

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Hubbard-Radcliffe Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2013 Election)		
Marland Winter	President	2015
Bob Westendorf	Vice President	2015
Keith England	Board Member	2013
Leon Schwartz	Board Member	2015
Stephanie Zierke	Board Member	2013
(After September 2013 Election)		
Bob Westendorf	President	2015
Keith England	Vice President	2017
Marland Winter	Board Member	2015
Leon Schwartz	Board Member	2015
Susan Brinkmeyer	Board Member	2017
<u>School Officials</u>		
Steve Lane	Interim Superintendent (Resigned December 31, 2013)	2014
Patricia Heinz	Superintendent (Appointed January 1, 2014)	2014
Debra England	District Secretary	2014
Linda Imsland	District Treasurer	2014
Rick Engel	Attorney	2014

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report

To the Board of Education of the Hubbard-Radcliffe Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Hubbard-Radcliffe Community School District, Hubbard, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information.

U.S generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hubbard-Radcliffe Community School District's basic financial statements. We have 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 unmodified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2015 on our consideration of the Hubbard-Radcliffe Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Hubbard-Radcliffe Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 7, 2015
Newton, Iowa

Hubbard-Radcliffe Community School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,064,077 in fiscal 2013 to \$5,327,406 in fiscal 2014, while General Fund expenditures increased from \$5,235,943 in fiscal 2013 to \$5,617,635 in fiscal 2014. The District's General Fund balance decreased from \$1,030,267 in fiscal 2013 to \$740,038 in fiscal 2014, representing a decrease of 28.17%.
- The increase in General Fund revenues was attributable to an increase in state sources as compared to the previous year. The increase in expenditures was due to the increase in instructional expenditures due to the District increasing the number of teachers on staff and the increase in negotiated salaries and benefits for the certified staff.

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 Hubbard-Radcliffe 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 Hubbard-Radcliffe 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 Hubbard-Radcliffe Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

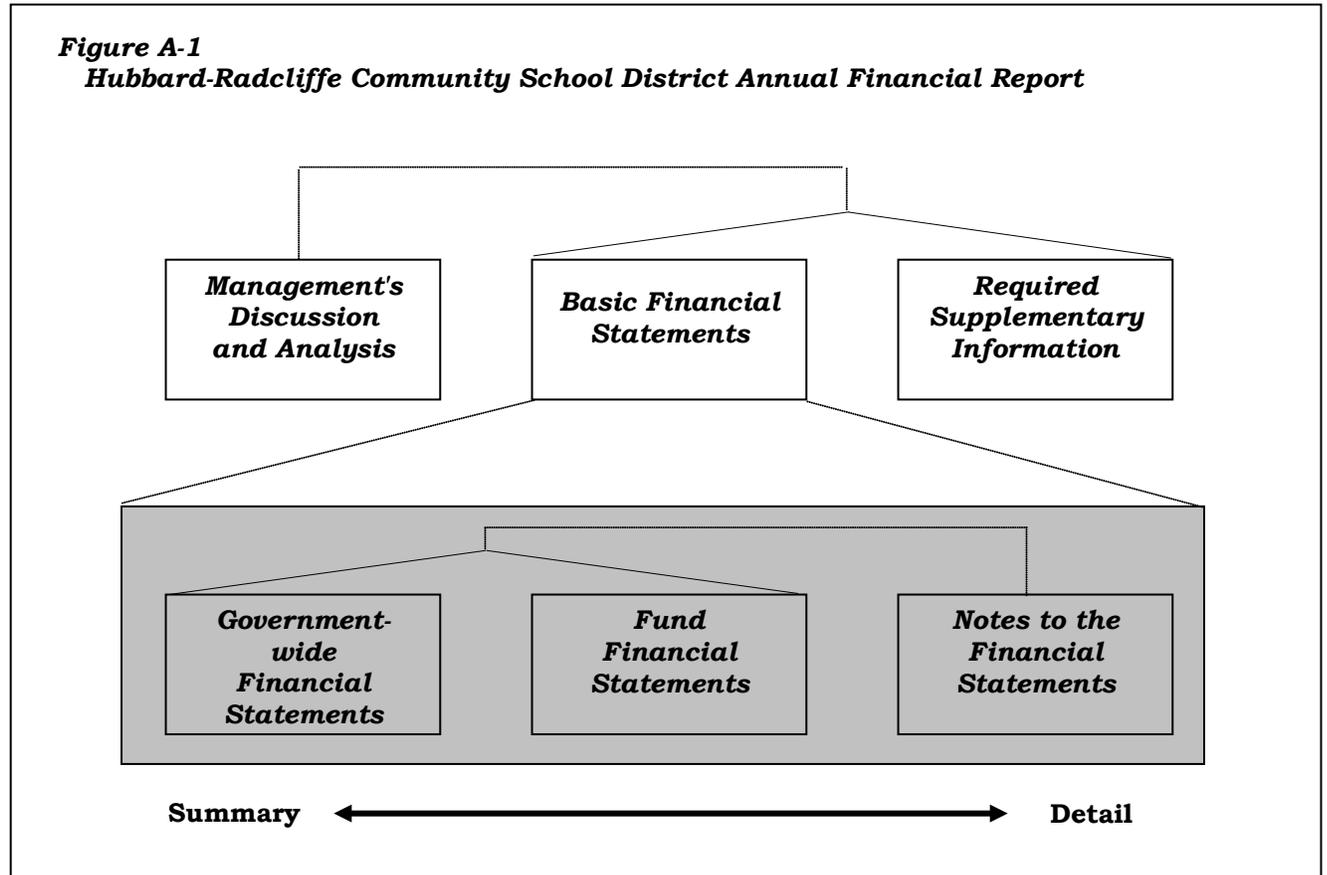


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and preschool programs 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 and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Preschool Fund. The District uses Internal Service Funds, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund used to account for the District's employee flexible benefit plan.

