

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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**Cardinal of Eldon Community School District**

**Officials**

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

**Board of Education**

**(Before September 2013 Election)**

|               |                |      |
|---------------|----------------|------|
| Mike Kayser   | President      | 2013 |
| Fred Thomas   | Vice President | 2015 |
| Todd Hart     | Board Member   | 2013 |
| Carol Streeby | Board Member   | 2015 |
| Roger Davis   | Board Member   | 2015 |

**(After September 2013 Election)**

|               |                |      |
|---------------|----------------|------|
| Mike Kayser   | President      | 2017 |
| Fred Thomas   | Vice President | 2015 |
| Todd Hart     | Board Member   | 2017 |
| Carol Streeby | Board Member   | 2015 |
| Roger Davis   | Board Member   | 2015 |

**School Officials**

|                       |                            |      |
|-----------------------|----------------------------|------|
| Joel Pedersen         | Superintendent             | 2014 |
| Sherry VanBlaricom    | Board Secretary            | 2014 |
| Robin Leonard         | Treasurer/Business Manager | 2014 |
| Ahlers & Cooney, P.C. | Attorney                   | 2014 |

**CARDINAL OF ELDON 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 Cardinal of Eldon 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 Cardinal of Eldon Community School District, Eldon, 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 Cardinal of Eldon 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 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cardinal of Eldon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 12, 2015 on our consideration of Cardinal of Eldon Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



NOLTE, CORNMAN & JOHNSON, P.C.

March 12, 2015  
Newton, Iowa

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

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

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,627,980 in fiscal year 2013 to \$6,999,542 in fiscal year 2014, while General Fund expenditures increased from \$6,199,134 in fiscal year 2013 to \$7,075,049 in fiscal year 2014. Expenditures exceeded revenues resulting in a decrease in the District's General Fund balance from a balance of \$2,227,283 at June 30, 2013 to a balance of \$2,151,776 at June 30, 2014.
- The increase in General Fund revenues was attributable to an increase in tuition source revenue in fiscal year 2014. The increase in expenditures was due primarily to increased spending in the support services functional area.

### **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 Cardinal of Eldon 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 Cardinal of Eldon 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 Cardinal of Eldon 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 Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

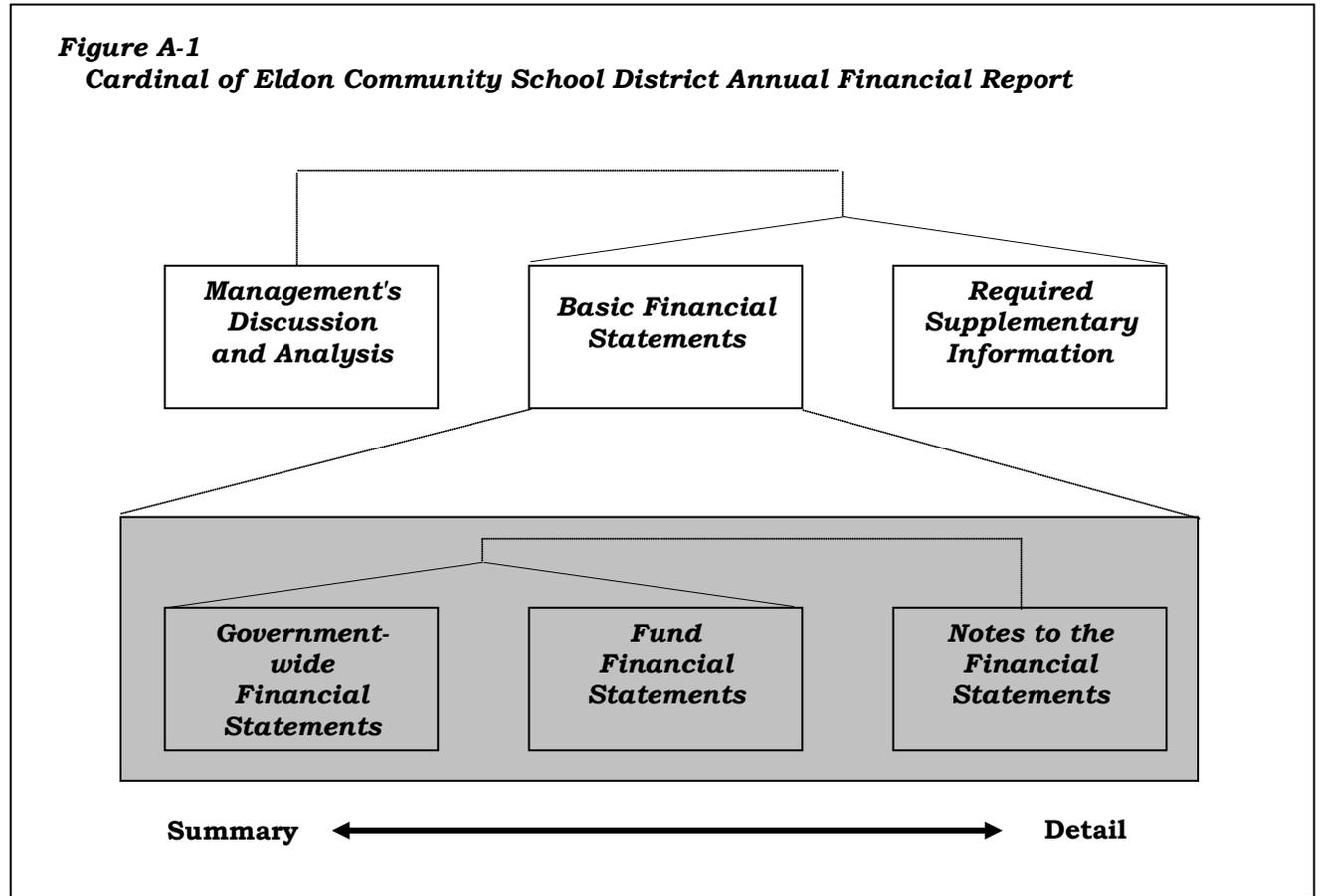


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, 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.

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The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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<br>Condensed Statement of Net Position |                            |            |                             |          |                   |            |                 |
|---|----------------------------|------------|-----------------------------|----------|-------------------|------------|-----------------|
|   | Governmental<br>Activities |            | Business Type<br>Activities |          | Total<br>District |            | Total<br>Change |
|   | June 30,                   |            | June 30,                    |          | June 30,          |            | June 30,        |
|   | 2014                       | 2013       | 2014                        | 2013     | 2014              | 2013       | 2013-14         |
| Current and other assets                          | \$ 7,447,800               | 8,925,485  | 59,951                      | 27,137   | 7,507,751         | 8,952,622  | -16.14%         |
| Capital assets                                    | 7,597,160                  | 5,600,298  | 26,107                      | 27,650   | 7,623,267         | 5,627,948  | 35.45%          |
| Total assets                                      | 15,044,960                 | 14,525,783 | 86,058                      | 54,787   | 15,131,018        | 14,580,570 | 3.78%           |
| Long-term liabilities                             | 5,344,240                  | 5,376,202  | 5,490                       | 4,232    | 5,349,730         | 5,380,434  | -0.57%          |
| Other liabilities                                 | 857,162                    | 781,453    | 20,481                      | 41,067   | 877,643           | 822,520    | 6.70%           |
| Total liabilities                                 | 6,201,402                  | 6,157,655  | 25,971                      | 45,299   | 6,227,373         | 6,202,954  | 0.39%           |
| Deferred inflows of resources                     | 2,108,097                  | 2,194,367  | -                           | -        | 2,108,097         | 2,194,367  | -3.93%          |
| Net position:                                     |                            |            |                             |          |                   |            |                 |
| Net investment in capital assets                  | 3,274,537                  | 977,522    | 26,107                      | 27,650   | 3,300,644         | 1,005,172  | 228.37%         |
| Restricted  | 1,865,518                  | 3,490,156  | -                           | -        | 1,865,518         | 3,490,156  | -46.55%         |
| Unrestricted                                      | 1,595,406                  | 1,706,083  | 33,980                      | (18,162) | 1,629,386         | 1,687,921  | -3.47%          |
| Total net position                                | \$ 6,735,461               | 6,173,761  | 60,087                      | 9,488    | 6,795,548         | 6,183,249  | 9.90%           |

The District’s combined net position increased by 9.90%, or \$612,299 over the prior year. A portion of the District’s net position is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position decreased \$1,624,638 or 46.55% from the prior year. This decrease was primarily due to a decrease in the fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net position - the part of net position that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased \$58,535 or 3.47% compared to the prior year.

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

|   | Figure A-4<br>Changes in Net Position |                  |                             |                |                   |                  |                 |
|---|---------------------------------------|------------------|-----------------------------|----------------|-------------------|------------------|-----------------|
|   | Governmental<br>Activities            |                  | Business Type<br>Activities |                | Total<br>District |                  | Total<br>Change |
|   | 2014                                  | 2013             | 2014                        | 2013           | 2014              | 2013             | 2013-14         |
| Revenues:   |                                       |                  |                             |                |                   |                  |                 |
| Program revenues:                                       |                                       |                  |                             |                |                   |                  |                 |
| Charges for service                                     | \$ 1,166,879                          | 880,212          | 100,113                     | 90,510         | 1,266,992         | 970,722          | 30.52%          |
| Operating grants, contributions and restricted interest | 719,094                               | 688,810          | 293,194                     | 267,981        | 1,012,288         | 956,791          | 5.80%           |
| Capital grants, contributions and restricted interest   | 273,956                               | 279,627          | -                           | -              | 273,956           | 279,627          | -2.03%          |
| General revenues:                                       |                                       |                  |                             |                |                   |                  |                 |
| Property tax  | 2,137,007                             | 2,202,058        | -                           | -              | 2,137,007         | 2,202,058        | -2.95%          |
| Income surtax   | 113,477                               | 198,598          | -                           | -              | 113,477           | 198,598          | -42.86%         |
| Statewide sales, services and use tax                   | 512,052                               | 532,365          | -                           | -              | 512,052           | 532,365          | -3.82%          |
| Unrestricted state grants                               | 3,404,985                             | 3,324,761        | -                           | -              | 3,404,985         | 3,324,761        | 2.41%           |
| Unrestricted investment earnings                        | 2,670                                 | 3,250            | -                           | -              | 2,670             | 3,250            | -17.85%         |
| Other   | 142,635                               | 70,280           | 60                          | -              | 142,695           | 70,280           | 103.04%         |
| Total revenues  | <u>8,472,755</u>                      | <u>8,179,961</u> | <u>393,367</u>              | <u>358,491</u> | <u>8,866,122</u>  | <u>8,538,452</u> | <u>3.84%</u>    |
| Program expenses:                                       |                                       |                  |                             |                |                   |                  |                 |
| Instructional   | 4,925,305                             | 5,191,549        | -                           | -              | 4,925,305         | 5,191,549        | -5.13%          |
| Support services  | 2,393,909                             | 2,250,955        | 2,594                       | 4,333          | 2,396,503         | 2,255,288        | 6.26%           |
| Non-instructional programs                              | -                                     | -                | 340,174                     | 349,972        | 340,174           | 349,972          | -2.80%          |
| Other expenses  | 591,841                               | 532,014          | -                           | -              | 591,841           | 532,014          | 11.25%          |
| Total expenses  | <u>7,911,055</u>                      | <u>7,974,518</u> | <u>342,768</u>              | <u>354,305</u> | <u>8,253,823</u>  | <u>8,328,823</u> | <u>-0.90%</u>   |
| Excess(Deficiency) of revenues over (under) expenses    | 561,700                               | 205,443          | 50,599                      | 4,186          | 612,299           | 209,629          | -192.09%        |
| Transfers   | -                                     | (9,106)          | -                           | 9,106          | -                 | -                | 0.00%           |
| Change in net position                                  | 561,700                               | 196,337          | 50,599                      | 13,292         | 612,299           | 209,629          | -192.09%        |
| Net position beginning of year                          | <u>6,173,761</u>                      | <u>5,977,424</u> | <u>9,488</u>                | <u>(3,804)</u> | <u>6,183,249</u>  | <u>5,973,620</u> | <u>3.51%</u>    |
| Net position end of year                                | <u>\$ 6,735,461</u>                   | <u>6,173,761</u> | <u>60,087</u>               | <u>9,488</u>   | <u>6,795,548</u>  | <u>6,183,249</u> | <u>9.90%</u>    |

