

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Charter Oak-Ute Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
<b>(Before September 2013 Election)</b>		
Betty Lou Olson	President	2015
Dean Staley	Vice President	2015
Bill Magill	Board Member	2013
Jim Ewoldt	Board Member	2015
Valeta Pautsch	Board Member	2013
<b>(After September 2013 Election)</b>		
Dean Staley	President	2015
Betty Lou Olson	Vice President	2015
Bill Magill	Board Member	2017
Jim Ewoldt	Board Member	2015
Randy Weed	Board Member	2017
<u>School Officials</u>		
Rollie Wiebers	Superintendent	2014
Cathy Carstens	District Secretary/Treasurer	2014
Rick Franck	Attorney	2014

**Charter Oak-Ute 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 Charter Oak-Ute Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Charter Oak-Ute Community School District, Charter Oak, 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, business type activities, each major fund, and the aggregate remaining fund information of the Charter Oak-Ute Community School District at 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of 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 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 Charter Oak-Ute Community School District's basic financial statements. We previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 10, 2015, on our consideration of the Charter Oak-Ute Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Charter Oak-Ute Community School District's internal control over financial reporting and compliance.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 10, 2015  
Newton, Iowa

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

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Charter Oak-Ute 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 \$3,247,672 in fiscal 2013 to \$3,341,688 in fiscal 2014, while General Fund expenditures increased from \$3,435,575 in fiscal 2013 to \$3,602,248 in fiscal 2014. The District's General Fund balance decreased from \$956,856 at June 30, 2013 to \$696,296 at June 30, 2014.
- The increase in General Fund revenues was attributable to an increase in local sources as compared to the previous year. The increase in expenditures was due to an increase in negotiated salaries and benefits.

### **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 Charter Oak-Ute 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 Charter Oak-Ute 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 Charter Oak-Ute Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to 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.

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

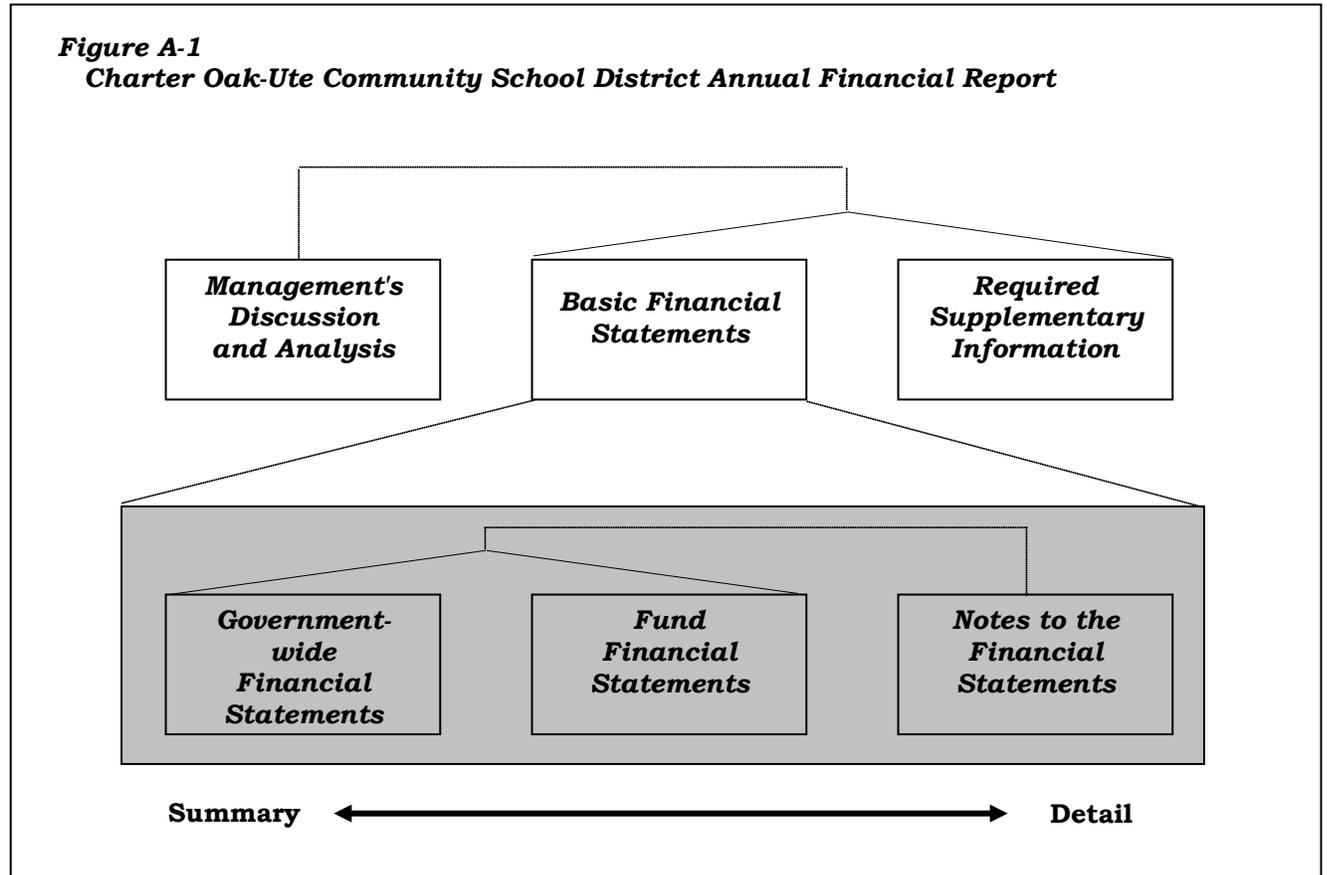


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2</b>			
<b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

