-	223,521
TOTAL ASSETS	\$ 510,236	403,354	913,590
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	236,277	236,277
Fund balances:			
Restricted for:			
School infrastructure	510,236	-	510,236
Physical plant and equipment	-	167,077	167,077
Total fund balances	510,236	167,077	677,313
TOAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 510,236	403,354	913,590

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ -	235,645	235,645
Other	108,495	140	108,635
State sources	511,866	-	511,866
Total revenues	620,361	235,785	856,146
Expenditures:			
Support Services:			
Administration	-	770	770
Operation and maintenance of plant	-	40,898	40,898
Transportation	89,465	-	89,465
Other expenditures:			
Capital outlay	323,899	61,983	385,882
Total expenditures	413,364	103,651	517,015
Excess of revenues over expenditures	206,997	132,134	339,131
Other financing sources(uses):			
Insurance proceeds	5,888	-	5,888
Transfer out	(73,558)	-	(73,558)
Total other financing sources(uses)	(67,670)	-	(67,670)
Change in fund balances	139,327	132,134	271,461
Fund balances beginning year	370,909	34,943	405,852
Fund balances end of year	\$ 510,236	167,077	677,313

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BCLUW 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	Intra- Fund Transfers	Balance End of Year
Interest	\$ 7,050	909	1,526	(6,433)	-
Elementary Activities	28,145	14,815	14,546	1,367	29,781
MS Activities	6,644	4,690	6,034	253	5,553
High School Activities	642	4,095	4,051	747	1,433
Advanced Construction	12,564	200	11,621	55	1,198
Display Case	1,250	1,946	-	153	3,349
Drama/Thespians	663	3,931	1,983	124	2,735
Speech	-	507	507	10	10
Vocal Music	726	5,265	5,875	-	116
Show Choir	3,447	6,190	5,613	192	4,216
Band	1,631	4,104	5,606	10	139
Middle School Vocal Music	220	108	319	-	9
Little League	747	2,925	2,273	67	1,466
Athletic	42,213	134,095	133,823	2,115	44,600
MS Athletic	1,623	11,204	9,816	143	3,154
HS Mathletes	661	-	80	28	609
Talented and Gifted MS	675	6,396	5,480	76	1,667
Class of 2013	1,946	-	1,946	-	-
Science Club	4	7,149	7,153	-	-
Green House	150	50	-	10	210
MS Theme Day	141	373	459	2	57
Class of 2014	5,216	-	5,216	-	-
Parent/Educator Partnership	11,027	34,530	45,557	-	-
Flower Fund	157	308	367	8	106
FCCLA	1,753	1,131	719	103	2,268
Comet Café	1,234	4,747	4,799	56	1,238
Library Club	702	50	752	-	-
Art Club	1,486	4,015	4,614	66	953
Letterwinners	2,139	271	39	113	2,484
National Art Honor Society	539	569	78	49	1,079
Class of 2016	-	8,863	2,975	-	5,888
Kiosk Fund	-	-	-	2,947	2,947
Class of 2012	2,813	-	-	(2,813)	-
Concessions	1,100	23,546	24,140	24	530
Special Olympics	17	-	-	-	17
National Honor Society	2,679	-	798	89	1,970
Padlock	984	156	185	46	1,001
Class of 2017	-	547	149	-	398
Student Council	3,188	6,714	5,359	226	4,769
Summer Concessions	13,078	22,973	29,659	-	6,392
Yearbook	4,325	6,626	7,451	167	3,667
Class of 2015	2,968	19,310	16,108	-	6,170
Total	\$ 166,547	343,308	367,676	-	142,179

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BCLUW 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	\$ 3,202,898	3,800,176	3,584,440	3,503,935	3,358,274	3,379,165	3,163,985	3,072,460	2,941,371	2,945,727
Tuition	459,797	461,968	454,811	382,766	394,461	354,162	323,887	327,063	260,390	321,512
Other	651,850	566,835	550,492	575,797	510,325	531,636	554,796	469,174	553,728	544,805
State sources	3,585,964	3,015,531	3,063,554	2,823,470	2,514,445	3,060,564	2,906,756	2,560,037	2,367,946	2,369,727
Federal sources	162,593	208,677	145,589	291,194	539,357	289,694	269,196	216,894	116,345	119,713
Total	\$ 8,063,102	8,053,187	7,798,886	7,577,162	7,316,862	7,615,221	7,218,620	6,645,628	6,239,780	6,301,484
Expenditures:										
Instruction:										
Regular	\$ 2,532,089	2,777,757	2,483,786	2,449,910	2,538,909	2,655,148	2,662,171	2,386,688	2,256,634	2,113,095
Special	687,818	833,976	707,970	638,777	669,937	731,501	651,345	655,356	560,169	524,537
Other	1,167,054	1,143,970	1,059,803	1,132,360	1,043,032	989,208	804,006	747,297	761,726	713,275
Support services:										
Student	143,125	136,511	133,659	131,349	134,523	97,344	94,920	84,866	83,931	130,615
Instructional staff	251,717	267,018	265,967	267,771	223,273	230,109	200,159	193,510	182,949	190,780
Administration	795,354	760,906	754,014	737,939	744,651	747,875	703,427	683,912	659,495	638,098
Operation and maintenance of plant	652,773	607,582	591,612	617,800	539,137	548,564	569,301	505,318	530,856	501,264
Transportation	515,806	562,559	391,422	344,474	320,059	333,571	364,021	338,074	325,388	303,943
Non-instructional:										
Food service operations	8,162	7,245	6,631	7,574	9,811	7,060	5,648	5,828	5,380	681
Community service operations	6,654	2,492	4,515	6,656	18,945	19,685	2,435	17,357	1,982	-
Capital outlay	385,882	202,444	255,872	416,223	328,378	752,409	459,174	651,064	367,709	362,559
Long term debt:										
Principal	1,844,067	315,000	380,925	372,456	280,000	275,000	250,000	235,000	225,000	215,000
Interest and fiscal charges	84,336	83,975	102,512	117,029	117,538	127,825	168,688	179,145	207,324	199,801
Other expenditures:										
AEA flow-through	238,890	232,251	235,906	257,518	257,444	223,513	215,223	194,442	180,550	181,168
Total	\$ 9,313,727	7,933,686	7,374,594	7,497,836	7,225,637	7,738,812	7,150,518	6,877,857	6,349,093	6,074,816

