

**MOUNT AYR COMMUNITY SCHOOL DISTRICT**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2014**



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**Mount Ayr Community School District  
Board of Education and School District Officials  
Year Ended June 30, 2014**

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
(Before September 2013 Election)		
Patricia West	President	2015
Brandi Shay	Vice President	2015
Rodney Shields	Board Member	2016
Craig Winemiller	Board Member	2016
Duane Schafer	Board Member	2013
(After September 2013 Election)		
Patricia West	President	2015
Brandi Shay	Vice President	2015
Rodney Shields	Board Member	2017
Craig Winemiller	Board Member	2015
Kim Lutrick	Board Member	2017
<b>School District Officials</b>		
Joe Drake	Superintendent	2014
Janette Campbell	District Secretary/Treasurer	2014
Ahlers & Cooney	Attorney	Indefinite



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**Van Maanen, Sietstra, Meyer & Nikkel, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

## **Independent Auditor's Report**

To the Board of Education  
Mount Ayr Community School District  
Mount Ayr, Iowa

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

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

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mount Ayr Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

### Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 22, 2014, on our consideration of the Mount Ayr Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that 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 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 Mount Ayr Community School District's internal control over financial reporting

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

December 22, 2014

**Mount Ayr Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2014**

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

**FINANCIAL HIGHLIGHTS**

General Fund revenues increased from \$7,287,409.30 in fiscal 2013 to \$7,477,948 in 2014. General Fund expenditures increased from \$6,880,305 in fiscal 2013 to \$7,060,504. The District's General Fund balance increased from \$1,431,051 in fiscal 2013 to \$1,900,826 in fiscal 2014.

**USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net position and a Statement of Activities. These provide information about the activities of the Mount Ayr Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Mount Ayr Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Mount Ayr Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

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

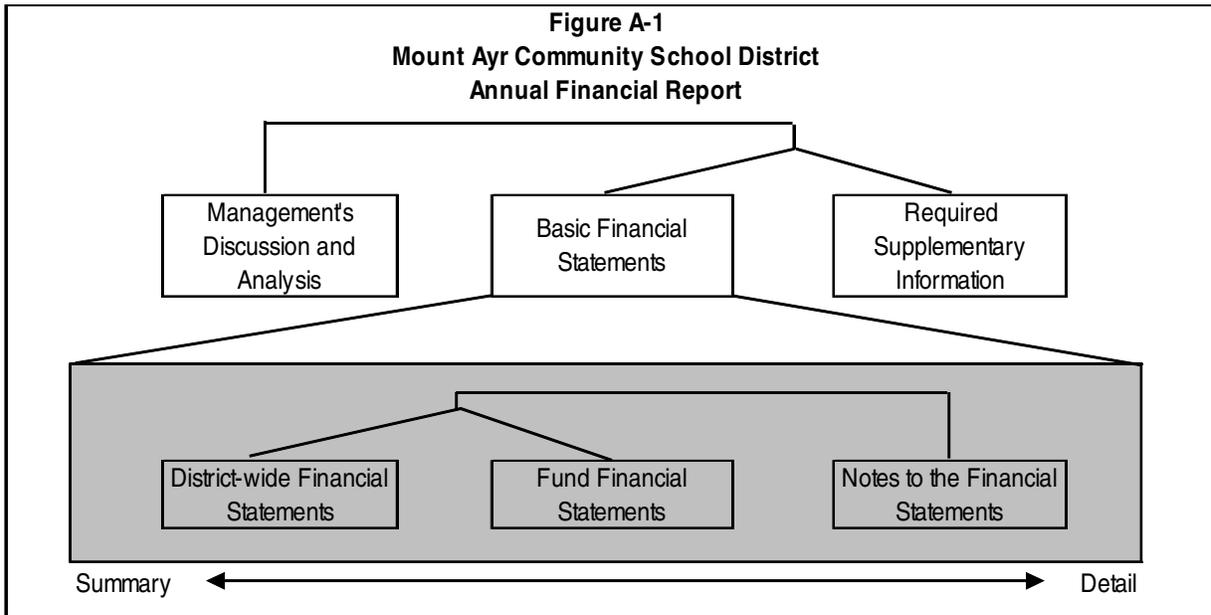


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

**Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

**Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

**Mount Ayr Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2014**

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

Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

The required financial statements for fiduciary funds include a statement of fiduciary net position and a statement of changes in fiduciary net position.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

<b>Figure A-3</b>							
<b>Condensed Statement of Net Position</b>							
	<b>Governmental activities</b>		<b>Business type</b>		<b>Total</b>		<b>Total Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2012-2013</b>
Current assets	\$6,872,003	\$6,826,785	98,323	63,978	6,970,326	6,890,763	1.2%
Capital assets, net	13,254,389	13,696,170	43,923	45,692	13,298,312	13,741,862	-3.2%
Other noncurrent assets	-	871,753	-	-	-	871,753	-100.0%
<b>Total assets</b>	<b>20,126,392</b>	<b>21,394,708</b>	<b>142,246</b>	<b>109,670</b>	<b>20,268,638</b>	<b>21,504,378</b>	<b>-5.7%</b>
Current liabilities	5,312,977	5,312,977	26,791	57,684	5,339,768	5,370,661	-0.6%
Long-term liabilities	8,024,987	8,024,987	-	-	8,024,987	8,024,987	0.0%
<b>Total liabilities</b>	<b>13,337,964</b>	<b>13,337,964</b>	<b>26,791</b>	<b>57,684</b>	<b>13,364,755</b>	<b>13,395,648</b>	<b>-0.2%</b>
Deferred inflows of resources	3,212,705	-	-	-	3,212,705	-	-
<b>Total deferred inflows of resources</b>	<b>3,212,705</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,212,705</b>	<b>-</b>	<b>-</b>
Net position:							
Invested in capital assets, net of related debt	5,304,030	5,136,170	43,923	45,692	5,347,953	5,181,862	3.2%
Restricted	913,222	969,384	-	-	913,222	969,384	-5.8%
Unrestricted	1,675,205	1,951,190	71,532	6,294	1,746,737	1,957,484	-10.8%
<b>Total net position</b>	<b>\$7,892,457</b>	<b>8,056,744</b>	<b>115,455</b>	<b>51,986</b>	<b>8,007,912</b>	<b>8,108,730</b>	<b>-1.2%</b>

The District's combined net position decreased by nearly 1.2%, or approximately \$100,818 under the prior year. The largest portion of the District's net position is invested in capital assets, e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$56,162, or 5.8 % under the prior year. Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints by debt covenants, enabling legislation or other legal requirements) decreased approximately \$210,747 or 10.8%.