In fiscal year 2014, property tax and unrestricted state grants account for 65.41% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.98% of the revenue from business type activities.

The District's total revenues were approximately \$8.87 million, of which approximately \$8.48 million was for governmental activities and approximately \$0.39 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.84% increase in revenues and a 0.90% decrease in expenses. The increase in revenues is primarily due to increases in charges for services while the decrease in expenses is primarily related to decreases in costs incurred in the instructional functional area compared to the prior year.

### Governmental Activities

Revenues for governmental activities were \$8,472,755 and expenses were \$7,911,055 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 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<br>2013-14 | 2014                 | 2013             | Change<br>2013-14 |
| Instruction      | \$ 4,925,305           | 5,191,549        | -5.13%            | 3,309,408            | 3,895,780        | -15.05%           |
| Support services | 2,393,909              | 2,250,955        | 6.35%             | 2,083,796            | 1,926,511        | 8.16%             |
| Other expenses   | 591,841                | 532,014          | 11.25%            | 357,922              | 303,578          | 17.90%            |
| Totals           | <u>\$ 7,911,055</u>    | <u>7,974,518</u> | <u>-0.80%</u>     | <u>5,751,126</u>     | <u>6,125,869</u> | <u>-6.12%</u>     |

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,166,879.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$993,050.
- The net cost of governmental activities was financed with \$2,137,007 in property tax, \$113,477 in income surtax, \$512,052 in statewide sales, services and use tax, \$3,404,985 in unrestricted state grants, \$2,670 in interest income, and \$142,635 in other general revenues.

### Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2014 were \$393,367, representing a 9.73% increase over the prior year, while expenses totaled \$342,768, an 3.26% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and other general revenues.

### INDIVIDUAL FUND ANALYSIS

As previously noted, the Cardinal of Eldon 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 a combined fund balance of \$4,434,971, below last year's ending fund balances of \$5,806,758. The primary reason for the decrease in combined fund balances was from a decrease in the Capital Projects: Statewide Sales, Services and Use Tax Fund balance due to expenditures incurred for District construction projects.

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## **Governmental Fund Highlights**

- The District's General Fund balance decreased from a balance of \$2,227,283 at June 30, 2013 to \$2,151,776 at June 30, 2014. The District's declining General Fund financial position is the product of many factors. District revenues increased compared to the prior year primarily with tuition source revenues, but the total increase in revenues was not enough to offset the increase in expenditures for fiscal year 2014. The increase in expenditures is primarily due to an increase in support service expenditures incurred during the year.
- The Management Levy Fund balance increased from \$470,602 at June 30, 2013 to \$606,563 at June 30, 2014. The primary reason for this increase in fund balance was a decrease in expenditures incurred for payouts to the District's early retirees during the year.
- The Capital Projects Fund decreased from a fund balance of \$2,386,975 at June 30, 2013 to \$941,926 at June 30, 2014. The Capital Projects: Statewide Sales, Services and Use Tax Fund balance decreased from \$2,151,580 at June 30, 2013 to \$705,853 at June 30, 2014. The decrease is related to continued expenditures incurred for the Districts FEMA Safe Room and other construction projects during the year. The Capital Projects: Physical Plant and Equipment Levy Fund balance increased from \$235,395 at June 30, 2013 to \$236,073 at June 30, 2014.

## **Proprietary Fund Highlights**

The School Nutrition Fund net position increased from a balance of \$9,488 at June 30, 2013 to \$60,087 at June 30, 2014, representing an increase of 533.29%. The increase in net position is primarily due to an increase in federal source revenues received compared to the prior year.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$271,419 more than budgeted revenues, a variance of 3.12%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the support services and non-instructional programs functional areas during the year ended June 30, 2014.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2014, the District had invested \$7,623,267, net of accumulated depreciation, in a broad range of capital assets, including buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 35.45% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$444,877.

The original cost of the District's capital assets was \$12,356,304. Governmental funds account for \$12,194,768 with the remainder of \$161,536 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 \$3,306,059 at June 30, 2013, compared to \$6,413,268 reported at June 30, 2014. The increase primarily represents the capitalization of the District's Safe Room project which was completed during the year.

| Figure A-6                          |                            |                  |                             |               |                   |                  |                 |
|-------------------------------------|----------------------------|------------------|-----------------------------|---------------|-------------------|------------------|-----------------|
| Capital Assets, net of Depreciation |                            |                  |                             |               |                   |                  |                 |
|                                     | Governmental<br>Activities |                  | Business Type<br>Activities |               | Total<br>District |                  | Total<br>Change |
|                                     | June 30,                   |                  | June 30,                    |               | June 30,          |                  | June 30,        |
|                                     | 2014                       | 2013             | 2014                        | 2013          | 2014              | 2013             | 2013-14         |
| Construction in progress            | \$ -                       | 1,329,213        | -                           | -             | -                 | 1,329,213        | -100.00%        |
| Buildings                           | 6,413,268                  | 3,306,059        | -                           | -             | 6,413,268         | 3,306,059        | 93.99%          |
| Land improvements                   | 622,956                    | 517,803          | -                           | -             | 622,956           | 517,803          | 20.31%          |
| Machinery and equipment             | 560,936                    | 447,223          | 26,107                      | 27,650        | 587,043           | 474,873          | 23.62%          |
| Total                               | <u>\$ 7,597,160</u>        | <u>5,600,298</u> | <u>26,107</u>               | <u>27,650</u> | <u>7,623,267</u>  | <u>5,627,948</u> | <u>35.45%</u>   |

### Long-Term Debt

At June 30, 2014, the District had \$5,349,730 in long-term debt outstanding. This represents a decrease of 0.57%, or \$30,704 from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$5,000 at June 30, 2014. This amount has been outstanding since 1995.

The District had total outstanding revenue bonds payable of \$4,240,000 at June 30, 2014, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had a computer lease payable of \$210,452 at June 30, 2014, payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

The District had a bus lease payable of \$77,623 at June 30, 2014, payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

The District had total outstanding termination benefits payable of \$418,897 at June 30, 2014, payable from the Management Levy Fund.

The District had compensated absences payable in the amount of \$31,914 payable at June 30, 2014, payable from the General Fund.

The District has total outstanding net OPEB liability of \$365,844 at June 30, 2014. Governmental activities account for \$360,354 of this total while business type activities account for the remaining \$5,490.

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 | \$ 5,000                | 5,000     | -                        | -     | 5,000          | 5,000     | 0.00%        |
| Revenue bonds            | 4,240,000               | 4,465,000 | -                        | -     | 4,240,000      | 4,465,000 | -5.04%       |
| Computer lease           | 210,452                 | 275,759   | -                        | -     | 210,452        | 275,759   | -23.68%      |
| Bus lease                | 77,623                  | 152,776   | -                        | -     | 77,623         | 152,776   | -49.19%      |
| Termination benefits     | 418,897                 | 166,467   | -                        | -     | 418,897        | 166,467   | 151.64%      |
| Compensated absences     | 31,914                  | 33,432    | -                        | -     | 31,914         | 33,432    | -4.54%       |
| Net OPEB liability       | 360,354                 | 277,768   | 5,490                    | 4,232 | 365,844        | 282,000   | 29.73%       |
| Total                    | \$ 5,344,240            | 5,376,202 | 5,490                    | 4,232 | 5,349,730      | 5,380,434 | -0.57%       |

### **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:

- Declining enrollment would negatively impact District finances. Low or no supplemental state aid over several years negatively impacts the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget. In addition, state budget concerns will affect future projections.
- With the implementation of GASB Statement No. 68 in FY15, the District is expected to book a liability on financial statements associated with the District's share of its IPERS liability. This is expected to negatively impact the District's financial statements

### **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 Robin Leonard, Treasurer/Business Manager, Cardinal of Eldon Community School District, 4045 Ashland Road, Eldon, Iowa, 52554.