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

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

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

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

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

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

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

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

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 one Enterprise Fund, the School Nutrition Fund.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 3,605,600	3,699,161	61,613	49,938	3,667,213	3,749,099	-2.18%
Capital assets	2,445,063	2,760,021	17,891	19,350	2,462,954	2,779,371	-11.38%
Total assets	6,050,663	6,459,182	79,504	69,288	6,130,167	6,528,470	-6.10%
Long-term liabilities	774,126	909,824	93	72	774,219	909,896	-14.91%
Other liabilities	382,163	356,014	3,060	3,289	385,223	359,303	7.21%
Total liabilities	1,156,289	1,265,838	3,153	3,361	1,159,442	1,269,199	-8.65%
Deferred inflows of resources	1,373,714	1,355,149	-	-	1,373,714	1,355,149	1.37%
Net position:							
Net investment in capital assets	1,780,063	1,946,039	17,891	19,350	1,797,954	1,965,389	-8.52%
Restricted	963,170	844,188	-	-	963,170	844,188	14.09%
Unrestricted	777,427	1,047,968	58,460	46,577	835,887	1,094,545	-23.63%
Total net position	\$ 3,520,660	3,838,195	76,351	65,927	3,597,011	3,904,122	-7.87%

The District's combined net position decreased by 7.87%, or \$307,111, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$118,982, or 14.09% from the prior year. This was primarily the result of an increase in the net position of the Capital Projects: Statewide Sales, Services and Use Tax Fund during the year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$258,658 or 23.63%. This decrease in unrestricted net position was a result of the District's decrease in the General Fund carryover balance.

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

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 498,546	434,300	86,390	81,267	584,936	515,567	13.45%
Operating grants, contributions and restricted interest	327,809	348,090	111,068	106,930	438,877	455,020	-3.55%
General revenues:							
Property tax	1,355,105	1,337,062	-	-	1,355,105	1,337,062	1.35%
Income surtax	195,355	162,577	-	-	195,355	162,577	20.16%
Statewide sales, services and use tax	267,728	267,248	-	-	267,728	267,248	0.18%
Unrestricted state grants	1,312,810	1,381,508	-	-	1,312,810	1,381,508	-4.97%
Unrestricted interest income	5,954	7,119	175	220	6,129	7,339	-16.49%
Other	44,527	36,925	-	-	44,527	36,925	20.59%
Total revenues	4,007,834	3,974,829	197,633	188,417	4,205,467	4,163,246	1.01%
Program expenses:							
Instruction	2,855,215	2,546,175	-	-	2,855,215	2,546,175	12.14%
Support services	1,259,513	1,164,426	-	-	1,259,513	1,164,426	8.17%
Non-instructional programs	2,167	1,409	187,209	165,878	189,376	167,287	13.20%
Other expenses	208,474	209,754	-	-	208,474	209,754	-0.61%
Total expenses	4,325,369	3,921,764	187,209	165,878	4,512,578	4,087,642	10.40%
Increase(Decrease) in net position	(317,535)	53,065	10,424	22,539	(307,111)	75,604	-506.21%
Net position beginning of year	3,838,195	3,785,130	65,927	43,388	3,904,122	3,828,518	1.97%
Net position end of year	\$ 3,520,660	3,838,195	76,351	65,927	3,597,011	3,904,122	-7.87%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 78.12% of the revenue from governmental activities while charges for service and operating grants and contributions and account for 99.91% of the revenue from business type activities.

The District's total revenues were approximately \$4.21 million of which approximately \$4.01 million was for governmental activities and approximately \$0.20 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.01% increase in revenues and a 10.40% increase in expenses. The increase in expenses is primarily related to increased instructional expenditures when compared to the prior year.

### Governmental Activities

Revenues for governmental activities were \$4,007,834 and expenses were \$4,325,369 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 2,855,215	2,546,175	12.14%	2,154,800	1,886,508	14.22%
Support services	1,259,513	1,164,426	8.17%	1,259,513	1,164,426	8.17%
Non-instructional programs	2,167	1,409	53.80%	2,167	1,409	53.80%
Other expenses	208,474	209,754	-0.61%	82,534	87,031	-5.17%
Totals	\$ 4,325,369	3,921,764	10.29%	3,499,014	3,139,374	11.46%

- The cost financed by users of the District's programs was \$498,546.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$327,809.
- The net cost of governmental activities was financed with \$1,355,105 in property tax, \$195,355 in income surtax, \$267,728 in statewide sales, services and use tax, \$1,312,810 in unrestricted state grants, \$5,954 in interest income and \$44,527 in other general revenues.

### **Business Type Activities**

Revenues of the District's business type activities were \$197,633 and expenses were \$187,209. 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 investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Charter Oak-Ute Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,705,502, which is less than last year's ending fund balances of \$1,856,702. This decrease is primarily a result of the decrease in the fund balance of the General Fund during the year.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$956,856 to \$696,296, due in part to the increase in negotiated salaries and benefits paid during the year.
- The Management Levy Fund balance increased from \$396,280 at June 30, 2013 to \$417,923 at June 30, 2014. This increase in fund balance was primarily due to a decrease in expenditures during the year.