**Mount Ayr Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2014**

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

<b>Figure A-4 Changes in Net Position</b>							
	<b>Governmental Activities</b>		<b>Business type Activities</b>		<b>Total District</b>		<b>Total Change</b>
	<b>Year ended June 30,</b>		<b>Year ended June 30,</b>		<b>Year ended June 30,</b>		<b>June 30,</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2013-2014</b>
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for service and sales	\$ 976,416	\$ 925,586	231,017	156,522	1,207,433	1,082,108	11.6%
Operating grants, contributions and restricted interest	1,109,194	1,347,270	228,307	252,861	1,337,501	1,600,131	-16.4%
<b>General revenues:</b>							
Property tax	3,828,697	3,588,590	-	-	3,828,697	3,588,590	6.7%
Statewide sales, services and use tax	439,296	469,326	-	-	439,296	469,326	-6.4%
Unrestricted states grants	2,837,795	2,806,625	-	-	2,837,795	2,806,625	1.1%
Unrestricted investment earnings	7,652	5,843	-	-	7,652	5,843	31.0%
Other	238,849	101,601	-	-	238,849	101,601	135.1%
<b>Total revenues</b>	<b>9,437,899</b>	<b>9,244,841</b>	<b>459,324</b>	<b>409,383</b>	<b>9,897,223</b>	<b>9,654,224</b>	<b>2.5%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instruction	5,418,302	5,306,411	-	-	5,418,302	5,306,411	2.1%
Support services	2,610,977	2,482,707	-	-	2,610,977	2,482,707	5.2%
Non-instructional programs	16,477	18,306	395,855	433,026	412,332	451,332	-8.6%
Other expenses	715,483	914,266	-	-	715,483	914,266	-21.7%
<b>Total expenses</b>	<b>8,761,239</b>	<b>8,721,690</b>	<b>395,855</b>	<b>433,026</b>	<b>9,157,094</b>	<b>9,154,716</b>	<b>0.0%</b>
<b>Change in net position</b>	<b>676,660</b>	<b>523,151</b>	<b>63,469</b>	<b>(23,643)</b>	<b>740,129</b>	<b>499,508</b>	<b>182.5%</b>
<b>Net position beginning of year, as restated</b>	<b>7,215,797</b>	<b>7,533,593</b>	<b>51,986</b>	<b>75,629</b>	<b>7,267,783</b>	<b>7,609,222</b>	<b>-4.5%</b>
<b>Net position end of year</b>	<b>\$ 7,892,457</b>	<b>8,056,744</b>	<b>115,455</b>	<b>51,986</b>	<b>8,007,912</b>	<b>8,108,730</b>	<b>-1.2%</b>

In fiscal year 2014, property tax and unrestricted state grants account for 70.64% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91.65% of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$9,437,899 and expenses were \$8,761,239.

The cost financed by users of the District's programs was \$976,416.

Federal and state governments subsidized certain programs with grants and contributions totaling \$1,109,194.

The net cost of governmental activities was financed with \$4,267,993 in property and other taxes and \$2,837,795 in unrestricted state grant.

**Business Type Activities**

Revenues for business type activities were \$459,324 and expenses were \$395,855. The District's business type activities include the School Nutrition Fund and Student Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

**Mount Ayr Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2014**

The district increased meal prices in 2013-2-14. This increase has resulted in increased revenue to the School Nutrition Fund which the District will utilize in the future to offset the rising costs of food and labor.

The following table (Figure A-5) presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	<b>Total Cost of Services</b>		<b>Change</b>	<b>Net Cost of Services</b>		<b>Change</b>
	<b>2014</b>	<b>2013</b>	<b>2013-2014</b>	<b>2014</b>	<b>2013</b>	<b>2013-2014</b>
Instruction	\$ 5,418,302	5,306,411	2.1%	\$3,598,038	\$3,508,842	2.5%
Support services	2,610,977	2,482,707	5.2%	2,592,377	2,243,190	15.6%
Non-instructional programs	16,477	18,306	-10.0%	16,477	18,306	-10.0%
Other expenses	715,483	914,266	-21.7%	468,737	678,496	-30.9%
<b>Totals</b>	<b>\$ 8,761,239</b>	<b>8,721,690</b>	<b>0.5%</b>	<b>\$6,675,629</b>	<b>6,448,834</b>	<b>3.5%</b>

**INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,085,610, under last year's ending fund balances of \$2,233,357. The primary reason for the decrease in combined fund balances in fiscal 2014 is due the increase in expenditures.

**Governmental Fund Highlights**

The District's General Fund financial position has strengthened compared to the 2013-2014 school year. The General Fund balance increased from \$1,431,051 in 2012-2013 to \$1,900,826. By implementing budget cuts and increasing revenues through property taxes, the district was able to end the 2013-2014 fiscal year with a positive balance.

The Physical Plant and Equipment Levy (PEEL) Fund balance decreased from \$44,108 in fiscal 2013 to \$ -9,251. The District levied for the PEEL Fund and used those funds for the purchase of a new school bus. The district is building up the balance in the PEEL Fund to help with the purchase of another new school bus. There was a net change in fund balance of - \$34,857.00.

The Capital Projects Fund balance decreased from \$496,449 in 2013 to \$427,135 in 2014.

**Proprietary Fund Highlights**

Proprietary Fund net position increased from \$51,986 at June 30, 2013 to \$115,455 at June 30, 2014, representing an increase of approximately 222.09%. As previously noted, the District increased meal prices in 2013-2014 along with cutting personnel in the Lunch Fund. The district also added a Sites For Learning Program during the 2013-2014 school year.

**BUDGETARY HIGHLIGHTS**

The District's receipts were \$9,797,074 which was \$256,969 more than budgeted receipts. The most significant variance resulted from the increase in state sources.

Total expenditures were \$1,275,899 more than budgeted, due to an increase in instruction and support services. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Funds. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2014, the District had invested \$13.29 million, net of accumulated depreciation in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 3.2% from last year.

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total School District</b>		<b>Total Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2013-2014</b>
Land	\$ 145,185	145,185	-	-	145,185	145,185	0.0%
Buildings	12,407,494	12,760,708	-	-	12,407,494	12,760,708	-2.8%
Improvements other than buildings	98,023	104,466	-	-	98,023	104,466	-6.2%
Furniture and equipment	603,687	685,811	43,923	45,692	647,610	731,503	-11.5%
<b>Totals</b>	<b>\$ 13,254,389</b>	<b>13,696,170</b>	<b>43,923</b>	<b>45,692</b>	<b>13,298,312</b>	<b>13,741,862</b>	<b>-3.2%</b>

**Long-Term Debt**

At June 30, 2014, the district had \$7,880,000 in general obligation, revenue and other long-term debt outstanding. This represents an decrease of approximately 7.9% from last year. (See Figure A-7).

	<b>Total District</b>		<b>Total Change</b>
	<b>June 30,</b>		<b>June 30,</b>
	<b>2014</b>	<b>2013</b>	<b>2012-2013</b>
General obligation bonds	\$ 5,735,000	6,250,000	-8.2%
Revenue bonds	2,145,000	2,310,000	-7.1%
<b>Totals</b>	<b>\$ 7,880,000</b>	<b>8,560,000</b>	<b>-7.9%</b>

On October 1, 2001 the District authorized Energy Management Improvement Capital Loan Notes in the amount of \$225,000 bearing interest and maturing each year until December 1, 2012. In March of 2008, the District approved General Obligation School Bonds in the amount of \$6,700,000 and maturing each year until May 1, 2028. In September of 2009, the District passed School Infrastructure Sales, Services, and Use Tax Revenue Bonds in the amount of \$2,885,000. In March of 2013, The District refinanced their General Obligation Bonds in the amount of \$6,615,000 maturing each year until May 1, 2025.

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

Mount Ayr Community School District serves a population of approximately 5,131, according to the 2010 census, mostly in southern Iowa's Ringgold County. District residents are, in general, employed locally and within the area's agricultural sector, but some residents commute to other employment options throughout neighboring counties. Leading local employers include the county hospital, the district, and other healthcare-related employers. Despite the somewhat limited local economy, countywide unemployment has historically been low; unemployment was 3.7% in June 2014, below state and well below national rates.

**Mount Ayr Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2014**

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Enrollment has decreased 6.6 students or 1.07% since the October 2012 count date to reach 610.4 students in October 2013. The Iowa Department of Education projects enrollment to increase to 634 students in the 2016-2017 school year. Management is projecting stable enrollment over the next several years.

The school district refinanced their general obligation bonds during the 2013 school year for interest cost savings and to shorten amortization by three years. Standard & Poor's Ratings Services assigned its 'A' long-term rating to the Mount Ayr Community School District. With this rating is the optimism that the district will continue its plan to increase and maintain reserves at strong levels despite potentially decreased enrollment.

The Board of Directors approved the .34¢ PPEL levy for the 2013-2014 school year but is committed in keeping property taxes as low as possible.