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3							
Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 13,091,817	15,054,930	63,098	51,839	13,154,915	15,106,769	-12.92%
Capital assets	6,672,469	4,958,525	80,102	62,986	6,752,571	5,021,511	34.47%
Total assets	19,764,286	20,013,455	143,200	114,825	19,907,486	20,128,280	-1.10%
Long-term obligations	10,640,831	11,373,074	5,034	3,663	10,645,865	11,376,737	-6.42%
Other liabilities	1,484,535	1,287,361	6,455	10,565	1,490,990	1,297,926	14.87%
Total liabilities	12,125,366	12,660,435	11,489	14,228	12,136,855	12,674,663	-4.24%
Deferred inflows of resources	3,130,812	3,011,707	-	-	3,130,812	3,011,707	3.95%
Net position:							
Net investment in capital assets	2,542,887	2,019,887	80,102	62,986	2,622,989	2,082,873	25.93%
Restricted	1,484,034	1,515,324	-	-	1,484,034	1,515,324	-2.06%
Unrestricted	481,187	806,102	51,609	37,611	532,796	843,713	-36.85%
Total net position	\$ 4,508,108	4,341,313	131,711	100,597	4,639,819	4,441,910	4.46%

The District’s combined net position increased by 4.46%, or \$197,909, from the prior year. The largest portion of the District’s net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position decreased \$31,290 or 2.06% from the prior year. This was primarily the result of a decrease in the net position of the Capital Projects: Physical Plant and Equipment Levy Fund and Management Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$310,917 or 36.85%. This decrease in unrestricted net position was primarily the result of the District's decrease in the General Fund balance.

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

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for services	\$ 1,206,941	1,198,532	124,288	129,288	1,331,229	1,327,820	0.26%
Operating grants, contributions and restricted interest	375,877	349,381	138,760	128,367	514,637	477,748	7.72%
General revenues:							
Property tax	3,012,997	2,491,848	-	-	3,012,997	2,491,848	20.91%
Statewide sales, services and use tax	372,813	327,356	-	-	372,813	327,356	13.89%
Unrestricted state grants	1,662,874	1,451,606	-	-	1,662,874	1,451,606	14.55%
Unrestricted interest income	29,875	22,046	264	568	30,139	22,614	33.28%
Other	89,944	54,285	9,846	1,207	99,790	55,492	79.83%
Transfers	(26,788)	(22,863)	26,788	22,863	-	-	0.00%
Total revenues and transfers	6,724,533	5,872,191	299,946	282,293	7,024,479	6,154,484	14.14%
Program expenses:							
Governmental activities:							
Instruction	4,370,584	3,993,752	46,811	73,791	4,417,395	4,067,543	8.60%
Support services	1,624,979	1,615,119	-	-	1,624,979	1,615,119	0.61%
Non-instructional programs	-	-	222,021	215,428	222,021	215,428	3.06%
Other expenses	562,175	462,711	-	-	562,175	462,711	21.50%
Total expenses	6,557,738	6,071,582	268,832	289,219	6,826,570	6,360,801	7.32%
Increase in net position	166,795	(199,391)	31,114	(6,926)	197,909	(206,317)	195.92%
Net position beginning of year	4,341,313	4,540,704	100,597	107,523	4,441,910	4,648,227	-4.44%
Net position end of year	\$ 4,508,108	4,341,313	131,711	100,597	4,639,819	4,441,910	4.46%

In fiscal 2014, property tax, statewide sales, services and use tax and unrestricted state grants account for 75.08% of the revenue from governmental activities while charges for services and operating grants and contributions account for 87.70% of the revenue from business type activities.

The District's total revenues were approximately \$7.02 million of which approximately \$6.72 million was for governmental activities and approximately \$0.30 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 14.14% increase in revenues and a 7.32% increase in expenses. The increase in expenses is primarily related to increases in negotiated salaries and benefits payable.

Governmental Activities

Revenues for governmental activities were \$6,724,533 and expenses were \$6,557,738 for the year ended June 30, 2014.

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

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 4,370,584	3,993,752	9.44%	2,988,884	2,641,186	13.16%
Support services	1,624,979	1,615,119	0.61%	1,592,426	1,578,067	0.91%
Other expenses	562,175	462,711	21.50%	393,610	304,416	29.30%
Totals	\$ 6,557,738	6,071,582	8.01%	4,974,920	4,523,669	9.98%

- The cost financed by users of the District's programs was \$1,206,941.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$375,877.
- The net cost of governmental activities was financed with \$3,012,997 in property tax, \$372,813 in statewide sales, services and use tax, \$1,662,874 in unrestricted state grants, \$29,875 in interest income, \$89,944 in other general revenues, and capital contributions to the nutrition fund shown as transfers of \$26,788.

Business-Type Activities

Revenues of the District's business type activities were \$299,946 and expenses were \$268,832. The District's business type activities include the School Nutrition Fund and the Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income and capital contributions from the governmental funds.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$8,539,016, which is less than last year's ending fund balances of \$10,825,408. This decrease is primarily a result of the District's decreasing Capital Projects Fund balance during fiscal 2014.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,030,267 to \$740,038, due in part to the decrease in local source revenues coupled with increased expenditures due to negotiated salaries and benefits.
- The Capital Projects Fund balance decreased from \$9,045,371 to \$7,124,615. This decrease is primarily due to the increased expenses relating to the building improvements construction.
- The District's Debt Service Fund balance increased from \$200,606 to \$204,323 which was primarily due to the increase in local revenues.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$99,929 at June 30, 2013 to \$134,127 at June 30, 2014, representing an increase of 34.22%.

The Preschool Fund net position decreased from \$668 at June 30, 2013 to a deficit \$2,416 at June 30, 2014, representing a decrease of 461.68%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$71,729 more than budgeted revenues, a variance of 1.03%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$6.75 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, technology equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 34.47% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$245,990.

The original cost of the District's capital assets was approximately \$11.32 million. Governmental funds account for approximately \$11.12 million with the remainder of approximately \$0.20 million in the Proprietary-School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,680,665 at June 30, 2014, compared to \$210,251 reported at June 30, 2013. This significant increase resulted from the District continuing renovations to the Middle School restrooms and the construction of Elementary classrooms during the year.

Figure A-6
Capital Assets, Net of Depreciation/Amortization

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 8,500	8,500	-	-	8,500	8,500	0.00%
Construction in progress	1,680,665	210,251	-	-	1,680,665	210,251	699.36%
Intangible assets	4,200	4,800	-	-	4,200	4,800	-12.50%
Buildings	4,586,329	4,432,352	-	-	4,586,329	4,432,352	3.47%
Land improvements	26,417	28,153	-	-	26,417	28,153	-6.17%
Machinery and equipment	366,358	274,469	80,102	62,986	446,460	337,455	32.30%
Total	\$ 6,672,469	4,958,525	80,102	62,986	6,752,571	5,021,511	34.47%

Long-Term Debt

At June 30, 2014, the District had \$10,645,865 in general obligation and other long-term debt outstanding. This represents a decrease of 6.42% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bond indebtedness at June 30, 2014 of \$8,040,000.

The District had total outstanding revenue bond indebtedness at June 30, 2014 of \$1,600,000 payable from the Capital Projects: Statewide, Sales, Services and Use Tax Fund.