BASIC FINANCIAL STATEMENTS

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014

|   | Governmental<br>Activities | Business Type<br>Activities | Total             |
|---|----------------------------|-----------------------------|-------------------|
| <b>ASSETS</b>                                   |                            |                             |                   |
| Cash and cash equivalents                       | \$ 4,547,437               | 53,090                      | 4,600,527         |
| Receivables:                                    |                            |                             |                   |
| Property tax:                                   |                            |                             |                   |
| Delinquent                                      | 47,626                     | -                           | 47,626            |
| Succeeding year                                 | 2,108,097                  | -                           | 2,108,097         |
| Income surtax                                   | 100,836                    | -                           | 100,836           |
| Due from other governments                      | 554,645                    | -                           | 554,645           |
| Inventories                                     | -                          | 6,861                       | 6,861             |
| Prepaid items                                   | 89,159                     | -                           | 89,159            |
| Capital assets, net of accumulated depreciation | 7,597,160                  | 26,107                      | 7,623,267         |
| <b>TOTAL ASSETS</b>                             | <b>15,044,960</b>          | <b>86,058</b>               | <b>15,131,018</b> |
| <b>LIABILITIES</b>                              |                            |                             |                   |
| Accounts payable                                | 131,258                    | -                           | 131,258           |
| Salaries and benefits payable                   | 646,340                    | 18,129                      | 664,469           |
| Advances from grantors                          | 26,298                     | -                           | 26,298            |
| Accrued interest payable                        | 53,266                     | -                           | 53,266            |
| Unearned revenue                                | -                          | 2,352                       | 2,352             |
| Long-term liabilities:                          |                            |                             |                   |
| Portion due within one year:                    |                            |                             |                   |
| General obligation bonds                        | 5,000                      | -                           | 5,000             |
| Revenue bonds                                   | 235,000                    | -                           | 235,000           |
| Computer lease                                  | 67,672                     | -                           | 67,672            |
| Bus lease                                       | 77,623                     | -                           | 77,623            |
| Compensated absences                            | 31,914                     | -                           | 31,914            |
| Termination benefits                            | 92,190                     | -                           | 92,190            |
| Portion due after one year:                     |                            |                             |                   |
| Revenue bonds                                   | 4,005,000                  | -                           | 4,005,000         |
| Computer lease                                  | 142,780                    | -                           | 142,780           |
| Termination benefits                            | 326,707                    | -                           | 326,707           |
| Net OPEB liability                              | 360,354                    | 5,490                       | 365,844           |
| <b>TOTAL LIABILITIES</b>                        | <b>6,201,402</b>           | <b>25,971</b>               | <b>6,227,373</b>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>            |                            |                             |                   |
| Unavailable property tax revenue                | 2,108,097                  | -                           | 2,108,097         |
| <b>NET POSITION</b>                             |                            |                             |                   |
| Net investment in capital assets                | 3,274,537                  | 26,107                      | 3,300,644         |
| Restricted for:                                 |                            |                             |                   |
| Categorical funding                             | 143,645                    | -                           | 143,645           |
| Management levy purposes                        | 98,507                     | -                           | 98,507            |
| Student activities                              | 123,639                    | -                           | 123,639           |
| Debt service                                    | 557,801                    | -                           | 557,801           |
| School infrastructure                           | 705,853                    | -                           | 705,853           |
| Physical plant and equipment                    | 236,073                    | -                           | 236,073           |
| Unrestricted                                    | 1,595,406                  | 33,980                      | 1,629,386         |
| <b>TOTAL NET POSITION</b>                       | <b>\$ 6,735,461</b>        | <b>60,087</b>               | <b>6,795,548</b>  |

SEE NOTES TO FINANCIAL STATEMENTS.

**CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

|                                       | Program Revenues    |                        |  | Net (Expense) Revenue<br>and Changes in Net Position           |                            | Total         |                             |
|---------------------------------------|---------------------|------------------------|--|--|----------------------------|---------------|-----------------------------|
|                                       | Expenses            | Charges for<br>Service | Operating Grants,<br>Contributions<br>and Restricted<br>Interest | Capital Grants,<br>Contributions<br>and Restricted<br>Interest | Governmental<br>Activities |               | Business Type<br>Activities |
| <b>Functions/Programs:</b>            |                     |                        |  |  |                            |               |                             |
| Governmental activities:              |                     |                        |  |  |                            |               |                             |
| Instruction:                          |                     |                        |  |  |                            |               |                             |
| Regular                               | \$ 2,603,215        | 785,046                | 72,799   | -  | (1,745,370)                | -             | (1,745,370)                 |
| Special                               | 1,123,876           | 112,575                | 155,767  | -  | (855,534)                  | -             | (855,534)                   |
| Other                                 | 1,198,214           | 233,410                | 256,300  | -  | (708,504)                  | -             | (708,504)                   |
|                                       | <u>4,925,305</u>    | <u>1,131,031</u>       | <u>484,866</u>   | <u>-</u>   | <u>(3,309,408)</u>         | <u>-</u>      | <u>(3,309,408)</u>          |
| Support services:                     |                     |                        |  |  |                            |               |                             |
| Student                               | 209,417             | 35,848                 | -  | -  | (173,569)                  | -             | (173,569)                   |
| Instructional staff                   | 388,309             | -                      | -  | -  | (388,309)                  | -             | (388,309)                   |
| Administration                        | 941,676             | -                      | 309  | -  | (941,367)                  | -             | (941,367)                   |
| Operation and maintenance of plant    | 422,669             | -                      | -  | 273,956  | (148,713)                  | -             | (148,713)                   |
| Transportation                        | 431,838             | -                      | -  | -  | (431,838)                  | -             | (431,838)                   |
|                                       | <u>2,393,909</u>    | <u>35,848</u>          | <u>309</u>   | <u>273,956</u>   | <u>(2,083,796)</u>         | <u>-</u>      | <u>(2,083,796)</u>          |
| Long-term debt interest               | 108,477             | -                      | -  | -  | (108,477)                  | -             | (108,477)                   |
| Other expenditures:                   |                     |                        |  |  |                            |               |                             |
| AEA flowthrough                       | 233,919             | -                      | 233,919  | -  | -                          | -             | -                           |
| Depreciation(unallocated)*            | 249,445             | -                      | -  | -  | (249,445)                  | -             | (249,445)                   |
|                                       | <u>483,364</u>      | <u>-</u>               | <u>233,919</u>   | <u>-</u>   | <u>(249,445)</u>           | <u>-</u>      | <u>(249,445)</u>            |
| Total governmental activities         | <u>7,911,055</u>    | <u>1,166,879</u>       | <u>719,094</u>   | <u>273,956</u>   | <u>(5,751,126)</u>         | <u>-</u>      | <u>(5,751,126)</u>          |
| Business type activities:             |                     |                        |  |  |                            |               |                             |
| Support services:                     |                     |                        |  |  |                            |               |                             |
| Administration                        | 109                 | -                      | -  | -  | -                          | (109)         | (109)                       |
| Operation and maintenance of plant    | 2,485               | -                      | -  | -  | -                          | (2,485)       | (2,485)                     |
| Non-instructional programs:           |                     |                        |  |  |                            |               |                             |
| Food service operations               | 340,174             | 100,113                | 293,194  | -  | -                          | 53,133        | 53,133                      |
| Total business type activities        | <u>342,768</u>      | <u>100,113</u>         | <u>293,194</u>   | <u>-</u>   | <u>-</u>                   | <u>50,539</u> | <u>50,539</u>               |
| Total                                 | <u>\$ 8,253,823</u> | <u>1,266,992</u>       | <u>1,012,288</u>   | <u>273,956</u>   | <u>(5,751,126)</u>         | <u>50,539</u> | <u>(5,700,587)</u>          |
| <b>General Revenues:</b>              |                     |                        |  |  |                            |               |                             |
| Property tax levied for:              |                     |                        |  |  |                            |               |                             |
| General purposes                      |                     |                        |  | \$ 1,911,578   | -                          |               | 1,911,578                   |
| Capital outlay                        |                     |                        |  | 225,429  | -                          |               | 225,429                     |
| Income surtax                         |                     |                        |  | 113,477  | -                          |               | 113,477                     |
| Statewide sales, services and use tax |                     |                        |  | 512,052  | -                          |               | 512,052                     |
| Unrestricted state grants             |                     |                        |  | 3,404,985  | -                          |               | 3,404,985                   |
| Unrestricted investment earnings      |                     |                        |  | 2,670  | -                          |               | 2,670                       |
| Other general revenues                |                     |                        |  | 142,635  | 60                         |               | 142,695                     |
| Total general revenues                |                     |                        |  | <u>6,312,826</u>   | <u>60</u>                  |               | <u>6,312,886</u>            |
| Change in net position                |                     |                        |  | 561,700  | 50,599                     |               | 612,299                     |
| Net position beginning of year        |                     |                        |  | 6,173,761  | 9,488                      |               | 6,183,249                   |
| Net position end of year              |                     |                        |  | <u>\$ 6,735,461</u>  | <u>60,087</u>              |               | <u>6,795,548</u>            |

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

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

|   | General             | Management<br>Levy | Capital<br>Projects | Nonmajor       | Total            |
|---|---------------------|--------------------|---------------------|----------------|------------------|
| <b>ASSETS</b>   |                     |                    |                     |                |                  |
| Cash and pooled investments   | \$ 2,449,684        | 511,826            | 851,221             | 734,706        | 4,547,437        |
| Receivables:  |                     |                    |                     |                |                  |
| Property tax:   |                     |                    |                     |                |                  |
| Delinquent  | 37,024              | 5,578              | 5,024               | -              | 47,626           |
| Succeeding year   | 1,632,597           | 250,000            | 225,500             | -              | 2,108,097        |
| Income surtax   | 100,836             | -                  | -                   | -              | 100,836          |
| Due from other governments  | 468,964             | -                  | 85,681              | -              | 554,645          |
| Prepaid items   | -                   | 89,159             | -                   | -              | 89,159           |
| <b>TOTAL ASSETS</b>   | <b>\$ 4,689,105</b> | <b>856,563</b>     | <b>1,167,426</b>    | <b>734,706</b> | <b>7,447,800</b> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>       |                     |                    |                     |                |                  |
| Liabilities:  |                     |                    |                     |                |                  |
| Accounts payable  | \$ 131,258          | -                  | -                   | -              | 131,258          |
| Salaries and benefits payable   | 646,340             | -                  | -                   | -              | 646,340          |
| Advances from grantors  | 26,298              | -                  | -                   | -              | 26,298           |
| Total liabilities   | 803,896             | -                  | -                   | -              | 803,896          |
| Deferred inflows of resources:  |                     |                    |                     |                |                  |
| Deferred revenue:   |                     |                    |                     |                |                  |
| Succeeding year property tax  | 1,632,597           | 250,000            | 225,500             | -              | 2,108,097        |
| Income surtax   | 100,836             | -                  | -                   | -              | 100,836          |
| Total deferred inflows of resources                                       | 1,733,433           | 250,000            | 225,500             | -              | 2,208,933        |
| Fund Balances:  |                     |                    |                     |                |                  |
| Nonspendable  | -                   | 89,159             | -                   | -              | 89,159           |
| Restricted for:   |                     |                    |                     |                |                  |
| Categorical funding   | 143,645             | -                  | -                   | -              | 143,645          |
| Debt service  | -                   | -                  | -                   | 611,067        | 611,067          |
| Management levy purposes  | -                   | 517,404            | -                   | -              | 517,404          |
| Student activities  | -                   | -                  | -                   | 123,639        | 123,639          |
| School infrastructure   | -                   | -                  | 705,853             | -              | 705,853          |
| Physical plant and equipment  | -                   | -                  | 236,073             | -              | 236,073          |
| Unassigned  | 2,008,131           | -                  | -                   | -              | 2,008,131        |
| Total fund balances   | 2,151,776           | 606,563            | 941,926             | 734,706        | 4,434,971        |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> | <b>\$ 4,689,105</b> | <b>856,563</b>     | <b>1,167,426</b>    | <b>734,706</b> | <b>7,447,800</b> |

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2014

|   |           |                                |
|---|-----------|--------------------------------|
| <b>Total fund balances of governmental funds (page 20)</b>  | \$        | 4,434,971                      |
| <br><i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>   |           |                                |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.  |           | 7,597,160                      |
| 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.  |           | (53,266)                       |
| Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal year, therefore, are recognized as deferred inflows of resources in the governmental funds.  |           | 100,836                        |
| Long-term liabilities, including bonds payable, termination benefits payable, accrued compensated absences 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>(5,344,240)</u>             |
| <b>Net position of governmental activities (page 18)</b>  | <b>\$</b> | <b><u><u>6,735,461</u></u></b> |

SEE NOTES TO FINANCIAL STATEMENTS.

