

ODEBOLT-ARTHUR COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2014

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Odebolt-Arthur Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 election)		
Traci Bengford	President	2015
Brad Lundell	Vice President	2013
Naomi Lozier	Board Member	2013
Paul Neumann	Board Member	2015
Pat Hoefling	Board Member	2015
(After September 2013 election)		
Traci Bengford	President	2015
Joey Hoefling	Vice President	2017
Naomi Lozier	Board Member	2017
Paul Neumann	Board Member	2015
Pat Hoefling	Board Member	2015
School Officials		
Dr. Nick Ouellette	Superintendent	2014
Kathy Leonard	District Secretary/Treasurer	2014
Rick Frank	Attorney	2014

Odebolt-Arthur Community School District

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Odebolt-Arthur Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Odebolt-Arthur Community School District, Odebolt, 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, the business type activities, each major fund and the aggregate remaining fund information of Odebolt-Arthur 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.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of 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.

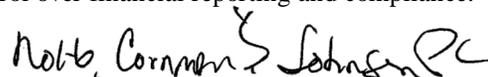
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Odebolt-Arthur Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, 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 Government Auditing Standards, we have also issued our report dated March 3, 2015 on our consideration of Odebolt-Arthur 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Odebolt-Arthur Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 3, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,661,567 in fiscal 2013 to \$4,411,257 in fiscal 2014, while General Fund expenditures decreased from \$4,448,447 in fiscal 2013 to \$4,337,998 in fiscal 2014. This resulted in an increase in the District's General Fund balance from \$1,119,863 in fiscal 2013 to a balance of \$1,153,122 in fiscal 2014, a 2.97% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local source revenues. The decrease in expenditures was due primarily to a decrease in negotiated salaries and benefits resulting from staffing changes.