The District had total capital loan note indebtedness at June 30, 2014 of \$870,000 payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

The District had total outstanding compensated absences payable of \$32,059 at June 30, 2014.

The District had outstanding Net OPEB liability at June 30, 2014 of \$103,806. The Governmental Activities accounted for \$98,772 of this total while Business Type Activities accounted for \$5,034.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
General Obligation Bonds	\$ 8,040,000	8,400,000	-	-	8,040,000	8,400,000	-4.29%
Revenue Bonds	1,600,000	1,765,000	-	-	1,600,000	1,765,000	-9.35%
Capital Loan Notes	870,000	1,085,000	-	-	870,000	1,085,000	-19.82%
Termination Benefits	-	16,148	-	-	-	16,148	-100.00%
Compensated Absences	32,059	34,999	-	-	32,059	34,999	-8.40%
Net OPEB liability	98,772	71,927	5,034	3,663	103,806	75,590	37.33%
Totals	\$ 10,640,831	11,373,074	5,034	3,663	10,645,865	11,376,737	-6.42%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School Finance is highly dependent upon student enrollment. The District's October 2014 student enrollment decreased by 13.7 students. The biggest loss was in students attending other school districts. However this will have a negative impact on the District's funding for the 2016 fiscal year.
- Fiscal 2015 is the last year of a two-year contract with the Hubbard-Radcliffe Education Association (HREA). The District will negotiate a new agreement during fiscal 2015. Settlements in excess of "new money" or supplemental State aid will have an adverse effect on the District's General Fund budget and related fund balance. It is also challenging to negotiate with the uncertainty. Since the state legislature did not set the supplement state aid last year, it may be decided after negotiations are completed.

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 Debra England, District Secretary, Hubbard-Radcliffe Community School District, 200 E. Chestnut, PO Box 129, Hubbard, IA 50122.

Basic Financial Statements

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 8,709,542	59,226	8,768,768
Receivables:			
Property tax:			
Delinquent	33,707	-	33,707
Succeeding year	3,130,812	-	3,130,812
Accounts	32,683	225	32,908
Due from other governments	1,185,073	-	1,185,073
Inventories	-	3,647	3,647
Capital assets, net of accumulated depreciation	6,672,469	80,102	6,752,571
TOTAL ASSETS	19,764,286	143,200	19,907,486
LIABILITIES			
Accounts payable	1,050,546	-	1,050,546
Salaries and benefits payable	357,676	3,515	361,191
Accrued interest payable	62,879	-	62,879
Advances from grantors	13,434	-	13,434
Unearned revenue	-	2,940	2,940
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	165,000	-	165,000
General obligation bonds payable	365,000	-	365,000
Capital loan note payable	215,000	-	215,000
Compensated absences	32,059	-	32,059
Portion due after one year:			
Revenue bonds payable	1,435,000	-	1,435,000
General obligation bonds payable	7,675,000	-	7,675,000
Capital loan note payable	655,000	-	655,000
Net OPEB liability	98,772	5,034	103,806
TOTAL LIABILITIES	12,125,366	11,489	12,136,855
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	3,130,812	-	3,130,812
NET POSITION			
Net investment in capital assets	2,542,887	80,102	2,622,989
Restricted for:			
Categorical funding	128,353	-	128,353
School infrastructure	399,481	-	399,481
Physical plant and equipment	126,216	-	126,216
Management levy purposes	446,876	-	446,876
Student activities	23,164	-	23,164
Debt service	359,944	-	359,944
Unrestricted	481,187	51,609	532,796
TOTAL NET POSITION	\$ 4,508,108	131,711	4,639,819

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,955,552	718,226	33,091	(2,204,235)	-	(2,204,235)
Special	1,009,408	433,856	26,857	(548,695)	-	(548,695)
Other	405,624	39,588	130,082	(235,954)	-	(235,954)
	<u>4,370,584</u>	<u>1,191,670</u>	<u>190,030</u>	<u>(2,988,884)</u>	<u>-</u>	<u>(2,988,884)</u>
Support services:						
Student	66,238	-	-	(66,238)	-	(66,238)
Instructional staff	147,378	-	17,282	(130,096)	-	(130,096)
Administration	549,852	-	-	(549,852)	-	(549,852)
Operation and maintenance of plant	513,095	-	-	(513,095)	-	(513,095)
Transportation	348,416	15,271	-	(333,145)	-	(333,145)
	<u>1,624,979</u>	<u>15,271</u>	<u>17,282</u>	<u>(1,592,426)</u>	<u>-</u>	<u>(1,592,426)</u>
Long-term debt interest	261,508	-	-	(261,508)	-	(261,508)
Other expenditures:						
AEA flowthrough	168,565	-	168,565	-	-	-
Depreciation(unallocated)*	132,102	-	-	(132,102)	-	(132,102)
	<u>300,667</u>	<u>-</u>	<u>168,565</u>	<u>(132,102)</u>	<u>-</u>	<u>(132,102)</u>
Total governmental activities	<u>6,557,738</u>	<u>1,206,941</u>	<u>375,877</u>	<u>(4,974,920)</u>	<u>-</u>	<u>(4,974,920)</u>
Business type activities:						
Instruction:						
Other	46,811	-	-	-	(46,811)	(46,811)
Non-instructional programs:						
Food service operations	221,722	90,123	138,760	-	7,161	7,161
Other enterprise operations	299	34,165	-	-	33,866	33,866
Total business type activities	<u>268,832</u>	<u>124,288</u>	<u>138,760</u>	<u>-</u>	<u>(5,784)</u>	<u>(5,784)</u>
Total	<u>\$ 6,826,570</u>	<u>1,331,229</u>	<u>514,637</u>	<u>(4,974,920)</u>	<u>(5,784)</u>	<u>(4,980,704)</u>
General Revenues and transfers:						
Property tax levied for:						
General purposes				\$ 2,070,069	-	2,070,069
Debt service				556,548	-	556,548
Capital outlay				386,380	-	386,380
Statewide sales, services and use tax				372,813	-	372,813
Unrestricted state grants				1,662,874	-	1,662,874
Unrestricted investment earnings				29,875	264	30,139
Other general revenues				89,944	9,846	99,790
Transfers				(26,788)	26,788	-
Total general revenues and transfers				<u>5,141,715</u>	<u>36,898</u>	<u>5,178,613</u>
Change in net position				166,795	31,114	197,909
Net position beginning of year				4,341,313	100,597	4,441,910
Net position end of year				<u>\$ 4,508,108</u>	<u>131,711</u>	<u>4,639,819</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments:	\$ 760,025	7,282,645	198,297	468,242	8,709,209
Receivables:					
Property tax					
Delinquent	22,926	4,184	6,026	571	33,707
Succeeding year	2,185,834	391,140	553,838	-	3,130,812
Accounts	29,206	-	-	1,227	30,433
Due from other governments	1,082,869	102,204	-	-	1,185,073
TOTAL ASSETS	\$ 4,080,860	7,780,173	758,161	470,040	13,089,234
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 783,878	264,418	-	-	1,048,296
Salaries and benefits payable	357,676	-	-	-	357,676
Advances from grantors	13,434	-	-	-	13,434
Total liabilities	1,154,988	264,418	-	-	1,419,406
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,185,834	391,140	553,838	-	3,130,812
Fund balances:					
Restricted for:					
Categorical funding	128,353	-	-	-	128,353
School infrastructure	-	6,779,899	-	-	6,779,899
Physical plant and equipment	-	126,216	-	-	126,216
Management levy purposes	-	-	-	446,876	446,876
Student activities	-	-	-	23,164	23,164
Debt service	-	218,500	204,323	-	422,823
Unassigned	611,685	-	-	-	611,685
Total fund balances	740,038	7,124,615	204,323	470,040	8,539,016
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,080,860	7,780,173	758,161	470,040	13,089,234