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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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 BCLUW 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 BCLUW 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 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BCLUW 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 BCLUW Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of BCLUW 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 a material weakness and a 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 items I-A-14 to be a material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II 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 BCLUW 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.

BCLUW Community School District's Responses to Findings

BCLUW Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. BCLUW 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 BCLUW 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 9, 2015
Newton, Iowa

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

Part I: Findings Related to the Financial Statements:

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 - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts -recording, depositing, journalizing, and posting in the Nutrition Fund.
- 4) Disbursements - mailing and recording.
- 5) Capital assets - purchasing, recording and reconciling.
- 6) Payroll - recordkeeping, preparation, posting and distribution.
- 7) Financial reporting - preparing, reconciling and approving.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.
- 9) School lunch program - recording, journalizing, posting, and recording.

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 - Cash - P.Brown - Business Office Secretary counts the money, it is deposited by B. Petty, Superintendent or P. Brown, it is receipted in by P. Benson – School Business Official for General Fund, PPEL, PERL and SAVE.

Investments - P. Benson invests and completes journal entries for investment interest but everything is shared and approved by B. Petty.

Receipts for Nutrition Fund - P. Brown, building secretaries and food service director all deposit money in to family accounts. Receipts are entered and posted by P. Brown and the account is reconciled by P. Benson.

Disbursements - Checks are written by P. Brown and are matched up and mailed by P. Benson

Capital Assets - Purchases are approved by B. Petty & P. Benson and recorded as a capital asset by P. Brown.

Payroll - Each building administrator and supervisor approves the time sheets before coming to the business office. Total hours are double checked by P. Benson and entered and posted in to the Software program. 84% of the distribution is sent by email from the Software program. P. Brown confirms all pay rate and deductions at the beginning of the year that were entered by P. Benson

Financial Reporting - Monthly financial reports for hot lunch and activity fund are completed by P. Brown and reviewed by P. Benson. General fund, PPEL/PERL, Debt service, Management and Save are completed by P. Benson and approved by B. Petty.

Computer systems -Both P. Benson and P. Brown have all access to the computer system data input and output.

School Lunch program - P. Brown, building secretaries and food service director all deposit money in to family accounts. Receipts are entered and posted by P. Brown and the account is reconciled by P. Benson.

Conclusion - Response accepted.

- I-B-14 **Pre-numbered Receipts** - We noted during our audit the District does not use pre-numbered receipts when receipting money collected by the District. Currently receipts are pre-numbered by the Uniform Financial Accounting System when entered by the business manager.

Recommendation - Pre-numbered receipts facilitate better internal controls by providing the District with a three part receipt. These three-part receipts allow the District to give a receipt to the individual giving money to the District while allowing the District to retain a copy of receipt to prove the money was received. A second copy of the receipt can be sent to the central office for proper recording on the District's financial statements. The third part remains with the pre-numbered receipt book as a record of all receipts collected for a given period of time. Pre-numbered receipts also allow the District to match specific revenues to when they were received, who they were received from and provided better documentation that the amount recorded was the amount received. Pre-numbered receipts also provided the added internal control by providing a sign off for the employee who receipted the money. The District should use pre-numbered receipts and implement policies and procedures for the use of such receipts for all areas of the District where money is collected.

Response - We have ordered pre-numbered receipt books and will begin using them at each of the buildings to receipt in monies coming from individuals of the school district.

Conclusion - Response accepted.

- I-C-14 **Gate Admissions** - It was noted that the District does not use pre-numbered tickets for all events that require an admission.

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

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.

