COLO-NESCO
COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2014

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Introductory Section

Board of Education and School District Officials

As of June 30, 2014

Name	Title	Term Expires
	(Before September, 2013 Election)	
Board of Education		
Joel Niemeyer	President	September, 2015
John Fuller	Vice President	September, 2013
Jon Cutler	Board Member	September, 2015
Bob Jamison	Board Member	September, 2013
Brad Kohlwes	Board Member	September, 2015
P. J. McBride	Board Member	September, 2015
Kim Nelson	Board Member	September, 2013
	(After September, 2013 Election)	
Joel Niemeyer	President	September, 2015
Jon Cutler	Vice President	September, 2015
John Fuller	Board Member	September, 2017
Kelly Hendrick	Board Member	September, 2017
Brad Kohlwes	Board Member	September, 2015
P. J. McBride	Board Member	September, 2015
Traci Nessa	Board Member	September, 2017
School Officials		
Dr. James Verlengia	Superintendent	June 30, 2014
Lisa Waddell	Business Official/District Secretary/Treasurer	Indefinite

Financial Section

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A Professional Corporation
Certified Public Accountants and Consultants

Independent Auditor's Report

Board of Education
Colo-NESCO Community School District
Colo, Iowa

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Colo-NESCO Community School District, Colo, 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, as 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Colo-NESCO Community School District as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 4 through 13 and 38 and 39 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 auditing standards generally accepted in the United States of America, 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 Colo-NESCO Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The financial statements for the eight years ended June 30, 2012 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unqualified opinions on those financial statements. The supplementary information on pages 40 through 48 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 a report dated June 25, 2015 on our consideration of Colo-NESCO 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* and should be considered in assessing the results of our audit.

Hogan - Hansen

HOGAN - HANSEN

Mason City, Iowa
June 25, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Colo-NESCO 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.

FINANCIAL HIGHLIGHTS

- General Fund revenue increased from $5,038,038 in fiscal year 2013 to $5,549,631 in fiscal year 2014, and General Fund expenditures increased from $4,962,567 in fiscal year 2013 to $5,327,783 in fiscal year 2014. This resulted in an increase in the General Fund balance from ($522,103) in fiscal year 2013 to ($300,255) in fiscal year 2014, a 42.5% increase.

- The increase in General Fund revenue was primarily attributable to increases in state revenue and property tax. The increase in expenditures was due primarily to an increase in salaries and benefits and other support services expenditures.

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 Colo-NESCO 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 Colo-NESCO 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 Colo-NESCO Community School District acts solely as an agent or custodian for the benefit of those outside of the District government.

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

Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

Supplementary information provides detailed information about the nonmajor governmental funds.

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

FIGURE A-1

COLO-NESCO COMMUNITY SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT

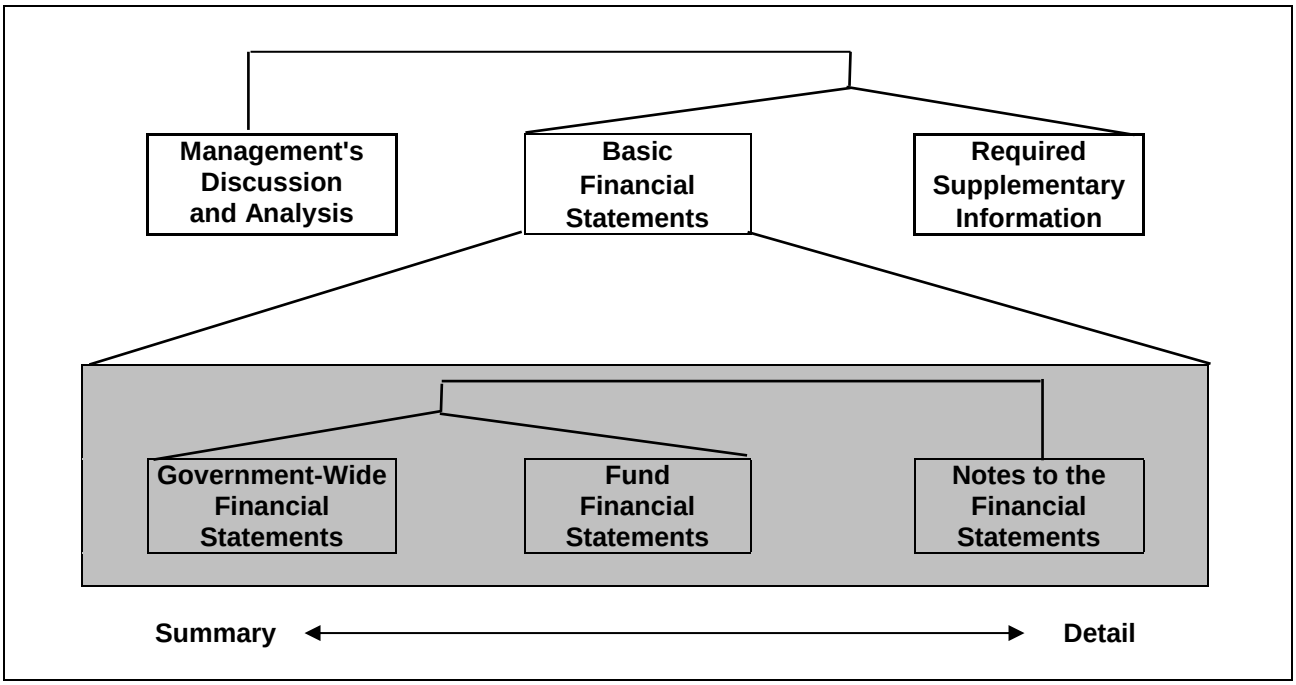

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

FIGURE A-2

MAJOR FEATURES OF THE GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

	Government-Wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and daycare
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenue, expenditures, and changes in fund balances	• Statement of net position • Statement of revenue, expenses and changes in net position • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue 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 revenue 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 revenue and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional nonfinancial 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 School Nutrition Fund and Daycare Fund are 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 or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for various student activity funds or to demonstrate it is properly using certain revenue, such as federal grants.

The District has two kinds of funds:

- *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 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, the Special Revenue Funds, the Capital Projects Fund and the Debt Service Fund.

  The required financial statements for governmental funds include a balance sheet and a statement of revenue, expenditures and changes in fund balances.

- *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, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District has two enterprise funds: the School Nutrition Fund and the Daycare Fund.

  The required financial statements for proprietary funds include a statement of net position, a statement of revenue, expenses and changes in net position and a statement of cash flows.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

FIGURE A-3
CONDENSED STATEMENT OF NET POSITION

	Governmental Activities June 30,		Business-Type Activities June 30,		Total District June 30,		Total Percentage Change
	2014	2013 (Restated)	2014	2013	2014	2013 (Restated)	2013-2014
Current and other assets	$ 5,018,987	$ 4,538,517	$ 21,496	$ 4,019	$ 5,040,483	$ 4,542,536	11.0%
Capital assets	5,461,239	5,635,721	13,211	16,410	5,474,450	5,652,131	(3.1)
Total Assets	**10,480,226**	**10,174,238**	**34,707**	**20,429**	**10,514,933**	**10,194,667**	**3.1**
Long-term liabilities	3,745,841	4,394,718	1,470	1,141	3,747,311	4,395,859	(14.8)
Other liabilities	1,062,217	705,330	13,079	5,409	1,075,296	710,739	(72.2)
Total Liabilities	**4,808,058**	**5,100,048**	**14,549**	**6,550**	**4,822,607**	**5,106,598**	**(5.6)**
Deferred Inflows of Resources	**3,428,643**	**3,158,687**	**—**	**—**	**3,428,643**	**3,158,687**	**8.5**
Net Position							
Net investment in capital assets	1,704,799	1,684,883	13,211	16,410	1,718,010	1,701,293	1.0
Restricted	1,255,047	1,329,908	—	—	1,255,047	1,329,908	(5.6)
Unrestricted	(716,321)	(1,099,288)	6,947	(2,531)	(709,374)	(1,101,819)	35.6
Total Net Position	**$ 2,243,525**	**$ 1,915,503**	**$ 20,158**	**$ 13,879**	**$ 2,263,683**	**$ 1,929,382**	**17.3**

The District's combined net position increased 17.3%, or approximately $334,000 over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's total restricted net position decreased by approximately $75,000, or 5.6%, from the prior 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 – increased by approximately $392,000, or 35.6%. The increase was primarily a result of increased property tax revenue.

