

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
TRURO, IOWA

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

JUNE 30, 2014

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
BASIC FINANCIAL STATEMENTS:	
Exhibit	
Government-Wide Financial Statements:	
A Statement of Net Position	8-9
B Statement of Activities	10-13
Governmental Fund Financial Statements:	
C Balance Sheet	14-15
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	16
E Statement of Revenues, Expenditures and Changes in Fund Balances	17-18
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	19
Proprietary Fund Financial Statements:	
G Statement of Fund Net Position	20
H Statement of Revenues, Expenses and Changes in Fund Net Position	21
I Statement of Cash Flows	22-23
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Position	24
K Statement of Changes in Fiduciary Net Position	25
 Notes to Financial Statements	 26-43
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds	46
Notes to Required Supplementary Information – Budgetary Reporting	47
Schedule of Funding Progress for the Retiree Health Plan	48
SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	50
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	51
Capital Projects Accounts:	
3 Combining Balance Sheet	52
4 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	53
Nonmajor Enterprise Funds:	
5 Combining Schedule of Fund Net Position	54
6 Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	55
7 Combining Schedule of Cash Flows	56-57
8 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	58-59
9 Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	60-61

TABLE OF CONTENTS
(continued)

	Page
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	62-63
SCHEDULE OF FINDINGS	64-69

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2013 election)		
Leah Gray	President	2015
Julie Brownlee	Vice President	2015
Dan Kirkpatrick	Board Member	2013
Bryan Arzani	Board Member	2013
Ken Stanley	Board Member	2015
(After September 2013 election)		
Julie Brownlee	President	2015
Leah Gray	Vice President	2015
Ken Stanley	Board Member (resigned April 2014)	
Tracy Bean	Board Member (appointed May 2014)	2015
Dan Kirkpatrick	Board Member	2017
Bryan Arzani	Board Member	2017
<u>School Officials</u>		
Jeffrey Craig	Superintendent	2014
Jacob Ballard	District Secretary/Treasurer (resigned and Business Manager November 2013)	
Ted Bauer	District Secretary/Treasurer (appointed and Business Manager November 2013)	2014
Ahlers and Cooney, P.C.	Attorney	Indefinite

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Interstate 35 Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Interstate 35 Community School District, Truro Iowa, as of and for the year ended June 30, 2014 and the related notes to financial statements, which collectively comprise the District's basic financial statements 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Interstate 35 Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other*Required Supplementary Information*

U.S. generally accepted accounting principles require the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 46 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The District has omitted the Management's Discussion and Analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Interstate 35 Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the seven years ended June 30, 2011 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financials 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 11, 2015 on our consideration of Interstate 35 Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. 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 Interstate 35 Community School District's internal control over financial reporting and compliance.

Hunt & Associates, P.C.

Basic Financial Statements

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 2,722,425	\$ 12,816	\$ 2,735,241
Receivables:			
Property tax:			
Current year	53,741	-	53,741
Succeeding year	3,711,656	-	3,711,656
Accounts	-	488	488
Due from other governments	709,733	2,444	712,177
Inventories	-	7,763	7,763
Capital assets, net of accumulated depreciation (note 5)	13,218,142	16,368	13,234,510
Total assets	20,415,697	39,879	20,455,576
Liabilities			
Accounts payable	323,166	65	323,231
Salaries and benefits payable	700,737	12,909	713,646
Due to other governments	49,042	-	49,042
Unearned revenue	-	6,187	6,187
Accrued interest payable	8,195	-	8,195
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	31,557	-	31,557
Bonds payable	700,000	-	700,000
Notes payable	210,000	-	210,000
Capital lease purchase agreement	99,270	-	99,270
Compensated absences	10,711	-	10,711
Portion due after one year:			
Early retirement	17,790	-	17,790
Bonds payable	700,000	-	700,000
Notes payable	620,000	-	620,000
Capital lease purchase agreement	204,537	-	204,537
Net OPEB liability	433,659	15,341	449,000
Total liabilities	4,108,664	34,502	4,143,166
Deferred Inflows of Resources			
Unavailable property tax revenue	3,711,656	-	3,711,656

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 10,684,335	\$ 16,368	\$ 10,700,703
Restricted for:			
Categorical funding	619,364	-	619,364
Debt service	314,607	-	314,607
Capital projects	39,404	-	39,404
Physical plant and equipment levy purposes	197,242	-	197,242
Management levy purposes	188,413	-	188,413
Student activities	150,805	-	150,805
Unrestricted	401,207	(10,991)	390,216
	<u>401,207</u>	<u>(10,991)</u>	<u>390,216</u>
Total net position	<u>\$ 12,595,377</u>	<u>\$ 5,377</u>	<u>\$ 12,600,754</u>

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 6,374,316	\$ 770,163	\$ 931,895
Support services:			
Student	258,419	-	-
Instructional staff	345,982	-	-
Administration	1,137,810	-	-
Operation and maintenance of plant	593,060	7,841	-
Transportation	709,726	-	880
	<u>3,044,997</u>	<u>7,841</u>	<u>880</u>
Other expenditures:			
Facilities acquisition	2,627	-	-
Long-term debt interest and fiscal charges	23,984	-	-
AEA flowthrough	343,798	-	343,798
Depreciation (unallocated) *	348,773	-	-
	<u>719,182</u>	<u>-</u>	<u>343,798</u>
Total governmental activities	<u>10,138,495</u>	<u>778,004</u>	<u>1,276,573</u>

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (4,672,258)	\$ -	\$ (4,672,258)
(258,419)	-	(258,419)
(345,982)	-	(345,982)
(1,137,810)	-	(1,137,810)
(585,219)	-	(585,219)
(708,846)	-	(708,846)
(3,036,276)	-	(3,036,276)
(2,627)	-	(2,627)
(23,984)	-	(23,984)
-	-	-
(348,773)	-	(348,773)
(375,384)	-	(375,384)
(8,083,918)	-	(8,083,918)