- The Capital Projects Fund balance increased from \$459,260 to \$539,278. This increase in fund balance was primarily due to the District's decrease in capital outlay expenditures during the year.

### Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$65,927 at June 30, 2013 to \$76,351 at June 30, 2014, representing an increase of 15.81%.

### BUDGETARY HIGHLIGHTS

The District's revenues were \$222,808 less than budgeted revenues, a variance of 5.05%. The most significant variance resulted from the District receiving less in local 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.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2013, the District had invested approximately \$2.46 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 11.38% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$189,483.

The original cost of the District's capital assets was \$5,134,634. Governmental funds account for \$5,107,082 with the remainder of \$27,552 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land category. The District's land totaled \$747 at June 30, 2014, compared to \$1,247 reported at June 30, 2013. This decrease resulted from the District disposing of the Ute Athletic Field land.

Figure A-6							
Capital Assets, Net of Depreciation							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 747	1,247	-	-	747	1,247	-40.10%
Buildings	1,781,511	2,010,346	-	-	1,781,511	2,010,346	-11.38%
Land improvements	382,099	488,917	-	-	382,099	488,917	-21.85%
Machinery and equipment	280,706	259,511	17,891	19,350	298,597	278,861	7.08%
Total	\$ 2,445,063	2,760,021	17,891	19,350	2,462,954	2,779,371	-11.38%

## Long-Term Debt

At June 30, 2014, the District had \$774,219 in revenue bond and other long-term debt outstanding. This represents a decrease of 14.91% 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 revenue bond indebtedness at June 30, 2014 of \$665,000 payable from the Capital Projects: Statewide Sales, Service and Use Tax Fund.

The District had total outstanding termination benefits payable from the Special Revenue - Management Levy Fund of \$74,592 at June 30, 2014.

The District had outstanding Net OPEB liability at June 30, 2014 of \$34,627. The Governmental Activities accounted for \$34,534 of this total while Business Type Activities accounted for \$93.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenue Bonds	\$ 665,000	735,000	-	-	665,000	735,000	-9.52%
Capital Lease	-	78,982	-	-	-	78,982	-100.00%
Termination Benefits	74,592	69,692	-	-	74,592	69,692	7.03%
Net OPEB liability	34,534	26,150	93	72	34,627	26,222	32.05%
Totals	\$ 774,126	909,824	93	72	774,219	909,896	-14.91%

## 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:

- The District's unspent balance is declining and with projected enrollment declines, the District will need to pursue cost savings measures in the General Fund. These changes can occur through attrition and some realignment of staff.
- Increased numbers of Open Enrolled Out students will impact the District's ability to provide programs and declining enrollment in future years will have a major impact on the financial condition of the district.
- The District has entered into sharing agreements in the operation sharing avenue in an effort to cut costs and expand services.
- The District continues to upgrade its facilities and equipment in order to provide a safe and positive learning environment.

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## **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 Rollie Wiebers, Superintendent, Charter Oak-Ute Community School District, 321 Main Street, Charter Oak, IA 51439.