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

FIGURE A-4
CHANGES IN NET POSITION

	Governmental Activities June 30,		Business-Type Activities June 30,		Total District June 30,		Total Percentage Change
	2014	2013 (Restated)	2014	2013	2014	2013 (Restated)	2013-2014
Revenue							
Program Revenue							
Charges for service	$ 295,693	$ 296,270	$ 290,799	$ 292,630	$ 586,492	$ 588,900	(0.4)%
Operating grants and contributions	925,932	764,956	147,102	121,803	1,073,034	886,759	21.0
General Revenue							
Property tax	3,164,561	2,777,623	—	—	3,164,561	2,777,623	13.9
Income surtax	231,425	203,973	—	—	231,425	203,973	13.5
Statewide sales, services and use tax	430,963	532,571	—	—	430,963	532,571	(19.1)
Unrestricted state grants	1,646,228	1,633,191	—	—	1,646,228	1,633,191	(0.8)
Unrestricted investment earnings	2,231	1,904	—	—	2,231	1,904	17.2
Other	1,306	6,251	—	—	1,306	6,251	(79.1)
Total Revenue	**6,698,339**	**6,216,739**	**437,901**	**414,433**	**7,136,240**	**6,631,172**	**7.6**
Program Expenses							
Instruction	3,862,406	3,522,050	—	—	3,862,406	3,522,050	9.7
Support services	1,895,636	2,038,478	—	—	1,895,636	2,038,478	(7.0)
Noninstructional programs	—	—	431,622	413,675	431,622	413,675	4.3
Other expenses	612,275	597,356	—	—	612,275	597,356	2.5
Total Expenses	**6,370,317**	**6,157,884**	**431,622**	**413,675**	**6,801,939**	**6,571,559**	**3.5**
Change in Net Position Before Transfers	**328,022**	**58,855**	**6,279**	**758**	**334,301**	**59,613**	**460.8**
Transfers	—	(49,438)	—	49,438	—	—	0.0
Change in Net Position	**328,022**	**9,417**	**6,279**	**50,196**	**334,301**	**59,613**	**460.8**
Net Position - Beginning of Year, as restated (Note 13)	1,915,503	1,906,086	13,879	(36,317)	1,929,382	1,869,769	3.2
Net Position - End of Year	**$ 2,243,525**	**$ 1,915,503**	**$ 20,158**	**$ 13,879**	**$ 2,263,683**	**$ 1,929,382**	**17.3**

In fiscal year 2014, property tax and unrestricted state grants accounted for 71.8% of governmental activities revenue while charges for service, operating grants and contributions accounted for 100% of business-type activities revenue. The District's total revenue was approximately $7.1 million, of which approximately $6.7 million was for governmental activities and $400,000 was for business-type activities.

As shown in figure A-4, the District as a whole experienced a 7.6% increase in revenue and a 3.5% increase in expenses. Property tax increased approximately $387,000 to fund current year expenses. The increase in expenses is primarily related to an increase in salaries and benefits in the instruction function.

Governmental Activities

Revenue for governmental activities was $6,698,339 and expenses were $6,370,317 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, noninstructional programs and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

FIGURE A-5

TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES

	Total Cost of Services			Net Cost of Services		
	2014	2013 (Restated)	Percentage Change 2013-2014	2014	2013 (Restated)	Percentage Change 2013-2014
Instruction	$ 3,862,406	$ 3,522,050	9.7%	$ 2,840,942	$ 2,637,987	7.7%
Support services	1,895,636	2,038,478	(7.0)	1,877,036	2,026,315	(7.4)
Other expenses	612,275	597,356	2.5	430,714	432,356	(0.4)
Total	**$ 6,370,317**	**$ 6,157,884**	**3.4**	**$ 5,148,692**	**$ 5,096,658**	**1.0**

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was $295,693.
- Federal and state governments subsidized certain programs with grants and contributions totaling $925,932.
- The net cost of governmental activities was financed with $3,164,561 in property and other taxes and $1,646,228 in unrestricted state grants.

Business-Type Activities

Revenue for business-type activities during the year ended June 30, 2014 was $437,901, representing a 5.7% increase over the prior year, while expenses totaled $431,622, a 4.3% increase over the prior year. The District's business-type activities includes the School Nutrition Fund and Daycare Fund. Revenue from these activities was comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, Colo-NESCO Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of $735,205 compared to last year's ending fund balances of $522,759. The primary reason for the increase in combined fund balances at the end of fiscal year 2014 is due to an increase in local taxes and state source revenue offset by an increase in instruction expenses.

Governmental Fund Highlights

- The District's negative General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenue. However, the increase in revenue was partially offset by the District's increase in General Fund expenditures.

- The General Fund balance increased from ($522,103) to ($300,255). The increase was due to being able to limit increased expenses to less than the increase in property taxes and state grant revenue.

- The Debt Service Fund balance increased from $680,860 at the end of fiscal year 2013 to $806,105 at the end of fiscal year 2014. Transfers in from the Capital Projects Fund exceeded principal and interest payments made in fiscal year 2014.

- The Capital Projects Fund includes revenue from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects Fund will be used for future capital improvements and equipment purchases.

    - The Physical Plant and Equipment Levy account balance decreased from ($20,222) as of June 30, 2013 to ($41,011) as of June 30, 2014.

    - The Statewide Sales Service and Use Tax account balance decreased from $267,166 as of June 30, 2013 to $194,837 as of June 30, 2014. This was due to increased funds transferred to the Debt Service Fund to pay down long-term debt.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from ($46,239) as of June 30, 2013 to ($36,927) as of June 30, 2014, representing an increase of approximately $9,312. The increase was primarily related to a greater increase in lunch sales and related revenue and a decrease in salaries and related expenses.

The Daycare Fund net position decreased from $60,118 as of June 30, 2013 to $57,085 as of June 30, 2014.

BUDGETARY HIGHLIGHTS

The District's total revenue was $41,236 more than total budgeted revenue.

Total expenditures were $408,782 over budget, due primarily to no funds being budgeted for debt service and facilities acquisition expenditures.

The certified budget was exceeded in the instruction and other expenditures functional areas due to the timing of disbursements paid at year end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the District had invested $5,474,450, 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 represents a net decrease of 3.1% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was $313,270.

The original cost of the District's capital assets was approximately $11,301,000. Governmental funds account for approximately $11,282,000, with the remainder of approximately $19,000 accounted for in the Proprietary, School Nutrition Fund.

FIGURE A-6
CAPITAL ASSETS, NET OF DEPRECIATION

	Governmental Activities June 30,		Business-Type Activities June 30,		Total District June 30,		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
Land	$ 46,656	$ 34,856	$ —	$ —	$ 46,656	$ 34,856	33.9%
Buildings and improvements	5,194,137	5,465,708	—	—	5,194,137	5,465,708	(5.0)
Equipment and furniture	220,446	135,157	13,211	16,410	233,657	151,567	54.2
Total	**$ 5,461,239**	**$ 5,635,721**	**$ 13,211**	**$ 16,410**	**$ 5,474,450**	**$ 5,652,131**	**(3.1)**

Long-Term Debt

As of June 30, 2014, the District had $4,003,503 in total long-term debt outstanding. This represents a decrease of 7.2% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

FIGURE A-7
OUTSTANDING LONG-TERM DEBT

	Total District June 30,		Total Change June 30,
	2014	2013	2013-2014
Governmental Activities			
Revenue bonds	$ 3,585,000	$ 3,815,000	(6.0)%
Note payable	171,442	135,838	26.2
Lease payable	247,061	364,830	(32.3)
Total	**$ 4,003,503**	**$ 4,315,668**	**(7.2)**

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- District financing and funding is highly dependent upon student enrollment. The District's enrollment increased in fiscal year 2014 by 27.6 students. Future enrollment stability is a critical element in maintaining a sound financial foundation. The Board of Education and administration of the District believe that the commitment to improving facilities will be an attraction for future enrollment growth.