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Business-Type Activities:			
Support services:			
Instructional staff	\$ 405	\$ -	\$ -
Operation and maintenance of plant	1,053	-	-
	<u>1,458</u>	<u>-</u>	<u>-</u>
Non-instructional programs:			
Food service operations	471,627	271,658	205,258
Other programs	-	1,838	-
	<u>471,627</u>	<u>273,496</u>	<u>205,258</u>
Total business-type activities	<u>473,085</u>	<u>273,496</u>	<u>205,258</u>
Total	<u>\$ 10,611,580</u>	<u>\$ 1,051,500</u>	<u>\$ 1,481,831</u>

General revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ -	\$ (405)	\$ (405)
-	(1,053)	(1,053)
-	(1,458)	(1,458)
-	5,289	5,289
-	1,838	1,838
-	7,127	7,127
-	5,669	5,669
(8,083,918)	5,669	(8,078,249)
\$ 2,988,777	\$ -	\$ 2,988,777
457,304	-	457,304
329,687	-	329,687
796,886	-	796,886
4,437,758	-	4,437,758
3,199	151	3,350
9,831	-	9,831
9,023,442	151	9,023,593
939,524	5,820	945,344
11,655,853	(443)	11,655,853
\$ <u>12,595,377</u>	\$ <u>5,377</u>	\$ <u>12,600,754</u>

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 1,819,033	\$ 314,625	\$ 204,192	\$ 384,575	\$ 2,722,425
Receivables:					
Property tax:					
Current year	35,838	6,509	4,853	6,541	53,741
Succeeding year	2,462,908	461,306	337,442	450,000	3,711,656
Interfund (note 4)	240,000	-	-	-	240,000
Due from other governments	222,598	-	487,135	-	709,733
	<hr/>				
Total assets	<u>\$ 4,780,377</u>	<u>\$ 782,440</u>	<u>\$ 1,033,622</u>	<u>\$ 841,116</u>	<u>\$ 7,437,555</u>

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 102,749	\$ -	\$ 217,866	\$ 2,051	\$ 322,666
Salaries and benefits payable	700,737	-	-	-	700,737
Due to other governments	49,042	-	-	-	49,042
Interfund payable (note 4)	-	-	240,000	500	240,500
Total liabilities	<u>852,528</u>	<u>-</u>	<u>457,866</u>	<u>2,551</u>	<u>1,312,945</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,462,908	461,306	337,442	450,000	3,711,656
Fund balances:					
Restricted for:					
Categorical funding (note 11)	619,364	-	-	-	619,364
Debt service	-	321,134	-	-	321,134
School infrastructure	-	-	40,226	-	40,226
Physical plant and equipment	-	-	198,088	-	198,088
Management levy purposes	-	-	-	237,760	237,760
Student activities	-	-	-	150,805	150,805
Assigned for special purposes	96,771	-	-	-	96,771
Unassigned	748,806	-	-	-	748,806
Total fund balances	<u>1,464,941</u>	<u>321,134</u>	<u>238,314</u>	<u>388,565</u>	<u>2,412,954</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,780,377</u>	<u>\$ 782,440</u>	<u>\$ 1,033,622</u>	<u>\$ 841,116</u>	<u>\$ 7,437,555</u>

See notes to financial statements.

INTERSTATE 35 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	\$ 2,412,954
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	13,218,142
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(8,195)
Long-term liabilities, including bonds and notes payable, capital lease purchase agreements, early retirement, compensated absences, and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(3,027,524)</u>
Net position of governmental activities	<u>\$ 12,595,377</u>

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,527,727	\$ 457,034	\$ 329,485	\$ 459,287	\$ 3,773,533
Tuition	486,736	-	-	-	486,736
Other	77,462	14	676	235,745	313,897
State sources	5,490,198	271	797,088	272	6,287,829
Federal sources	216,024	-	-	-	216,024
Total revenues	<u>8,798,147</u>	<u>457,319</u>	<u>1,127,249</u>	<u>695,304</u>	<u>11,078,019</u>
Expenditures:					
Current:					
Instruction	5,997,491	-	-	239,055	6,236,546
Support services:					
Student	256,959	-	-	-	256,959
Instructional staff	308,428	-	36,944	6,689	352,061
Administration	923,214	-	-	224,549	1,147,763
Operation and maintenance of plant	578,994	-	1,755	120	580,869
Transportation	570,760	-	412,153	30,478	1,013,391
	<u>2,638,355</u>	<u>-</u>	<u>450,852</u>	<u>261,836</u>	<u>3,351,043</u>
Non-instructional programs	-	-	-	6,379	6,379
Other expenditures:					
Facilities acquisition	-	-	1,297,132	-	1,297,132
Long term debt:					
Principal	-	890,000	-	-	890,000
Interest and fiscal charges	-	33,304	-	-	33,304
AEA flowthrough	343,798	-	-	-	343,798
	<u>343,798</u>	<u>923,304</u>	<u>1,297,132</u>	<u>-</u>	<u>2,564,234</u>
Total expenditures	<u>8,979,644</u>	<u>923,304</u>	<u>1,747,984</u>	<u>507,270</u>	<u>12,158,202</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(181,497)</u>	<u>(465,985)</u>	<u>(620,735)</u>	<u>188,034</u>	<u>(1,080,183)</u>

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Capital lease purchase agreement	\$ -	\$ -	\$ 303,807	\$ -	\$ 303,807
Interfund transfers in (note 3)	-	338,061	28,880	-	366,941
Interfund transfers out (note 3)	-	(28,880)	(338,061)	-	(366,941)
Total other financing sources (uses)	<u>-</u>	<u>309,181</u>	<u>(5,374)</u>	<u>-</u>	<u>303,807</u>
Net change in fund balances	(181,497)	(156,804)	(626,109)	188,034	(776,376)
Fund balances beginning of year	<u>1,646,438</u>	<u>477,938</u>	<u>864,423</u>	<u>200,531</u>	<u>3,189,330</u>
Fund balances end of year	<u>\$ 1,464,941</u>	<u>\$ 321,134</u>	<u>\$ 238,314</u>	<u>\$ 388,565</u>	<u>\$ 2,412,954</u>

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ (776,376)

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

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

Capital outlays	\$ 1,731,664	
Depreciation expense	<u>(597,013)</u>	1,134,651

Proceeds from issuing long-term liabilities provide current financial resources
to governmental funds but issuing debt increases long-term liabilities in the
Statement of Net Position and does not affect the Statement of Activities. (303,807)