# **Basic Financial Statements**

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,853,995	59,952	1,913,947
Receivables:			
Property tax:			
Delinquent	18,742	-	18,742
Succeeding year	1,373,714	-	1,373,714
Income surtax	152,462	-	152,462
Due from other governments	194,011	-	194,011
Inventories	12,676	1,661	14,337
Capital assets, net of accumulated depreciation	2,445,063	17,891	2,462,954
<b>TOTAL ASSETS</b>	<b>6,050,663</b>	<b>79,504</b>	<b>6,130,167</b>
<b>LIABILITIES</b>			
Accounts payable	42,227	-	42,227
Salaries and benefits payable	331,695	-	331,695
Accrued interest payable	8,241	-	8,241
Unearned revenue	-	3,060	3,060
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	70,000	-	70,000
Termination benefits	18,512	-	18,512
Portion due after one year:			
Revenue bonds	595,000	-	595,000
Termination benefits	56,080	-	56,080
Net OPEB liability	34,534	93	34,627
<b>TOTAL LIABILITIES</b>	<b>1,156,289</b>	<b>3,153</b>	<b>1,159,442</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	1,373,714	-	1,373,714
<b>NET POSITION</b>			
Net investment in capital assets	1,780,063	17,891	1,797,954
Restricted for:			
Categorical funding	28,556	-	28,556
School infrastructure	409,680	-	409,680
Physical plant and equipment	129,598	-	129,598
Management levy purposes	343,331	-	343,331
Student activities	52,005	-	52,005
Unrestricted	777,427	58,460	835,887
<b>TOTAL NET POSITION</b>	<b>\$ 3,520,660</b>	<b>76,351</b>	<b>3,597,011</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,801,290	333,333	46,098	(1,421,859)	-	(1,421,859)
Special	420,128	32,636	14,831	(372,661)	-	(372,661)
Other	633,797	132,577	140,940	(360,280)	-	(360,280)
	<u>2,855,215</u>	<u>498,546</u>	<u>201,869</u>	<u>(2,154,800)</u>	-	<u>(2,154,800)</u>
Support services:						
Student	96,667	-	-	(96,667)	-	(96,667)
Instructional staff	21,545	-	-	(21,545)	-	(21,545)
Administration	517,862	-	-	(517,862)	-	(517,862)
Operation and maintenance of plant	334,419	-	-	(334,419)	-	(334,419)
Transportation	289,020	-	-	(289,020)	-	(289,020)
	<u>1,259,513</u>	-	-	<u>(1,259,513)</u>	-	<u>(1,259,513)</u>
Non-instructional programs:						
Food service operations	1,013	-	-	(1,013)	-	(1,013)
Community service operations	1,154	-	-	(1,154)	-	(1,154)
	<u>2,167</u>	-	-	<u>(2,167)</u>	-	<u>(2,167)</u>
Long-term debt interest	18,361	-	-	(18,361)	-	(18,361)
Other expenditures:						
AEA flowthrough	125,940	-	125,940	-	-	-
Depreciation(unallocated)*	64,173	-	-	(64,173)	-	(64,173)
	<u>190,113</u>	-	<u>125,940</u>	<u>(64,173)</u>	-	<u>(64,173)</u>
Total governmental activities	<u>4,325,369</u>	<u>498,546</u>	<u>327,809</u>	<u>(3,499,014)</u>	-	<u>(3,499,014)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	187,209	86,390	111,068	-	10,249	10,249
Total	<u>\$ 4,512,578</u>	<u>584,936</u>	<u>438,877</u>	<u>(3,499,014)</u>	<u>10,249</u>	<u>(3,488,765)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 1,293,918	-	1,293,918
Capital outlay				61,187	-	61,187
Income surtax				195,355	-	195,355
Statewide sales, services and use tax				267,728	-	267,728
Unrestricted state grants				1,312,810	-	1,312,810
Unrestricted investment earnings				5,954	175	6,129
Other general revenues				44,527	-	44,527
Total general revenues				<u>3,181,479</u>	<u>175</u>	<u>3,181,654</u>
Change in net position				(317,535)	10,424	(307,111)
Net position beginning of year				3,838,195	65,927	3,904,122
Net position end of year				<u>\$ 3,520,660</u>	<u>76,351</u>	<u>3,597,011</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Management Levy	Capital Projects	Nonmajor: Student Activity	Total
<b>ASSETS</b>					
Cash and pooled investments	969,834	416,678	415,478	52,005	1,853,995
Receivables:					
Property tax:					
Delinquent	16,651	1,245	846	-	18,742
Succeeding year	1,224,447	100,000	49,267	-	1,373,714
Income surtax	76,231	-	76,231	-	152,462
Due from other governments	71,057	-	122,954	-	194,011
Inventories	12,676	-	-	-	12,676
<b>TOTAL ASSETS</b>	<b>\$ 2,370,896</b>	<b>517,923</b>	<b>664,776</b>	<b>52,005</b>	<b>3,605,600</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 42,227	-	-	-	42,227
Salaries and benefits payable	331,695	-	-	-	331,695
Total liabilities	373,922	-	-	-	373,922
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,224,447	100,000	49,267	-	1,373,714
Income surtax	76,231	-	76,231	-	152,462
Total deferred inflows of resources	1,300,678	100,000	125,498	-	1,526,176
Fund balances:					
Nonspendable	12,676	-	-	-	12,676
Restricted for:					
Categorical funding	28,556	-	-	-	28,556
School infrastructure	-	-	409,680	-	409,680
Physical plant and equipment	-	-	129,598	-	129,598
Management levy purposes	-	417,923	-	-	417,923
Student activities	-	-	-	52,005	52,005
Unassigned	655,064	-	-	-	655,064
Total fund balances	696,296	417,923	539,278	52,005	1,705,502
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,370,896</b>	<b>517,923</b>	<b>664,776</b>	<b>52,005</b>	<b>3,605,600</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds (page 20)</b>	\$	1,705,502
 <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.		2,445,063
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(8,241)
Income surtax receivable are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		152,462
Long-term liabilities, including bonds payable, termination benefits payable, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(774,126)</u>
<b>Net position of governmental activities (page 18)</b>	<b>\$</b>	<b><u><u>3,520,660</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Nonmajor: Student Activity	Nonmajor: Debt Service	Total
<b>REVENUES:</b>						
Local sources:						
Local tax	\$ 1,295,644	89,998	152,910	-	-	1,538,552
Tuition	346,263	-	-	-	-	346,263
Other	58,243	3,855	12,205	128,461	-	202,764
State sources	1,499,963	48	267,761	-	-	1,767,772
Federal sources	140,575	-	-	-	-	140,575
<b>TOTAL REVENUES</b>	<b>3,340,688</b>	<b>93,901</b>	<b>432,876</b>	<b>128,461</b>	<b>-</b>	<b>3,995,926</b>
<b>EXPENDITURES:</b>						
Current:						
Instruction:						
Regular	1,557,841	35,405	-	-	-	1,593,246
Special	396,695	-	-	-	-	396,695
Other	466,270	-	-	120,762	-	587,032
	<b>2,420,806</b>	<b>35,405</b>	<b>-</b>	<b>120,762</b>	<b>-</b>	<b>2,576,973</b>
Support services:						
Student	89,310	-	-	-	-	89,310
Instructional staff	19,906	-	-	-	-	19,906
Administration	446,754	5,316	23,049	-	-	475,119
Operation and maintenance of plant	253,446	23,046	40,681	-	-	317,173
Transportation	244,932	7,478	78,867	-	-	331,277
	<b>1,054,348</b>	<b>35,840</b>	<b>142,597</b>	<b>-</b>	<b>-</b>	<b>1,232,785</b>
Non-instructional programs:						
Food service operations	-	1,013	-	-	-	1,013
Community service operations	1,154	-	-	-	-	1,154
	<b>1,154</b>	<b>1,013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,167</b>
Capital outlay	-	-	41,901	-	-	41,901
Long-term debt:						
Principal	-	-	-	-	148,982	148,982
Interest and fiscal charges	-	-	-	-	19,378	19,378
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>168,360</b>	<b>168,360</b>
Other expenditures:						
AEA flowthrough	125,940	-	-	-	-	125,940
<b>TOTAL EXPENDITURES</b>	<b>3,602,248</b>	<b>72,258</b>	<b>184,498</b>	<b>120,762</b>	<b>168,360</b>	<b>4,148,126</b>
Excess(Deficiency) of revenues over(under) expenditures	(261,560)	21,643	248,378	7,699	(168,360)	(152,200)
Other financing sources(uses):						
Sale of equipment	1,000	-	-	-	-	1,000
Transfer in	-	-	-	-	168,360	168,360
Transfer out	-	-	(168,360)	-	-	(168,360)
<b>Total other financing sources(uses)</b>	<b>1,000</b>	<b>-</b>	<b>(168,360)</b>	<b>-</b>	<b>168,360</b>	<b>1,000</b>
Change in fund balances	(260,560)	21,643	80,018	7,699	-	(151,200)
Fund balances beginning of year	956,856	396,280	459,260	44,306	-	1,856,702
Fund balances end of year	\$ 696,296	417,923	539,278	52,005	-	1,705,502