- Taxable valuations have increased in the Colo-NESCO School District. This has helped generate additional funds from tax levies to help maintain buildings in several communities in the area.

- The District continuously evaluates the condition of its transportation vehicles and is determined to ensure safety. The District will continue to replace vehicles by using resources from the voter-approved Physical Plant and Equipment Levy that was approved in April, 2012.

- Heath Insurance premiums continue to increase which forces the District to carry a larger burden for employee benefits.

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 Lisa Waddell, District Secretary/Treasurer, Colo-NESCO Community School District, 919 West Street, Colo, Iowa 50056.

Basic Financial Statements

Statement of Net Position

As of June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash, cash equivalents and investments	$ 1,189,875	$ 9,319	$ 1,199,194
Receivables, Net of Allowance for Uncollectible Amounts			
Property Tax			
Current year delinquent	35,361	—	35,361
Succeeding year	3,428,643	—	3,428,643
Due from other governments	327,487	6,491	333,978
Inventories	—	5,686	5,686
Unamortized bond discounts and issuance costs	37,621	—	37,621
Capital assets, net of accumulated depreciation	5,461,239	13,211	5,474,450
Total Assets	**$ 10,480,226**	**$ 34,707**	**$ 10,514,933**
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable	$ 165,787	$ 963	$ 166,750
Salaries and benefits payable	447,823	9,983	457,806
Accrued interest payable	74,411	—	74,411
Deferred Revenue			
Other	—	2,133	2,133
Long-Term Liabilities			
Portion Due Within One Year			
Revenue bonds	175,000	—	175,000
Note payable	58,345	—	58,345
Lease payable	117,768	—	117,768
Early retirement	23,083	—	23,083
Portion Due After One Year			
Revenue bonds	3,410,000	—	3,410,000
Note payable	113,095	—	113,095
Lease payable	129,293	—	129,293
Early retirement	15,674	—	15,674
Net OPEB liability	77,779	1,470	79,249
Total Liabilities	**4,808,058**	**14,549**	**4,822,607**
Deferred Inflows or Resources			
Unavailable property tax revenue	**3,428,643**	**—**	**3,428,643**
Net Position			
Net investment in capital assets	1,704,799	13,211	1,718,010
Restricted for			
Categorical funding	39,183	—	39,183
Debt service	769,315	—	769,315
School infrastructure	398,745	—	398,745
Student activities	47,804	—	47,804
Unrestricted	(716,321)	6,947	(709,374)
Total Net Position	**2,243,525**	**20,158**	**2,263,683**
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 10,480,226**	**$ 34,707**	**$ 10,514,933**

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue: Charges for Service	Program Revenue: Operating Grants and Contributions	Net (Expenses), Revenue and Changes in Net Position: Governmental Activities	Net (Expenses), Revenue and Changes in Net Position: Business-Type Activities	Net (Expenses), Revenue and Changes in Net Position: Total
Governmental Activities						
Instruction						
Regular	$ 2,469,460	$ 155,414	$ 691,913	$ (1,622,133)	$ —	$ (1,622,133)
Special	705,342	—	25,375	(679,967)	—	(679,967)
Vocational	182,661	—	8,763	(173,898)	—	(173,898)
Other	504,943	139,999	—	(364,944)	—	(364,944)
Total Instruction	3,862,406	295,413	726,051	(2,840,942)	—	(2,840,942)
Support Services						
Student	35,285	—	—	(35,285)	—	(35,285)
Instructional staff	266,752	—	15,357	(251,395)	—	(251,395)
General administration	549,317	—	—	(549,317)	—	(549,317)
Operation and maintenance of plant	692,220	280	—	(691,940)	—	(691,940)
Transportation	352,062	—	2,963	(349,099)	—	(349,099)
Total Support Services	1,895,636	280	18,320	(1,877,036)	—	(1,877,036)
Other Expenditures						
AEA flow through	181,561	—	—	(181,561)	—	(181,561)
Long-term debt interest and fiscal charges	155,143	—	181,561	26,418	—	26,418
Depreciation (unallocated)*	275,571	—	—	(275,571)	—	(275,571)
Total Other Expenditures	612,275	—	181,561	(430,714)	—	(430,714)
Total Governmental Activities	**6,370,317**	**295,693**	**925,932**	**(5,148,692)**	**—**	**(5,148,692)**
Business-Type Activities						
Noninstructional Programs						
Food service operations	277,881	140,091	147,102	—	9,312	9,312
Daycare	153,741	150,708	—	—	(3,033)	(3,033)
Total Business-Type Activities	**431,622**	**290,799**	**147,102**	**—**	**6,279**	**6,279**
Total	**$ 6,801,939**	**$ 586,492**	**$ 1,073,034**	**(5,148,692)**	**6,279**	**(5,142,413)**
General Revenue						
Property Tax Levied for						
General purposes				2,650,530	—	2,650,530
Management levy purposes				100,197	—	100,197
Capital outlay				413,834	—	413,834
Income surtax				231,425	—	231,425
Statewide sales, services and use tax				430,963	—	430,963
Unrestricted state grants				1,646,228	—	1,646,228
Interest and investment earnings				2,231	—	2,231
Gain on disposal of capital assets				1,306	—	1,306
Total General Revenue				**5,476,714**	**—**	**5,476,714**
Change in Net Position				**328,022**	**6,279**	**334,301**
Net Position - Beginning of Year, as restated (Note 13)				1,915,503	13,879	1,929,382
Net Position - End of Year				**$ 2,243,525**	**$ 20,158**	**$ 2,263,683**

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

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

As of June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Assets					
Cash, cash equivalents and investments	$ 221,714	$ 806,105	$ 79,446	$ 82,610	$ 1,189,875
Receivables, Net of Allowance for Uncollectible Amounts					
Property Tax					
Current year delinquent	29,873	—	4,350	1,138	35,361
Succeeding year	2,800,492	—	433,151	195,000	3,428,643
Due from other governments	247,208	—	80,279	—	327,487
Total Assets	**$ 3,299,287**	**$ 806,105**	**$ 597,226**	**$ 278,748**	**$ 4,981,366**
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 147,319	$ —	$ 10,249	$ 8,219	$ 165,787
Salaries and benefits payable	447,823	—	—	—	447,823
Deferred Revenue					
Other	203,908	—	—	—	203,908
Total Liabilities	**799,050**	**—**	**10,249**	**8,219**	**817,518**
Deferred Inflows of Resources					
Unavailable Revenue					
Succeeding year property tax	**2,800,492**	**—**	**433,151**	**195,000**	**3,428,643**
Fund Balances					
Restricted for					
Capital projects	—	—	194,837	—	194,837
Student activities	—	—	—	47,804	47,804
Management levy purposes	—	—	—	27,725	27,725
Debt service	—	806,105	—	—	806,105
Unassigned	(300,255)	—	(41,011)	—	(341,266)
Total Fund Balances	**(300,255)**	**806,105**	**153,826**	**75,529**	**735,205**
Total Liabilities, Deferred Inflows of Resources and Fund Balances	**$ 3,299,287**	**$ 806,105**	**$ 597,226**	**$ 278,748**	**$ 4,981,366**

See accompanying notes to the financial statements.

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

As of June 30, 2014

Total Fund Balances for Governmental Funds (Page 16)....		**$ 735,205**
Amounts reported for governmental activities in the statement of net position are different because:		
Unamortized bond discounts and issuance costs are amortized over the life of the bonds and, therefore, are not reported as assets in the governmental funds.		37,621
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		5,461,239
Income surtax receivable is not available to pay current year expenditures and, therefore, is deferred in the governmental funds.....		203,908
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.....		(74,411)
Long-term liabilities, including revenue bonds, note and lease payables, early retirement and other post-employment benefits are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		
Revenue bonds	$ (3,585,000)	
Note payable	(171,440)	
Lease payable	(247,061)	
Early retirement	(38,757)	
OPEB liability	(77,779)	(4,120,037)
Net Position of Governmental Activities (Page 14).....		**$ 2,243,525**

See accompanying notes to the financial statements.

Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenue					
Local Sources					
Local tax	$ 2,867,521	$ —	$ 844,797	$ 100,197	$ 3,812,515
Tuition	92,678	—	—	—	92,678
Other	59,064	—	47,964	141,316	248,344
State sources	2,359,714	—	—	—	2,359,714
Federal sources	169,348	—	—	—	169,348
Total Revenue	**5,548,325**	**—**	**892,761**	**241,513**	**6,682,599**
Expenditures					
Current					
Instruction					
Regular	2,382,293	—	—	49,681	2,431,974
Special	705,342	—	—	—	705,342
Vocational	182,661	—	—	—	182,661
Other	370,804	—	—	134,139	504,943
Total Instruction	3,641,100	—	—	183,820	3,824,920
Support Services					
Student	47,478	—	—	—	47,478
Instructional staff	189,950	—	76,802	—	266,752
Administration	545,702	—	—	3,615	549,317
Operation and maintenance of plant	439,304	—	5,890	95,607	540,801
Transportation	282,688	—	118,692	—	401,380
Total Support Services	1,505,122	—	201,384	99,222	1,805,728
Other Expenditures					
Facilities acquisition and construction	—	—	190,997	—	190,997
Long-Term Debt					
Principal	—	278,214	—	—	278,214
Interest and fiscal charges	—	156,089	—	—	156,089
AEA flowthrough	181,561	—	—	—	181,561
Total Other Expenditures	181,561	434,303	190,997	—	806,861
Total Expenditures	**5,327,783**	**434,303**	**392,381**	**283,042**	**6,437,509**
Revenue Over (Under) Expenditures	**220,542**	**(434,303)**	**500,380**	**(41,529)**	**245,090**
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	1,306	—	—	—	1,306
Note payable proceeds	—	—	83,818	—	83,818
Lease payments	—	—	(117,768)	—	(117,768)
Operating transfers in	—	559,548	—	—	559,548
Operating transfers out	—	—	(559,548)	—	(559,548)
Total Other Financing Sources (Uses)	**1,306**	**559,548**	**(593,498)**	**—**	**(32,644)**
Net Change in Fund Balances	**221,848**	**125,245**	**(93,118)**	**(41,529)**	**212,446**
Fund Balances - Beginning of Year, as restated (Note 13)	(522,103)	680,860	246,944	117,058	522,759
Fund Balances - End of Year	**$ (300,255)**	**$ 806,105**	**$ 153,826**	**$ 75,529**	**$ 735,205**

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds (Page 18)		**$ 212,446**
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, those costs are not reported in the statement of activities and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amount of capital outlay and depreciation expense for the year are as follows:		
Capital outlay	$ 135,589	
Depreciation expense	(310,071)	(174,482)
Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.		14,434
Amortization of bond discounts and issuance costs on bonds payable did not use current financial resources of governmental funds but it decreases assets in the statement of net position.		(2,351)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of issues and repayments for the year are as follows:		
Issued	$ (83,818)	
Repaid	395,983	312,165
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 interest accrues, regardless of when it is due.		3,296
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement	$ (25,983)	
Net OPEB liability	(11,503)	(37,486)
Change in Net Position of Governmental Activities (Page 15)		**$ 328,022**

See accompanying notes to the financial statements.

Statement of Net Position - Proprietary Funds

Year Ended June 30, 2014

	Nonmajor Enterprise
Assets	
Current Assets	
Cash and cash equivalents	$ 9,319
Due from other funds	53,641
Due from other governments	6,491
Inventories	5,686
Total Current Assets	**75,137**
Capital Assets, Net of Accumulated Depreciation	**13,211**
Total Assets	**$ 88,348**
Liabilities and Net Position	
Current Liabilities	
Accounts payable	$ 963
Salaries and benefits payable	9,983
Due to other funds	53,641
Unearned revenue - other	2,133
Total Current Liabilities	**66,720**
Net OPEB Liability	**1,470**
Net Position	
Investment in capital assets	13,211
Unrestricted	6,947
Total Net Position	**20,158**
Total Liabilities and Net Position	**$ 88,348**

See accompanying notes to the financial statements.

Statement of Revenue, Expenses and Changes in Fund Net Position - Proprietary Funds

Year Ended June 30, 2014

	Nonmajor Enterprise
Operating Revenue	
Local Sources	
Charges for service	$ 287,181
Other receipts	3,618
Total Operating Revenue	**290,799**
Operating Expenses	
Noninstructional Programs	
Service Operations	
Salaries and benefits	255,315
Purchased services and supplies	173,108
Other	3,199
Total Operating Expenses	**431,622**
Loss From Operations	**(140,823)**
Nonoperating Revenue	
State sources	2,228
Federal sources	144,874
Total Nonoperating Revenue	**147,102**
Change in Net Position	**6,279**
Net Position - Beginning of Year	13,879
Net Position - End of Year	**$ 20,158**

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2014

	Nonmajor Enterprise
Cash Flows From Operating Activities	
Cash received from sale of lunches and breakfasts	$ 135,997
Cash received from daycare services	145,563
Cash received for other	3,618
Cash paid to employees for services	(253,684)
Cash paid to suppliers for goods or services	(156,301)
Net Cash Used in Operating Activities	**(124,807)**
Cash Flows From Noncapital Financing Activities	
State grants received	1,116
Federal grants received	125,690
Collections of interfund receivables	13,336
Repayment of interfund payables	(6,466)
Net Cash Provided by Noncapital Financing Activities	**133,676**
Net Increase in Cash and Cash Equivalents	**8,869**
Cash and Cash Equivalents - Beginning of Year	450
Cash and Cash Equivalents - End of Year	**$ 9,319**
Reconciliation of Loss From Operations to Net Cash Used in Operating Activities	
Loss from operations	$ (140,823)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities	
Commodities used	15,706
Depreciation	3,199
Changes in Assets and Liabilities	
Decrease in accounts receivable	(4,584)
Increase in inventory	566
Increase in accounts payable	535
Increase in salaries and benefits payable	1,302
Decrease in unearned revenue	(1,037)
Increase in other post-employment benefits	329
Net Cash Used in Operating Activities	**$ (124,807)**

Noncash Investing, Capital and Related Financing Activities

During the year ended June 30, 2014, the District received $19,184 of federal commodities.

See accompanying notes to the financial statements.

(1) Summary of Significant Accounting Policies

Colo-NESCO 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 Colo, McCallsburg and Zearing, Iowa, and the predominate agricultural territory in portions of Story, Marshall and Hardin Counties. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Colo-NESCO 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. Colo-NESCO Community School District has no component units that 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 does 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 Story County Assessor's Conference Board.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenue, 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, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt 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.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

(1) Summary of Significant Accounting Policies

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (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 revenue are reported instead as general revenue.

Fund Financial Statements
Separate financial statements are provided for governmental and proprietary 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 Projects Fund accounts.

The District reports the following major governmental funds:

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

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

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

The District's nonmajor proprietary funds include the School Nutrition Fund and the Daycare Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Daycare Fund is used to account for child care services.

Measurement Focus and Basis of Accounting
The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days after year end.

Property tax, intergovernmental revenue (shared revenue, 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.

(1) Summary of Significant Accounting Policies

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 revenue. 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 revenue.

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenue of the District's enterprise funds are 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 revenue and expenses not meeting this definition are reported as nonoperating revenue 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.

Assets, Liabilities and Fund Equity

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

Cash, Cash Equivalents and Investments
The District's only investment is in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

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

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

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

(1) Summary of Significant Accounting Policies

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014; and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

Food Inventories
Inventories are valued at cost using the first-in, first-out (FIFO) method for purchased items and contributed value for government commodities. As of June 30, 2014, total inventories included government commodities valued at $5,686 which were on hand. Expenses are recognized when the inventory is consumed rather than when purchased or received.

Capital Assets
Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The District did not have any intangible assets as of June 30, 2014. 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.

Land	$ 4,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	25,000
Furniture and Equipment	
School Nutrition Fund equipment	500
Other furniture and equipment	4,000

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

Buildings	50 Years
Improvements other than buildings	20 - 50 Years
Intangibles	3 - 10 Years
Furniture and equipment	5 - 15 Years

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

(1) Summary of Significant Accounting Policies

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

Compensated Absences
District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities
In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net position.

Deferred Inflows of Resources
Although certain revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within 60 days after year end.

Deferred inflows of resources in the statement of net position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied.

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

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

Unassigned - All amounts not included in the preceding classification.