Repayment of long-term liabilities is an expenditure in the governmental
funds, but it reduces long-term liabilities in the Statement of Net Position. 890,000

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 governmental funds when due. In the Statement of
Activities, however, interest expense is recognized as the interest accrues,
regardless of when it is due. 9,320

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

Early retirement	20,231	
Compensated absences	(2,350)	
Net OPEB liability	<u>(32,145)</u>	<u>(14,264)</u>

Change in net position of governmental activities \$ 939,524

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2014

	<u>Nonmajor Enterprise Funds</u>
Assets	
Cash and cash equivalents	\$ 12,816
Accounts receivable	488
Inventories	7,763
Due from other governments	2,444
Capital assets, net of accumulated depreciation (note 5)	<u>16,368</u>
Total assets	<u>39,879</u>
Liabilities	
Accounts payable	65
Salaries and benefits payable	12,909
Unearned revenue	6,187
Net OPEB liability (note 6)	<u>15,341</u>
Total liabilities	<u>34,502</u>
Fund Net Position	
Net investment in capital assets	16,368
Unrestricted	<u>(10,991)</u>
Total fund net position	<u>\$ 5,377</u>

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

	<u>Nonmajor Enterprise Funds</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>273,496</u>
Operating expenses:	
Support services:	
Instructional staff	405
Operation and maintenance of plant	1,053
Non-instructional programs	<u>471,627</u>
Total operating expenses	<u>473,085</u>
Operating loss	(199,589)
Non-operating revenues:	
Interest on investments	151
State sources	3,804
Federal sources	<u>201,454</u>
Total non-operating revenues	<u>205,409</u>
Change in fund net position	5,820
Fund net position beginning of year	<u>(443)</u>
Fund net position end of year	\$ <u><u>5,377</u></u>

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	<u>Nonmajor Enterprise Funds</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 272,836
Cash received from miscellaneous operating activities	20
Cash payments to employees for services	(232,976)
Cash payments to suppliers for goods or services	<u>(224,687)</u>
Net cash used by operating activities	<u>(184,807)</u>
Cash flows from non-capital financing activities:	
State grants received	3,804
Federal grants received	<u>174,248</u>
Net cash provided by non-capital financing activities	<u>178,052</u>
Cash flows from investing activities:	
Interest on investments	<u>151</u>
Net decrease in cash and cash equivalents	(6,604)
Cash and cash equivalents beginning of year	<u>19,420</u>
Cash and cash equivalents end of year	<u>\$ 12,816</u>

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	<u>Nonmajor Enterprise Funds</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (199,589)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	2,495
Commodities used	24,762
Decrease in accounts receivable	440
(Increase) in inventories	(2,053)
(Decrease) in accounts payable	(344)
(Decrease) in salaries and benefits payable	(7,136)
(Decrease) in unearned revenue	(1,237)
(Decrease) in net OPEB liability	<u>(2,145)</u>
Net cash used by operating activities	<u>\$ (184,807)</u>

Non-cash financing activities:

During the year ended June 30, 2014, the District received \$24,762 of federal commodities.

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2014

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ 9,604
Interfund receivable (note 4)	<u>500</u>
Total assets	<u>10,104</u>
Fiduciary Net Position:	
Restricted for scholarships	\$ <u><u>10,104</u></u>

See notes to financial statements.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 Year Ended June 30, 2014

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	<u>18,500</u>
Deductions:		
Instruction:		
Scholarships awarded		<u>18,500</u>
Change in fiduciary net position		-
Fiduciary net position beginning of year		<u>10,104</u>
Fiduciary net position end of year	\$	<u><u>10,104</u></u>
See notes to financial statements.		

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies

Interstate 35 Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education and regular pre-kindergarten. The geographic area served includes the Cities of Truro, New Virginia and St. Charles, Iowa, and agricultural territory in Madison, Clarke, and Warren Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Interstate 35 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. Interstate 35 Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Madison, Clarke, and Warren County Assessor's Conference Boards.

B. Basis of Presentation

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

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

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

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 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.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues 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 expenditures, including instructional, support and other costs.

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

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund, Roadrunner Childcare Center Fund, and Preschool Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Roadrunner Childcare Center Fund is used to account for the daycare services previously provided to the community by the District. The Preschool Fund is used to account for the educational preschool services provided by the District.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the 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 District considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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 funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All 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 Equity

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

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

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

Property Tax Receivable – Property tax receivable is recognized in the governmental funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax 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 District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

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

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

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

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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 one year.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings	15-50 years
Improvements other than buildings	20-25 years
Furniture and equipment	5-20 years

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

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.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

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

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collectible within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of the succeeding year property tax receivable.

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

Fund Equity – 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 are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures/expenses exceeded the amounts budgeted in the instruction, support services, and non-instructional programs functions.

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 ensure there will be no loss of public funds.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 2. Cash and Pooled Investments (continued)

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 as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>709,189</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM 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	\$ 338,061
Capital Projects	Debt Service	<u>28,880</u>
		<u>\$ 366,941</u>

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

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Interfund Receivables and Payables

At June 30, 2014, interfund receivables and payables consisted of the following:

Receivable Fund	Payable Fund	Amount
Interfund balances between governmental funds:		
Other receivables:		
General	Capital Projects	\$ 240,000
Interfund balances between governmental and fiduciary funds:		
Other receivables:		
Private Purpose Trust: Scholarship	Special Revenue: Student Activity	<u>500</u>
		<u>\$ 240,500</u>