The districts valuations increased from \$221,617,239 for the 2012-2013 school year to \$230,778,755 for the 2013-2014 school year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janette Campbell, District Secretary/Treasurer and Business Manager, Mount Ayr Community School District, 1001 East Columbus Street, Mount Ayr, IA 50854.

## **Basic Financial Statements**

**Mount Ayr Community School District**  
**Statement of Net Position**  
**June 30, 2014**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 3,127,309	79,741	3,207,050
Receivables:			
Property tax:			
Delinquent	53,540	-	53,540
Succeeding year	3,212,705	-	3,212,705
Accounts	12,977	7,506	20,483
Due from other governments	465,472	-	465,472
Inventories	-	11,076	11,076
Total current assets	6,872,003	98,323	6,970,326
Noncurrent assets:			
Capital assets:			
Capital assets - nondepreciable	145,185	-	145,185
Capital assets - depreciable, net	13,109,204	43,923	13,153,127
Total non current assets	13,254,389	43,923	13,298,312
<b>Total assets</b>	<b>\$ 20,126,392</b>	<b>142,246</b>	<b>20,268,638</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 117,174	2,319	119,493
Salaries and benefits payable	646,017	24,472	670,489
Due to other governments	109,970	-	109,970
Advances from Grantors	131,632	-	131,632
Accrued interest payable	15,908	-	15,908
General obligation bonds	525,000	-	525,000
Revenue bonds	160,000	-	160,000
Early retirement	26,570	-	26,570
Total current liabilities	1,732,271	26,791	1,759,062
Noncurrent liabilities:			
General obligation bonds	5,304,613	-	5,304,613
Revenue bonds	1,960,746	-	1,960,746
Early retirement	23,600	-	23,600
Total noncurrent liabilities	7,288,959	-	7,288,959
<b>Total liabilities</b>	<b>9,021,230</b>	<b>26,791</b>	<b>9,048,021</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	3,212,705	-	3,212,705

Exhibit A

**Mount Ayr Community School District  
Statement of Net Position  
June 30, 2014**

	Governmental Activities	Business Type Activities	Total
<b>Net Position</b>			
Net investment in capital assets	5,304,030	43,923	5,347,953
Restricted for:			
Categorical funding	225,916	-	225,916
Management levy purposes	109,786	-	109,786
Student activities	175,018	-	175,018
Debt service	248,349	-	248,349
Capital projects	163,404	-	163,404
Physical, plant and equipment	(9,251)	-	(9,251)
Unrestricted	1,675,205	71,532	1,746,737
<b>Total net position</b>	<b>\$ 7,892,457</b>	<b>115,455</b>	<b>8,007,912</b>

See notes to financial statements.

**Mount Ayr Community School District**  
**Statement of Activities**  
**Year ended June 30, 2014**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Governmental activities:</b>						
Instruction:						
Regular	\$ 2,922,205	399,714	558,389	(1,964,102)	-	(1,964,102)
Special	1,360,035	165,503	230,301	(964,231)	-	(964,231)
Other	1,136,062	411,199	55,158	(669,705)	-	(669,705)
	<u>5,418,302</u>	<u>976,416</u>	<u>843,848</u>	<u>(3,598,038)</u>	<u>-</u>	<u>(3,598,038)</u>
Support Services:						
Student	261,313	-	-	(261,313)	-	(261,313)
Instructional staff	183,485	-	-	(183,485)	-	(183,485)
Administration	795,916	-	-	(795,916)	-	(795,916)
Operating and maintenance of plant	678,427	-	18,600	(659,827)	-	(659,827)
Transportation	691,836	-	-	(691,836)	-	(691,836)
	<u>2,610,977</u>	<u>-</u>	<u>18,600</u>	<u>(2,592,377)</u>	<u>-</u>	<u>(2,592,377)</u>
Non-instructional programs	16,477	-	-	(16,477)	-	(16,477)
Other expenditures:						
Facilities acquisition	262,828	-	-	(262,828)	-	(262,828)
Long-term debt interest	193,551	-	-	(193,551)	-	(193,551)
AEA flowthrough	246,746	-	246,746	-	-	-
Depreciation (unallocated)*	12,358	-	-	(12,358)	-	(12,358)
	<u>715,483</u>	<u>-</u>	<u>246,746</u>	<u>(468,737)</u>	<u>-</u>	<u>(468,737)</u>
Total governmental activities	8,761,239	976,416	1,109,194	(6,675,629)	-	(6,675,629)
<b>Business type activities:</b>						
Non-instructional programs:						
Nutrition services	357,832	148,784	228,307	-	19,259	19,259
Before and after school program	38,023	82,233	-	-	44,210	44,210
Total business type activities	<u>395,855</u>	<u>231,017</u>	<u>228,307</u>	<u>-</u>	<u>63,469</u>	<u>63,469</u>
Total primary government	<u>\$ 9,157,094</u>	<u>1,207,433</u>	<u>1,337,501</u>	<u>(6,675,629)</u>	<u>63,469</u>	<u>(6,612,160)</u>

**Mount Ayr Community School District  
Statement of Activities  
Year ended June 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Totals from previous pages	\$ 9,157,094	1,207,433	1,337,501	(6,675,629)	63,469	(6,612,160)
General revenues:						
Property tax levied for:						
General purposes				3,139,634	-	3,139,634
Debt service				613,538	-	613,538
Capital outlay				75,525	-	75,525
Statewide sales, services and use tax				439,296	-	439,296
Unrestricted state grants				2,837,795	-	2,837,795
Contributions not restricted to specific programs				110,176	-	110,176
Unrestricted investment earnings				7,652	-	7,652
Gain on sale of capital assets				99,225	-	99,225
Other				29,448	-	29,448
Total general revenues				7,352,289	-	7,352,289
Change in net position				676,660	63,469	740,129
Net position beginning of year, as restated				7,215,797	51,986	7,267,783
Net position end of year				\$ 7,892,457	115,455	8,007,912

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

See notes to financial statements.

**Mount Ayr Community School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
<b>Assets</b>					
Cash and pooled investments	\$ 2,384,192	1	406,502	336,319	3,127,014
Receivables:					
Property tax:					
Delinquent	39,415	9,158	1,127	3,840	53,540
Succeeding year	2,274,240	580,978	78,470	279,017	3,212,705
Accounts	12,523	-	-	454	12,977
Due from other governments	420,894	-	44,578	-	465,472
<b>Total assets</b>	<b>\$ 5,131,264</b>	<b>590,137</b>	<b>530,677</b>	<b>619,630</b>	<b>6,871,708</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 70,701	8,633	34,323	3,517	117,174
Salaries and benefits payable	643,895	-	-	2,122	646,017
Due to other governments	109,970	-	-	-	109,970
Total liabilities	824,566	8,633	34,323	5,639	873,161
Deferred inflows of resources:					
Unavailable revenue:					
Succeeding year property tax	2,274,240	580,978	78,470	279,017	3,212,705
Income surtax	131,632	-	-	-	131,632
Total deferred inflows of resources	2,405,872	580,978	78,470	279,017	3,344,337
Fund balances:					
Restricted for:					
Categorical funding	225,916	-	-	-	225,916
Debt service	-	526	263,731	-	264,257
Management levy purposes	-	-	-	159,956	159,956
Student activities	-	-	-	175,018	175,018
School infrastructure	-	-	163,404	-	163,404
Physical, plant and equipment	-	-	(9,251)	-	(9,251)
Unassigned	1,674,910	-	-	-	1,674,910
Total fund balances	1,900,826	526	417,884	334,974	2,654,210
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 5,131,264</b>	<b>590,137</b>	<b>530,677</b>	<b>619,630</b>	<b>6,871,708</b>

See notes to financial statements.