SEE NOTES TO FINANCIAL STATEMENTS.

CHARTER OAK-UTE 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)** \$ (151,200)

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

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

Capital outlay	\$ 149,050	
Depreciation expense	(187,524)	
Loss on disposal	<u>(276,484)</u>	(314,958)

Income surtax accounts receivable is not available to finance expenditures of the current period and is recognized as deferred inflows of resources in the governmental funds 11,908

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 148,982

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. 1,017

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	(8,384)	
Other postemployment benefits	<u>(4,900)</u>	<u>(13,284)</u>

**Changes in net position of governmental activities (page 19)** \$ (317,535)

SEE NOTES TO FINANCIAL STATEMENTS.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2014

		Business Type Activites Enterprise Fund
		School Nutrition
<b>ASSETS</b>		
Current assets:		
Cash and pooled investments	\$	59,952
Inventories		1,661
Total current assets		61,613
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation		17,891
<b>TOTAL ASSETS</b>		<b>79,504</b>
<b>LIABILITIES</b>		
Current liabilities:		
Unearned revenue		3,060
Long-term liabilities:		
Net OPEB liability		93
<b>TOTAL LIABILITIES</b>		<b>3,153</b>
<b>NET POSITION</b>		
Net investment in capital assets		17,891
Unrestricted		58,460
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b>76,351</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities Enterprise Fund
	School Nutrition
OPERATING REVENUES:	
Local sources:	
Charges for service	\$ 86,390
Contributions	563
TOTAL OPERATING REVENUES	86,953
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	49,571
Benefits	10,674
Supplies	125,005
Depreciation	1,959
TOTAL OPERATING EXPENSES	187,209
OPERATING LOSS	(100,256)
NON-OPERATING REVENUES:	
State sources	1,808
Federal sources	108,697
Interest on investments	175
TOTAL NON-OPERATING REVENUES	110,680
Change in net position	10,424
Net position beginning of year	65,927
Net position end of year	\$ 76,351

SEE NOTES TO FINANCIAL STATEMENTS.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
YEAR ENDED JUNE 30, 2014

	Business Type Activities Enterprise Fund
	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 86,161
Cash received from donations	593
Cash payments to employees for services	(60,224)
Cash payments to suppliers for goods or services	(111,142)
Net cash used in operating activities	(84,612)
Cash flows from non-capital financing activities:	
State grants received	1,808
Federal grants received	94,957
Net cash provided by non-capital financing activities	96,765
Cash flows from capital and related financing activities:	
Purchase of capital assets	(500)
Cash flows from investing activities:	
Interest on investments	175
Net increase in cash and cash equivalents	11,828
Cash and cash equivalents beginning of year	48,154
Cash and cash equivalents end of year	\$ 59,982
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (100,256)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	13,740
Depreciation	1,959
Decrease in inventories	123
Increase in other postemployment benefits	21
Decrease in unearned revenue	(229)
Net cash used in operating activities	\$ (84,642)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$13,740.

SEE NOTES TO FINANCIAL STATEMENTS.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

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

The Charter Oak-Ute Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Charter Oak, Ute and Soldier, Iowa, and the agricultural territory of Crawford and Monona 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 Government Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Charter Oak-Ute 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 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 Crawford and Monona County Assessor's 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 activities of the District, with omission of the fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources 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 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 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, termination 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 assets.

The District also reports the following non-major proprietary fund:

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

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

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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 - 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 balance of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes 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, 2012.

Due from Other Governments - Due from other governments represents the 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 governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, equipment, and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1
Buildings	10,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

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

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

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collectible within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned 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.

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

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

Nonspendable - Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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 preceding classifications.

**E, Budgets and Budgetary Accounting**

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

**Note 2. Cash and Pooled Investments**

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

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

**Note 3. Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 86,780
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	81,580
Total		\$ 168,360

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund of \$86,780 was needed for principal and interest payments on the District revenue bond indebtedness.