The other receivables interfund balance between the General Fund and the Capital Projects Fund is a short-term loan to finance the costs of the fitness center project. This loan will be repaid within three months and includes interest at 0.22%. The other receivables interfund balance between the Private Purpose Trust, Scholarship Fund and the Student Activity Fund is due to timing differences involved in the reimbursement of scholarships at year end.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 600,734	\$ -	\$ -	\$ 600,734
Construction in progress	73,424	1,221,363	-	1,294,787
Total capital assets not being depreciated	<u>674,158</u>	<u>1,221,363</u>	<u>-</u>	<u>1,895,521</u>
Capital assets being depreciated:				
Buildings	15,248,592	73,143	-	15,321,735
Improvements other than buildings	739,935	-	-	739,935
Furniture and equipment	2,638,817	437,158	189,470	2,886,505
Total capital assets being depreciated	<u>18,627,344</u>	<u>510,301</u>	<u>189,470</u>	<u>18,948,175</u>
Less accumulated depreciation for:				
Buildings	5,043,529	319,360	-	5,362,889
Improvements other than buildings	373,718	28,312	-	402,030
Furniture and equipment	1,800,764	249,341	189,470	1,860,635
Total accumulated depreciation	<u>7,218,011</u>	<u>597,013</u>	<u>189,470</u>	<u>7,625,554</u>
Total capital assets being depreciated, net	<u>11,409,333</u>	<u>(86,712)</u>	<u>-</u>	<u>11,322,621</u>
Governmental activities capital assets, net	<u>\$ 12,083,491</u>	<u>\$ 1,134,651</u>	<u>\$ -</u>	<u>\$ 13,218,142</u>
Business-type activities:				
Furniture and equipment	\$ 352,750	\$ -	\$ -	\$ 352,750
Less accumulated depreciation	333,887	2,495	-	336,382
Business-type activities capital assets, net	<u>\$ 18,863</u>	<u>\$ (2,495)</u>	<u>\$ -</u>	<u>\$ 16,368</u>

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction	\$ 102,620
Support services:	
Administration	3,026
Operation and maintenance of plant	9,543
Transportation	<u>133,051</u>
	248,240
Unallocated depreciation	<u>348,773</u>
Total depreciation expense - governmental activities	<u>\$ 597,013</u>
Business-type activities:	
Food service operations	<u>\$ 2,495</u>

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,595,000	\$ -	\$ 445,000	\$ 1,150,000	\$ 450,000
Revenue bonds	490,000	-	240,000	250,000	250,000
Capital loan notes	1,035,000	-	205,000	830,000	210,000
Capital lease purchase agreement	-	303,807	-	303,807	99,270
Early retirement	69,578	38,587	58,818	49,347	31,557
Compensated absences	8,361	10,711	8,361	10,711	10,711
Net OPEB liability	401,514	32,145	-	433,659	-
Total	\$ 3,599,453	\$ 385,250	\$ 957,179	\$ 3,027,524	\$ 1,051,538
	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business-type activities:					
Net OPEB liability	\$ 17,486	\$ -	\$ 2,145	\$ 15,341	\$ -

General Obligation Bonds

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

Year Ending June 30,	Bond issue of April 24, 2012			
	Interest Rates	Principal	Interest	Total
2015	0.65-0.80 %	\$ 450,000	\$ 9,556	\$ 459,556
2016	0.85-1.00	455,000	6,048	461,048
2017	1.10-1.20	245,000	2,160	247,160
		\$ 1,150,000	\$ 17,764	\$ 1,167,764

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Long-Term Liabilities (continued)

Revenue Bonds

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

Year Ending June 30,	Bond issue of May 1, 2008			
	Interest Rates	Principal	Interest	Total
2015	3.85 %	\$ <u>250,000</u>	\$ <u>4,812</u>	\$ <u>254,812</u>

The District pledged future statewide sales, services and use tax revenues to repay the \$1,345,000 bonds issued on May 1, 2008. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 32 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$254,812. For the current year, \$240,000 in principal and \$14,125 in interest was paid on the bonds and total statewide sales and services tax revenues were \$796,886.

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

- a) \$134,500 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds, if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Sufficient monthly deposits amounting to one twelfth of the next principal payment and one sixth of the next interest payment shall be made to the sinking account for the purpose of making the bond principal and interest payments when due.
- 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.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Long-Term Liabilities (continued)

Capital Loan Notes

Details of the District's June 30, 2013 capital loan notes indebtedness are as follows:

Year Ending June 30,	Capital loan note issue of June 3, 2013			
	Interest Rates	Principal	Interest	Total
2015	0.45 %	\$ 210,000	\$ 5,078	\$ 215,078
2016	0.55	205,000	4,132	209,132
2017	0.65	210,000	3,005	213,005
2018	0.80	205,000	1,640	206,640
		\$ 830,000	\$ 13,855	\$ 843,855

Capital Lease Purchase Agreement

In September 2013, the District entered into a capital lease purchase agreement totaling \$409,153 for five buses. The District paid an initial payment of \$105,346 with the balance of \$303,807 to be paid in three annual payments including interest at 2%.

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

Year Ending June 30,	Principal	Interest	Total
2015	\$ 99,270	\$ 6,076	\$ 105,346
2016	101,255	4,091	105,346
2017	103,282	2,064	105,346
	\$ 303,807	\$ 12,231	\$ 316,038

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Long-Term Liabilities (continued)

Early Retirement

The District offered a voluntary early retirement plan to its employees for the year ended June 30, 2014.

Eligible employees must have been at least age fifty-five and must have completed fifteen years of service to the District. Employees had to complete an application which was required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to 1% of the employee's base contract the final year of employment times the number of years of employment. The District also pays \$25 for each unused sick leave day. In addition, the District pays a monthly contribution to the retiree's single health and dental insurance at a rate equal to the amount paid by the District in the final year of employment. This insurance benefit is provided for the lesser of three years or until the retiree is eligible for Medicare.

At June 30, 2014, the District has obligations to four participants with a total liability of \$49,347. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$58,818. The cost of early retirement payments is recorded as a long-term liability of the Governmental Activities in the government-wide financial statements.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 126 active and 10 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with ISEBA. 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.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 7. Other Postemployment Benefits (OPEB) (continued)

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	\$	76,000
Interest on net OPEB obligation		19,000
Adjustment to annual required contribution		<u>(17,000)</u>
Annual OPEB cost		78,000
Contributions made		<u>(48,000)</u>
Increase in net OPEB obligation		30,000
Net OPEB obligation beginning of year		<u>419,000</u>
 Net OPEB obligation end of year	 \$	 <u><u>449,000</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 \$48,000 to the medical plan. Plan members eligible for benefits contributed \$86,000, or 64% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 199,039	41.7%	\$ 388,000
2013	78,000	60.3%	419,000
2014	78,000	61.5%	449,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$635,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$635,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,915,000, and the ratio of the UAAL to covered payroll was 12.9%. As of June 30, 2014, there were no trust fund assets.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 7. Other Postemployment Benefits (OPEB) (continued)

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 projected unit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District’s funding policy. The projected annual medical trend rate is 9.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table projected to 2015, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Reports as of June 30, 2012.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years. Projected claim costs of the medical plan per month for retirees age 60 are illustrated below for the three plan options.