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

|  | General             | Management<br>Levy | Capital<br>Projects | Nonmajor       | Total            |
|--|---------------------|--------------------|---------------------|----------------|------------------|
| Revenues:  |                     |                    |                     |                |                  |
| Local sources:   |                     |                    |                     |                |                  |
| Local tax  | \$ 1,873,818        | 250,303            | 225,429             | -              | 2,349,550        |
| Tuition  | 894,284             | -                  | -                   | -              | 894,284          |
| Other  | 139,311             | 3,379              | 77,611              | 229,549        | 449,850          |
| State sources  | 3,752,061           | -                  | 544,282             | -              | 4,296,343        |
| Federal sources  | 340,068             | -                  | 241,726             | -              | 581,794          |
| Total revenues   | <u>6,999,542</u>    | <u>253,682</u>     | <u>1,089,048</u>    | <u>229,549</u> | <u>8,571,821</u> |
| Expenditures:  |                     |                    |                     |                |                  |
| Current:   |                     |                    |                     |                |                  |
| Instruction:   |                     |                    |                     |                |                  |
| Regular  | 2,402,006           | 33,549             | -                   | -              | 2,435,555        |
| Special  | 1,101,949           | -                  | -                   | -              | 1,101,949        |
| Other  | 970,900             | -                  | -                   | 225,564        | 1,196,464        |
|  | <u>4,474,855</u>    | <u>33,549</u>      | <u>-</u>            | <u>225,564</u> | <u>4,733,968</u> |
| Support services:  |                     |                    |                     |                |                  |
| Student  | 148,540             | -                  | -                   | -              | 148,540          |
| Instructional staff  | 368,675             | -                  | 17,344              | -              | 386,019          |
| Administration   | 826,335             | 72,113             | -                   | -              | 898,448          |
| Operation and maintenance of plant                         | 545,825             | -                  | -                   | -              | 545,825          |
| Transportation   | 476,900             | 12,059             | -                   | -              | 488,959          |
|  | <u>2,366,275</u>    | <u>84,172</u>      | <u>17,344</u>       | <u>-</u>       | <u>2,467,791</u> |
| Capital outlay   | -                   | -                  | 2,030,264           | -              | 2,030,264        |
| Long-term debt:  |                     |                    |                     |                |                  |
| Principal  | -                   | -                  | -                   | 365,460        | 365,460          |
| Interest and fiscal charges                                | -                   | -                  | -                   | 112,206        | 112,206          |
|  | <u>-</u>            | <u>-</u>           | <u>-</u>            | <u>477,666</u> | <u>477,666</u>   |
| Other expenditures:  |                     |                    |                     |                |                  |
| AEA flowthrough  | 233,919             | -                  | -                   | -              | 233,919          |
| Total expenditures   | <u>7,075,049</u>    | <u>117,721</u>     | <u>2,047,608</u>    | <u>703,230</u> | <u>9,943,608</u> |
| Excess(Deficiency) of revenues<br>over(under) expenditures | (75,507)            | 135,961            | (958,560)           | (473,681)      | (1,371,787)      |
| Other financing sources(uses):                             |                     |                    |                     |                |                  |
| Transfers in   | -                   | -                  | -                   | 486,489        | 486,489          |
| Transfers out  | -                   | -                  | (486,489)           | -              | (486,489)        |
| Total other financing sources(uses)                        | <u>-</u>            | <u>-</u>           | <u>(486,489)</u>    | <u>486,489</u> | <u>-</u>         |
| Change in fund balances                                    | (75,507)            | 135,961            | (1,445,049)         | 12,808         | (1,371,787)      |
| Fund balances beginning of year                            | <u>2,227,283</u>    | <u>470,602</u>     | <u>2,386,975</u>    | <u>721,898</u> | <u>5,806,758</u> |
| Fund balances end of year                                  | <u>\$ 2,151,776</u> | <u>606,563</u>     | <u>941,926</u>      | <u>734,706</u> | <u>4,434,971</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2014

**Change in fund balances - total governmental funds (page 22)** \$ (1,371,787)

*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. The amounts of capital outlay, depreciation expense and loss on disposal in the year are as follows:

|                      |                |           |
|----------------------|----------------|-----------|
| Capital outlay       | \$ 2,441,566   |           |
| Depreciation expense | (441,134)      |           |
| Loss on disposal     | <u>(3,570)</u> | 1,996,862 |

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. 365,460

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. 3,729

Income surtax account receivable is not available to finance expenditures of the current year and is not considered available revenue, therefore, recognized as deferred inflows of resources in the governmental funds. (99,066)

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

|                               |                 |                  |
|-------------------------------|-----------------|------------------|
| Termination benefits          | (252,430)       |                  |
| Compensated absences          | 1,518           |                  |
| Other postemployment benefits | <u>(82,586)</u> | <u>(333,498)</u> |

**Change in net position of governmental activities (page 19)** \$ 561,700

SEE NOTES TO FINANCIAL STATEMENTS.

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

|  |           | Enterprise<br>School<br>Nutrition |
|--|-----------|-----------------------------------|
| <b>ASSETS</b>                                      |           |                                   |
| Cash and cash equivalents                          | \$        | 53,090                            |
| Inventories  |           | 6,861                             |
| Capital assets, net of<br>accumulated depreciation |           | 26,107                            |
| <b>TOTAL ASSETS</b>                                |           | 86,058                            |
| <br><b>LIABILITIES</b>                             |           |                                   |
| Salaries and benefits payable                      |           | 18,129                            |
| Unearned revenue                                   |           | 2,352                             |
| Net OPEB liability                                 |           | 5,490                             |
| <b>TOTAL LIABILITIES</b>                           |           | 25,971                            |
| <br><b>NET POSITION</b>                            |           |                                   |
| Net investment in capital assets                   |           | 26,107                            |
| Unrestricted                                       |           | 33,980                            |
| <b>TOTAL NET POSITION</b>                          | <b>\$</b> | <b>60,087</b>                     |

SEE NOTES TO FINANCIAL STATEMENTS.

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

|                                     | Enterprise<br>School<br>Nutrition |
|-------------------------------------|-----------------------------------|
| Operating revenues:                 |                                   |
| Local sources:                      |                                   |
| Charges for service                 | \$ 100,113                        |
| Miscellaneous                       | 60                                |
| TOTAL OPERATING REVENUES            | 100,173                           |
| Operating expenses:                 |                                   |
| Support services:                   |                                   |
| Administration:                     |                                   |
| Other                               | 109                               |
| Operation and maintenance of plant: |                                   |
| Services                            | 2,485                             |
| Total support services              | 2,594                             |
| Non-instructional programs:         |                                   |
| Food service operations:            |                                   |
| Salaries                            | 89,484                            |
| Benefits                            | 34,300                            |
| Services                            | 812                               |
| Supplies                            | 210,724                           |
| Other                               | 1,111                             |
| Depreciation                        | 3,743                             |
| Total non-instructional programs    | 340,174                           |
| Total operating expenses            | 342,768                           |
| Operating loss                      | (242,595)                         |
| Non-operating revenues:             |                                   |
| State sources                       | 3,360                             |
| Federal sources                     | 289,834                           |
| Total non-operating revenues        | 293,194                           |
| Change in net position              | 50,599                            |
| Net position beginning of year      | 9,488                             |
| Net position end of year            | \$ 60,087                         |

SEE NOTES TO FINANCIAL STATEMENTS.

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

|   | Enterprise<br>School<br>Nutrition |
|---|-----------------------------------|
| Cash flows from operating activities:   |                                   |
| Cash received from sale of lunches and breakfasts                                 | \$ 100,079                        |
| Cash received from miscellaneous  | 60                                |
| Cash payments to employees for services   | (121,405)                         |
| Cash payments to suppliers for goods or services                                  | (178,779)                         |
| Net cash used in operating activities   | (200,045)                         |
| Cash flows from non-capital financing activities:                                 |                                   |
| Repayments to General Fund  | (21,673)                          |
| State grants received   | 3,360                             |
| Federal grants received   | 253,703                           |
| Net cash provided by non-capital financing activities                             | 235,390                           |
| Cash flows from capital financing activities:                                     |                                   |
| Purchase of assets  | (2,200)                           |
| Net increase in cash and cash equivalents   | 33,145                            |
| Cash and cash equivalents beginning of year                                       | 19,945                            |
| Cash and cash equivalents end of year   | \$ 53,090                         |
| <b>Reconciliation of operating loss to net cash used in operating activities:</b> |                                   |
| Operating loss  | \$ (242,595)                      |
| Adjustments to reconcile operating loss to net cash used in operating activities: |                                   |
| Commodities consumed  | 36,131                            |
| Depreciation  | 3,743                             |
| Decrease in inventories   | 331                               |
| Increase in salaries and benefits payable   | 1,121                             |
| Decrease in unearned revenue  | (34)                              |
| Increase in other postemployment benefits liability                               | 1,258                             |
| Net cash used in operating activities   | \$ (200,045)                      |

During the year ended June 30, 2014, the District received Federal commodities valued at \$36,131.

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2014

|                             | <u>Private Purpose<br/>Trust<br/>Scholarship</u> |
|-----------------------------|--|
| <b>Assets</b>               |  |
| Cash and cash equivalents   | \$ 57,607  |
| <b>Liabilities</b>          | <u>-</u>   |
| <b>Net Position</b>         |  |
| Restricted for scholarships | <u>\$ 57,607</u>                                 |

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2014

|                                | <u>Private Purpose<br/>Trust</u> |
|--------------------------------|----------------------------------|
|                                | <u>Scholarship</u>               |
| Additions:                     |                                  |
| Local sources:                 |                                  |
| Gifts and contributions        | \$ <u>1,600</u>                  |
| Deductions:                    |                                  |
| Non-instructional programs:    |                                  |
| Scholarships awarded           | <u>2,774</u>                     |
| Change in net position         | (1,174)                          |
| Net position beginning of year | <u>58,781</u>                    |
| Net position end of year       | <u>\$ <u>57,607</u></u>          |

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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

The Cardinal of Eldon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Eldon, Iowa, and the predominate agricultural territory in Jefferson, Wapello, Davis, and Van Buren 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, Cardinal of Eldon 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 Cardinal of Eldon 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 Jefferson, Wapello, Davis, and Van Buren County Assessors' Conference Board.

**B. Basis of Presentation**

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

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

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

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

*Unrestricted net position* consists of net position that does not meet 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 schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

The Management Levy Fund is utilized to account for the revenues and expenses of unemployment benefits, early retirement benefits, and insurance agreements relating to such liabilities.