Exhibit D

**Mount Ayr Community School District  
 Reconciliation of the Balance Sheet  
 Governmental Funds to the Statement of Net Position  
 June 30, 2014**

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**Total fund balances of governmental funds (Exhibit C)** \$ 2,654,210

***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. 13,254,389

The Internal Service Fund is used by management to charge the costs of the District's flexible benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 295

Long-term liabilities, including bonds and notes payable, compensated absences, other postemployment benefits and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:

General obligation bonds	\$	(5,735,000)	
Revenue bonds		(2,145,000)	
Bond discount		28,857	
Bond issuance premiums		(99,216)	
Accrued interest		(15,908)	
Early Retirement		(50,170)	(8,016,437)

**Net position of governmental activities (Exhibit A)** \$ 7,892,457

See notes to financial statements.

Exhibit E

**Mount Ayr Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year ended June 30, 2014**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 2,889,323	613,538	75,525	250,310	3,828,696
Tuition	470,430	-	-	-	470,430
Other	176,424	-	57,860	415,477	649,761
Intermediate sources	20,559	-	6,380	-	26,939
State sources	3,608,827	270	439,329	113	4,048,539
Federal sources	312,385	-	-	-	312,385
Total revenues	<u>7,477,948</u>	<u>613,808</u>	<u>579,094</u>	<u>665,900</u>	<u>9,336,750</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	2,550,044	-	-	45,459	2,595,503
Special	1,351,797	-	-	-	1,351,797
Other	771,374	-	-	348,211	1,119,585
	<u>4,673,215</u>	<u>-</u>	<u>-</u>	<u>393,670</u>	<u>5,066,885</u>
Support services:					
Student	257,194	-	-	-	257,194
Instructional staff	179,366	-	-	-	179,366
Administration	634,954	3,012	140	150,223	788,329
Operation and maintenance of plant	635,109	-	-	27,917	663,026
Transportation	433,920	-	186,776	12,942	633,638
	<u>2,140,543</u>	<u>3,012</u>	<u>186,916</u>	<u>191,082</u>	<u>2,521,553</u>
Other expenditures:					
Facilities acquisition	-	-	297,720	-	297,720
Long-term debt:					
Principal	-	680,000	-	-	680,000
Interest and fiscal charges	-	202,218	-	-	202,218
AEA flowthrough	246,746	-	-	-	246,746
	<u>246,746</u>	<u>882,218</u>	<u>297,720</u>	<u>-</u>	<u>1,426,684</u>
Total expenditures	<u>7,060,504</u>	<u>885,230</u>	<u>484,636</u>	<u>584,752</u>	<u>9,015,122</u>
Excess (deficiency) of revenues over (under) expenditures	<u>417,444</u>	<u>(271,422)</u>	<u>94,458</u>	<u>81,148</u>	<u>321,628</u>
<b>Other financing sources:</b>					
Operating transfers in	-	264,025	46,894	-	310,919
Operating transfers out	(46,894)	-	(264,025)	-	(310,919)
Sale of equipment	99,225	-	-	-	99,225
Total other financing sources (uses)	<u>52,331</u>	<u>264,025</u>	<u>(217,131)</u>	<u>-</u>	<u>99,225</u>
Change in fund balances	469,775	(7,397)	(122,673)	81,148	420,853
Fund balances beginning of year	1,431,051	7,923	540,557	253,826	2,233,357
Fund balances end of year	<u>\$ 1,900,826</u>	<u>526</u>	<u>417,884</u>	<u>334,974</u>	<u>2,654,210</u>

See notes to financial statements.

Exhibit F

**Mount Ayr 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**

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**Net change in fund balances - total governmental funds (Exhibit E)** \$ 420,853

***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 reported in the Statement of Net Position 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 year are as follows:

Capital outlays	\$ 34,892	
Depreciation expense	<u>(476,673)</u>	(441,781)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of issuance costs and premiums, whereas these amounts are deferred in and amortized in the Statement of Activities. Current year items are as follows:

Repayments of bond and note principal	680,000	
Amortization of premiums and discounts	<u>7,379</u>	687,379

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

1,288

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:

Early retirement	<u>10,345</u>	10,345
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The change in Net Position of the Internal Service Funds represent an undercharge to the governmental funds served and, therefore, increases expenses in the Statement of Activities.

(1,424)

**Change in net position of governmental activities (Exhibit B)** **\$ 676,660**

See notes to financial statements.

Exhibit G

**Mount Ayr Community School District  
Statement of Net Position  
Proprietary Funds  
June 30, 2014**

	Business Type Activities	Governmental Activities
	Non-major Enterprise Fund	Internal Services Fund
<b>Assets</b>		
Current assets:		
Cash and investments	\$ 79,741	295
Accounts receivable	7,506	-
Inventories	11,076	-
Total current assets	<u>98,323</u>	<u>295</u>
Non-current assets:		
Property and equipment:		
Machinery and equipment	291,117	-
Accumulated depreciation	(247,194)	-
Total non-current assets	<u>43,923</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 142,246</u>	<u>295</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 2,319	-
Salaries and benefits payable	24,472	-
Total current liabilities	<u>26,791</u>	<u>-</u>
<b>Total liabilities</b>	<u>26,791</u>	<u>-</u>
<b>Net Position</b>		
Net investment in capital assets	43,923	-
Unrestricted	71,532	295
<b>Total net position</b>	<u>\$ 115,455</u>	<u>295</u>

See notes to financial statements.

Exhibit H

**Mount Ayr Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year ended June 30, 2014**

	Business Type Activities	Governmental Activities
	Non-major Enterprise Fund	Internal Services Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 231,017	1,924
Operating expenses:		
Instructional programs:		
Instruction:		
Other	38,023	-
Administration		
Services	-	3,348
	38,023	3,348
Non-instructional programs:		
Food service operations:		
Depreciation	1,769	-
Other	356,063	-
	357,832	-
Total operating expenses	395,855	3,348
Operating loss	(164,838)	(1,424)
Non-operating revenues:		
State sources	3,579	-
Federal sources	224,728	-
Transfer in	2,360	-
Total non-operating revenues	230,667	-
Non-operating expenses:		
Transfer out	2,360	-
Total non-operating expenses	2,360	-
Change in net position	63,469	(1,424)
Net position beginning of year	51,986	1,719
Net position end of year	\$ 115,455	295

See notes to financial statements.

**Mount Ayr Community School District**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year ended June 30, 2014**

	Business Type Activities	Governmental Activities
	Non-major Enterprise Fund	Internal Services Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 144,221	-
Cash received from miscellaneous operating activities	83,323	1,924
Cash paid to employees for services	(184,744)	-
Cash paid to suppliers for goods or services	(217,359)	(3,348)
Net cash (used) by operating activities	<u>(174,559)</u>	<u>(1,424)</u>
Cash flows from non-capital financing activities:		
State grants received	3,579	-
Federal grants received	205,946	-
Net cash provided by non-capital financing activities	<u>209,525</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Transfers	-	-
	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>34,966</u>	<u>(1,424)</u>
Cash and cash equivalents at beginning of year	<u>44,775</u>	<u>1,719</u>
Cash and cash equivalents at end of year	<u>\$ 79,741</u>	<u>295</u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>		
Operating (loss)	\$ (164,838)	(1,424)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Commodities used	18,782	-
(Increase) in accounts receivable	(3,473)	-
Depreciation	1,769	-
Decrease in inventories	4,094	-
(Decrease) in accounts payable	(28,274)	-
(Decrease) in salaries and benefits payable	(2,619)	-
Net cash (used) by operating activities	<u>\$ (174,559)</u>	<u>(1,424)</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>		
Current assets:		
Cash	\$ 79,741	295
Cash and cash equivalents at year end	<u>\$ 79,741</u>	<u>295</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2014, the District received federal commodities valued at \$18,782.

See notes to financial statements.