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

#### **Note 4. Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b><i>Governmental activities:</i></b>				
Capital assets not being depreciated:				
Land	\$ 1,247	-	500	747
Total capital assets not being depreciated	<u>1,247</u>	<u>-</u>	<u>500</u>	<u>747</u>
Capital assets being depreciated:				
Buildings	2,946,362	-	557,301	2,389,061
Land improvements	703,769	3,754	154,534	552,989
Machinery and equipment	2,128,386	145,296	109,397	2,164,285
Total capital assets being depreciated	<u>5,778,517</u>	<u>149,050</u>	<u>821,232</u>	<u>5,106,335</u>
Less accumulated depreciation for:				
Buildings	936,016	42,707	371,173	607,550
Land improvements	214,852	21,466	65,428	170,890
Machinery and equipment	1,868,875	123,351	108,647	1,883,579
Total accumulated depreciation	<u>3,019,743</u>	<u>187,524</u>	<u>545,248</u>	<u>2,662,019</u>
Total capital assets being depreciated, net	<u>2,758,774</u>	<u>(38,474)</u>	<u>275,984</u>	<u>2,444,316</u>
Governmental activities capital assets, net	<u>\$ 2,760,021</u>	<u>(38,474)</u>	<u>276,484</u>	<u>2,445,063</u>
<b><i>Business type activities:</i></b>				
Machinery and equipment	\$ 27,052	500	-	27,552
Less accumulated depreciation	7,702	1,959	-	9,661
Business type activities capital assets, net	<u>\$ 19,350</u>	<u>(1,459)</u>	<u>-</u>	<u>17,891</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 67,740
Special	2,518
Other	8,772
Support services:	
Administration	3,157
Operation and maintenance of plant	1,850
Transportation	39,314
	<u>123,351</u>
Unallocated depreciation	64,173
Total governmental activities depreciation expense	<u>\$ 187,524</u>
Business type activities:	
Food service operations	<u>\$ 1,959</u>

**Note 5. Long-Term Debt**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b><i>Governmental Activities:</i></b>					
Revenue Bonds	\$ 735,000	-	70,000	665,000	70,000
Capital Lease	78,982	-	78,982	-	-
Termination Benefits	69,692	17,967	13,067	74,592	18,512
Net OPEB Liability	26,150	8,384	-	34,534	-
Total	<u>\$ 909,824</u>	<u>26,351</u>	<u>162,049</u>	<u>774,126</u>	<u>88,512</u>
<b><i>Business Type Activities:</i></b>					
Net OPEB Liability	\$ 72	21	-	93	-

**Revenue Bonds**

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

Year Ending June 30,	Bond Issue of December 7, 2011			
	Rate	Principal	Interest	Total
2015	1.20 %	\$ 70,000	16,063	86,063
2016	1.55	75,000	15,061	90,061
2017	1.90	80,000	13,720	93,720
2018	2.25	80,000	12,060	92,060
2019	2.60	85,000	10,055	95,055
2020-2022	2.95-3.50	275,000	14,095	289,095
Total		<u>\$ 665,000</u>	<u>81,054</u>	<u>746,054</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$800,000 of bonds issued on December 7, 2011. The bonds were issued for the purpose of financing a portion of the costs of an addition to the high school. 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 2022. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 32% of the statewide, sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$746,054. For the current year \$70,000 of principal and \$16,780 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$267,728.

**Termination Benefits**

The District offered a voluntary early retirement plan to its employees during fiscal year 2014. Employees must have completed at least eight years of service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. Employees completing application for early retirement which must be accompanied by the employee's written resignation. Such resignations are conditional upon acceptance by the Board.

The District will pay the monthly premiums for the single health and major medical insurance coverage. The retiree shall be notified of termination of benefits upon reaching age of sixty-five, death, or failure to make payment if participating in family plan at their option.

At June 30, 2014, the District has obligations to three participants with a total liability of \$74,592. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$13,067. The cost of early retirement payments expected to be paid are recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements.

**Note 6. Other Postemployment Benefits(OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Charter Oak-Ute Community School District has 18 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through ISEBA and dental covered is provided through Delta Dental. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 11,845
Interest on net OPEB obligation	656
Adjustment to annual required contribution	(2,502)
Annual OPEB cost	<u>9,999</u>
Contributions made	<u>(1,594)</u>
Increase in net OPEB obligation	8,405
Net OPEB obligation beginning of year	<u>26,222</u>
Net OPEB obligation end of year	<u><u>\$ 34,627</u></u>

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 is summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 8,900	25.9 %	\$ 19,420
2013	10,819	37.1	26,222
2014	9,999	15.9	34,627

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 \$66,703 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$66,703. The covered payroll (annual payroll of active employees covered by the plan) was \$918,900 and the ratio of the UAAL to covered payroll was 7.26%. As of June 30, 2014, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **Note 7. 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 \$185,033, \$173,695 and \$110,193 respectively, equal to the required contributions for each year.

**Note 8. Risk Management**

The District is a member in the Iowa Schools Employee 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 prescription drugs. District contributions to ISEBA for the year ended June 30, 2014 were \$194,893.

Charter Oak-Ute Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

**Note 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$125,940 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 10. Operating Lease Commitments**

**Copy Machines**

The District entered into a five year contract to lease copy machines during fiscal 2011. The District will make monthly payments of \$876 through December 2015.