Budgeting and Budgetary Control
The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the instruction and other expenditures functions.

Estimates and Assumptions
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash, Cash Equivalents and Investments

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 investments in the Iowa Schools Joint Investment Trust Diversified Government Obligations Portfolio of $330. The investments are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest Rate Risk
The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District. The District did not own any investments as of June 30, 2014 other than deposits held in the Iowa Schools Joint Investment Trust.

Credit Risk
The Board authorizes the District to invest funds in excess of current needs in interest-bearing savings, money market and checking accounts in the District's authorized depositories; the Iowa Schools Joint Investment Trust; obligations of the United States governments, its agencies and instrumentalities; and certificates of deposit and other evidences of deposit at federally insured Iowa depository institutions. The Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services. The District's policy does not further limit the District's investments in relation to credit risk.

Concentration of Credit Risk
The District's general investment policy is to apply the prudent-person rule: in making investments, the District shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use to meet the goals of the investment program.

The investments in the Iowa Schools Joint Investment Trust are not subject to concentration of credit risk.

Custodial Credit Risk
For deposits, custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District's deposits in banks as of 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.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables as of June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
Enterprise	Nutrition	
Daycare	Enterprise	**$ 53,641**

The balances are to be repaid by June 30, 2015.

(4) Interfund Transfers

The detail of the 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	$ 507,027
	Physical Plant and Equipment Levy	52,521
		$ 559,548

Transfers generally move revenue from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

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

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 34,856	$ 11,800	$ —	$ 46,656
Capital Assets Being Depreciated				
Buildings and improvements	8,428,751	—	—	8,428,751
Furniture and equipment	2,889,085	123,789	160,000	2,852,874
Total Capital Assets Being Depreciated	11,317,836	123,789	160,000	11,281,625
Less Accumulated Depreciation for				
Buildings and improvements	2,963,043	271,571	—	3,234,614
Furniture and equipment	2,753,928	38,500	160,000	2,632,428
Total Accumulated Depreciation	5,716,971	310,071	160,000	5,867,042
Net Total Capital Assets Being Depreciated	5,600,865	(186,282)	—	5,414,583
Net Governmental Activities Capital Assets	**$ 5,635,721**	**$ (174,482)**	**$ —**	**$ 5,461,239**

(5) Capital Assets

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Business-Type Activities				
Furniture and equipment	$ 19,195	$ —	$ —	$ 19,195
Less accumulated depreciation	2,785	3,199	—	5,984
Net Business-Type Activities Capital Assets	**$ 16,410**	**$ 3,199**	**$ —**	**$ 13,211**

Depreciation expense was charged as follows:

Governmental Activities	
Support Services	
Transportation	$ 34,500
Unallocated	275,571
Total Governmental Activities Depreciation Expense	**$ 310,071**

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
Governmental Activities					
Revenue bonds	$ 3,815,000	$ —	$ 230,000	$ 3,585,000	$ 175,000
Notes payable	135,838	83,818	48,214	171,442	58,345
Lease payable	364,830	—	117,769	247,061	117,768
Early retirement	12,774	39,206	13,223	38,757	23,083
Net OPEB liability	66,276	11,503	—	77,779	—
Total	**$ 4,394,718**	**$ 134,527**	**$ 409,206**	**$ 4,120,039**	**$ 374,196**
Business-Type Activities					
Net OPEB Liability	**$ 1,141**	**$ 329**	**$ —**	**$ 1,470**	**$ —**

(6) Long-Term Liabilities

Revenue Bonds

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

	Bonds Issued November, 2009			
Year Ending June 30,	**Interest Rates**	**Principal**	**Interest**	**Total**
2015	3.000%	$ 160,000	$ 126,450	$ 286,450
2016	3.250	145,000	121,694	266,694
2017	3.375	150,000	116,806	266,806
2018	3.500	155,000	111,562	266,562
2019	3.750	160,000	105,850	265,850
2020-2024	4.000 - 4.250	900,000	427,050	1,327,050
2025-2029	4.250 - 4.500	1,115,000	217,963	1,332,963
2030	4.500	400,000	12,262	412,262
Total		**$ 3,185,000**	**$ 1,239,637**	**$ 4,424,637**

	Bonds Issued September, 2011			
Year Ending June 30,	**Interest Rates**	**Principal**	**Interest**	**Total**
2015	4.5%	$ 15,000	$ 17,663	$ 32,663
2016	4.5	20,000	16,875	36,875
2017	4.5	20,000	15,975	35,975
2018	4.5	20,000	15,075	35,075
2019	4.5	20,000	14,175	34,175
2020-2024	4.5	115,000	56,363	171,363
2025-2029	4.5	145,000	26,887	171,887
2030		45,000	1,237	46,237
Total		**$ 400,000**	**$ 164,250**	**$ 564,250**

	Total		
Year Ending June 30,	**Principal**	**Interest**	**Total**
2015	$ 175,000	$ 144,113	$ 319,113
2016	165,000	138,569	303,569
2017	170,000	132,781	302,781
2018	175,000	126,637	301,637
2019	180,000	120,025	300,025
2020-2024	1,015,000	483,413	1,498,413
2025-2029	1,260,000	244,850	1,504,850
2030	445,000	13,499	458,499
Total	**$ 3,585,000**	**$ 1,403,887**	**$ 4,988,887**

(6) Long-Term Liabilities

The District has pledged future statewide sales, services and use tax revenue to repay the $4,045,000 of bonds issued in November, 2009 and September, 2011. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through 2030. 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 75% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the notes is $4,988,887. For the current year, $230,000 of principal and $150,413 of interest was paid on the bonds and total statewide sales, services and use tax revenue was $430,963.

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

1. $336,428 of the proceeds from the bonds issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is recorded in the District's Debt Service Fund.

2. Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue account, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking account is recorded in the District's Debt Service Fund.

In addition to the above provisions, the bonds issued September, 2011 also had the following provision relating to early redemption of the bonds:

> In each month there shall be deposited in a surplus revenue account all surplus statewide sales, services and use tax not used to pay debt service on the bonds issued September, 2011, or the bonds issued November, 2009. In each fiscal year, no more than $20,000 of these surplus funds may be used for any lawful purpose. Beginning July 1, 2013, and on each July 1 thereafter, the surplus funds (less the $20,000 previously mentioned) shall be used to prepay the September, 2011 bonds until such time as the bonds have been fully retired.

The District did not comply with all of the revenue bond provisions during the year ended June 30, 2014. During our audit, we noted the District did not deposit all required funds into the surplus revenue account.

Notes Payable

During the year ended June 30, 2013, the District entered into a note payable to finance the purchase of two school buses. The note bears interest at 3.1% per annum and is payable from the Capital Projects - Physical Plant and Equipment Levy Fund.

(6) Long-Term Liabilities

Details of the District's indebtedness under the agreement as of June 30, 2014 are as follows:

	Note Issued January 10, 2014			
	Bus Loan			
Year Ending June 30,	**Interest Rate**	**Principal**	**Interest**	**Total**
2015	3.1%	$ 38,492	$ 2,799	$ 41,291
2016	3.1	39,708	1,583	41,291
2017	3.1	20,328	322	20,650
Total		**$ 98,528**	**$ 4,704**	**$ 103,232**

During the year ended June 30, 2014, the District made principal and interest payments of $37,310 and $3,981, respectively.

During the year ended June 30, 2014, the District entered into a note payable to finance the purchase of one school bus. The note bears interest at 3.83% per annum and is payable from the Capital Projects - Physical Plant and Equipment Levy Fund.

Details of the District's indebtedness under the agreement as of June 30, 2014 are as follows:

	Note Issued April 8, 2015			
	Bus Loan			
Year Ending June 30,	**Interest Rate**	**Principal**	**Interest**	**Total**
2015	3.83%	$ 19,853	$ 2,605	$ 22,458
2016	3.83	20,621	1,838	22,459
2017	3.83	21,419	1,040	22,459
2018	3.83	11,021	211	11,232
Total		**$ 72,914**	**$ 5,694**	**$ 78,608**

During the year ended June 30, 2014, the District made principal and interest payments of $10,904 and $326, respectively.