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

The District reports the following non-major proprietary fund:

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

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

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

### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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 column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class                     | Amount   |
|---------------------------------|----------|
| Land                            | \$ 2,000 |
| Buildings                       | 2,000    |
| Land improvements               | 2,000    |
| Intangibles                     | 25,000   |
| Furniture and equipment:        |          |
| School Nutrition Fund equipment | 500      |
| Other furniture and equipment   | 2,000    |

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

| Asset Class             | Estimated Useful Lives |
|-------------------------|------------------------|
| Buildings               | 50 years               |
| Land improvements       | 20 years               |
| Intangibles             | 2 or more years        |
| Furniture and equipment | 5-12 years             |

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the Statement of Net Position and will be paid in the future out of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund.

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

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current 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 period 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:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be intact or are not expected to be converted to cash.

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. During the year ended June 30, 2014 the District exceeded the amounts budgeted for the support services and non-instructional programs functions.

#### (2) **Cash and Pooled Investments**

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

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government obligations Portfolio which are valued at an amortized cost of \$2,338,212 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were both rated AAA by Standard & Poor's Financial Services.

**(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 | \$ 331,026        |
| Debt Service | Capital Projects: Physical Plant and Equipment Levy     | 75,289            |
| Debt Service | Capital Projects: Physical Plant and Equipment Levy     | <u>80,174</u>     |
| Total        |   | <u>\$ 486,489</u> |

The transfers from the Capital Project: Statewide Sales, Services and Use Tax Fund to the Debt Service fund was to make principal and interest payments on the District's revenue bonded indebtedness.

The transfers from the Capital Project: Physical Plant and Equipment Levy to the Debt Service Fund were to transfer money for principal and interest payments on the District's bus lease and computer lease indebtedness. \$80,174 was for the bus lease and \$75,289 was for the computer lease.

**(4) Capital Assets**

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

|  | Balance<br>Beginning<br>of Year | Increases      | Decreases | Balance<br>End<br>of Year |
|--|---------------------------------|----------------|-----------|---------------------------|
| <b>Business type activities:</b>             |                                 |                |           |                           |
| Machinery and equipment                      | \$ 159,336                      | 2,200          | -         | 161,536                   |
| Less accumulated depreciation                | 131,686                         | 3,743          | -         | 135,429                   |
| Business type activities capital assets, net | <u>\$ 27,650</u>                | <u>(1,543)</u> | <u>-</u>  | <u>26,107</u>             |

|   | Balance<br>Beginning<br>of Year | Increases | Decreases | Balance<br>End<br>of Year |
|---|---------------------------------|-----------|-----------|---------------------------|
| <b>Governmental activities:</b>             |                                 |           |           |                           |
| Capital assets not being depreciated:       |                                 |           |           |                           |
| Construction in progress                    | \$ 1,329,213                    | 1,810,766 | 3,139,979 | -                         |
| Total capital assets not being depreciated  | 1,329,213                       | 1,810,766 | 3,139,979 | -                         |
| Capital assets being depreciated:           |                                 |           |           |                           |
| Buildings                                   | 5,479,173                       | 3,315,419 | 18,103    | 8,776,489                 |
| Land improvements                           | 1,298,091                       | 146,388   | -         | 1,444,479                 |
| Machinery and equipment                     | 1,680,677                       | 308,972   | 15,849    | 1,973,800                 |
| Total capital assets being depreciated      | 8,457,941                       | 3,770,779 | 33,952    | 12,194,768                |
| Less accumulated depreciation for:          |                                 |           |           |                           |
| Buildings                                   | 2,173,114                       | 208,210   | 18,103    | 2,363,221                 |
| Land improvements                           | 780,288                         | 41,235    | -         | 821,523                   |
| Machinery and equipment                     | 1,233,454                       | 191,689   | 12,279    | 1,412,864                 |
| Total accumulated depreciation              | 4,186,856                       | 441,134   | 30,382    | 4,597,608                 |
| Total capital assets being depreciated, net | 4,271,085                       | 3,329,645 | 3,570     | 7,597,160                 |
| Governmental activities capital assets, net | \$ 5,600,298                    | 5,140,411 | 3,143,549 | 7,597,160                 |

Depreciation expense was charged by the District as follows:

|  |            |
|--|------------|
| Governmental activities:                           |            |
| Instruction:                                       |            |
| Regular  | \$ 34,672  |
| Other  | 16,082     |
| Support services:                                  |            |
| Instructional staff                                | 645        |
| Administration                                     | 36,179     |
| Operation and maintenance of plant                 | 9,875      |
| Transportation                                     | 94,236     |
|  | 191,689    |
| Unallocated depreciation                           | 249,445    |
| Total governmental activities depreciation expense | \$ 441,134 |
| Business type activities:                          |            |
| Food service operations                            | \$ 3,743   |

(5) **Long-Term Liabilities**

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

|                                  | Balance<br>Beginning<br>of Year | Additions | Deletions | Balance<br>End of<br>Year | Due<br>Within<br>One Year |
|----------------------------------|---------------------------------|-----------|-----------|---------------------------|---------------------------|
| <b>Governmental activities:</b>  |                                 |           |           |                           |                           |
| General obligation bonds         | \$ 5,000                        | -         | -         | 5,000                     | 5,000                     |
| Revenue bonds                    | 4,465,000                       | -         | 225,000   | 4,240,000                 | 235,000                   |
| Computer lease                   | 275,759                         | -         | 65,307    | 210,452                   | 67,672                    |
| Bus lease                        | 152,776                         | -         | 75,153    | 77,623                    | 77,623                    |
| Compensated absences             | 33,432                          | 31,914    | 33,432    | 31,914                    | 31,914                    |
| Termination benefits             | 166,467                         | 278,954   | 26,524    | 418,897                   | 92,190                    |
| Net OPEB liability               | 277,768                         | 82,586    | -         | 360,354                   | -                         |
| Total                            | \$ 5,376,202                    | 393,454   | 425,416   | 5,344,240                 | 509,399                   |
| <b>Business type activities:</b> |                                 |           |           |                           |                           |
| Net OPEB liability               | \$ 4,232                        | 1,258     | -         | 5,490                     | -                         |

General Obligation Bonds

Details of the District's June 30, 2014 General Obligation bonds indebtedness is as follows:

| Year<br>Ending<br>June 30, | Interest<br>Rate | Issue March 1, 1983 |          |       |
|----------------------------|------------------|---------------------|----------|-------|
|                            |                  | Principal           | Interest | Total |
| 1995                       | 8.60%            | \$ 5,000            | 1,935    | 6,935 |

Revenue Bonds

Details of the District's June 30, 2014 statewide, sales, services and use tax revenue bonded indebtedness are as follows:

| Year<br>Ending<br>June 30, | Interest<br>Rate | Issue June 1, 2012 |          |           |
|----------------------------|------------------|--------------------|----------|-----------|
|                            |                  | Principal          | Interest | Total     |
| 2015                       | 1.00             | % \$ 235,000       | 92,652   | 327,652   |
| 2016                       | 1.00             | 235,000            | 90,303   | 325,303   |
| 2017                       | 1.00             | 240,000            | 87,927   | 327,927   |
| 2018                       | 1.25             | 240,000            | 85,228   | 325,228   |
| 2019                       | 1.50             | 245,000            | 81,890   | 326,890   |
| 2020-2024                  | 1.75-2.60        | 1,280,000          | 336,574  | 1,616,574 |
| 2025-2029                  | 2.70-3.10        | 1,450,000          | 159,370  | 1,609,370 |
| 2030                       | 3.10             | 315,000            | 4,882    | 319,882   |
| Total                      |                  | \$ 4,240,000       | 938,826  | 5,178,826 |

The District has pledged future statewide sales, services and use tax revenues to repay the \$4,465,000 of bonds issued in June 2012. The bonds were issued for the purpose of financing additions to current District buildings. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not general obligations of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 64% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$5,178,826. Current year principal and interest payments on the bonds were \$225,000 and \$94,953 respectively, and the total statewide sales, services and use tax revenues were \$512,052.

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

- a) \$329,127 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide, sales, services and use tax shall be placed in a reserve account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Computer Lease

Details of the District's June 30, 2014 computer lease indebtedness is as follows:

| Year<br>Ending<br>June 30, | Interest<br>Rate | Computer lease issue of June 4, 2012 |               |                |
|----------------------------|------------------|--------------------------------------|---------------|----------------|
|                            |                  | Principal                            | Interest      | Total          |
| 2015                       | 3.62 %           | \$ 67,672                            | 7,618         | 75,290         |
| 2016                       | 3.62             | 70,121                               | 5,168         | 75,289         |
| 2017                       | 3.62             | 72,659                               | 2,630         | 75,289         |
|                            |                  | <u>\$ 210,452</u>                    | <u>15,416</u> | <u>225,868</u> |

Bus Lease

Details of the District's June 30, 2014 bus lease indebtedness is as follows:

| Year<br>Ending<br>June 30, | Interest<br>Rate | Bus lease issued February 19, 2013 |          |        |
|----------------------------|------------------|------------------------------------|----------|--------|
|                            |                  | Principal                          | Interest | Total  |
| 2015                       | 3.29 %           | \$ 77,623                          | 2,551    | 80,174 |

## Termination Benefits

The District offered a voluntary early retirement plan in fiscal years 2011, 2013 and 2014 to its licensed employees, each plan was only offered for one year. Eligible employees must have been at least fifty-five and must have completed ten years of continuous service as a full-time licensed employee to the District. Licensed employees must have completed an application which was required to be approved by the Board of Education. The Board of Directors does not plan to offer early retirement for the next several years.

Prior year early retirement incentives for each eligible licensed employee is the licensed employee as follows: each retiree will receive credit for their first ten years of continuous service and will receive the difference between their placement on the tenth step of their educational lane on the salary schedule and the base salary for the current year. In addition to this amount the individual will be reimbursed at the rate of \$50 per day for each unused accumulated sick day to the maximum of one hundred twenty days.

Fiscal year 2014 retirees will receive a cash payment of \$40,000 payable in three installments with the first installment to be paid on December 31, 2014, and the two successive years. Retirees also received District provided single premium health insurance coverage up to age 65 so long as the employee continues to participate in the District's group health insurance plan.

At June 30, 2014 the District had obligations to six participants with a total liability of \$418,897. Termination benefits for the year ended June 30, 2014 totaled \$26,524.

### **(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$304,836, \$278,812 and \$252,178 respectively, equal to the required contributions for each year.