Exhibit J

**Mount Ayr Community School District  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2014**

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	<u>Expendable Trust Funds</u>
	<u>Memorial Fund</u>
<b>Assets</b>	
Cash and investments	\$ 704
<b>Total assets</b>	<u>704</u>
<b>Net position</b>	
Held in trust for special purposes	<u><u>\$ 704</u></u>

See notes to financial statements.

Exhibit K

**Mount Ayr Community School District**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

---

	<u>Expendable Trust Funds</u>
	<u>Memorial Fund</u>
Additions	\$ -
Deductions	<u>295</u>
Change in net position	(295)
Net position beginning of year	<u>999</u>
Net position end of year	<u>\$ 704</u>

See notes to financial statements.

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

The Mount Ayr Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Mount Ayr, Iowa, and the predominate agricultural territories in Ringgold and Taylor 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, Mount Ayr 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. Mount Ayr 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 Ringgold County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

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

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

**Governmental Fund Types:** Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District reports the following major governmental funds:

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

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

Capital Projects Fund: 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 other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

**Proprietary Fund Types:** Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The District reports the following non-major proprietary funds:

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

The Enterprise, Sites for Learning Fund is used to account for transactions related to the before and after school program providing recreational activities for elementary age children.

Internal Service Funds: The internal service funds are used to account for goods or services provided by one department to other departments of the District on a cost reimbursement basis. The District has the following internal service fund:

Flexible Benefits: This fund accounts for transactions for certain benefits available to District employees in which the District is responsible for paying all premiums or costs specified by the employee.

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

Expendable Trust Fund is used to account for assets held by the District for special projects of the District with funds given by individuals, private organizations and other governments.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise 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 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.

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

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

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

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

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 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.

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

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

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

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

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

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 imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

*Unassigned* – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the other expenditures functional areas.

**(2) Cash and Pooled Investments**

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

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

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

**(3) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Capital Projects Fund - PPEL	General Fund	\$ 46,894
Debt Service	Capital Projects Fund - Statewide Sales, Services and Use tax	264,025
Proprietary Fund - Sites for Learning	Proprietary Fund - Nutrition	2,360
Total		<u>\$ 313,279</u>

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

Mount Ayr Community School District  
Notes to Financial Statements  
June 30, 2014

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 145,185	-	-	145,185
Total capital assets not being depreciated	145,185	-	-	145,185
Capital assets being depreciated:				
Buildings	19,096,322	-	-	19,096,322
Improvements other than buildings	437,424	-	-	437,424
Furniture and equipment	3,406,899	34,892	-	3,441,791
Total capital assets being depreciated	22,940,645	34,892	-	22,975,537
Less accumulated depreciation for:				
Buildings	6,335,617	353,211	-	6,688,828
Improvements other than buildings	332,957	6,444	-	339,401
Furniture and equipment	2,721,086	117,018	-	2,838,104
Total accumulated depreciation	9,389,660	476,673	-	9,866,333
Total capital assets being depreciated, net	13,550,985	(441,781)	-	13,109,204
Governmental activities capital assets, net	\$ 13,696,170	(441,781)	-	13,254,389
<b>Business type activities:</b>				
Furniture and equipment	\$ 291,117	-	-	291,117
Less accumulated depreciation	245,425	1,769	-	247,194
Business type activities capital assets, net	\$ 45,692	(1,769)	-	43,923

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 337,047
Special	8,238
Other	16,477

Support services:

Student	4,119
Instructional staff	4,119
Administration	4,239
Operation and maintenance of plant	15,401
Transportation	58,198
Non-instructional programs	16,477
	<u>464,315</u>

Unallocated

	12,358
Total depreciation expense - governmental activities	<u>\$ 476,673</u>

Business type activities:

Food services	<u>\$ 1,769</u>
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**Mount Ayr Community School District**  
**Notes to Financial Statements**  
**June 30, 2014**

**(5) Long-term Liabilities**

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,250,000	-	515,000	5,735,000	525,000
Revenue bonds	2,310,000	-	165,000	2,145,000	160,000
Bond premiums	(108,544)	-	(9,328)	(99,216)	-
Bond discounts	30,806	-	1,949	28,857	-
Other post employment benefits	-	37,985	37,985	-	-
Early retirement	60,515	40,297	50,642	50,170	26,570
Total	\$ 8,542,777	78,282	761,248	7,859,811	711,570

General Obligation Bonds

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

Bond Issue of May 1, 2013				
Year ended June 30,	Rates	Principal	Interest	Total
2015	1.500%	\$ 525,000	95,450	620,450
2016	1.500%	535,000	87,575	622,575
2017	1.500%	540,000	79,550	619,550
2018	1.500%	550,000	71,450	621,450
2019	1.500%	555,000	63,200	618,200
2020	1.500%	565,000	54,875	619,875
2021	1.750%	575,000	46,400	621,400
2022	1.750%	585,000	36,338	621,338
2023	2.000%	595,000	26,100	621,100
2024	2.000%	510,000	14,200	524,200
2025	2.000%	200,000	4,000	204,000
Total		\$ 5,735,000	579,138	6,314,138

**Mount Ayr Community School District**  
**Notes to Financial Statements**  
**June 30, 2014**

Revenue Bonds

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

Bond Issue of September 1, 2009					
Year ended	Rates	Principal	Interest	Total	
June 30,					
2015	3.250%	\$ 160,000	94,092	254,092	
2016	3.500%	160,000	88,892	248,892	
2017	3.750%	155,000	83,292	238,292	
2018	4.000%	150,000	77,480	227,480	
2019	4.125%	150,000	71,480	221,480	
2020	4.250%	145,000	65,292	210,292	
2021	4.400%	145,000	59,130	204,130	
2022	4.500%	140,000	52,750	192,750	
2023	4.625%	140,000	46,450	186,450	
2024	4.750%	140,000	39,975	179,975	
2025	5.000%	135,000	33,325	168,325	
2026	5.000%	135,000	26,575	161,575	
2027	5.000%	130,000	19,825	149,825	
2028	5.125%	130,000	13,325	143,325	
2029	5.125%	130,000	6,662	136,662	
Total		\$ 2,145,000	778,545	2,923,545	

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,885,000 of bonds issued in September, 2009. 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 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,923,545. For the current year, \$165,000 of principal and \$99,042 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$439,296.

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

- a) \$263,731 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) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all of the revenue bond provisions during the year ended June 30, 2014.

**(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$372,876, \$353,482, and \$344,708, respectively, equal to the required contributions for each year.

**(7) Other Post-Employment Benefits (OPEB)**

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 109 active and 16 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

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

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

Annual required contribution	\$ 28,150
Interest on net OPEB	(916)
Adjustments to annual required contribution	2,259
Annual OPEB cost	<u>29,493</u>
Contributions made	37,985
Increase in net OPEB obligation	<u>(8,492)</u>
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<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 \$37,985 to the medical plan. Plan members eligible for benefits contributed \$37,985, or 100% of the premium costs.

**Mount Ayr Community School District**  
**Notes to Financial Statements**  
**June 30, 2014**

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 28,500	177.50%	\$ (22,100)
June 30, 2011	25,450	13.16%	-
June 30, 2012	24,687	100.00%	-
June 30, 2013	30,519	100.00%	-
June 30, 2014	29,493	100.00%	-

**Funded Status and Funding Progress** - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2013, the actuarial accrued liability was \$310,185, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$310,185. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,268,436, and the ratio of the UAAL to covered payroll was 7.3%. As of June 30, 2014, there were no trust fund assets.

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

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

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$289 per month for retirees less than age 65 and \$300 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Termination Benefits**

The District offers a voluntary early retirement plan to its full-time, certified employees. Eligible employees must be at least age fifty-four by September 1, but not more than sixty-two years of age by June 1 preceding the year of retirement and employees must have completed ten years of service to the District. Employees must complete an application and an attached letter of resignation which is required to be approved by the Board of Education.