**Trailers**

The District entered into a three year contract to lease mobile trailers to be used as classrooms during fiscal 2013. The District will make monthly payments of \$1,040 through September 2015.

**Note 11. Categorical Funding**

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

<u>Program</u>	<u>Amount</u>
Teacher salary supplement	\$ 14,090
Early childhood programs grant (empowerment)	2,372
Successful progression for early readers	12,094
Total	<u>\$ 28,556</u>

**Note 12. Prospective Accounting Change**

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

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

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

	<u>Net Investment in Capital Assets</u>	<u>Management Levy</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	417,923	655,064
Capital assets, net of accumulated depreciation	2,445,063	-	-
Revenue bond capitalized indebtedness	(665,000)	-	-
Termination benefits	-	(74,592)	-
Accrued interest payable	-	-	(8,241)
Income surtax receivable	-	-	152,462
Net OPEB liability	-	-	(34,534)
Nonspendable fund balance	-	-	12,676
Net position (Exhibit A)	<u>\$ 1,780,063</u>	<u>343,331</u>	<u>777,427</u>

**Charter Oak-Ute Community School District**

## **Required Supplementary Information**

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
<b>Revenues:</b>						
Local sources	\$ 2,087,579	87,128	2,174,707	2,383,104	2,383,104	(208,397)
Intermediate sources	-	-	-	500	500	(500)
State sources	1,767,772	1,808	1,769,580	1,792,763	1,792,763	(23,183)
Federal sources	140,575	108,697	249,272	240,000	240,000	9,272
Total revenues	<u>3,995,926</u>	<u>197,633</u>	<u>4,193,559</u>	<u>4,416,367</u>	<u>4,416,367</u>	<u>(222,808)</u>
<b>Expenditures/Expenses:</b>						
Instruction	2,576,973	-	2,576,973	3,710,904	3,710,904	1,133,931
Support services	1,232,785	-	1,232,785	1,513,000	1,513,000	280,215
Non-instructional programs	2,167	187,209	189,376	244,188	244,188	54,812
Other expenditures	336,201	-	336,201	719,563	719,563	383,362
Total expenditures/expenses	<u>4,148,126</u>	<u>187,209</u>	<u>4,335,335</u>	<u>6,187,655</u>	<u>6,187,655</u>	<u>1,852,320</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(152,200)	10,424	(141,776)	(1,771,288)	(1,771,288)	1,629,512
Other financing sources, net	<u>1,000</u>	-	<u>1,000</u>	-	-	<u>1,000</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(151,200)	10,424	(140,776)	(1,771,288)	(1,771,288)	1,630,512
Balances beginning of year	<u>1,856,702</u>	<u>65,927</u>	<u>1,922,629</u>	<u>2,192,251</u>	<u>2,192,251</u>	<u>(269,622)</u>
Balances end of year	<u>\$ 1,705,502</u>	<u>76,351</u>	<u>1,781,853</u>	<u>420,963</u>	<u>420,963</u>	<u>1,360,890</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARTER OAK-UTE 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 Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 49,000	\$ 49,000	0.0 %	2,044,000	2.40%
2011	July 1, 2009	-	46,000	46,000	0.0	2,057,000	2.24%
2012	July 1, 2009	-	46,000	46,000	0.0	1,921,000	2.39%
2013	July 1, 2012	-	68,967	68,967	0.0	915,818	7.53%
2014	July 1, 2012	-	66,703	66,703	0.0	918,900	7.26%

See Note 6 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## **Supplementary Information**

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 286,726	128,752	415,478
Receivables:			
Property tax:			
Delinquent	-	846	846
Succeeding year	-	49,267	49,267
Income surtax	-	76,231	76,231
Due from other governments	122,954	-	122,954
<b>TOTAL ASSETS</b>	<b>\$ 409,680</b>	<b>255,096</b>	<b>664,776</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	49,267	49,267
Income surtax	-	76,231	76,231
Total deferred inflows of resources	-	125,498	125,498
Fund balances:			
Restricted for:			
School infrastructure	409,680	-	409,680
Physical plant and equipment	-	129,598	129,598
Total fund balances	409,680	129,598	539,278
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 409,680</b>	<b>255,096</b>	<b>664,776</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	152,910	152,910
Other	6,935	5,270	12,205
State sources	267,728	33	267,761
TOTAL REVENUES	274,663	158,213	432,876
EXPENDITURES:			
Current:			
Support services:			
Administration	-	23,049	23,049
Operation and maintenance of plant	33,475	7,206	40,681
Transportation	32,435	46,432	78,867
Capital outlay	15,638	26,263	41,901
TOTAL EXPENDITURES	81,548	102,950	184,498
Excesss of revenues over expenditures	193,115	55,263	248,378
Other financing uses:			
Transfer out	(168,360)	-	(168,360)
Change in fund balances	24,755	55,263	80,018
Fund balances beginning of year	384,925	74,335	459,260
Fund balances end of year	\$ 409,680	129,598	539,278