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$	8,539,016
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		6,672,469
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(62,879)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		333
Long-term liabilities, including bonds payable, capital loan note payable, compensated absences payable, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(10,640,831)
Net position of governmental activities(page 18)	\$	<u>4,508,108</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,020,049	386,380	556,548	50,020	3,012,997
Tuition	1,079,500	-	-	-	1,079,500
Other	183,465	17,731	5,354	40,770	247,320
State sources	1,916,702	372,959	211	20	2,289,892
Federal sources	121,612	-	-	-	121,612
TOTAL REVENUES	5,321,328	777,070	562,113	90,810	6,751,321
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,800,568	-	-	37,472	2,838,040
Special	943,329	-	-	-	943,329
Other	345,579	-	-	35,576	381,155
	4,089,476	-	-	73,048	4,162,524
Support services:					
Student	61,857	-	-	-	61,857
Instructional staff	88,180	50,901	-	-	139,081
Administration	481,107	500	-	32,821	514,428
Operation and maintenance of plant	457,769	11,314	-	52,065	521,148
Transportation	270,681	80,409	-	12,000	363,090
	1,359,594	143,124	-	96,886	1,599,604
Capital outlay	-	2,104,590	-	-	2,104,590
Long-term debt:					
Principal	-	-	740,000	-	740,000
Interest and fiscal charges	-	-	268,508	-	268,508
	-	-	1,008,508	-	1,008,508
Other expenditures:					
AEA flowthrough	168,565	-	-	-	168,565
TOTAL EXPENDITURES	5,617,635	2,247,714	1,008,508	169,934	9,043,791
Excess(Deficiency) of revenues over(under) expenditures	(296,307)	(1,470,644)	(446,395)	(79,124)	(2,292,470)
Other financing sources(uses):					
Sale of equipment	6,078	-	-	-	6,078
Transfer in	-	-	450,112	-	450,112
Transfer out	-	(450,112)	-	-	(450,112)
Total other financing sources(uses)	6,078	(450,112)	450,112	-	6,078
Change in fund balances	(290,229)	(1,920,756)	3,717	(79,124)	(2,286,392)
Fund balances beginning of year	1,030,267	9,045,371	200,606	549,164	10,825,408
Fund balances end of year	\$ 740,038	7,124,615	204,323	470,040	8,539,016

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 22) \$ (2,286,392)

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

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

Capital outlays	\$ 1,950,262	
Depreciation expense	<u>(236,318)</u>	1,713,944

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments, as follows:

Repaid		740,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

7,000

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

Termination benefits	16,148	
Compensated absences	2,940	
Other postemployment benefits	<u>(26,845)</u>	<u>(7,757)</u>

Changes in net position of governmental activities(page 19) \$ 166,795

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Enterprise Funds			Governmental Activities:
	School Nutrition	Preschool	Total	Internal Service Fund
ASSETS				
Current assets:				
Cash and pooled investments	\$ 56,873	2,353	59,226	333
Accounts receivable	-	225	225	2,250
Inventories	3,647	-	3,647	-
Total current assets	60,520	2,578	63,098	2,583
Non-current assets:				
Capital assets:				
Machinery and equipment, net of accumulated depreciation	77,709	2,393	80,102	-
TOTAL ASSETS	138,229	4,971	143,200	2,583
LIABILITIES				
Current liabilities:				
Accounts payable	-	-	-	2,250
Salaries and benefits payable	1,162	2,353	3,515	-
Unearned revenue	2,940	-	2,940	-
Total current liabilities	4,102	2,353	6,455	2,250
Long-term liabilities:				
Net OPEB liability	-	5,034	5,034	-
TOTAL LIABILITIES	4,102	7,387	11,489	2,250
NET POSITION				
Invested in capital assets	77,709	2,393	80,102	-
Unrestricted	56,418	(4,809)	51,609	333
TOTAL NET POSITION	\$ 134,127	(2,416)	131,711	333

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise Funds			Governmental Activities - Internal Service Fund
	School Nutrition	Preschool	Total	
	OPERATING REVENUE:			
Local sources:				
Charges for services	\$ 90,123	34,165	124,288	-
Miscellaneous	-	9,846	9,846	19,620
TOTAL OPERATING REVENUES	90,123	44,011	134,134	19,620
OPERATING EXPENSES:				
Instruction:				
Other:				
Salaries	-	27,638	27,638	-
Benefits	-	18,844	18,844	-
Supplies	-	329	329	-
	-	46,811	46,811	-
Administration:				
Benefits	-	-	-	19,620
Non-instructional programs:				
Food service operations:				
Salaries	58,350	-	58,350	-
Benefits	9,505	-	9,505	-
Services	21,682	-	21,682	-
Supplies	122,152	-	122,152	-
Depreciation	9,373	-	9,373	-
Other	660	-	660	-
	221,722	-	221,722	-
Other enterprise operations:				
Depreciation	-	299	299	-
TOTAL OPERATING EXPENSES	221,722	47,110	268,832	19,620
OPERATING LOSS	(131,599)	(3,099)	(134,698)	-
NON-OPERATING REVENUES:				
State sources	2,083	-	2,083	-
Federal sources	136,677	-	136,677	-
Interest on investments	249	15	264	-
TOTAL NON-OPERATING REVENUES	139,009	15	139,024	-
Change in net position before capital contributions	7,410	(3,084)	4,326	-
Other financing source:				
Capital contributions	26,788	-	26,788	-
Changes in net position	34,198	(3,084)	31,114	-
Net position beginning of year	99,929	668	100,597	333
Net position end of year	\$ 134,127	(2,416)	131,711	333