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

Response - There are always at least two people involved in the cash collection/sale at BCLUW. We do have cash boxes with established amounts in each box. The boxes are never left unattended and at the end of the activity, the money is handed over to the AD who in turn locks it up in the district office safe room. Cash boxes are never taken home. The next morning it is counted and deposited by P. Brown. The process is checked by P. Benson as randomly P. Benson will count the money and not tell P. Brown. After P. Brown counts the money and records what she counted, P. Benson confirms that their dollar amounts agree.

Conclusion - Response accepted.

OTHER MATTERS:

I-D-14 Deficit Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying several significant deficit student lunch account balances on the books.

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

Response - The School set a new policy for negative lunch accounts, policy 710.4. We give families forms for free and reduced but if they don’t complete them, we can’t allow the reduction in meal prices for the student. The District will enforce policy 710.4 to slow the increase of deficit lunch balance.

Conclusion - Response accepted.

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

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 did not exceeded the certified budget amounts.

II-B-14 Questionable Disbursements -During our audit we noted the following disbursement we believe may not meet the requirements for public purpose as defined by Attorney General's opinion dated April 25, 1979.

Fundraiser Prizes: We noted during our audit expenditures for awards/prizes to be given to student for being top sellers in District fundraisers. Giving incentive prizes to students do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from giving prizes to individual students as performance incentives, for being top sellers in fund raisers or for good behavior to be in compliance with the Attorney General's opinion dated April 25, 1979.

Response - We have asked the buildings to stop purchasing awards/prizes for top sellers, and will not purchase them in the future.

Conclusion – Response accepted.

Gift Cards: We noted during our audit that the District purchased gift cards from Walmart to be given to students as end of the year theme day prizes in the MS Theme Day account within the Student Activity Fund. Giving cash or gift cards does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - Gift cards are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to “audit and allow” all bills and the gift card does not provide the board with the ability to perform the required function of approval of the final purchase. The District should refrain from purchasing gift cards to be given as prizes, gifts or incentives.

Response - We have asked the buildings to stop purchasing gift cards for any purpose, and do not anticipate this continuing to be an issue in 2015.

Conclusion - Response accepted.

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

II-D-14 Business Transactions - No business transactions between the District and District officials or employees 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.
- II-G-14 Certified Enrollment - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-H-14 Supplemental Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 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		\$	370,909
Revenues:			
Statewide sales, services and use tax revenue	\$	511,866	
Other local revenues		108,495	
Insurance proceeds		5,888	626,249
			997,158
Expenditures/transfers out:			
Equipment		227,576	
Other		185,788	
Transfers to other funds:			
Debt service fund		73,558	486,922
			486,922
Ending Balance		\$	510,236

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-M-14 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. However, we noted expenditures which do not appear to be related to cocurricular or extracurricular activities.

Questionable Expenses: We noted during our audit that the District purchased textbooks and District curriculum in the High School Activities Account in the Student Activity Fund. In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the Activity Fund shall not be used as a clearing account for any other fund.

Recommendation - Textbooks and curriculum expenses are instructional in nature and are more appropriately handled in the General Fund. In the future, the District should record these expenses in the General Fund in accordance with Chapter 281-12.6(1) of the Code of Iowa.

Response - The purchase of textbooks was from a donation that was given and deposited in the activity fund. We will make sure to put these types of donations in to the general fund in the future.

Conclusion - Response accepted.

Questionable Accounts - We noted a Display Case fund, MS Theme Day, Flower Fund, Kiosk Fund, and a Padlock accounts within the Student Activity Fund. The expenditures related to these accounts appear to be for instructional items and therefore, would be more appropriately handled in the general fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The revenues and expenditures in the Display Case fund, MS Theme Day, Flower Fund, Kiosk Fund, and a Padlock accounts should be reviewed for the appropriateness of the Activity Fund. The District should review each account and move the remaining balances to the appropriate fund.

Response - The Display Case Fund and Kiosk Fund are from left over money from graduating classes in the last couple of years that had ideas of what they wanted to use their left over money for – however – they did not have enough money to complete the project so the money has sat – we will expend by the end of the 2015 fiscal year. The padlock fund will be moved to the general fund.

Conclusion - Response accepted.

II-N-14 District and Regional Rents - We noted during our audit that the District receives money for use of facilities when hosting district and regional events. The District currently receipts this revenue into the Student Activity Fund.

Recommendation - Chapter 297.10 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage from hosting district and regional events into the General Fund.

Response - We have begun depositing rents in to the general fund.

Conclusion - Response accepted.

II-O-14 District Contracts - During our audit we noted the following contracts entered into by the District during the year:

Copier Lease: We noted during our audit that the District entered into a lease agreement for a District copy machine. However, the lease was not signed by the board president. According to Chapter 291.1, the Code of Iowa requires that all contracts entered into by the District be signed by the Board President.

Athletic Training Services: We noted the District entered into an agreement with MMSC Rehabilitation Center to provide athletic training services to District athletes during District sporting events. This agreement was signed by the District's Director of Athletics, not the Board President as required by Chapter 291.1 of the Code of Iowa.

Recommendation - The District should have the Board President sign all contracts entered into by the District in accordance with Chapter 291.1 of the Code of Iowa.

Response - We have made sure that the board president signs all leases and contracts.

Conclusion - Response accepted.