The total of the District's future maturities of principal and interest as of June 30, 2014 are as follows:

	Total		
Year Ending June 30,	**Principal**	**Interest**	**Total**
2015	$ 58,345	$ 5,404	$ 63,749
2016	60,329	3,421	63,750
2017	41,747	1,362	43,109
2018	11,021	211	11,232
Total	**$ 171,442**	**$ 10,398**	**$ 181,840**

Capital Lease

In June, 2012, the District entered into a lease purchase agreement for computer iPads. The cost of the individual iPads was below the District's capitalization policy and have not been recorded as capital assets. However, the lease payable has been recorded in the statement of net position. The following is a schedule of future minimum lease payments:

(6) Long-Term Liabilities

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2015	3.2017%	$ 121,569	$ 6,945	$ 128,514
2016	3.2017	125,493	3,021	128,514
Total		**$ 247,062**	**$ 9,966**	**$ 257,028**

Line of Credit
The District also has a $250,000 line of credit at State Bank and Trust Co. which bears interest at 4%, matures in September, 2014, and is secured by all District assets. No borrowings were outstanding under this line as of June 30, 2014.

(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 payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were $282,727, $256,517 and $229,489, respectively, equal to the required contributions for each year.

(8) Early Retirement Plan

As of June 30, 2014, the District had obligations to four participants with a total liability of $38,757. Retirement expenditures paid during the year ended June 30, 2014 totaled $13,223.

(9) Other Postemployment Benefits (OPEB)

Plan Description
The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 34 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical and prescription drug benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which 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.

(9) Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	$ 31,822
Interest on net OPEB obligation	1,685
Adjustment to annual required contribution	(6,938)
Annual OPEB Cost	26,569
Contributions made	(14,740)
Increase in Net OPEB Obligation	11,829
Net OPEB Obligation - Beginning of Year	67,417
Net OPEB Obligation - End of Year	**$ 79,246**

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 plan's actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed $11,829 to the plan. Plan members eligible for benefits contributed $2,091 or 9.2% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$ 19,053	7.6%	$ 35,381
June 30, 2012	20,331	9.1	53,862
June 30, 2013	26,385	48.6	67,417
June 30, 2014	26,569	44.6	79,249

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for the period of July 1, 2013 through June 30, 2014, the actuarial accrued liability was $148,339, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $148,339. The covered payroll (annual payroll of active employees covered by the plan) was approximately $1,700,000, and the ratio of the UAAL to the covered payroll was 8.7%. As of June 30, 2014, there were no trust fund assets.

(9) Other Postemployment Benefits (OPEB)

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 healthcare 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, 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%. The ultimate medical trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the 94 Group Annuity Table, projected to 2000 on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the 2006 Society of Actuaries Study and applying the termination factors used in the 2006 Society of Actuaries Study.

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

(10) Risk Management

Colo-NESCO 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.

(11) Area Education Agency Support

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 $181,561 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.

(12) Categorical Funding

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

Program	Amount
Teacher salary supplement	$ 3,864
Four-year-old preschool	1,351
Home school assistance	7,262
Early readers	15,763
Educator quality, professional development	5,166
Teacher leadership	5,777
	$ 39,183

(13) Prior Period Restatement

During the year ended June 30, 2014, management determined that $41,876 should have been reported in the Management Levy Fund as prior year expenses. As a result, the June 30, 2013 Management Levy Fund balance and the governmental activities net position should have been decreased by $41,876.

	Governmental Activities	Management Levy
Fund Balance/Net Position - Beginning of Year, as previously reported	$ 1,957,379	$ 117,284
Additional expense	(41,876)	(41,876)
Fund Balance/Net Position - Beginning of Year, as Restated	**$ 1,915,503**	**$ 75,408**

The prior period restatement had no effect on the 2014 changes in fund balances or net position.

(14) Subsequent Events

Management has evaluated events through June 25, 2015, the date which the financial statements were available to be issued.

Subsequent to June 30, 2014, the District renewed the $250,000 line of credit and approved projects of approximately $455,000 to be paid from the Physical Plant and Equipment Levy Fund in subsequent years.

(15) 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 during the 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 may include a significant liability for the District's proportionate share of the IPERS employee pension plan unfunded pension liability.

Required Supplementary Information

Schedule of Budgetary Comparison of Revenue, Expenditures/Expenses and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Funds

Year Ended June 30, 2014

	Actual				
	Govern-mental Fund Types	Proprietary Fund Type	Total	Original and Final Budget	Over (Under) Budget
Revenue					
Local sources	$ 4,153,537	$ 290,799	$ 4,444,336	$ 4,578,824	$ (134,488)
Intermediate sources	—	—	—	2,000	(2,000)
State sources	2,359,714	2,228	2,361,942	2,250,440	111,502
Federal sources	169,348	144,874	314,222	248,000	66,222
Total Revenue	**6,682,599**	**437,901**	**7,120,500**	**7,079,264**	**41,236**
Expenditures/Expenses					
Instruction	3,824,920	—	3,824,920	3,910,939	(86,019)
Support services	1,805,728	—	1,805,728	1,936,721	(130,993)
Noninstructional programs	—	431,622	431,622	439,400	(7,778)
Other expenditures	924,629	—	924,629	291,057	633,572
Total Expenditures/Expenses	**6,555,277**	**431,622**	**6,986,899**	**6,578,117**	**408,782**
Revenue Over (Under) Expenditures/Expenses	**127,322**	**6,279**	**133,601**	**501,147**	**(367,546)**
Other Financing Sources (Uses) (Net)	**85,124**	**—**	**85,124**	**(693,497)**	**778,621**
Revenue and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	**212,446**	**6,279**	**218,725**	**(192,350)**	**$ 411,075**
Balance - Beginning of Year, as restated (Note 13)	522,759	13,879	536,638	646,575	
Balance - End of Year	**$ 735,205**	**$ 20,158**	**$ 755,363**	**$ 454,225**	

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2014, expenditures in the other expenditure functional areas exceeded the amount budgeted.

Schedule of Funding Progress for the Retiree Health Plan

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2010	7-1-09	$ —	$ 166,776	$ 166,776	0%	$ 1,380,000	12.1%
2011	7-1-09	—	161,811	161,811	0	1,410,000	11.5
2012	7-1-09	—	147,230	147,230	0	1,150,000	12.8
2013	7-1-12	—	165,551	165,551	0	1,317,000	12.6
2014	7-1-12	—	148,339	148,339	0	1,700,000	8.7

See Note 9 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash, cash equivalents and investments	$ 27,587	$ 55,023	$ 82,610
Receivables, Net of Allowance for Uncollectible Amounts			
Property Tax			
Current year delinquent	1,138	—	1,138
Succeeding year	195,000	—	195,000
Total Assets	**$ 223,725**	**$ 55,023**	**$ 278,748**
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	**$ 1,000**	**$ 7,219**	**$ 8,219**
Deferred Inflows of Resources			
Unavailable Revenue			
Succeeding year property tax	**195,000**	**—**	**195,000**
Fund Balances			
Restricted for			
Management levy purposes	27,725	—	27,725
Student activities	—	47,804	47,804
Total Fund Balances	**27,725**	**47,804**	**75,529**
Total Liabilities, Deferred Inflows of Resources and Fund Balances	**$ 223,725**	**$ 55,023**	**$ 278,748**

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Revenue			
Local Sources			
Local tax	$ 100,197	$ —	$ 100,197
Other	1,023	140,293	141,316
Total Revenue	**101,220**	**140,293**	**241,513**
Expenditures			
Current			
Instruction			
Regular	49,681	—	49,681
Other	—	134,139	134,139
Total Instruction	49,681	134,139	183,820
Support Services			
Administration	3,615	—	3,615
Central support	95,607	—	95,607
Total Support Services	99,222	—	99,222
Total Expenditures	**148,903**	**134,139**	**283,042**
Net Change in Fund Balances	**(47,683)**	**6,154**	**(41,529)**
Fund Balances - Beginning of Year, as restated (Note 13)	75,408	41,650	117,058
Fund Balances - End of Year	**$ 27,725**	**$ 47,804**	**$ 75,529**