The early retirement incentive for each eligible employee is the difference between the salary schedule base and the employee's placement on the salary schedule using the salary schedule in effect for the last year of employment and subject to a maximum of \$19,475 to \$36,000 per individual depending upon the individual's level of education and service to the District.

Early retirement benefits are paid monthly and cease when the retiree reaches the age of 65.

At June 30, 2014, the District has obligations to 5 participants with a total liability of \$50,170. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$50,643.

**(9) Risk Management**

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.

**(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 \$246,746 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.

**(11) Restatement**

Beginning net position in the Governmental Activities was restated by \$840,947. This is the balance of bond issuance costs now required to be expensed instead of amortized.

**(12) Subsequent Event**

The Clearfield Community School District closed on June 30, 2014. The Mount Ayr Community School District became the fiscal agent to assist in the closing of Clearfield's financial records.

**(13) 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.

**Required Supplementary Information**

**Mount Ayr Community School District**  
**Budgetary Comparison Schedule of Revenues, Expenditures 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- Positive (Negative)
<b>Revenues:</b>					
Local sources	\$ 4,948,887	231,017	5,179,904	5,385,106	(205,202)
Intermediate sources	26,939	-	26,939	39,100	(12,161)
State sources	4,048,539	3,579	4,052,118	3,433,399	618,719
Federal sources	312,385	224,728	537,113	681,500	(144,387)
Total revenues	9,336,750	459,324	9,796,074	9,539,105	256,969
<b>Expenditures:</b>					
Instruction	5,066,885	38,023	5,104,908	5,411,580	306,672
Support services	2,521,553	-	2,521,553	3,514,395	992,842
Non-instructional programs	-	357,832	357,832	401,776	43,944
Other expenditures	1,426,684	-	1,426,684	1,359,125	(67,559)
Total expenditures	9,015,122	395,855	9,410,977	10,686,876	1,275,899
Excess (deficiency) of revenues over (under) expenditures	321,628	63,469	385,097	(1,147,771)	1,532,868
Other financing sources, net	99,225	-	99,225	-	99,225
Excess (deficiency) of revenues and other financing sources over (under) expenditures	420,853	63,469	484,322	(1,147,771)	1,632,093
Balances beginning of year	2,233,357	51,986	2,285,343	1,411,704	873,639
Balances end of year	\$ 2,654,210	115,455	2,769,665	263,933	2,505,732

See accompanying independent auditor's report.

**Mount Ayr Community School District**  
**Notes to Required Supplementary Information - Budgetary Reporting**  
**Year Ended June 30, 2014**

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**(1) Basis of Presentation**

The District operates within the budget requirements for school districts as specified by state law and as prescribed by the Iowa Department of Management. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

For the fiscal year beginning July 1, a proposed budget is adopted by the Board and filed with the County Auditor no later than April 15. The budget is certified by the County Auditor to the Department of Management.

Once adopted, the budget can be amended by the Board. The amendment must be published and a public hearing conducted prior to the amendment. Any amendments must be certified to the County Auditor no later than May 31. The proposed expenditure budget is advertised in the local newspaper, together with a notice of public hearing.

The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the functional area for a budgeted governmental, enterprise and private purpose trust funds in total, rather than by individual fund type. Formal and legal budgetary control is based on four major classes of expenditures known as functional areas. These four functional areas are instruction, support services, non-instructional programs and other expenditures. During the year ended June 30, 2014, the District over-expended the other expenditures functional area by \$67,559. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. Authorized expenditures cannot exceed the lesser of the certified budget plus any allowable amendments, or the authorized budget, which is the sum of the District's cost for that year plus the actual miscellaneous income received for that year plus the actual unspent balance from the preceding year. Appropriations, as adopted and amended, lapse at the end of the fiscal year.

The District is required by the Code of Iowa to budget for its share of media, education services and special education support provided through the local area education agency. The District's actual amount for this purpose totaled \$246,746 for the year ended June 30, 2014.

**Mount Ayr Community School District**  
**Schedule of Funding Progress for the Retiree Health Plan**  
**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	\$ -	310,185	310,185	0.0%	\$ 3,697,800	8.4%
2011	July 1, 2009	-	310,185	310,185	0.0%	3,696,096	8.4%
2012	July 1, 2009	-	310,185	310,185	0.0%	3,946,165	7.9%
2013	July 1, 2009	-	310,185	310,185	0.0%	4,318,722	7.2%
2014	July 1, 2009	-	310,185	310,185	0.0%	4,268,436	7.3%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress

See accompanying independent auditor's report.

## Supplementary Information

**Mount Ayr Community School District  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2014**

	Special Revenue		
	Management	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 158,238	178,081	336,319
Receivables:			
Property tax:			
Delinquent	3,840	-	3,840
Succeeding year	279,017	-	279,017
Accounts	-	454	454
<b>Total assets</b>	<b>\$ 441,095</b>	<b>178,535</b>	<b>619,630</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	3,517	3,517
Early retirement payable	2,122	-	2,122
Total liabilities	2,122	3,517	5,639
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	279,017	-	279,017
Total deferred inflows of resources	279,017	-	279,017
Fund balances:			
Restricted for:			
Management levy purposes	159,956	-	159,956
Student activities	-	175,018	175,018
Total fund balances	159,956	175,018	334,974
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 441,095</b>	<b>178,535</b>	<b>619,630</b>

See accompanying independent auditor's report.

Schedule 2

**Mount Ayr Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**June 30, 2014**

	Special Revenue		
	Management	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 250,310	-	250,310
Other	17,168	398,309	415,477
State sources	113	-	113
Total revenues	<u>267,591</u>	<u>398,309</u>	<u>665,900</u>
Expenditures:			
Current:			
Instruction:			
Regular	45,459	-	45,459
Other	-	348,211	348,211
Support Services:			
Administration	150,223	-	150,223
Operation and maintenance of plant	27,917	-	27,917
Student transportation	12,942	-	12,942
Total expenditures	<u>236,541</u>	<u>348,211</u>	<u>584,752</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,050</u>	<u>50,098</u>	<u>81,148</u>
Fund balances beginning of year	<u>128,906</u>	<u>124,920</u>	<u>253,826</u>
Fund balances end of year	<u>\$ 159,956</u>	<u>175,018</u>	<u>334,974</u>

See accompanying independent auditor's report.

## Schedule 3

**Mount Ayr Community School District**  
**Combining Balance Sheet**  
**Capital Project Accounts**  
**June 30, 2014**

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 406,502	-	406,502
Receivables:			
Property tax:			
Current year delinquent	-	1,127	1,127
Succeeding year	-	78,470	78,470
Due from other governments	44,578	-	44,578
<b>Total assets</b>	<b>\$ 451,080</b>	<b>79,597</b>	<b>530,677</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts Payable	\$ 23,945	10,378	34,323
Total liabilities	23,945	10,378	34,323
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	78,470	78,470
Total deferred inflows of resources	-	78,470	78,470
Fund balances:			
Restricted for:			
Debt service	263,731	-	263,731
School infrastructure	163,404	-	163,404
Physical, plant and equipment	-	(9,251)	(9,251)
Total fund balances	427,135	(9,251)	417,884
<b>Total liabilities, deferred inflows or resources and fund balances</b>	<b>\$ 451,080</b>	<b>79,597</b>	<b>530,677</b>

See accompanying independent auditor's report.