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
DRAMA CLUB	\$ 6,136	1,382	1,934	5,584
BAND	3,432	19,134	18,826	3,740
VENDING MACHIINE/POP - CHARTER OAK	-	1,123	652	471
ELEMENTARY STAND	7,636	22	3,220	4,438
VENDING MACHINE/POP - UTE	-	433	433	-
BASKETBALL	1,289	9,330	9,131	1,488
TRACK BOYS/GIRLS	-	2,321	2,139	182
FOOTBALL	1,013	8,907	9,368	552
SPEED AND AGILITY	-	620	94	526
VOLLEYBALL	189	4,278	4,048	419
SOFTBALL	-	5,438	5,256	182
SCIENCE CLUB	59	898	573	384
NATIONAL HONOR SOCIETY	959	1,404	-	2,363
ANNUAL	-	3,820	3,521	299
NEWSPAPER	87	548	292	343
PEP CLUB	553	1,612	1,092	1,073
FFA NATIONAL CONVENTION	2,162	2,021	2,755	1,428
FFA FUND	8,588	33,023	27,939	13,672
STUDENT COUNCIL SR HIGH	1,397	7,059	4,563	3,893
CLASS OF 2014	5,773	210	5,983	-
CLASS OF 2015	1,312	21,238	17,379	5,171
CLASS OF 2016	1,040	182	-	1,222
CLASS OF 2017	1,460	182	209	1,433
CLASS OF 2018	634	452	-	1,086
CLASS OF 2019	587	968	373	1,182
CLASS OF 2020	-	1,722	848	874
INTEREST	-	134	134	-
TOTALS	\$ 44,306	128,461	120,762	52,005

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**CHARTER OAK-UTE 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
<b>Revenues:</b>										
<b>Local sources:</b>										
Local tax	\$ 1,538,552	1,756,827	1,845,615	1,784,636	1,718,477	1,597,974	1,500,384	1,450,792	1,389,813	1,303,133
Tuition	346,263	293,211	264,401	248,485	252,090	170,565	141,325	129,725	162,155	134,976
Other	202,764	185,133	209,285	254,752	194,892	206,375	212,299	219,753	188,467	171,112
State sources	1,767,772	1,582,924	1,629,113	1,632,944	1,349,712	1,655,583	1,607,944	1,552,952	1,472,765	1,568,214
Federal sources	140,575	146,674	138,655	299,745	322,558	167,724	129,054	225,805	212,189	255,760
<b>Total</b>	<b>\$ 3,995,926</b>	<b>3,964,769</b>	<b>4,087,069</b>	<b>4,220,562</b>	<b>3,837,729</b>	<b>3,798,221</b>	<b>3,591,006</b>	<b>3,579,027</b>	<b>3,425,389</b>	<b>3,433,195</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular	\$ 1,593,246	1,603,309	1,456,356	1,726,506	1,353,636	1,414,974	1,405,177	1,456,838	1,415,674	1,515,234
Special	396,695	380,526	368,470	335,721	345,162	375,132	361,681	306,329	322,355	438,354
Other	587,032	558,641	510,211	571,522	446,599	431,189	459,088	466,225	490,775	330,519
<b>Support services:</b>										
Student	89,310	83,177	70,219	65,606	71,650	59,147	44,659	42,454	59,723	61,109
Instructional staff	19,906	19,129	41,196	50,915	47,739	60,886	77,754	109,602	49,777	1,334
Administration	475,119	428,672	468,923	439,172	397,923	380,269	398,239	356,759	306,131	314,724
Operation and maintenance of plant	317,173	388,677	369,902	333,938	297,719	311,394	324,472	282,827	267,784	263,323
Transportation	331,277	176,539	259,237	248,795	250,517	167,392	168,647	159,096	220,079	221,796
Non-instructional programs	2,167	1,409	1,221	222	1,087	1,166	3,397	2,038	2,448	1,856
Capital outlay	41,901	307,408	738,538	165,948	16,501	46,659	738,398	104,796	127,918	142,516
<b>Long-term debt:</b>										
Principal	148,982	140,641	267,440	135,853	60,000	130,000	55,000	-	-	6,364
Interest and fiscal charges	19,378	24,339	13,510	16,487	13,417	18,624	9,371	-	-	-
<b>Other expenditures:</b>										
AEA flow-through	125,940	122,723	121,896	136,948	130,790	121,409	114,358	110,135	106,094	106,466
<b>Total</b>	<b>\$ 4,148,126</b>	<b>4,235,190</b>	<b>4,687,119</b>	<b>4,227,633</b>	<b>3,432,740</b>	<b>3,518,241</b>	<b>4,160,241</b>	<b>3,397,099</b>	<b>3,368,758</b>	<b>3,403,595</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the Charter Oak-Ute Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Charter Oak-Ute Community School District 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, and have issued our report thereon dated March 10, 2015.

Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency or 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 identified no deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charter Oak-Ute 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.

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.

Charter Oak-Ute Community School District's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls 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 Charter Oak-Ute 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 10, 2015  
Newton, Iowa

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

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

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

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

Response - The District will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 did not exceed the amounts budgeted.

II-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.

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

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

Name, Title and Business Connection	Transaction Description	Amount
John Jepsen, Head of Maintenance Brother Owns Jepsen Repair	Purchased Services	\$21,129
Chris Wood, Teacher Owner DJ Services	Purchased Services	\$850

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the brother of John Jepsen does not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the teacher do not appear to present a conflict of interest.

II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

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

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

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

II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted not significant deficiencies in the amounts reported.

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

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified

Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 384,925
Revenues:		
Sales tax revenues	\$ 267,728	
Other local revenues	6,935	274,663
Total revenues	<u>                    </u>	<u>659,588</u>
Expenditures:		
School infrastructure construction	15,638	
Equipment	65,910	
Transfers to other funds:		
Debt service fund	168,360	249,908
Ending balance		<u><u>\$ 409,680</u></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.