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

Plan Description - The District operates a single-employer health benefit plan which provides medical and dental benefits for employees, retirees and their spouses. There are 66 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/dental benefits are provided through a full-insured plan with ISEBA. Retirees under age 65 pay the same premium for the medical/ dental benefit as active employees, which results in an implicit rate of 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 County's net OPEB obligation:

|  |                          |
|--|--------------------------|
| Annual required contribution               | \$ 152,000               |
| Interest on net OPEB obligation            | 12,690                   |
| Adjustment to annual required contribution | <u>(10,846)</u>          |
| Annual OPEB cost                           | 153,844                  |
| Contributions made                         | <u>(70,000)</u>          |
| Increase in net OPEB obligation            | 83,844                   |
| Net OPEB obligation beginning of year      | <u>282,000</u>           |
| Net OPEB obligation end of year            | <u><u>\$ 365,844</u></u> |

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

For the year ended June 30, 2014, the District contributed \$70,000 to the medical plan. Plan members receiving benefits contributed \$56,000 or 44.44% of the premium costs.

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                | \$ 89,477        | 76.0%                                      | \$ 183,044          |
| 2013                | 152,956          | 35.3%                                      | 282,000             |
| 2014                | 153,844          | 45.5%                                      | 365,844             |

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 \$1.040 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.040 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.739 million and the ratio of the UAAL to covered payroll was 38.0%.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced of 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific based. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of Jun 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Risk Management**

The District is a member in the Iowa 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 and dental.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2014 were \$720,048.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$233,919 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.

**(10) Budget Overexpenditure**

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

**(11) 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.

**(12) Operating Lease**

During the year ended June 30, 2012 the District entered into a 60 month agreement to lease copy machines with Infomax Office Systems. Amounts remaining on lease are as follows:

| Year<br>Ending<br>June 30, | Lease<br>Payments |
|----------------------------|-------------------|
| 2015                       | \$ 9,792          |
| 2016                       | 9,792             |
| 2017                       | 7,344             |
|                            | <u>\$ 26,928</u>  |

**(13) Categorical Funding**

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

| Program  | Amount            |
|--|-------------------|
| Home school assistance program                     | \$ 6,064          |
| Gifted and talented programs                       | 2,181             |
| Dropout and dropout prevention                     | 29,486            |
| Beginning teacher mentoring and induction programs | 2,122             |
| Four-year old preschool state aid                  | 47,543            |
| Successful progression for early readers           | 13,862            |
| Professional development for model core curriculum | 32,378            |
| Early childhood programs grant                     | 10,009            |
| Total  | <u>\$ 143,645</u> |

**(14) Reconciliation of Governmental Fund Balances to Net Position**

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.

|  | Net investment<br>in capital assets | Management<br>Levy | Debt<br>Service | Unassigned/<br>Unrestricted |
|--|-------------------------------------|--------------------|-----------------|-----------------------------|
| Fund balance (Exhibit C)                         | \$ -                                | 517,404            | 611,067         | 2,008,131                   |
| Capital assets, net of accumulated depreciation  | 7,597,160                           | -                  | -               | -                           |
| General obligation bond capitalized indebtedness | (5,000)                             | -                  | -               | -                           |
| Revenue bond capitalized indebtedness            | (4,240,000)                         | -                  | -               | -                           |
| Bus lease capitalized indebtedness               | (77,623)                            | -                  | -               | -                           |
| Computer lease indebtedness                      | -                                   | -                  | -               | (210,452)                   |
| Termination benefits                             | -                                   | (418,897)          | -               | -                           |
| Accrued interest payable                         | -                                   | -                  | (53,266)        | -                           |
| Income Surtax                                    | -                                   | -                  | -               | 100,836                     |
| Nonspendable fund balance                        | -                                   | -                  | -               | 89,159                      |
| Compensated absences                             | -                                   | -                  | -               | (31,914)                    |
| Net OPEB liability                               | -                                   | -                  | -               | (360,354)                   |
| Net position (Exhibit A)                         | <u>\$ 3,274,537</u>                 | <u>98,507</u>      | <u>557,801</u>  | <u>1,595,406</u>            |

**CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION

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

|   | Governmental | Proprietary | Total<br>Actual | Budgeted Amounts |             | Final to  |
|---|--------------|-------------|-----------------|------------------|-------------|-----------|
|   | Funds        | Fund        |                 | Original         | Final       | Actual    |
|   | Actual       | Actual      |                 |                  |             | Variance  |
| Revenues:   |              |             |                 |                  |             |           |
| Local sources   | \$ 3,693,684 | 100,173     | 3,793,857       | 4,065,974        | 4,065,974   | (272,117) |
| State sources   | 4,296,343    | 3,360       | 4,299,703       | 3,637,428        | 3,637,428   | 662,275   |
| Federal sources   | 581,794      | 289,834     | 871,628         | 990,367          | 990,367     | (118,739) |
| Total revenues  | 8,571,821    | 393,367     | 8,965,188       | 8,693,769        | 8,693,769   | 271,419   |
| Expenditures/Expenses:  |              |             |                 |                  |             |           |
| Instruction   | 4,733,968    | -           | 4,733,968       | 4,790,000        | 4,790,000   | 56,032    |
| Support services  | 2,467,791    | 2,594       | 2,470,385       | 2,112,000        | 2,112,000   | (358,385) |
| Non-instructional programs  | -            | 340,174     | 340,174         | 315,000          | 315,000     | (25,174)  |
| Other expenditures  | 2,741,849    | -           | 2,741,849       | 3,663,849        | 3,663,849   | 922,000   |
| Total expenditures/expenses   | 9,943,608    | 342,768     | 10,286,376      | 10,880,849       | 10,880,849  | 594,473   |
| Excess(Deficiency) of revenues<br>over(under) expenditures/expenses | (1,371,787)  | 50,599      | (1,321,188)     | (2,187,080)      | (2,187,080) | 865,892   |
| Balances beginning of year  | 5,806,758    | 9,488       | 5,816,246       | 6,378,945        | 6,378,945   | (562,699) |
| Balances end of year  | \$ 4,434,971 | 60,087      | 4,495,058       | 4,191,865        | 4,191,865   | 303,193   |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

During the year ended June 30, 2014, expenditures in the support services and non-instructional programs functions exceeded the amounts budgeted.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN (IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION

| Year<br>Ended<br>June 30, | Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
|---------------------------|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 2010                      | July 1, 2009                   | -                                      | \$ 1,072  | 1,072                              | 0.0%                     | \$ 2,550                  | 42.0%   |
| 2011                      | July 1, 2009                   | -                                      | 1,072   | 1,072                              | 0.0%                     | 2,554                     | 42.0%   |
| 2012                      | July 1, 2009                   | -                                      | 1,072   | 1,072                              | 0.0%                     | 2,523                     | 42.5%   |
| 2013                      | July 1, 2012                   | -                                      | 1,040   | 1,040                              | 0.0%                     | 2,562                     | 40.6%   |
| 2014                      | July 1, 2012                   | -                                      | 1,040   | 1,040                              | 0.0%                     | 2,739                     | 38.0%   |

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

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

|   | Special Revenue     |                 |                |
|---|---------------------|-----------------|----------------|
|   | Student<br>Activity | Debt<br>Service | Total          |
| <b>ASSETS</b>   |                     |                 |                |
| Cash and pooled investments   | \$ 123,639          | 611,067         | 734,706        |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b>       |                     |                 |                |
| Liabilities   | \$ -                | -               | -              |
| Deferred inflows of resources   | -                   | -               | -              |
| Fund Balances:  |                     |                 |                |
| Restricted for:   |                     |                 |                |
| Student activities  | 123,639             | -               | 123,639        |
| Debt service  | -                   | 611,067         | 611,067        |
| Total fund balances   | 123,639             | 611,067         | 734,706        |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b> | <b>\$ 123,639</b>   | <b>611,067</b>  | <b>734,706</b> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

|  | Special Revenue     |                 | Total     |
|--|---------------------|-----------------|-----------|
|  | Student<br>Activity | Debt<br>Service |           |
| Revenues:  |                     |                 |           |
| Local sources:   |                     |                 |           |
| Other  | \$ 229,500          | 49              | 229,549   |
| Expenditures:  |                     |                 |           |
| Current:   |                     |                 |           |
| Instruction:   |                     |                 |           |
| Other  | 225,564             | -               | 225,564   |
| Other expenditures:  |                     |                 |           |
| Long-term debt:  |                     |                 |           |
| Principal  | -                   | 365,460         | 365,460   |
| Interest and fiscal charges                                | -                   | 112,206         | 112,206   |
| Total expenditures   | 225,564             | 477,666         | 703,230   |
| Excess(Deficiency) of revenues<br>over(under) expenditures | 3,936               | (477,617)       | (473,681) |
| Other financing sources:                                   |                     |                 |           |
| Transfer in  | -                   | 486,489         | 486,489   |
| Change in fund balances                                    | 3,936               | 8,872           | 12,808    |
| Fund balances beginning of year                            | 119,703             | 602,195         | 721,898   |
| Fund balances end of year                                  | \$ 123,639          | 611,067         | 734,706   |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2014

|   | Capital Projects                               |  |                  |
|---|--|--|------------------|
|   | Statewide<br>Sales,<br>Services<br>and Use Tax | Physical<br>Plant and<br>Equipment<br>Levy | Total            |
| <b>ASSETS</b>   |  |  |                  |
| Cash and pooled investments   | \$ 620,172                                     | 231,049                                    | 851,221          |
| Recivables:   |  |  |                  |
| Property tax:   |  |  |                  |
| Delinquent  | -  | 5,024                                      | 5,024            |
| Succeeding year   | -  | 225,500                                    | 225,500          |
| Due from other governments  | 85,681   | -  | 85,681           |
| <b>TOTAL ASSETS</b>   | <b>\$ 705,853</b>                              | <b>461,573</b>                             | <b>1,167,426</b> |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b>       |  |  |                  |
| Liabilities   | \$ -   | -  | -                |
| Deferred inflows of resources:  |  |  |                  |
| Unavailable revenue:  |  |  |                  |
| Succeeding year property tax  | -  | 225,500                                    | 225,500          |
| Fund balances:  |  |  |                  |
| Restricted for:   |  |  |                  |
| School infrastructure   | 705,853  | -  | 705,853          |
| Physical plant and equipment  | -  | 236,073                                    | 236,073          |
| Total fund balances   | 705,853  | 236,073                                    | 941,926          |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b> | <b>\$ 705,853</b>                              | <b>461,573</b>                             | <b>1,167,426</b> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