## Schedule 4

**Mount Ayr Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Capital Project Accounts**  
**Year ended June 30, 2014**

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ -	75,525	75,525
Other	1	57,859	57,860
Intermediate sources	6,380	-	6,380
State sources	439,296	33	439,329
Total revenues	<u>445,677</u>	<u>133,417</u>	<u>579,094</u>
Expenditures:			
Current:			
Support Services:			
Administration	140	-	140
Transportation	-	186,776	186,776
	<u>140</u>	<u>186,776</u>	<u>186,916</u>
Other expenditures:			
Facilities acquisition	250,826	46,894	297,720
Total expenditures	<u>250,966</u>	<u>233,670</u>	<u>484,636</u>
Excess (deficiency) of revenues over (under) expenditures	194,711	(100,253)	94,458
Other financing uses:			
Operating transfers in	-	46,894	46,894
Operating transfers out	(264,025)	-	(264,025)
Total other financing sources(uses)	<u>(264,025)</u>	<u>46,894</u>	<u>(217,131)</u>
Change in fund balances	(69,314)	(53,359)	(122,673)
Fund balances beginning of year	<u>496,449</u>	<u>44,108</u>	<u>540,557</u>
Fund balances end of year	<u>\$ 427,135</u>	<u>(9,251)</u>	<u>417,884</u>

See accompanying independent auditor's report.

**Mount Ayr Community School District**  
**Combining Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Funds
	School Nutrition	Sites for Learning	Total	Flexible Benefits
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 38,566	41,175	79,741	295
Accounts receivable	264	7,242	7,506	-
Inventories	11,076	-	11,076	-
Total current assets	49,906	48,417	98,323	295
Non-current assets:				
Property and equipment:				
Machinery and equipment	291,117	-	291,117	-
Accumulated depreciation	(247,194)	-	(247,194)	-
Total non-current assets	43,923	-	43,923	-
<b>Total assets</b>	<b>\$ 93,829</b>	<b>48,417</b>	<b>142,246</b>	<b>295</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 1,369	950	2,319	-
Salaries and benefits payable	24,472	-	24,472	-
Total current liabilities	25,841	950	26,791	-
<b>Total liabilities</b>	<b>25,841</b>	<b>950</b>	<b>26,791</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	43,923	-	43,923	-
Unrestricted	24,065	47,467	71,532	295
<b>Total net position</b>	<b>\$ 67,988</b>	<b>47,467</b>	<b>115,455</b>	<b>295</b>

See accompanying independent auditor's report.

**Mount Ayr Community School District**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Funds
	School Nutrition	Sites for Learning	Total	Flexible Benefits
Operating revenues:				
Local sources:				
Other local sources:				
Food service sales	\$ 141,349	-	141,349	-
Other operating revenues	7,435	82,233	89,668	1,924
Total operating revenues	148,784	82,233	231,017	1,924
Operating expenses:				
Instructional programs:				
Instruction:				
Salaries	-	29,574	29,574	-
Benefits	-	4,979	4,979	-
Services	-	1,198	1,198	-
Supplies	-	2,272	2,272	-
Support services:				
Administration				
Services	-	-	-	3,348
	-	38,023	38,023	3,348
Non-instructional programs:				
Food services operations:				
Salaries	120,669	-	120,669	-
Benefits	26,903	-	26,903	-
Services	1,825	-	1,825	-
Supplies	206,666	-	206,666	-
Depreciation	1,769	-	1,769	-
	357,832	-	357,832	-
Total operating expenses	357,832	38,023	395,855	3,348
Operating gain (loss)	(209,048)	44,210	(164,838)	(1,424)
Non-operating revenues:				
State lunch and breakfast program claims	3,579	-	3,579	-
National School Lunch Program	150,089	-	150,089	-
School Breakfast Program	55,857	-	55,857	-
Food distribution	18,782	-	18,782	-
Transfer in	-	2,360	2,360	-
Total non-operating revenues	228,307	2,360	230,667	-
Non-operating expense				
Transfer out	2,360	-	2,360	-
Total non-operating expenses	2,360	-	2,360	-
Change in net position	16,899	46,570	63,469	(1,424)
Net position beginning of year	51,089	897	51,986	1,719
Net position end of year	\$ 67,988	47,467	115,455	295

See accompanying independent auditor's report.

## Schedule 7

**Mount Ayr Community School District**  
**Combining Statement of Cash Flows**  
**Proprietary Funds**  
**June 30, 2014**

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Funds
	School Nutrition	Sites for Learning	Total	Flexible Benefits
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 144,221	-	144,221	-
Cash received from other operating activities	7,435	75,888	83,323	1,924
Cash payments to employees for services	(150,191)	(34,553)	(184,744)	-
Cash payments to suppliers for goods or services	(214,839)	(2,520)	(217,359)	(3,348)
Net cash provided (used) by operating activities	(213,374)	38,815	(174,559)	(1,424)
Cash flows from non-capital financing activities:				
Contributions - operating	-	-	-	-
State grants received	3,579	-	3,579	-
Federal grants received	205,946	-	205,946	-
Net cash provided by non-capital financing activities	209,525	-	209,525	-
Cash flows from capital and related financing activities:				
Transfers	(2,360)	2,360	-	-
Net cash provided (used) by capital and related financing activities	(2,360)	2,360	-	-
Net increase (decrease) in cash and cash equivalents	(6,209)	41,175	34,966	(1,424)
Cash and cash equivalents at beginning of year	44,775	-	44,775	1,719
Cash and cash equivalents at end of year	\$ 38,566	41,175	79,741	295
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>				
Operating gain (loss)	\$ (209,048)	44,210	(164,838)	(1,424)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Commodities used	18,782	-	18,782	-
Decrease (Increase) in accounts receivable	2,872	(6,345)	(3,473)	-
Depreciation	1,769	-	1,769	-
Decrease in inventories	4,094	-	4,094	-
Increase (Decrease) in accounts payable	(29,224)	950	(28,274)	-
(Decrease) in salaries and benefits payable	(2,619)	-	(2,619)	-
Net cash provided (used) by operating activities	\$ (213,374)	38,815	(174,559)	(1,424)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>				
Current assets:				
Cash	\$ 38,566	41,175	79,741	295
Cash and cash equivalents at year end	\$ 38,566	41,175	79,741	295

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2014, the District received federal commodities valued at \$18,782.

See accompanying independent auditor's report.

## Schedule 8

**Mount Ayr 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
Adult Education	\$ 4,039	123	588	3,574
Art Club	109	80	139	50
Athletics:				
Football	13,222	35,980	40,319	8,883
Volleyball	848	4,446	4,929	366
Wrestling	422	9,766	8,352	1,836
Boys' basketball	(56)	3,394	2,616	723
Girls' basketball	2,901	3,137	3,322	2,716
Boys' track	1,336	8,575	8,160	1,751
Girls' track	121	2,462	2,128	455
Cross Country resale	122	2,024	1,731	416
Golf	1,124	3,530	2,925	1,729
Baseball	333	11,955	2,897	9,391
Softball	19	3,240	3,229	30
Bowling	58	160	138	80
General Athletics	11,001	93,243	87,686	16,557
Ayrian	7,108	11,480	9,290	9,298
Band	1,429	4,127	4,683	874
Stand for the Silent	-	449	-	449
Cheerleaders	1,626	5,442	5,888	1,180
Class:				
Senior	-	8,312	6,584	1,728
Junior	6,181	2,151	4,166	4,166
Sophomore	2,384	(359)	-	2,025
Freshman	1,825	425	-	2,250
Concessions	3,092	51,101	51,792	2,401
Drama Club	3,183	7,892	6,515	4,560
Drill Team	824	15,113	13,902	2,035
Elementary Activities	2,023	10,051	6,833	5,240
Elementary Library	1,816	2,678	3,759	735
Elementary Student Council	2,381	1,417	1,500	2,298
Future Consumer Comm Leadersip Assoc	1,051	43	-	1,094
Future Farmers of America	14,860	31,629	31,654	14,835
Gifts/Memorials	3,217	200	230	3,187
Industrial Arts	-	833	850	(17)
Hall of Fame	-	1,000	-	1,000
Middle School	4,499	(384)	-	4,115
Library Club	192	-	192	(0)
Resale	2,483	-	-	2,483
S.A.D.D.	753	-	-	753
Science Club	259	-	-	259
SFL	-	44,736	10,180	34,556
Talented and Gifted Club	1,689	-	-	1,689
Special Olympics	2,112	163	246	2,029
Student Council	506	432	492	446
Student Activity/vending	2,770	2,378	2,575	2,573

Schedule 8

**Mount Ayr 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
Tech Club	183	5,185	4,167	1,201
Vocal music	1,061	1,908	2,101	868
Weightlifting	8,302	445	4,435	4,312
Laptop Program	11,280	7,348	7,019	11,609
Middle School Student Council	232	-	-	232
Total	<u>\$ 124,920</u>	<u>398,309</u>	<u>348,211</u>	<u>175,018</u>

See accompanying independent auditor's report.