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type Activities			Governmental Activities - Internal Service Fund
	Enterprise Funds			
	School Nutrition	Preschool	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 90,021	-	90,021	-
Cash received from preschool services	-	33,940	33,940	-
Cash received from miscellaneous	-	9,846	9,846	19,010
Cash payments to employees for services	(66,693)	(49,912)	(116,605)	(19,620)
Cash payments to suppliers for goods or services	(135,160)	(329)	(135,489)	610
Net cash used in operating activities	(111,832)	(6,455)	(118,287)	-
Cash flows from non-capital financing activities:				
State grants received	2,083	-	2,083	-
Federal grants received	125,964	-	125,964	-
Net cash provided by non-capital financing activities	128,047	-	128,047	-
Cash flows from investing activities:				
Interest on investments	249	15	264	-
Net increase(decrease) in cash and cash equivalents	16,464	(6,440)	10,024	-
Cash and cash equivalents at beginning of year	40,409	8,793	49,202	333
Cash and cash equivalents at end of year	\$ 56,873	2,353	59,226	333
Reconciliation of operating income(loss) to net cash used in operating activities:				
Operating loss	\$ (131,599)	(3,099)	(134,698)	-
Adjustments to reconcile operating income(loss) to net cash used in operating activities:				
Commodities consumed	10,713	-	10,713	-
Depreciation	9,373	299	9,672	-
Increase in inventories	(1,010)	-	(1,010)	-
Increase in accounts receivable	-	(225)	(225)	(610)
(Increase)Decrease in accounts payable	(369)	-	(369)	610
Increase(Decrease) in salary and benefits payable	1,162	(4,801)	(3,639)	-
Increase in other postemployment benefits	-	1,371	1,371	-
Decrease in unearned revenue	(102)	-	(102)	-
Net cash used in operating activities	\$ (111,832)	(6,455)	(118,287)	-

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$10,713.

During the year ended June 30, 2014, the District received capital contributions of \$25,626 from the Capital Projects: G.O. Bond Construction Fund and \$1,162 from the Capital Projects: Statewide Sales, Services and Use Tax Fund for a total of \$26,788.

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSTION
FIDUCIARY FUND
JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	<u>\$ 2,958</u>
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for scholarships	<u><u>\$ 2,958</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ 25
Deductions:	
Non-instructional programs:	
Scholarships awarded	-
Change in net position	25
Net position beginning of year	<u>2,933</u>
Net position end of year	<u>\$ 2,958</u>

SEE NOTES TO FINANCIAL STATEMENTS.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

The Hubbard-Radcliffe 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 Hubbard and Radcliffe, Iowa, and the predominate agricultural territory in a portion of Hardin and Hamilton Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Hubbard-Radcliffe Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board Criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hardin and Hamilton County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the activities of the District, with omission of the fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

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

The District non-major proprietary funds include the Enterprise: School Nutrition and the Enterprise: Preschool Fund. These funds are used to account for the food service operations and the preschool operations of the District.

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's employee flexible benefit program.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012, assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

Asset Class	Amount
Land	\$ -
Buildings	5,000
Land improvements	5,000
Intangibles	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50 years
Land improvements	20 years
Intangibles	2-20 years
Machinery and equipment	5-20 years

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

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

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

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

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

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

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

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

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

Unassigned - All amounts not included in preceding classifications.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

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

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust, which are valued at an amortized cost of \$7,424,589 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 228,522
Debt Service	Capital Projects: Physical, Plant and Equipment Levy	221,590
Total		<u>\$ 450,112</u>

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

The transfer from the Capital Projects: Physical, Plant and Equipment Levy Fund to the Debt Service Fund was needed for principal and interest payments on the District's capital loan note indebtedness.

Note 4. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,500	-	-	8,500
Construction in progress	210,251	1,470,414	-	1,680,665
Total capital assets not being depreciated/amortized	<u>218,751</u>	<u>1,470,414</u>	<u>-</u>	<u>1,689,165</u>
Capital assets being depreciated/amortized:				
Buildings	7,343,987	284,343	-	7,628,330
Land improvements	97,095	-	-	97,095
Machinery and equipment	1,501,033	195,505	-	1,696,538
Intangible assets	6,000	-	-	6,000
Total capital assets being depreciated	<u>8,948,115</u>	<u>479,848</u>	<u>-</u>	<u>9,427,963</u>
Less accumulated depreciation/amortization for:				
Buildings	2,911,635	130,366	-	3,042,001
Land improvements	68,942	1,736	-	70,678
Machinery and equipment	1,226,564	103,616	-	1,330,180
Intangible assets	1,200	600	-	1,800
Total accumulated depreciation/amortization	<u>4,208,341</u>	<u>236,318</u>	<u>-</u>	<u>4,444,659</u>
Total capital assets being depreciated/amortized, net	<u>4,739,774</u>	<u>243,530</u>	<u>-</u>	<u>4,983,304</u>
Governmental activities capital assets, net	<u>\$ 4,958,525</u>	<u>1,713,944</u>	<u>-</u>	<u>6,672,469</u>
Business type activities:				
Machinery and equipment	\$ 173,833	26,788	-	200,621
Less accumulated depreciation	110,847	9,672	-	120,519
Business type activities capital assets, net	<u>\$ 62,986</u>	<u>17,116</u>	<u>-</u>	<u>80,102</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 53,795
Other	1,730

Support services:

Operation and maintenance of plant	4,016
Transportation	44,675

Unallocated depreciation	<u>132,102</u>
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Total governmental activities depreciation expense	<u>\$ 236,318</u>
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Business type activities:

Food services	<u>\$ 9,672</u>
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Note 5. Long-Term Debt

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due within one year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 8,400,000	-	360,000	8,040,000	365,000
Revenue Bonds	1,765,000	-	165,000	1,600,000	165,000
Capital Loan Notes	1,085,000	-	215,000	870,000	215,000
Termination Benefits	16,148	-	16,148	-	-
Compensated Absences	34,999	32,059	34,999	32,059	32,059
Net OPEB Liability	71,927	26,845	-	98,772	-
Total	<u>\$ 11,373,074</u>	<u>58,904</u>	<u>791,147</u>	<u>10,640,831</u>	<u>777,059</u>
<u>Business Type Activities:</u>					
Net OPEB Liability	3,663	1,371	-	5,034	-