|  | Capital Projects                               |  |                  |
|--|--|--|------------------|
|  | Statewide<br>Sales,<br>Services<br>and Use Tax | Physical<br>Plant and<br>Equipment<br>Levy | Total            |
| Revenues:  |  |  |                  |
| Local sources:   |  |  |                  |
| Local tax  | \$ -   | 225,429                                    | 225,429          |
| Other  | 77,611   | -  | 77,611           |
| State sources  | 544,282  | -  | 544,282          |
| Federal sources  | 241,726  | -  | 241,726          |
| Total revenues   | <u>863,619</u>                                 | <u>225,429</u>                             | <u>1,089,048</u> |
| Expenditures:  |  |  |                  |
| Current:   |  |  |                  |
| Support services:  |  |  |                  |
| Instructional staff  | 17,344   | -  | 17,344           |
| Other expenditures:  |  |  |                  |
| Capital outlay   | 1,960,976                                      | 69,288                                     | 2,030,264        |
| Total expenditures   | <u>1,978,320</u>                               | <u>69,288</u>                              | <u>2,047,608</u> |
| Excess(Deficiency) of revenues over(under)<br>expenditures | (1,114,701)                                    | 156,141                                    | (958,560)        |
| Other financing uses:                                      |  |  |                  |
| Transfer out   | <u>(331,026)</u>                               | <u>(155,463)</u>                           | <u>(486,489)</u> |
| Change in fund balances                                    | (1,445,727)                                    | 678  | (1,445,049)      |
| Fund balances beginning of year                            | <u>2,151,580</u>                               | <u>235,395</u>                             | <u>2,386,975</u> |
| Fund balances end of year                                  | <u>\$ 705,853</u>                              | <u>236,073</u>                             | <u>941,926</u>   |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

| Account                | Balance<br>Beginning<br>of Year | Revenues | Expendi-<br>tures | Intra-<br>fund<br>Transfer | Balance<br>End<br>of Year |
|------------------------|---------------------------------|----------|-------------------|----------------------------|---------------------------|
| Concessions            | \$ 11,839                       | -        | 2,769             | 51                         | 9,121                     |
| Football club          | 1,346                           | 3,217    | 2,625             | 6                          | 1,944                     |
| Drama                  | 246                             | 3,299    | 3,180             | 2                          | 367                       |
| Band                   | 301                             | 823      | 1,457             | 840                        | 507                       |
| Vocal                  | 146                             | 1,682    | 1,757             | 1,182                      | 1,253                     |
| Season tickets         | 12,834                          | 5,948    | 1,854             | (1,508)                    | 15,420                    |
| Track club             | 1,373                           | 1,619    | 1,886             | 6                          | 1,112                     |
| Boys basketball        | 3,217                           | 3,344    | 4,971             | 14                         | 1,604                     |
| Football               | 12,501                          | 4,936    | 10,680            | 53                         | 6,810                     |
| Baseball               | -                               | 3,525    | 4,706             | 1,181                      | -                         |
| Boys track             | 620                             | 1,613    | 1,786             | 2                          | 449                       |
| Wrestling              | 86                              | 1,211    | 815               | -                          | 482                       |
| Girls basketball       | 3,856                           | 2,950    | 4,589             | 17                         | 2,234                     |
| Volleyball             | 940                             | 3,176    | 2,457             | 4                          | 1,663                     |
| Softball               | -                               | 4,491    | 4,277             | -                          | 214                       |
| Girls track            | 1,577                           | 2,606    | 1,673             | 14                         | 2,524                     |
| Yearbook               | 1,573                           | 2,343    | 4,203             | 287                        | -                         |
| Baseball club          | 714                             | 9,706    | 8,707             | 3                          | 1,716                     |
| Art club               | 871                             | -        | -                 | 4                          | 875                       |
| Caps and gowns         | 31                              | -        | -                 | (31)                       | -                         |
| BB Cheerleaders        | 449                             | -        | -                 | 2                          | 451                       |
| General activity       | 9,718                           | -        | 7,383             | 42                         | 2,377                     |
| Sophomore              | 159                             | 109      | -                 | 1                          | 269                       |
| Freshman               | 185                             | -        | 10                | 1                          | 176                       |
| Seniors                | 3,412                           | 706      | 1,643             | 46                         | 2,521                     |
| Juniors                | 311                             | 12,498   | 10,872            | 2                          | 1,939                     |
| Girls baseball club    | 803                             | 3,937    | 3,843             | 3                          | 900                       |
| Library club           | 863                             | -        | 867               | 4                          | -                         |
| National honor society | 114                             | 200      | 132               | 1                          | 183                       |
| JH trip fund           | 18,098                          | 69,074   | 62,749            | 75                         | 24,498                    |
| FFA                    | 1,118                           | 7,079    | 5,652             | 5                          | 2,550                     |
| Softball club          | 1,039                           | 3,386    | 2,748             | 4                          | 1,681                     |
| HS student council     | 976                             | 6,147    | 4,822             | 4                          | 2,305                     |
| Volleyball club        | 2,248                           | 7,896    | 9,018             | 10                         | 1,136                     |
| Wrestling club         | 2,517                           | 9,066    | 9,573             | 11                         | 2,021                     |
| Foreign language club  | 319                             | -        | -                 | 2                          | 321                       |
| Boys basketball club   | 2,489                           | 1,236    | 2,138             | 11                         | 1,598                     |
| JH student council     | 890                             | 131      | 284               | 4                          | 741                       |
| Elementary music       | 341                             | -        | -                 | (341)                      | -                         |
| Elementary concessions | 562                             | -        | -                 | -                          | 562                       |
| TAG                    | 24                              | -        | -                 | (24)                       | -                         |
| Patriotism day         | 1,551                           | -        | 374               | 6                          | 1,183                     |
| JH cheerleading        | 544                             | -        | 109               | 2                          | 437                       |
| Wrestling cheerleading | 672                             | -        | -                 | 3                          | 675                       |
| Weight room club       | 225                             | 3,802    | 1,930             | 1                          | 2,098                     |
| A club                 | 11,524                          | 27,691   | 17,550            | 50                         | 21,715                    |
| Music boosters         | 2,051                           | 17,843   | 16,209            | (1,672)                    | 2,013                     |
| FCCLA                  | 990                             | -        | -                 | 4                          | 994                       |
| Interest               | 483                             | -        | -                 | (483)                      | -                         |
| Football cheerleading  | 957                             | 2,210    | 3,266             | 99                         | -                         |
| Total                  | \$ 119,703                      | 229,500  | 225,564           | -                          | 123,639                   |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**CARDINAL OF ELDON 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                                       | \$ 2,349,550           | 2,956,256         | 2,861,094        | 2,689,978        | 2,461,639        | 2,447,699        | 2,125,457        | 1,946,426        | 2,000,954        | 1,958,913        |
| Tuition   | 894,284                | 607,698           | 438,937          | 386,679          | 392,400          | 260,015          | 310,638          | 202,536          | 136,657          | 161,180          |
| Other   | 449,850                | 346,069           | 500,295          | 501,733          | 570,132          | 504,749          | 449,606          | 414,059          | 389,077          | 426,484          |
| State sources                                   | 4,296,343              | 3,746,287         | 3,722,111        | 3,612,696        | 3,295,213        | 3,756,251        | 3,818,424        | 3,520,413        | 3,361,618        | 3,154,278        |
| Federal sources                                 | 581,794                | 546,886           | 310,165          | 489,572          | 795,138          | 260,834          | 220,338          | 215,168          | 240,156          | 243,582          |
| <b>Total</b>                                    | <b>\$ 8,571,821</b>    | <b>8,203,196</b>  | <b>7,832,602</b> | <b>7,680,658</b> | <b>7,514,522</b> | <b>7,229,548</b> | <b>6,924,463</b> | <b>6,298,602</b> | <b>6,128,462</b> | <b>5,944,437</b> |
| Expenditures:                                   |                        |                   |                  |                  |                  |                  |                  |                  |                  |                  |
| Current:  |                        |                   |                  |                  |                  |                  |                  |                  |                  |                  |
| Instruction:                                    |                        |                   |                  |                  |                  |                  |                  |                  |                  |                  |
| Regular   | \$ 2,435,555           | 2,426,137         | 2,429,017        | 2,397,749        | 2,505,063        | 2,363,404        | 2,316,023        | 2,098,677        | 2,468,967        | 2,417,405        |
| Special   | 1,101,949              | 906,505           | 1,009,450        | 879,489          | 1,124,563        | 866,255          | 861,924          | 903,023          | 974,648          | 693,037          |
| Other   | 1,196,464              | 1,128,656         | 1,065,168        | 1,125,463        | 520,244          | 946,487          | 1,081,030        | 1,031,130        | 704,381          | 832,922          |
| Support services:                               |                        |                   |                  |                  |                  |                  |                  |                  |                  |                  |
| Student   | 148,540                | 138,157           | 126,544          | 156,450          | 113,684          | 149,593          | 139,142          | 142,842          | 125,741          | 149,717          |
| Instructional staff                             | 386,019                | 146,173           | 126,068          | 153,504          | 186,561          | 917,079          | 235,689          | 228,787          | 198,643          | 25,942           |
| Administration                                  | 898,448                | 823,227           | 816,108          | 778,532          | 736,879          | 722,909          | 744,771          | 695,910          | 726,219          | 687,027          |
| Operation and maintenance of plant              | 545,825                | 443,886           | 388,711          | 410,427          | 459,020          | 392,274          | 399,678          | 400,112          | 330,961          | 340,082          |
| Transportation                                  | 488,959                | 637,209           | 370,227          | 284,708          | 316,796          | 297,923          | 283,734          | 354,127          | 370,615          | 315,315          |
| Other   | -                      | -                 | -                | -                | 1,854            | -                | -                | -                | -                | -                |
| Non-instructional:                              |                        |                   |                  |                  |                  |                  |                  |                  |                  |                  |
| Community service & other enterprise operations | -                      | -                 | -                | -                | -                | -                | -                | -                | -                | 14,985           |
| Operation of non-instructional programs         | -                      | -                 | -                | -                | -                | -                | -                | -                | 3,931            | 150              |
| Capital outlay                                  | 2,030,264              | 2,966,290         | 500,176          | 472,281          | 30,450           | 347,032          | 305,226          | 349,243          | 228,548          | 130,737          |
| Long Term Debt:                                 |                        |                   |                  |                  |                  |                  |                  |                  |                  |                  |
| Principal                                       | 365,460                | 150,831           | 170,389          | 295,390          | 295,390          | 285,390          | 110,000          | 105,000          | 100,000          | 206,389          |
| Interest and fiscal charges                     | 112,206                | 61,428            | -                | 6,325            | 12,025           | 17,200           | 21,585           | 25,995           | 30,045           | 34,445           |
| Other expenditures:                             |                        |                   |                  |                  |                  |                  |                  |                  |                  |                  |
| AEA flow-through                                | 233,919                | 228,436           | 227,554          | 251,075          | 249,117          | 230,908          | 224,738          | 207,648          | 196,840          | 188,353          |
| <b>Total</b>                                    | <b>\$ 9,943,608</b>    | <b>10,056,935</b> | <b>7,229,412</b> | <b>7,211,393</b> | <b>6,551,646</b> | <b>7,536,454</b> | <b>6,723,540</b> | <b>6,542,494</b> | <b>6,459,539</b> | <b>6,036,506</b> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014