<u>PPO 500</u>	<u>PPO 750</u>	<u>HMO 500</u>
\$ 896	\$ 848	\$ 807

Note 8. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District’s contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$432,592, \$385,447, and \$340,760, respectively, equal to the required contributions for each year.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 9. Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision, life and prescription drug.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2014 were \$1,092,599.

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

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

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$343,798 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.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 11. Categorical Funding

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

Program	Amount
Limited English proficient program	\$ 1,294
Home school assistance program	5,173
At-risk programs	28,410
Gifted and talented programs	26,183
Returning dropouts and dropout prevention programs	145,544
Four year old preschool state aid	163,560
Beginning teacher mentoring and induction program	292
Teacher salary supplement	23,601
Market factor	1,358
Iowa early intervention block grant	43,843
Child development	2,327
Professional development for model core curriculum	64,475
Professional development	91,711
Market factor incentives	113
STEM grant	2,400
Successful progression for early readers	19,080
Total	\$ 619,364

Note 12. Deficit Fund Balance

At June 30, 2014, the Roadrunner Childcare Center Fund within the nonmajor Enterprise Funds had a deficit unrestricted net position of \$14,896.

Note 13. Construction Commitments

The District has entered into a contract totaling \$1,272,051 for a fitness center. As of June 30, 2014, costs of \$1,148,772 had been incurred against the contract. The balance of \$123,279 remaining at June 30, 2014 will be paid as work on the project progresses.

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.

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Required Supplementary Information

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year Ended June 30, 2014

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 4,574,166	\$ 273,647	\$ 4,847,813	\$ 5,915,857	\$ (1,068,044)
Intermediate sources	-	-	-	15,000	(15,000)
State sources	6,287,829	3,804	6,291,633	5,403,895	887,738
Federal sources	216,024	201,454	417,478	343,000	74,478
Total revenues	11,078,019	478,905	11,556,924	11,677,752	(120,828)
EXPENDITURES/EXPENSES:					
Instruction	6,236,546	-	6,236,546	5,971,120	(265,426)
Support services	3,351,043	1,458	3,352,501	3,116,150	(236,351)
Non-instructional programs	6,379	471,627	478,006	405,720	(72,286)
Other expenditures	2,564,234	-	2,564,234	5,899,809	3,335,575
Total expenditures/expenses	12,158,202	473,085	12,631,287	15,392,799	2,761,512
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,080,183)	5,820	(1,074,363)	(3,715,047)	2,640,684
Other financing sources, net	303,807	-	303,807	4,500,500	(4,196,693)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(776,376)	5,820	(770,556)	785,453	(1,556,009)
Balance beginning of year	3,189,330	(443)	3,188,887	2,969,409	219,478
Balance end of year	<u>\$ 2,412,954</u>	<u>\$ 5,377</u>	<u>\$ 2,418,331</u>	<u>\$ 3,754,862</u>	<u>\$ (1,336,531)</u>

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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 internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

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

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

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2014

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	\$ -	\$ 1,491	\$ 1,491	0.0%	\$ 4,103	36.3%
2011	July 1, 2009	-	1,491	1,491	0.0%	3,894	38.3%
2012	July 1, 2009	-	1,491	1,491	0.0%	4,373	34.1%
2013	July 1, 2012	-	635	635	0.0%	4,538	14.0%
2014	July 1, 2012	-	635	635	0.0%	4,915	12.9%

See note 7 in the accompanying Notes to 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

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2014

	Special Revenue		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 232,027	\$ 152,548	\$ 384,575
Receivables:			
Property tax:			
Current year	6,541	-	6,541
Succeeding year	450,000	-	450,000
Total assets	\$ <u>688,568</u>	\$ <u>152,548</u>	\$ <u>841,116</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 808	\$ 1,243	\$ 2,051
Interfund payable	-	500	500
Total liabilities	<u>808</u>	<u>1,743</u>	<u>2,551</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	450,000	-	450,000
Fund balances:			
Restricted for:			
Management levy purposes	237,760	-	237,760
Student activities	-	150,805	150,805
Total fund balances	<u>237,760</u>	<u>150,805</u>	<u>388,565</u>
Total liabilities, deferred inflows of resources and fund balances	\$ <u>688,568</u>	\$ <u>152,548</u>	\$ <u>841,116</u>

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2014

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local sources:			
Local tax	\$ 459,287	\$ -	\$ 459,287
Other	6,673	229,072	235,745
State sources	272	-	272
Total revenues	466,232	229,072	695,304
Expenditures:			
Current:			
Instruction	-	239,055	239,055
Support services:			
Instructional staff	6,689	-	6,689
Administration	224,549	-	224,549
Operation and maintenance of plant	-	120	120
Transportation	30,478	-	30,478
Non-instructional programs	6,379	-	6,379
Total expenditures	268,095	239,175	507,270
Net change in fund balances	198,137	(10,103)	188,034
Fund balances beginning of year	39,623	160,908	200,531
Fund balances end of year	\$ 237,760	\$ 150,805	\$ 388,565

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 10,957	\$ 193,235	\$ 204,192
Receivables:			
Property tax:			
Current year	-	4,853	4,853
Succeeding year	-	337,442	337,442
Due from other governments	487,135	-	487,135
 Total assets	 \$ 498,092	 \$ 535,530	 \$ 1,033,622
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 217,866	\$ -	217,866
Interfund payable	240,000	-	240,000
Total liabilities	457,866	-	457,866
 Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	337,442	337,442
 Fund balances:			
Restricted for:			
School infrastructure	40,226	-	40,226
Physical plant and equipment	-	198,088	198,088
Total fund balances	40,226	198,088	238,314
 Total liabilities, deferred inflows of resources and fund balances	 \$ 498,092	 \$ 535,530	 \$ 1,033,622