General Obligation

Details of the Districts June 30, 2014 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of May 1, 2013			
	Rate	Principal	Interest	Total
2015	2.00 %	\$ 365,000	188,337	553,337
2016	2.00	375,000	181,038	556,038
2017	2.00	380,000	173,537	553,537
2018	2.00	390,000	165,938	555,938
2019	2.00	375,000	158,137	533,137
2020-2024	2.00	1,980,000	675,488	2,655,488
2025-2029	2.00-2.75	2,200,000	459,313	2,659,313
2030-2033	2.75-3.00	1,975,000	148,962	2,123,962
Total		<u>\$ 8,040,000</u>	<u>2,150,750</u>	<u>10,190,750</u>

Revenues Bonds

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

Year Ended June 30,	Bond Issue July 1, 2009				
	Rate	Principal	Interest	Total	
2015	3.20 %	\$ 165,000	59,430	224,430	
2016	3.40	170,000	53,900	223,900	
2017	3.60	170,000	47,950	217,950	
2018	3.75	175,000	41,609	216,609	
2019	3.90	175,000	34,915	209,915	
2019-2023	4.00-4.45	745,000	65,134	810,134	
Total		\$ 1,600,000	302,938	1,902,938	

The District has pledged futures statewide sales, services and use tax revenues to repay the \$2,185,000 bonds issued on July 1, 2009. The bonds were issued for purpose of financing the elementary school remodeling. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2023. 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 bonds are expected to required nearly 62% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,902,938. For the current year, principal and interest of \$229,380 were paid on the bonds and total statewide sales, services and use tax revenues were \$372,813.

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

- a) \$218,500 of the proceeds from the issuance of the revenue bonds shall be deposited into a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account. The reserve account is part of the District’s Capital Projects Fund.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Capital Loan Notes

Details of the District’s June 30, 2014 capital loan note indebtedness that will be paid from the Capital Projects: Physical Plant and Equipment Levy Fund are as follows:

Year Ended June 30,	Capital Loan Note Refunding Issue May 15, 2013				
	Rate	Principal	Interest	Total	
2015	0.45 %	\$ 215,000	5,450	220,450	
2016	0.55	215,000	4,483	219,483	
2017	0.65	220,000	3,300	223,300	
2018	0.85	220,000	1,870	221,870	
Total		\$ 870,000	15,103	885,103	

Termination Benefits

The District offered a voluntary early retirement plan to its support staff employees during fiscal year 2013. Employees must have completed a minimum of twenty-four years of service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. Each employee application is subject to approval by the District's Board of Directors.

The early retirement benefit for each eligible employee is equal to \$15,000 subject to applicable taxes and withholdings payable by the District on or before December 31, 2013 for a total benefit of \$16,148.

The District also approved an early retirement plan for the District's administrators during fiscal year 2013. Employees must have completed a minimum of five years of professional service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. Applications are subject to approval by the District's Board of Directors.

At June 30, 2014, actual early retirement expenditures for the year totaled \$16,148. The cost of early retirement payments expected to be paid are recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements.

Note 6. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 30 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through 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.

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

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

Annual required contribution	\$ 47,482
Interest on net OPEB obligation	1,890
Adjustment to annual required contribution	<u>(7,550)</u>
Annual OPEB cost	41,822
Contributions made	<u>(13,606)</u>
Increase in net OPEB obligation	28,216
Net OPEB obligation beginning of year	<u>75,590</u>
Net OPEB obligation end of year	<u><u>\$ 103,806</u></u>

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

For the year ended June 30, 2014, the District contributed \$13,606 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 22,409	5.47 %	\$ 47,866
2013	43,006	35.53	75,590
2014	41,822	32.53	103,806

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$214,902 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$214,902. The covered payroll (annual payroll of active employees covered by the plan) was \$1,440,917 and the ratio of the UAAL to covered payroll was 14.9%. As of June 30, 2014, there were no trust fund assets.

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

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

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

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

Projected claim costs of the medical plan are \$709 a month for the Classic 750 Single Plan, and \$1,821 for a Family Plan. The Select 2000 plan has a cost of \$584 per month for a Single Plan and \$501 a month for a Family Plan. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and

beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$219,100, \$200,854 and \$176,115 respectively, equal to the required contributions for each year.

Note 8. Risk Management

Hubbard-Radcliffe 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.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$168,565 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Operating Lease Commitment

The District entered into contracts to lease copy machines. The remaining payments the District will make over the next four years are as follows:

Year Ending June 30,	Lease Payment
2015	\$ 6,828
2016	5,928
2017	2,334
Total	<u>\$ 15,090</u>

Note 11. Categorical Funding

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

Program	Amount
Limited English Proficiency	\$ 4,228
Home school assistance	68,713
Gifted and talented	43,180
Teacher salary supplement	273
Core Curriculum	39
Professional development	5,037
Market factor incentives	519
Teacher Leadership Grants	6,364
Total	<u>\$ 128,353</u>

Note 12. Construction Commitment

The District had entered into various contracts for building improvements totaling \$5,984,281. As of June 30, 2014 costs of \$1,680,665 had been incurred against these contracts. The remaining balance of \$4,303,616 will be paid out as work on the project progresses.

Note 13. Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position are as follows:

	Invested in Capital Assets	School Infrastructure	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	6,779,899	422,823	611,685
Capital assets, net of accumulated depreciation	6,672,469	-	-	-
General obligation bond capitalized indebtedness	(1,659,582)	-	-	-
Revenue bond capitalized indebtedness	(1,600,000)	-	-	-
General obligation bond proceeds not expended	-	(6,380,418)	-	-
Capital loan note capitalized indebtedness	(870,000)	-	-	-
Termination benefits	-	-	-	-
Accrued interest payable	-	-	(62,879)	-
Internal service fund	-	-	-	333
Compensated absences	-	-	-	(32,059)
Net OPEB liability	-	-	-	(98,772)
Net position (Exhibit A)	\$ 2,542,887	399,481	359,944	481,187

Note 14. Prospective Accounting Change

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

Note 15. Deficit Fund Balance/Net Position

At June 30, 2014, the Preschool Fund had a deficit unrestricted net position of \$4,809 and a deficit fund balance of \$2,416.