| Grantor/Program   | CFDA<br>Number | Grant<br>Number | Expendi-<br>tures |
|---|----------------|-----------------|-------------------|
| Direct:   |                |                 |                   |
| U.S. Department of Education:   |                |                 |                   |
| Rural Education Achievement Program   | 84.215         | FY 14           | \$ 31,614         |
| Indirect:   |                |                 |                   |
| U.S. Department of Agriculture:   |                |                 |                   |
| Iowa Department of Education:   |                |                 |                   |
| Child Nutrition Cluster:  |                |                 |                   |
| School Breakfast Program  | 10.553         | FY 14           | 69,070            |
| National School Lunch Program   | 10.555         | FY 14           | 220,764 *         |
|   |                |                 | 289,834           |
| U.S. Department of Education:   |                |                 |                   |
| Iowa Department of Education:   |                |                 |                   |
| Title I Grants to Local Educational Agencies  | 84.010         | FY 14           | 98,478            |
| Title I Schools in Need of Assistance   | 84.010         | FY 14           | 13,504            |
|   |                |                 | 111,982           |
| Special Education - Grants to States (Part B) (High Cost Claim)   | 84.027         | FY 14           | 2,186 **          |
| Parental Assistance Centers (SAI) (ISPIN)   | 84.310         | FY11            | 707               |
| Improving Teacher Quality State Grants (Title IIA)  | 84.367         | FY 14           | 27,770            |
| Grants for State Assessment and Related Activities (Title VI A)   | 84.369         | FY 14           | 3,272             |
| Safe and Drug-Free Schools & Communities - National Programs  | 84.184         | FY12            | 309               |
| Great Prarie Area Education Agency:   |                |                 |                   |
| Special Education - Grants to States (Part B)   | 84.027         | FY14            | 30,185 **         |
| Career and Technical Education - Basic Grants to States   | 84.048         | FY14            | 7,827             |
| U.S. Department of Health and Human Services  |                |                 |                   |
| Iowa Department of Education:   |                |                 |                   |
| Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems | 93.938         | FY 13           | 650               |
| Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems | 93.938         | FY 14           | 170               |
|   |                |                 | 820               |
| U.S. Department of Homeland Security:   |                |                 |                   |
| Iowa Homeland Security and Emergency Management:  |                |                 |                   |
| Hazard Mitigation grants  | 97.039         | FY 14           | 241,726           |
| Total   |                |                 | \$ 748,232        |

\* - Includes \$36,131 of non-cash awards.

\*\* Total for Special Education Cluster (IDEA) is \$32,371.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Cardinal of Eldon Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

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

To the Board of Education of the Cardinal of Eldon Community School District:

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Cardinal of Eldon 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 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cardinal of Eldon Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cardinal of Eldon Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cardinal of Eldon Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cardinal of Eldon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could

have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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.

#### Cardinal of Eldon Community School District's Responses to Findings

Cardinal of Eldon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Cardinal of Eldon Community School District's responses and, accordingly, we express no opinion on them.

#### Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Cardinal of Eldon 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 12, 2015  
Newton, Iowa

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

Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Board of Education of Cardinal of Eldon Community School District:

Report on Compliance for Each Major Federal Program

We have audited the compliance of Cardinal of Eldon Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Cardinal of Eldon Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cardinal of Eldon Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cardinal of Eldon Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal programs. Our audit does not provide a legal determination on Cardinal of Eldon Community School District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Cardinal of Eldon Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect to each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of Cardinal of Eldon Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Cardinal of Eldon Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cardinal of Eldon Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified deficiencies in internal control over compliance we consider to be a material weakness and significant deficiencies.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-14 to be a material weakness.

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

Cardinal of Eldon Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Cardinal of Eldon Community School District's responses and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

March 12, 2015  
Newton, Iowa

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness and significant deficiencies in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Child Nutrition Cluster:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
  - Title I Programs:
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
    - CFDA Number 84.010- Title I Schools in Need of Assistance
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Cardinal of Eldon Community School District did not qualify as a low-risk auditee.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

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

- 1) Cash - initiating disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Capital assets - purchasing, recording and reconciling.
- 5) Wire transfers - processing and approving.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 7) Transfers - preparing and approving.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.

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

Response - The District will continue to review and evaluate internal control procedures. The Iowa Association of School Business Officials has released a document regarding the segregation of Duties in a small school. There are guidelines and suggestions in this document that we will be implementing.

Conclusion - Response accepted.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program  
CFDA Number 10.555: National School Lunch Program  
Federal Award Year: 2014  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies  
CFDA Number 84.010: Title I Schools in Need of Assistance  
Federal Award Year: 2014  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-14 Segregation of Duties - One important aspect of the internal control structure is the (2014-001) segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over the following areas for the District:

- 1) Cash - initiating disbursement transactions and handling and recording cash.
- 2) Disbursements - purchase order processing, check preparation, mailing and recording.
- 3) Wire transfers - processing and approving.
- 4) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 5) Financial reporting - preparing, reconciling and approving.
- 6) Computer systems - performing all general accounting functions and controlling all data input and output.

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

Response - The District will continue to review and evaluate internal control procedures. The Iowa Association of School Business Officials has released a document regarding the segregation of Duties in a small school. There are guidelines and suggestions in this document that we will be implementing.

Conclusion - Response accepted.

CFDA Number 84.010: Title I Grants to Local Educational Agencies  
CFDA Number 84.010: Title I Schools in Need of Assistance  
Federal Award Year: 2014  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-B-14 Title I Reporting - We noted during our audit the following instances related to (2014-002) the District Title I programs:

**Allowable Carryover:** We noted the District Title I reports submitted to the Iowa Department of Education were not reconciled to actual expenses reported in the District's general ledger, thus creating a carryover allocation that is in excess of the 15% of the original Title I budget allocation.

Recommendation - The District needs to reconcile Title I reports submitted to the Iowa Department of Education to actual expenses reported in the District's general ledger. Once this reconciliation is completed, the District should amend the Title I budget to be within a carryover amount that is 15% of the original Title I budget allocation. The District should contact the Iowa Department of Education to develop a workout plan for the amount of Title I claimed in excess of actual expenses.

Response - The Title I program and its components are more fully understood now by the responsible District personnel. A waiver for exceeded the 15% carryover has been received by the Department of Education.

Conclusion - Response accepted.

III-C-14 Title I Reporting - We noted during our audit the following instances related to (2014-003) the District Title I programs:

**Title I Certification:** We noted the District's final fiscal year 2014 Title I reports were not certified until October 20<sup>th</sup> of the succeeding fiscal year. This certification does not appear to be done in a timely manner with respect to the fiscal year end.

Recommendation - The District should certify its final Title I reports with the Iowa Department of Education in a timely manner, to ensure any amendments or adjustments are completed prior to certification of the District's certified annual report.

Response - The District was working closely with the Department of Education on the Status of our Title I final reports. They were assisting District personnel with questions on the process as some personnel were new to the District and other personnel had never dealt with a carryover of these funds before. We are all well prepared for the upcoming year with regards to reporting requirements, and will certify on time going forward.

Conclusion - Response accepted.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2014

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

IV-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 exceeded the certified budget amounts in the support services and non-instructional programs functional areas.

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

Response - The school business official has a better handle on the process and the need for timely budget comparisons through the year, and the budget will be amended appropriately going forward.

Conclusion - Response accepted.

IV-B-14 Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-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.

IV-D-14 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

| Name, Title and<br>Business Connection            | Transaction<br>Description | Amount |
|---|----------------------------|--------|
| Lisa Sloan, Associate<br>Owner of Embroidery Barn | Purchased services         | \$98   |

In accordance with the Attorney General’s opinion dated July 2, 1990, the above transactions with the District’s associate do not appear to represent a conflict of interest.

IV-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.

IV-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the District did not name all District depositories as part of its depository resolution in the Board minutes per section 12C.2 of the Code of Iowa.

Recommendation - The District should name all depositories, including Bankers Trust accounts, and the maximum amounts to be held for each depository in the board depository resolution to comply with Iowa Code section 12C.2.

Response - The School Business Official was unaware of this requirement. This has since been completed and will now show on the board agenda in the future and approved at the annual meeting.

Conclusion - Response accepted.

IV-G-14 Certified Enrollment - No variances regarding the enrollment data certified to the Iowa Department of Education were noted.

IV-H-14 Supplementary Weighting - We noted variances regarding the supplementary weighting data certified to the Iowa Department of Education. The number certified to the Iowa Department of Education was understated by 0.252 for the fall of 2013 count date.

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

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

Conclusion - Response accepted.

IV-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.

IV-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.

IV-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-14 Payroll Authorization - We noted during our audit that the District does not have authorization per Iowa Code 91A.3 to physically mail an employee's payroll checks through the U.S. mail.

Recommendation - If the District intends to allow employees to have the option of payroll checks being mailed to them, the District should put in place procedures to acquire written authorization to mail the checks.

Response - Forms have been sent to all employees requesting permission to mail checks. The returned forms are on file with the School Business Official.

Conclusion - Response accepted.

IV-M-14 Statewide Sales, Services and Use Tax - No instances of non-compliance noted 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                  |    | \$        | 2,151,580        |
| Revenues:                          |    |           |                  |
| Sales tax revenues                 | \$ | 512,052   |                  |
| Other local revenues               |    | 77,611    |                  |
| State revenues                     |    | 32,230    |                  |
| Federal revenues                   |    | 241,726   |                  |
|                                    |    |           | <u>863,619</u>   |
|                                    |    |           | 3,015,199        |
| Expenditures/transfers out:        |    |           |                  |
| School infrastructure construction | \$ | 1,921,362 |                  |
| Equipment                          |    | 16,382    |                  |
| Other                              |    | 40,576    |                  |
| Transfers to other funds:          |    |           |                  |
| Debt service fund                  |    | 331,026   |                  |
|                                    |    |           | <u>2,309,346</u> |
| Ending Balance                     |    | \$        | <u>705,853</u>   |

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

IV-N-14 Payroll Deductions - We noted during our audit that the District is not currently having employees approve payroll deductions from paychecks.

Recommendation - The District should be having employees approve all deductions from payroll and maintain documentation to support the payroll deductions.

Response - Forms have been sent to all employees requesting authorization of deductions. The returned forms are on file with the School Business Official.

Conclusion - Response accepted.

IV-O-14 Employee Reimbursements - We noted an instance of an employee being reimbursed for meal expenses while lacking a detailed receipt. The School Board Policy 401.12 states in part "Prior to reimbursement of actual and necessary expenses, the employee must submit a detailed receipt indication the date, purpose and nature of the expense for each claim item. A credit card receipt is generally not considered a detailed receipt. Failure to provide a detailed receipt shall make the expense non-reimbursable."

Recommendation - The District should review Board Policy 401.12 with employees and require detailed receipts of reimbursements to be in compliance with board policy.

Response - This was a bus driver attending an athletic event in which the ability to gain a receipt is limited. We have since asked our employees to take a form to be signed by someone working at the venue in the absence of the ability to write a receipt.

Conclusion - Response accepted.