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 329,485	\$ 329,485
Other	676	-	676
State sources	796,886	202	797,088
Total revenues	<u>797,562</u>	<u>329,687</u>	<u>1,127,249</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	36,944	-	36,944
Operation and maintenance of plant	-	1,755	1,755
Transportation	412,153	-	412,153
Other expenditures:			
Facilities acquisition	1,297,132	-	1,297,132
Total expenditures	<u>1,746,229</u>	<u>1,755</u>	<u>1,747,984</u>
Excess (deficiency) of revenues over (under) expenditures	(948,667)	327,932	(620,735)
Other financing sources (uses):			
Capital lease purchase agreement	303,807	-	303,807
Interfund transfers in	28,880	-	28,880
Interfund transfers out	(127,375)	(210,686)	(338,061)
Total other financing sources (uses)	<u>205,312</u>	<u>(210,686)</u>	<u>(5,374)</u>
Net change in fund balances	(743,355)	117,246	(626,109)
Fund balances beginning of year	<u>783,581</u>	<u>80,842</u>	<u>864,423</u>
Fund balances end of year	<u>\$ 40,226</u>	<u>\$ 198,088</u>	<u>\$ 238,314</u>

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 June 30, 2014

	School Nutrition	Roadrunner Childcare Center	Total
Assets			
Cash and cash equivalents	\$ 27,712	\$ (14,896)	\$ 12,816
Accounts receivable	488	-	488
Inventories	7,763	-	7,763
Due from other governments	2,444	-	2,444
Capital assets, net of accumulated depreciation	16,368	-	16,368
Total assets	54,775	(14,896)	39,879
Liabilities			
Accounts payable	65	-	65
Salaries and benefits payable	12,909	-	12,909
Unearned revenue	6,187	-	6,187
Net OPEB liability	15,341	-	15,341
Total liabilities	34,502	-	34,502
Fund Net Position			
Net investment in capital assets	16,368	-	16,368
Unrestricted	3,905	(14,896)	(10,991)
Total fund net position	\$ 20,273	\$ (14,896)	\$ 5,377

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 Year Ended June 30, 2014

	<u>School Nutrition</u>	<u>Roadrunner Childcare Center</u>	<u>Preschool</u>	<u>Total</u>
Operating revenues:				
Local sources:				
Charges for services	\$ 271,658	\$ -	\$ 1,838	\$ 273,496
Operating expenses:				
Support services:				
Instructional staff	405	-	-	405
Operation and maintenance of plant	1,053	-	-	1,053
Non-instructional programs	471,627	-	-	471,627
Total operating expenses	<u>473,085</u>	<u>-</u>	<u>-</u>	<u>473,085</u>
Operating income (loss)	(201,427)	-	1,838	(199,589)
Non-operating revenues:				
Interest on investments	151	-	-	151
State sources	3,804	-	-	3,804
Federal sources	201,454	-	-	201,454
Total non-operating revenues	<u>205,409</u>	<u>-</u>	<u>-</u>	<u>205,409</u>
Change in fund net position	3,982	-	1,838	5,820
Fund net position beginning of year	<u>16,291</u>	<u>(14,896)</u>	<u>(1,838)</u>	<u>(443)</u>
Fund net position end of year	<u>\$ 20,273</u>	<u>\$ (14,896)</u>	<u>\$ -</u>	<u>\$ 5,377</u>

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2014

	School Nutrition	Roadrunner Childcare Center	Preschool	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 272,836	\$ -	\$ -	\$ 272,836
Cash received from miscellaneous operating activities	20	-	-	20
Cash payments to employees for services	(224,328)	-	(8,648)	(232,976)
Cash payments to suppliers for goods or services	(224,687)	-	-	(224,687)
Net cash used by operating activities	<u>(176,159)</u>	-	(8,648)	<u>(184,807)</u>
Cash flows from non-capital financing activities:				
State grants received	3,804	-	-	3,804
Federal grants received	174,248	-	-	174,248
Net cash provided by non-capital financing activities	<u>178,052</u>	-	-	<u>178,052</u>
Cash flows from investing activities:				
Interest on investments	151	-	-	151
Net increase (decrease) in cash and cash equivalents	2,044	-	(8,648)	(6,604)
Cash and cash equivalents beginning of year	<u>25,668</u>	<u>(14,896)</u>	<u>8,648</u>	<u>19,420</u>
Cash and cash equivalents end of year	<u>\$ 27,712</u>	<u>\$ (14,896)</u>	<u>\$ -</u>	<u>\$ 12,816</u>

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2014

	School Nutrition	Roadrunner Childcare Center	Preschool	Total
Reconciliation of operating income (loss) to net cash used by operating activities:				
Operating income (loss)	\$ (201,427)	\$ -	\$ 1,838	\$ (199,589)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:				
Depreciation	2,495	-	-	2,495
Commodities used	24,762	-	-	24,762
Decrease in accounts receivable	440	-	-	440
(Increase) in inventories	(2,053)	-	-	(2,053)
(Decrease) in accounts payables	(344)	-	-	(344)
(Decrease) in salaries and benefits payable	(790)	-	(6,346)	(7,136)
Increase (decrease) in unearned revenue	758	-	(1,995)	(1,237)
(Decrease) in net OPEB liability	-	-	(2,145)	(2,145)
Net cash used by operating activities	<u>\$ (176,159)</u>	<u>\$ -</u>	<u>\$ (8,648)</u>	<u>\$ (184,807)</u>

Non-cash financing activities:

During the year ended June 30, 2014, the District received \$24,762 of federal commodities.