Required Supplementary Information

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

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 4,339,817	134,398	4,474,215	4,692,385	4,692,385	(218,170)
State sources	2,289,892	2,083	2,291,975	1,940,365	1,940,365	351,610
Federal sources	121,612	136,677	258,289	320,000	320,000	(61,711)
Total revenues	6,751,321	273,158	7,024,479	6,952,750	6,952,750	71,729
Expenditures/Expenses:						
Instruction	4,162,524	46,811	4,209,335	4,373,000	4,373,000	163,665
Support services	1,599,604	-	1,599,604	1,997,500	1,997,500	397,896
Non-instructional programs	-	222,021	222,021	320,000	320,000	97,979
Other expenditures	3,281,663	-	3,281,663	4,204,453	4,204,453	922,790
Total expenditures/expenses	9,043,791	268,832	9,312,623	10,894,953	10,894,953	1,582,330
Excess(Deficiency) of revenues over(under) expenditures/expenses	(2,292,470)	4,326	(2,288,144)	(3,942,203)	(3,942,203)	1,654,059
Other financing sources, net	6,078	26,788	32,866	-	-	32,866
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(2,286,392)	31,114	(2,255,278)	(3,942,203)	(3,942,203)	1,686,925
Balance beginning of year	10,825,408	100,597	10,926,005	10,283,083	10,283,083	642,922
Balance end of year	\$ 8,539,016	131,711	8,670,727	6,340,880	6,340,880	2,329,847

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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

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

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

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 112,814	\$ 112,814	0.0 %	1,036,000	10.9 %
2011	July 1, 2009	-	106,322	106,322	0.0	1,270,000	8.4
2012	July 1, 2009	-	96,125	96,125	0.0	1,260,000	7.6
2013	July 1, 2012	-	236,650	236,650	0.0	1,389,551	17.0
2014	July 1, 2012	-	214,902	214,902	0.0	1,440,917	14.9

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Supplementary Information

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 446,305	21,937	468,242
Receivables:			
Property tax:			
Delinquent	571	-	571
Accounts	-	1,227	1,227
TOTAL ASSETS	\$ 446,876	23,164	470,040
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:	\$ -	-	-
Deferred inflows of resources:	-	-	-
Fund balances:			
Restricted for:			
Management levy purposes	446,876	-	446,876
Student activities	-	23,164	23,164
Total fund balances	446,876	23,164	470,040
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 446,876	23,164	470,040

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 50,020	-	50,020
Other	6,668	34,102	40,770
State sources	20	-	20
TOTAL REVENUES	56,708	34,102	90,810
EXPENDITURES:			
Current:			
Instruction:			
Regular	37,472	-	37,472
Other	-	35,576	35,576
Support services:			
Administration	32,821	-	32,821
Operation and maintenance of plant	52,065	-	52,065
Transportation	12,000	-	12,000
TOTAL EXPENDITURES	134,358	35,576	169,934
Change in fund balances	(77,650)	(1,474)	(79,124)
Fund balances beginning of year	524,526	24,638	549,164
Fund balances end of year	\$ 446,876	23,164	470,040

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects			Total
	G.O. Bond Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
ASSETS				
Cash and pooled investments	\$ 6,604,090	554,321	124,234	7,282,645
Receivables:				
Property tax:				
Delinquent	-	-	4,184	4,184
Succeeding year	-	-	391,140	391,140
Due from other governments	-	102,204	-	102,204
TOTAL ASSETS	\$ 6,604,090	656,525	519,558	7,780,173
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 223,672	38,544	2,202	264,418
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding years property taxes	-	-	391,140	391,140
Fund balances:				
Restricted for:				
School infrastructure	6,380,418	399,481	-	6,779,899
Physical plant and equipment	-	-	126,216	126,216
Debt service	-	218,500	-	218,500
Total fund balances	6,380,418	617,981	126,216	7,124,615
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,604,090	656,525	519,558	7,780,173

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects			Total
	G.O. Bond Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ -	-	386,380	386,380
Other	13,953	2,503	1,275	17,731
State sources	-	372,813	146	372,959
TOTAL REVENUES	13,953	375,316	387,801	777,070
EXPENDITURES:				
Current:				
Support services:				
Instructional staff	-	38,544	12,357	50,901
Administration	-	-	500	500
Operation and maintenance of plant	-	-	11,314	11,314
Transportation	-	-	80,409	80,409
Capital outlay	1,944,897	83,304	76,389	2,104,590
TOTAL EXPENDITURES	1,944,897	121,848	180,969	2,247,714
Excesss(Deficiency) of revenues over(under) expenditures	(1,930,944)	253,468	206,832	(1,470,644)
Other financing uses:				
Transfers out	-	(228,522)	(221,590)	(450,112)
Change in fund balances	(1,930,944)	24,946	(14,758)	(1,920,756)
Fund balances beginning of year	8,311,362	593,035	140,974	9,045,371
Fund balances end of year	\$ 6,380,418	617,981	126,216	7,124,615

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
ATHLETICS	\$ 4,471	35	3,213	98	1,391
CONCESSIONS	2,391	8,535	5,812	198	5,312
INTEREST	2,962	215	2,322	(817)	38
INSTRUMENTAL MUSIC	-	2,547	1,699	60	908
VOCAL/INSTURMENTAL MUSIC	4,085	1,000	231	207	5,061
DC TRIP	2,430	6,723	3,549	-	5,604
YEARBOOK	-	3,227	3,268	41	-
STUDENT COUNCIL MS	5,596	9,074	11,783	141	3,028
ELEMENTARY COUNCIL	2,703	2,746	3,699	72	1,822
TOTALS	\$ 24,638	34,102	35,576	-	23,164

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 3,012,997	2,819,204	3,154,679	3,018,393	2,933,033	2,715,816	2,513,423	2,528,008	2,253,036	2,200,881
Tuition	1,079,500	1,072,105	896,249	956,233	974,668	1,020,659	1,136,748	29,586	84,864	44,568
Other	247,320	202,833	201,226	233,569	257,689	222,608	180,198	226,845	157,339	262,537
State sources	2,289,892	1,695,281	1,650,040	1,639,519	1,462,811	1,899,262	1,818,506	1,831,432	1,807,043	1,692,362
Federal sources	121,612	105,631	182,177	216,044	346,574	155,420	155,491	144,144	125,405	121,244
Total	\$ 6,751,321	5,895,054	6,084,371	6,063,758	5,974,775	6,013,765	5,804,366	4,760,015	4,427,687	4,321,592
Expenditures:										
Instruction:										
Regular	\$ 2,838,040	2,695,453	2,413,679	2,319,924	2,499,108	2,682,730	2,636,782	2,055,842	1,916,754	1,954,037
Special	943,329	872,721	846,458	763,729	853,260	815,785	772,538	411,256	361,299	326,630
Other	381,155	329,499	354,102	310,733	311,321	278,669	174,720	247,180	465,147	429,607
Support services:										
Student	61,857	60,498	62,706	58,665	49,960	48,732	74,462	87,798	91,791	96,488
Instructional staff	139,081	154,004	227,455	139,770	87,913	97,204	178,271	86,143	161,187	204,951
Administration	514,428	505,545	481,171	447,262	458,426	517,309	404,632	457,328	471,691	443,695
Operation and maintenance of plant	521,148	479,177	468,866	498,748	510,552	527,977	508,840	516,341	436,886	437,174
Transportation	363,090	280,143	279,835	350,865	266,193	335,715	269,133	200,653	287,920	183,955
Non-instructional programs	-	-	1,341	795	-	127	1,192	531	131	17,250
Capital outlay	2,104,590	450,147	288,175	657,774	2,161,090	1,863,800	362,267	105,716	288,708	209,833
Long-term debt:										
Principal	740,000	1,395,000	325,000	310,000	170,000	185,000	21,237	19,507	-	55,258
Interest and fiscal charges	268,508	117,658	129,180	137,231	105,680	53,816	1,530	3,260	-	1,429
Other expenditures:										
AEA flow-through	168,565	158,295	162,786	182,816	181,512	162,072	152,748	148,045	142,709	141,865
Total	\$ 9,043,791	7,498,140	6,040,754	6,178,312	7,655,015	7,568,936	5,558,352	4,339,600	4,624,223	4,502,172