Combining Schedule of Net Position - Nonmajor Proprietary Funds

As of June 30, 2014

	Enterprise		
	School Nutrition	Daycare	Total
Assets			
Current Assets			
Cash and cash equivalents	$ —	$ 9,319	$ 9,319
Receivables			
Due from other funds	—	53,641	53,641
Intergovernmental	1,907	4,584	6,491
Inventories and prepaid expenses	5,686	—	5,686
Capital assets, net of accumulated depreciation	13,211	—	13,211
Total Assets	**$ 20,804**	**$ 67,544**	**$ 88,348**
Liabilities and Net Position			
Current Liabilities			
Accounts payable	$ 37	$ 926	$ 963
Salaries and benefits payable	450	9,533	9,983
Due to other funds	53,641	—	53,641
Unearned revenue - other	2,133	—	2,133
Net OPEB liability	1,470	—	1,470
Total Current Liabilities	**57,731**	**10,459**	**68,190**
Net Position			
Investment in capital assets, net of related debt	13,211	—	13,211
Unrestricted	(50,138)	57,085	6,947
Total Net Position	**(36,927)**	**57,085**	**20,158**
Total Liabilities and Net Position	**$ 20,804**	**$ 67,544**	**$ 88,348**

Combining Schedule of Revenue, Expenses and Changes in Fund Net Position - Nonmajor Proprietary Funds

Year Ended June 30, 2014

	Enterprise		
	School Nutrition	**Daycare**	**Total**
Operating Revenue			
Local Sources			
Charges for service	$ 137,034	$ 150,147	$ 287,181
Other receipts	3,057	561	3,618
Total Operating Revenue	**140,091**	**150,708**	**290,799**
Operating Expenses			
Noninstructional Programs			
Food Service Operations			
Salaries and benefits	106,816	148,499	255,315
Purchased services and supplies	167,866	5,242	173,108
Other	3,199	—	3,199
Total Operating Expenses	**277,881**	**153,741**	**431,622**
Loss From Operations	**(137,790)**	**(3,033)**	**(140,823)**
Nonoperating Revenue			
State sources	2,228	—	2,228
Federal sources	144,874	—	144,874
Total Nonoperating Revenue	**147,102**	**—**	**147,102**
Increase (Decrease) in Net Position	**9,312**	**(3,033)**	**6,279**
Net Position - Beginning of Year	(46,239)	60,118	13,879
Net Position - End of Year	**$ (36,927)**	**$ 57,085**	**$ 20,158**

Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2014

	Enterprise		
	School Nutrition	Daycare	Total
Cash Flows From Operating Activities			
Cash received from sale of lunches and breakfasts	$ 135,997	$ —	$ 135,997
Cash received from daycare services	—	145,563	145,563
Cash received from other	3,057	561	3,618
Cash paid to employees for services	(107,409)	(146,275)	(253,684)
Cash paid to suppliers for goods or services	(151,985)	(4,316)	(156,301)
Net Cash Used in Operating Activities	**(120,340)**	**(4,467)**	**(124,807)**
Cash Flows From Noncapital Financing Activities			
State grants received	1,116	—	1,116
Federal grants received	125,690	—	125,690
Collections of interfund receivables	—	13,336	13,336
Repayment of interfund payables	(6,466)	—	(6,466)
Net Cash Provided by Noncapital Financing Activities	**120,340**	**13,336**	**133,676**
Net Increase in Cash and Cash Equivalents	**—**	**8,869**	**8,869**
Cash and Cash Equivalents - Beginning of Year	—	450	450
Cash and Cash Equivalents - End of Year	**$ —**	**$ 9,319**	**$ 9,319**
Reconciliation of Loss From Operations to Net Cash Used in Operating Activities			
Loss from operations	$ (137,790)	$ (3,033)	$ (140,823)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities			
Commodities used	15,706	—	15,706
Depreciation	3,199	—	3,199
Changes in Assets and Liabilities			
Increase in inventory	566	—	566
Decrease in accounts receivable	—	(4,584)	(4,584)
Increase (decrease) in accounts payable	(391)	926	535
Increase (decrease) in salaries and benefits payable	(922)	2,224	1,302
Decrease in unearned revenue	(1,037)	—	(1,037)
Increase in other post-employment benefits	329	—	329
Net Cash Used in Operating Activities	**$ (120,340)**	**$ (4,467)**	**$ (124,807)**

Combining Balance Sheet - Capital Projects Accounts

As of June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and investments	$ 79,446	$ —	$ 79,446
Receivables, Net of Allowance for Uncollectible Amounts			
Property Tax			
Current year delinquent	—	4,350	4,350
Succeeding year	—	433,151	433,151
Due from/due to other accounts	80,112	(80,112)	—
Due from other governments	35,279	45,000	80,279
Total Assets	**$ 194,837**	**$ 402,389**	**$ 597,226**
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	**$ —**	**$ 10,249**	**$ 10,249**
Deferred Inflows of Resources			
Unavailable Revenue			
Succeeding year property tax	**—**	**433,151**	**433,151**
Fund Balances			
Restricted for			
Capital projects	194,837	—	194,837
Physical plant and equipment	—	(41,011)	(41,011)
Total Fund Balances	**194,837**	**(41,011)**	**153,826**
Total Liabilities, Deferred Inflows of Resources and Fund Balances	**$ 194,837**	**$ 402,389**	**$ 597,226**

Combining Schedule of Revenue, 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
Revenue			
Local Sources			
Local tax	$ 430,963	$ 413,834	$ 844,797
Other	4,593	43,371	47,964
Total Revenue	**435,556**	**457,205**	**892,761**
Expenditures			
Current			
Support Services			
Instructional staff	—	76,802	76,802
Operation and maintenance of plant	—	5,890	5,890
Transportation	—	118,692	118,692
Total Support Services	—	201,384	201,384
Other Expenditures			
Facilities acquisition	858	190,139	190,997
Lease payments	—	117,768	117,768
Total Other Expenditures	858	307,907	308,765
Total Expenditures	**858**	**509,291**	**510,149**
Other Financing Sources (Uses)			
Note payable proceeds	—	83,818	83,818
Operating transfers out	(507,027)	(52,521)	(559,548)
Total Other Financing Sources (Uses)	**(507,027)**	**31,297**	**(475,730)**
Revenue and Other Financing Sources Under Expenditures and Other Financing Uses	**(72,329)**	**(20,789)**	**(93,118)**
Fund Balances - Beginning of Year	267,166	(20,222)	246,944
Fund Balances - End of Year	**$ 194,837**	**$ (41,011)**	**$ 153,826**

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2014

	Balance - Beginning of Year	Revenue	Expendi-tures	Balance - End of Year
Benevolence fund	$ 1,259	$ —	$ —	$ 1,259
All athletics	3,234	74,205	73,759	3,680
Drama	3,233	1,943	2,156	3,020
Musical	3,026	—	—	3,026
Vocal/instrumental	162	2,954	1,424	1,692
HS student council	8,995	5,594	6,080	8,509
C-N FFA	5,609	18,817	17,654	6,772
Yearbook	2,649	3,340	1,774	4,215
Cheerleading	3,750	3,491	5,523	1,718
Band resale	628	6,082	6,523	187
Art club	734	—	—	734
MS student act/Elm student council	8,253	21,541	17,273	12,521
Interest	99	295	74	320
FCS project	19	1,861	1,730	150
Total	**$ 41,650**	**$ 140,123**	**$ 133,970**	**$ 47,803**

Schedule of Revenue By Source and Expenditures By Function - All Governmental Funds