**Mount Ayr Community School District**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Ten Years**

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues:</b>										
Local sources:										
Local tax	\$ 3,828,696	4,057,916	4,153,059	3,773,074	3,696,028	3,753,308	3,250,186	2,767,016	2,572,488	2,451,825
Tuition	470,430	452,673	409,907	351,984	383,168	406,661	556,040	608,610	529,221	423,715
Other	649,761	606,705	533,259	646,502	640,009	1,222,713	600,441	539,291	452,485	456,198
Intermediate sources	26,939	29,318	98,520	22,688	30,171	28,627	33,771	16,026	9,184	11,461
State sources	4,048,539	3,542,800	3,372,499	3,254,842	2,876,171	3,401,412	3,328,660	3,115,847	3,178,765	3,108,574
Federal sources	312,385	583,471	601,384	1,128,122	846,533	438,928	374,159	345,295	357,147	283,269
Total	\$ 9,336,750	9,272,883	9,168,628	9,177,212	8,472,080	9,251,649	8,143,257	7,392,085	7,099,290	6,735,042
<b>Expenditures:</b>										
Instruction:										
Regular	\$ 2,595,503	2,512,760	2,476,134	2,554,927	2,298,973	2,705,269	2,561,874	2,441,247	2,252,637	2,263,656
Special	1,351,797	1,262,584	1,225,910	1,247,088	1,282,803	1,316,604	1,101,386	1,229,717	1,359,199	1,317,696
Other	1,119,585	1,298,162	1,102,162	1,145,246	1,305,973	1,182,923	991,338	931,330	973,588	779,600
Support services:										
Student	257,194	163,126	253,410	174,013	214,196	208,071	179,619	185,798	206,175	174,313
Instructional staff	179,366	398,471	429,304	282,402	269,110	349,186	289,891	289,064	304,577	320,562
Administration	788,329	733,337	727,778	706,870	780,963	815,824	835,415	866,402	825,682	760,148
Operation and maintenance of plant	663,026	623,458	654,235	681,633	631,017	630,818	651,021	556,011	573,287	580,080
Transportation	633,638	468,127	418,737	491,031	370,842	481,274	445,958	503,431	425,201	318,102
Central support	-	-	-	-	-	-	-	-	-	65,926
Other expenditures:										
Facilities acquisition	297,720	361,064	545,317	1,319,845	5,307,406	3,826,197	504,012	101,995	223,998	367,132
Long-term debt:										
Principal	680,000	530,000	409,071	412,161	375,902	244,702	23,558	22,467	46,419	43,833
Interest and other charges	202,218	414,727	367,544	384,614	411,004	292,306	48,860	6,351	7,392	9,978
AEA flowthrough	246,746	235,770	233,293	268,451	267,205	248,593	236,762	228,129	222,117	218,935
Total	\$ 9,015,122	9,001,586	8,842,895	9,668,281	13,515,394	12,301,767	7,869,694	7,361,942	7,420,272	7,219,961

See accompanying independent auditor's report.

**Mount Ayr Community School District**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2014**

Grantor/Program	CFDA Number	Grant Number	Expenditures
Direct:			
U.S. Department of Agriculture: Community Facilities Loans and Grants	10.766	FY 14	\$ 18,600
Indirect:			
U.S. Department of Agriculture: Iowa Department of Education: School Nutrition Cluster Programs: School Breakfast Program	10.553	FY 14	55,857
National School Lunch Program	10.555	FY 14	168,871
			224,728
U.S. Department of Education: Iowa Department of Education: Title I, Part A Cluster: Title I Grants to Local Educational Agencies	84.010	FY 14	156,053
Vocational Education - Basic Grants to States	84.048	FY 14	12,154
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	FY 14	33,518
Title IIA - Federal Teacher Quality Program	84.367	FY 14	36,400
Grants for State Assessments	84.369	FY 14	3,421
Heartland Area Education Agency Special Education Cluster (IDEA): Special Education - Grants to States	84.027	FY 14	31,188
Total			\$ 516,062

See Notes to Schedule of Expenditures of Federal Awards.

**Mount Ayr Community School District**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2014**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Mount Ayr Community School District for the year ended June 30, 2014. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of states, Local Governments and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2. Significant Accounting Policies**

For governmental funds, in accordance with the modified accrual basis of accounting, revenue from federal grants is recognized when they become both measureable and available. For proprietary funds, in accordance with the accrued basis of accounting, revenues from federal grants are recognized in the period they are earned. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

**Note 3. Noncash Assistance**

The schedule includes federal awards in the form of noncash assistance (commodities) received during the year in the amount of \$18,782 related to USDA Commodities grants provided by the U.S. Department of Agriculture passed through the Iowa Department of Education, CFDA No. 10.555.



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**CERTIFIED PUBLIC ACCOUNTANTS**

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

To the Board of Education of Mount Ayr Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Mount Ayr Community School District, Mount Ayr, 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, and have issued our report thereon dated December 22, 2014.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct 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.

We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be a material weakness.

Compliance and Other Matters

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

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

#### Mount Ayr Community School District's Responses to Findings

Mount Ayr Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Mount Ayr 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 the 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 *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

December 22, 2014



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

To the Board of Education of Mount Ayr Community School District:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Mount Ayr Community School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

compliance. Accordingly, we do not express an opinion on the effectiveness of Mount Ayr Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-14 (2014-001) to be a material weakness.

Mount Ayr Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Mount Ayr Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

December 22, 2014

**Mount Ayr Community School District  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014**

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

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

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

II-A-14 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, expenditures are recorded and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

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

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

III-A-14 (2014-001) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, expenditures are recorded and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

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

IV-A-14 Certified Budget - Expenditures for the year ended June 30, 2014, exceeded the certified budget amounts in the other expenditures functional area.

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

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

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

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

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

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

**Mount Ayr Community School District  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2014**

- IV-F-14 Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.
- IV-G-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-H-14 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-I-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-J-14 Sale of Property - During the year ended June 30, 2014, the District made sales of property in accordance with Chapter 297.22 of the Code of Iowa.
- IV-K-14 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$ 496,449
Revenues/transfers in:		
Sales tax revenues	\$ 439,296	
Other local revenues	1	
Intermediate sources of revenues	6,380	445,677
		942,126
Expenditures/transfers out:		
School infrastructure construction	250,966	
Transfers to other funds:		
Debt service funds	264,025	514,991
		514,991
Ending balance		\$ 427,135

For the year ended June 30, 2014, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy	
	Reduction Per	
	\$1,000 of	
	Taxable	Property Tax
	Valuation	Dollars Reduced
Debt service levy	\$ 2.31336	613,538

**Mount Ayr Community School District  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014**

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IV-M-14    Deficit Balances – The Physical Plant and Equipment Levy had a deficit balance at June 30, 2014.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate this deficit in the Physical Plant and Equipment Levy Fund at the end of the fiscal year.

Conclusion – Response accepted.