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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

To the Board of Education of the
Hubbard-Radcliffe Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Hubbard-Radcliffe Community School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 7, 2015.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hubbard-Radcliffe Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part 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.

Hubbard-Radcliffe Community School District's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hubbard-Radcliffe Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

January 7, 2015
Newton, Iowa

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

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

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

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

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

Conclusion - Response accepted.

I-B-14 Purchase Orders - We noted during our audit that purchase orders are required before employees are allowed to check out the District credit card. However, we noted multiple purchases that did not have an approved purchase order. We also noted instances of transactions processed without purchase orders.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - We will review procedures with all staff and make sure purchase orders are done and approved by administrators prior to ordering supplies.

Conclusion - Response accepted.

HUBBARD-RADCLIFFE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

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

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

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

Detailed Receipts - We noted that there were instances of reimbursements made to employees which lacked a detailed receipt. According to board policy number 401.10, a detailed receipt must be turned in for every purchase made with the District credit card.

Recommendation - The District should review procedures in place with personnel using the district credit cards to ensure the proper detailed documentation will be available with paid credit card statements.

Response - We will review procedures with all staff and make sure detailed receipts are obtained otherwise employees will not be reimbursed.

Conclusion - Response accepted.

Meal Reimbursements - We noted during our audit that the District was providing bus drivers a meal reimbursement for a bus trips which were not overnight trips. The District was subsequently paying the reimbursement to the employee through the District's accounts payable system where the benefit was not being subjected to applicable taxation.

According to IRS Publication 15-B, the amount of the benefit provided to the employee does not qualify as a benefit that can be excluded from the bus driver's wages. Since the benefit does not qualify as a de minimis benefit, the amount of the benefit should have been added to the interpreter's W-2 as additional wages subjected to applicable taxes.

Recommendation - Due to the amount of the benefit provided to the bus driver for meal reimbursements, the District should report the amount of the benefit on the bus driver's W-2 so applicable taxes can be applied.

Response - The District has changed procedures and will be paying these reimbursements through payroll instead of accounts payable so that the benefit may be taxed. Only meal reimbursements with overnight travel will be paid through accounts payable.

Conclusion - Response accepted.

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

Name, Title and Business Connection	Transaction Description	Amount
Keith England, Board Member Spouse is Business Manager	Business Manager	\$51,507
Leon Schwartz, Board Member Spouse is Teacher	Teacher	\$56,210

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouses of Board Members do not appear to represent a conflict of interest.

- II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted
- II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted not significant deficiencies in the amounts reported.
- II-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$ 593,035
Revenues:		
Sales tax revenues	\$ 372,813	
Other local revenues	2,503	375,316
Total revenues		<u>968,351</u>
Expenditures:		
School infrastructure construction	67,608	
Other	54,240	
Transfers to other funds:		
Debt service fund	228,522	350,370
Ending balance		<u>\$ 617,981</u>

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

II-M-14 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. More specific examples of these instances of questioned items and recommendations are as follows:

Target Donations: We noted during our audit that the District receipts Target donations in the Student Activity Fund.

Recommendation - Target donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. This designation should be noted annually in the District's board minutes.

Response - We have set up an account in the General Fund for receipt of these donations.

Conclusion - Response accepted.

PBIS Expenses: We noted during our audit that the District purchased snacks and food for a PBIS party and testing. These expenditures appear to be more instructional in nature, and would be more appropriately handled in the General Fund.

Recommendation - The District should review the propriety of the expenditures that are approved in the Student Activity Fund. The expenditures relating to PBIS appear to be more instructional in nature and would be more appropriate in the General Fund.

Response - All future expenses will be paid by the General Fund.

Conclusion - Response accepted.

II-N-14 Contracts - We noted during our audit that the Business Manager signed a copier lease entered into by the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

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

Response - The Board President will sign all contracts in the future. The Business Manager will sign nothing but checks.

Conclusion - Response accepted.

II-O-14 Electronic Check Retention - Chapter 291.6 of the code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. During our audit, we noted there were no electronic images or copies of the backs of checks written from District's bank accounts during fiscal 2013.

Recommendation - The District Secretary should be required by the Board of Directors of the District to preserve all copies of pertinent paperwork for the District to be in compliance with 291.6 of the Code of Iowa. The District could choose to retain electronic images of the front and back of each cancelled check to be in compliance with Chapter 554D.114 of the Code of Iowa.

Response - Effective August 1, 2014, our bank was providing images of both the fronts and backs of all cancelled checks.

Conclusion - Response accepted.

II-P-14 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The District has taken the steps to ensure that all non-certified staff coaches are keeping time sheets.

Conclusion - Response accepted.

II-Q-14 Check Signatures - We noted during our audit, instances of unauthorized signatures on the District's checks. Chapter 291.1 of the Code of Iowa requires the District's Board President to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf.

Recommendation - The District should review procedures in place to ensure that the proper signatures are on all checks in order to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - At the October 14, 2014 board meeting, the board approved authorized check signers for payroll and accounts payable for the 2014-15 school year and will do this each year at the organizational meeting.

Conclusion - Response accepted.

II-R-14 Financial Condition - At June 30, 2014, the Enterprise, Preschool Fund had an unrestricted net position deficit balance of \$4,809 and a deficit fund balance of \$2,416.

Recommendation - The District should investigate alternatives to eliminate the deficit.

Response - We are looking at staffing changes to decrease expenses and also sponsoring a fundraiser to help eliminate the deficit balance if necessary.

Conclusion - Response accepted.