See accompanying independent auditor's report.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Speech	\$ -	\$ 3,147	\$ 3,147	\$ -
HS Vocal	3,656	2,859	3,079	3,436
HS Band	7,391	3,809	2,996	8,204
Co-ed Athletic Gates	4,809	24,982	27,425	2,366
Cross Country	2,229	1,031	1,728	1,532
HS Cheerleaders	858	2,938	478	3,318
Dance Team	6,154	6,236	4,876	7,514
Boys Basketball	2,686	3,870	4,525	2,031
Football	18,941	15,055	18,936	15,060
Baseball	1,560	2,955	3,444	1,071
Boys Track	1,869	4,621	4,844	1,646
Wrestling	8,747	3,874	6,841	5,780
Girls Basketball	5,703	5,867	6,447	5,123
Volleyball	1,985	2,268	1,860	2,393
Softball	1,364	2,020	2,312	1,072
Girls Track	2,250	4,044	2,522	3,772
HS General Athletics	631	3,312	2,195	1,748
JH Athletics	1,618	7,710	7,554	1,774
Knowledge Bowl	-	4,160	3,516	644
Concessions	36,575	60,148	76,258	20,465
AED Grant	87	-	-	87
Athletic Complex	88	-	-	88
Uniform Fund	-	6,000	-	6,000
TAG Activity Fund Balance	580	-	100	480
Honor Society	6	568	574	-
HS Student Council	4,488	13,129	10,578	7,039
FFA	11,882	29,125	29,496	11,511
HS Book Club	1,136	-	-	1,136
Senior Breakfast	117	-	-	117
Math & Science Club	264	112	290	86
Middle School Band	2,039	-	-	2,039
Vocal Entry Fees	108	-	-	108
7th & 8th Vocal	1,928	-	-	1,928
Elementary Vocal	1,078	599	-	1,677
Class of 2011	-	22	-	22
Class of 2012	-	383	-	383
Class of 2013	-	1,135	-	1,135
Class of 2014	839	72	384	527
Class of 2015	2,583	500	1,606	1,477
Class of 2016	440	874	150	1,164

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Class of 2017	\$ -	\$ 390	\$ 30	\$ 360
Scholarship Memorial	-	1,525	-	1,525
High School Fundraising	2,081	1,596	2,834	843
Strength and Agility	12	-	-	12
Preschool	758	37	37	758
Elementary Classes	2,424	2,752	1,975	3,201
Middle School Classes	5,400	-	-	5,400
JH Student Council	9,999	3,748	3,380	10,367
Wrestling Cheerleading	3,545	1,599	2,758	2,386
	<u>\$ 160,908</u>	<u>\$ 229,072</u>	<u>\$ 239,175</u>	<u>\$ 150,805</u>

See accompanying independent auditor's report.

INTERSTATE 35 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
Revenues:				
Local sources:				
Local tax	\$ 3,773,533	\$ 4,397,340	\$ 4,190,206	\$ 3,993,720
Tuition	486,736	469,523	376,761	377,762
Other	313,897	353,498	380,561	325,713
Intermediate sources	-	-	-	353
State sources	6,287,829	5,162,093	5,037,781	4,636,905
Federal sources	216,024	228,655	323,488	270,037
Total revenues	\$ 11,078,019	\$ 10,611,109	\$ 10,308,797	\$ 9,604,490
Expenditures:				
Instruction	\$ 6,236,546	\$ 5,720,492	\$ 5,438,875	\$ 5,270,885
Support services:				
Student	256,959	240,746	227,848	170,644
Instructional staff	352,061	337,479	362,936	436,885
Administration	1,147,763	1,080,367	1,092,208	958,645
Operation and maintenance of plant	580,869	618,882	601,767	577,505
Transportation	1,013,391	655,178	592,832	519,369
Non-instructional programs	6,379	1,632	612	8,190
Other expenditures:				
Facilities acquisition	1,297,132	243,407	74,323	334,101
Long-term debt:				
Principal	890,000	2,140,000	3,156,073	833,311
Interest and fiscal charges	33,304	106,911	240,899	216,501
AEA flowthrough	343,798	323,018	309,745	335,812
Total expenditures	\$ 12,158,202	\$ 11,468,112	\$ 12,098,118	\$ 9,661,848

See accompanying independent auditor's report.

	2010	2009	2008	2007	2006	2005
\$	3,713,350	\$ 3,689,949	\$ 3,326,721	\$ 3,296,822	\$ 3,033,229	\$ 2,961,634
	409,448	430,322	355,098	322,459	283,603	230,110
	405,991	428,611	443,370	500,273	458,751	415,118
	1,995	20,671	673	9,691	3,663	180
	3,989,444	4,735,246	4,752,359	4,453,988	3,711,595	3,534,845
	628,378	433,239	635,610	169,225	172,332	172,013
\$	<u>9,148,606</u>	<u>9,738,038</u>	<u>9,513,831</u>	<u>8,752,458</u>	<u>7,663,173</u>	<u>7,313,900</u>
\$	5,327,859	\$ 5,719,591	\$ 5,211,380	\$ 4,874,895	\$ 4,150,579	\$ 4,174,310
	166,748	136,504	133,351	124,138	170,046	177,068
	318,651	190,381	79,919	55,002	48,296	37,662
	968,134	928,888	838,959	860,317	872,124	786,083
	657,582	753,379	644,583	639,872	658,572	676,195
	715,343	519,824	507,750	465,040	447,807	484,531
	-	-	-	-	-	-
	558,685	2,639,674	537,325	51,501	52,552	80,903
	770,000	555,000	385,000	375,000	365,000	355,000
	242,153	245,357	158,623	169,947	180,522	189,391
	331,913	309,836	300,529	282,513	233,707	222,803
\$	<u>10,057,068</u>	<u>11,998,434</u>	<u>8,797,419</u>	<u>7,898,225</u>	<u>7,179,205</u>	<u>7,183,946</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Interstate 35 Community School District:

We have audited in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Interstate 35 Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Interstate 35 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 Interstate 35 Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Interstate 35 Community School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that may be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in Part I of the accompanying Schedule of Findings as items I-A-14 through I-F-14, that we consider to be significant deficiencies.

Compliance

As part of obtaining reasonable assurance about whether Interstate 35 Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 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.

Interstate 35 Community School District's Responses to Findings

Interstate 35 Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Interstate 35 Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Interstate 35 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.

Hunt & Associates, P.C.

Oskaloosa, Iowa
February 11, 2015

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-14 Financial Reporting – During the audit, we identified amounts of prior year payables which had not been reversed in the District’s financial statements. Adjustments were subsequently made by the District to properly reverse these amounts from the financial statements.

Recommendation – The District should implement procedures to ensure all prior year payables are properly reversed from the District’s financial statements so that the financial statements are free of material misstatements.

Response – We will double check these in the future to ensure all payables are properly reversed.

Conclusion – Response accepted.

I-B-14 Computer Backup – We noted that the District’s accounting system backup is not stored off-site daily or weekly.