For the Last Ten Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenue										
Local Sources										
Local tax	$ 3,812,515	$ 3,514,138	$ 3,089,266	$ 2,447,193	$ 2,448,691	$ 2,248,328	$ 2,185,659	$ 2,367,722	$ 2,459,777	$ 2,402,408
Tuition	92,678	82,592	83,017	140,199	111,084	144,155	160,834	120,032	148,329	180,570
Other	248,344	215,582	210,747	223,332	214,103	388,711	277,042	204,272	193,172	175,732
State sources	2,359,714	2,267,635	2,123,855	2,263,545	1,802,742	2,407,920	2,400,234	2,419,171	2,386,039	2,443,418
Federal sources	169,348	130,512	225,562	341,050	353,811	133,982	74,734	148,884	153,665	179,857
Total	**$ 6,682,599**	**$ 6,210,459**	**$ 5,732,447**	**$ 5,415,319**	**$ 4,930,431**	**$ 5,323,096**	**$ 5,098,503**	**$ 5,260,081**	**$ 5,340,982**	**$ 5,381,985**
Expenditures										
Instruction										
Regular	$ 2,431,974	$ 2,318,127	$ 2,288,157	$ 2,588,097	$ 2,479,799	$ 2,329,822	$ 3,129,147	$ 3,024,625	$ 2,863,768	$ 2,982,512
Special	705,342	545,521	506,216	476,891	428,947	490,006	—	—	—	—
Other	687,604	673,603	660,781	541,517	537,881	523,564	—	—	—	—
Support Services										
Student	47,478	32,961	26,319	41,247	9,683	62,535	10,040	5,247	17,463	20,691
Instructional staff	266,752	281,628	153,527	133,203	139,049	158,661	89,851	122,933	148,152	77,960
Administration	549,317	551,044	540,233	681,153	589,889	545,791	542,669	506,452	649,627	557,150
Operation and maintenance of plant	540,801	545,670	475,532	585,562	517,834	477,215	489,383	477,426	459,601	374,492
Transportation	401,380	457,394	222,999	300,017	226,733	299,560	363,321	274,575	193,857	211,734
Noninstructional programs	—	—	271	40	281	164	3,000	—	3,000	3,000
Other Expenditures										
Facilities acquisition	190,997	285,291	247,776	2,964,488	1,780,713	516,400	249,426	547,481	551,161	464,347
Long-Term Debt										
Principal	278,214	249,162	—	—	—	—	—	—	—	17,211
Interest and fiscal charges	156,089	160,977	179,381	162,867	—	—	—	—	—	772
AEA flowthrough	181,561	165,000	163,066	185,772	179,541	171,617	166,988	161,061	160,011	158,117
Total	**$ 6,437,509**	**$ 6,266,378**	**$ 5,464,258**	**$ 8,660,854**	**$ 6,890,350**	**$ 5,575,335**	**$ 5,043,825**	**$ 5,119,800**	**$ 5,046,640**	**$ 4,867,986**

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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

Board of Education
Colo-NESCO Community School District
Colo, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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 Colo-NESCO 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, as listed in the table of contents, and have issued our report thereon dated June 25, 2015.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered Colo-NESCO Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are 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 Colo-NESCO Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Colo-NESCO 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 significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying schedule of findings as items 14-I-R-1, 14-I-R-2 and 14-I-R-3 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying schedule of findings and questioned costs as item 14-I-R-4 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Colo-NESCO 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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we also noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying schedule of findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Colo-NESCO Community School District's Responses to Findings

Colo-NESCO Community School District's responses to findings identified in our audit are described in the accompanying schedule of findings. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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.

Hogan - Hansen

HOGAN - HANSEN

Mason City, Iowa
June 25, 2015

Year Ended June 30, 2014

Part I: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

14-I-R-1 Segregation of Duties

Prior Year and Current Year Finding - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The limited number of accounting personnel employed by the District makes it difficult to achieve adequate control procedures through segregation of duties. The concentration of closely related duties and responsibilities, such as recording and preparing cash receipts, preparing and recording checks and preparation of journals and financial information for posting makes it difficult to establish an adequate system of automatic internal checks on accounting record accuracy and reliability. The potential effect is an error occurring or fraudulent activity being committed and not being detected by employees.

Auditor's Recommendation - We realize that with a limited number of accounting employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances. We recommend all adjusting journal entries be reviewed by another employee. Additionally, management should review procedures to ensure receipt, disbursements and reconciliation functions are as separate as possible.

District's Response - We are reviewing procedures and will implement additional controls where possible.

Auditor's Conclusion - Response accepted.

14-I-R-2 Financial Statement Preparation

Prior Year and Current Year Finding - The District does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with accounting principles generally accepted in the United States of America. As is inherent in many entities of this size, the District has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully prepare financial statements and the related disclosures. The potential effect is there could be material errors in the financial statements which would not be discovered by management.

Auditor's Recommendation - We recommend obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

District's Response - We will consider obtaining additional knowledge where practical and cost effective. However, we intend to continue to rely on assistance from our audit firm to draft these financial statements each year.

Auditor's Conclusion - Response accepted.

14-I-R-3 Cash Reconciliations

Prior Year and Current Year Findings - During our prior year and current year audits, we noted that cash in the general ledger did not agree to the bank reconciliations. Bank reconciliations were completed each month with the same variance between the book and bank balances; however, no one did work to identify the reasons for the variances and correct them. The potential effect is possible misappropriations of cash and it not being discovered in a timely manner.

Auditor's Recommendation - Bank reconciliations should be prepared on a monthly basis. Variances between book and bank balances should be investigated and resolved in a timely manner. We also recommend not commingling funds in one checking account as that appears to compound problems with balancing to the general ledger. We further recommend that a member of management review the bank reconciliations, bank statements and canceled checks each month.

District's Response - The cash balance and reconciliation has been an ongoing issue that we have been working on to fix since the new business manager started. We are working to correct this and we are reconciling monthly and the Board Finance Committee will continue to meet monthly and review all bank statements and bank reconciliations.

Auditor's Conclusion - Response accepted.

14-I-R-4 Disbursements

Finding - During our audit we noted that payments were made for prior year expenses related to additional unemployment taxes, fines and interest for payments that were not made in a timely manner. The delinquency of payments was for the fiscal year 2010-2013.

Auditor's Recommendation - We recommend that procedures be reviewed to ensure all required tax payments are monitored and paid in a timely manner.

District's Response - This procedure had been changed and the District has not had an issue with timely payments.

Auditor's Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting

14-II-A Certified Budget

Findings - Expenditures for the year ended June 30, 2014 exceeded the certified budget amounts in the other expenditures functions.

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

District's Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Auditor's Conclusion - Response accepted.

14-II-B Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

14-II-C 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.

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

14-II-E 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.

14-II-F Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

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

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

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

14-II-J Certified Annual Report

Prior Year and Current Year Findings - The certified annual report (CAR) was not filed timely during the current year, and an extension was not timely requested. We also noted numerous differences between the amounts reported and the District's general ledger in both the prior year and current year audits. Prior to filing, the District also required significant accounting assistance with corrections to the general ledger in both audits, including proposing various adjustments.

Auditor's Recommendation - Procedures should be established to make sure the CAR is reconciled with accounting records and reviewed by a member of management prior to being filed. We also recommend the District obtain additional training on CAR preparation and use of the general ledger software.

District's Response - The District will establish procedures to ensure timely filing of the CAR and it will be reviewed by the School Board Finance Committee before it is filed.

Auditor's Conclusion - Response accepted.

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

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		$ 267,166
Revenue		
Statewide sales, services and use tax revenue	$ 430,963	
Other local revenue	4,593	435,556
Expenditures/Transfers Out		
School infrastructure construction	$ 858	
Transfer to Debt Service Fund	507,027	507,885
Ending Balance		**$ 194,837**

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

14-II-M Deficit Balances

Finding - The District has a $300,525 deficit General Fund balance, a $36,927 deficit net position in the Enterprise - School Nutrition Fund and a $41,011 deficit balance in the Capital Projects - Physical Plant and Equipment Levy account as of June 30, 2014.

Auditor's Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate these deficits.

District's Response - We are working on ways to eliminate these deficits.

Auditor's Conclusion - Response accepted.

14-II-N Reclassification of Student Activity Fund Accounts

Prior Year and Current Year Findings - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. Some accounts reported in the Special Revenue Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

Auditor's Recommendation - We recommend these accounts be reviewed and transferred to the proper funds.

District's Response - We will review the accounts and make any necessary adjustments.

Auditor's Conclusion - Response accepted.

14-II-O Revenue Bonds

Prior Year and Current Year Findings - While in the prior year the District did not establish the surplus revenue account required by the bond resolution nor did they make the required early redemption payment, they did correct these two requirements in the current year. The District did make some of the required transfers of excess statewide sales, services and use tax revenue, but the District did not transfer all the excess required during the year ended June 30, 2014.

Auditor's Recommendation - The District should make all required transfers.

District's Response - The District will make all required transfers for the extraordinary payments.

Auditor's Conclusion - Response accepted.