Recommendation – All information in the District’s computer system should be backed up and stored off-site at least weekly and preferably daily. This would help to protect the District’s accounting information in the case of a computer crash or natural disaster.

Response – We will investigate methods of backing up the accounting system on a regular basis and storing the information off-side or virtually.

Conclusion – Response accepted.

I-C-14 Banker’s Trust – We noted that the District did not reconcile the Banker’s Trust revenue bond accounts. This led to an unrecorded transaction that was undetected. We noted an unrecorded revenue bond interest payment of \$4,813. An adjusting journal entry has been made to the general ledger to record and correct this item.

Recommendation – All accounts, including the Bankers Trust revenue bond accounts, should be reconciled and tied to the general ledger each month. Any differences should be investigated and corrected. This would allow the District to timely detect and correct errors or omissions and would provide accurate and reliable financial information of the District throughout the year for the Board of Education’s management decisions.

Response – The revenue bonds were paid off and these accounts closed in July 2014. If we have any of these type of accounts in the future, they will be properly reconciled.

Conclusion – Response accepted.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part I: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

- I-D-14 Nontimely Deposits – We noted three receipts in the Special Revenue, Student Activity Fund that were not deposited to the bank on a timely basis.
- Recommendation – All receipts should be deposited as soon as possible to safeguard the asset and avoid any possible irregularities and to earn the interest revenue on the public funds. Deposits should be made weekly at a minimum.
- Response – We will try to ensure that all receipts are deposited on a timely basis.
- Conclusion – Response accepted.
- I-E-14 Purchase Orders – The District currently uses purchase orders in the purchasing process. However, we noted nine purchase orders out of twenty-five tested that were completed after the items had been ordered.
- Recommendation – The advantage of using a purchase order system is that approval of the items being purchased is noted prior to ordering the items. 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 any necessary changes made so that all disbursements are approved by the appropriate administrator before the ordering of goods or services takes place.
- Response – We will comply with this recommendation. We are currently working on educating all individuals involved as to the importance of the purchase order system.
- Conclusion – Response accepted.
- I-F-14 Revenue Classification Error – We noted \$11,287 of Capital Projects Fund property tax improperly coded to the General Fund.
- Recommendation – The District should transfer \$11,287 from the General Fund to the Capital Projects, Physical Plant and Equipment Levy Fund to correct the error. The District should also exercise more care when recording revenues and implement controls to ensure all revenues are properly recorded in the future.
- Response – We will make the correcting transfer and be more diligent in the future when recording revenues.
- Conclusion – Response accepted.

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part II: Other Findings Related to Statutory Reporting:

II-A-14 Certified Budget – Expenditures/expenses for the year ended June 30, 2014, exceeded the amounts budgeted in the instruction, support services, and non-instructional programs functions.

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

Response – We will amend our budget in sufficient amounts before expenditures/expenses exceed the budget in the future.

Conclusion – Response accepted.

II-B-14 Questionable Expenditures – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid To</u>	<u>Fund Used</u>	<u>Purpose</u>	<u>Amount</u>
Iowa Workforce Development	Management Levy	Penalty and interest	\$2,017

Recommendation – The District should timely pay any unemployment claims to avoid any penalty or interest charges.

Response – We will timely pay any future unemployment claims.

Conclusion – Response accepted.

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Ethan Gray, Son of Board Vice-President Leah Gray	Summer Help	\$1,805
Travis Egli, Coach Owns Egli Feed & Supply	Supplies	\$1,019
DeAnn Strange, Secretary Spouse owns D&L Electric & Auto	Purchased Services	\$1,585
Vicki Westerly, Teacher Spouse owns Teen Driver	Purchased Services	\$6,200

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part II: Other Findings Related to Statutory Reporting (continued):

II-D-14 Business Transactions (continued)

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

In accordance with an Attorney General's opinion dated November 9, 1976, the above transactions with spouses of employees and relatives 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 ensure that the coverage is adequate for current operations.

II-F-14 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

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 certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

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

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part II: Other Findings Related to Statutory Reporting (continued):

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

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

Beginning balance	\$		783,581
Revenues/transfers in:			
Interest	\$	676	
Statewide sales, services and use tax		796,886	
Issuance of long-term debt		303,807	
Transfers from other funds:			
Debt Service Fund		28,880	1,130,249
Expenditures/transfers out:			
School infrastructure construction		1,297,132	
Equipment		449,097	
Transfers to other funds:			
Debt Service Fund		127,375	1,873,604
Ending balance	\$		40,226

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

INTERSTATE 35 COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part II: Other Findings Related to Statutory Reporting (continued):

- II-M-14 Financial Condition – At June 30, 2014, the Enterprise, Roadrunner Childcare Center Fund had a deficit unrestricted net position of \$14,896.

Recommendation – The District should close the fund to eliminate the deficit since the program has been discontinued.

Response – The Roadrunner Childcare Center Fund was discontinued in fiscal year 2010, after the fund's inability to produce enough cash flow to meet its expenditures. The District will carry the deficit balance forward unless a transfer is approved by the SBRC from another fund to eliminate the deficit.

Conclusion – Response accepted

- II-N-14 Student Activity Fund – During our audit issues arose about the appropriateness of certain accounts, receipts, and expenditures in the Special Revenue, 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. We noted that Booster Club non-cocurricular revenues and expenditures were still recorded in the Student Activity Fund.

Recommendation – The Booster Club should account for their own transactions or the District should set up an Agency Fund for the Booster Club transactions.

Response – We will set up and record the Booster Club transactions in an Agency Fund.

Conclusion – Response accepted

- II-O-14 Management Levy – The Management Levy Fund was used to pay penalty and interest on unemployment claims as noted in item II-B-14.

Recommendation – The payment of penalty and interest for late unemployment claims is not an allowable expenditure of the Management Levy Fund, as stated in Chapter 298.4 of the Code of Iowa. The General Fund should reimburse the Management Levy Fund \$2,017 for this unallowable expenditure.

Response – We will make a corrective transfer from the General Fund to the Management Levy Fund to reimburse this unallowable management levy expenditure. We will make sure that all future Management Levy Fund expenditures comply with the Code of Iowa.

Conclusion – Response accepted.