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

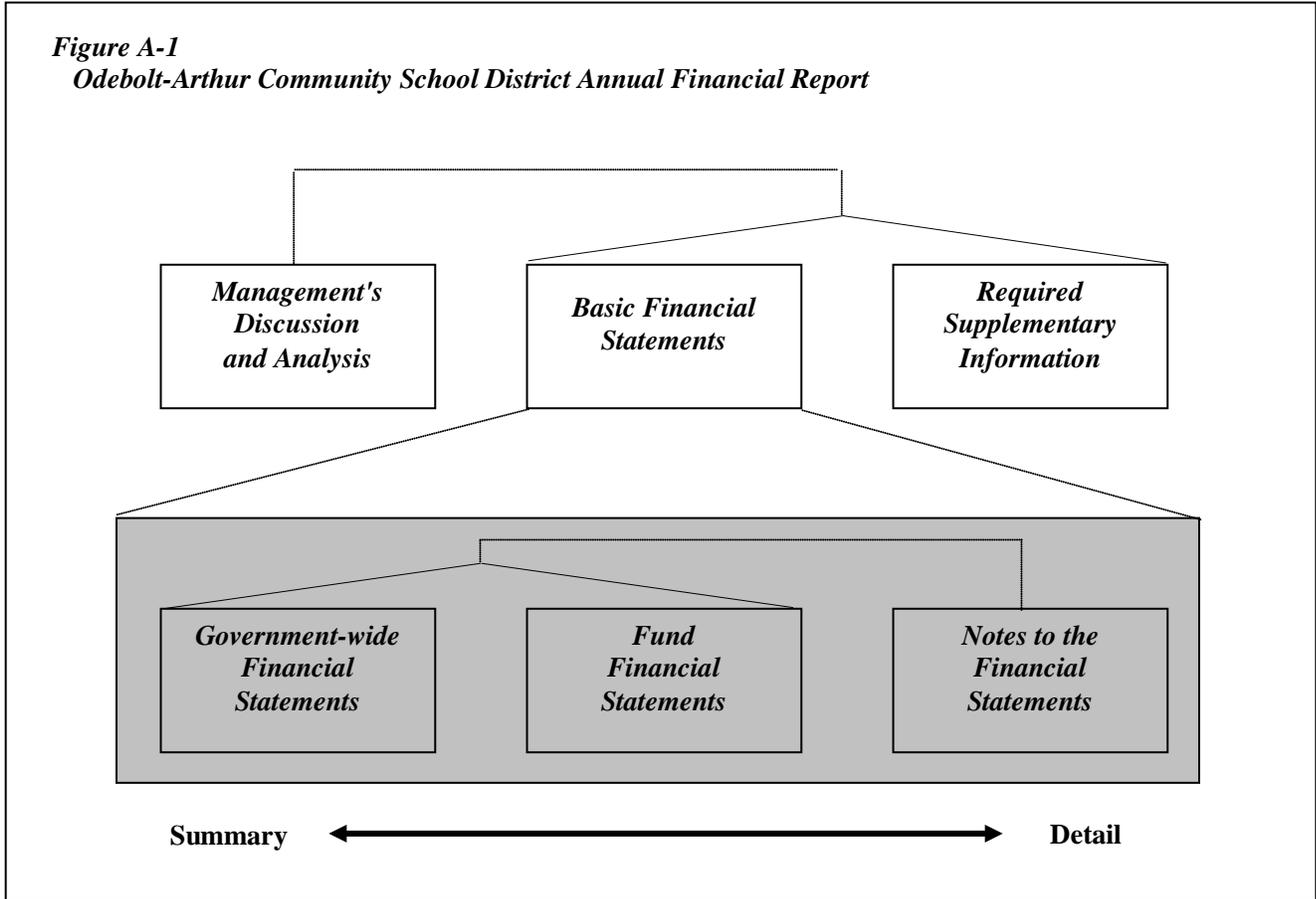


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has 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, the Special Revenue Funds and the 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 one Enterprise Fund, the School Nutrition Fund.

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 4,463,277	4,411,064	106,746	75,833	4,570,023	4,486,897	1.85%
Capital assets	2,107,837	1,681,961	23,150	25,193	2,130,987	1,707,154	24.83%
Total assets	6,571,114	6,093,025	129,896	101,026	6,701,010	6,194,051	8.18%
Long-term liabilities	312,507	353,550	-	-	312,507	353,550	-11.61%
Other liabilities	786,080	658,407	6,626	2,084	792,706	660,491	20.02%
Total liabilities	1,098,587	1,011,957	6,626	2,084	1,105,213	1,014,041	8.99%
Deferred inflows of resources	1,864,582	1,768,477	-	-	1,864,582	1,768,477	5.43%
Net position:							
Invested in capital assets	2,107,837	1,681,961	23,150	25,193	2,130,987	1,707,154	24.83%
Restricted	538,197	637,492	-	-	538,197	637,492	-15.58%
Unrestricted	961,911	993,138	100,120	73,749	1,062,031	1,066,887	-0.46%
Total net position	\$ 3,607,945	3,312,591	123,270	98,942	3,731,215	3,411,533	9.37%

The District's combined net position increased by 9.37%, or \$319,682, from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position 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 \$99,295 or 15.58% from the prior year. The decrease in restricted net position was primarily a result of the decrease in the Capital Projects: Statewide Sales, Services and Use Tax Fund and the Capital Projects: Physical, Plant and Equipment Levy ending balances.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$4,856, or 0.46%.

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

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for services	\$ 1,326,202	1,200,344	79,761	81,106	1,405,963	1,281,450	9.72%
Operating grants and contributions and restricted interest	365,135	257,040	111,399	102,529	476,534	359,569	32.53%
General revenues:							
Property tax	1,748,663	1,773,479	-	-	1,748,663	1,773,479	-1.40%
Income surtax	61,038	62,762	-	-	61,038	62,762	-2.75%
Statewide sales, services and use tax	295,732	284,764	-	-	295,732	284,764	3.85%
Unrestricted state grants	1,409,641	1,511,241	-	-	1,409,641	1,511,241	-6.72%
Unrestricted investment earnings	1,658	780	45	38	1,703	818	108.19%
Other	31,432	67,559	381	1,076	31,813	68,635	-53.65%
Total revenues and transfers	5,239,501	5,157,969	191,586	184,749	5,431,087	5,342,718	1.65%
Program expenses:							
Governmental activities:							
Instruction	3,271,381	3,545,114	-	-	3,271,381	3,545,114	-7.72%
Support services	1,428,058	1,310,628	-	-	1,428,058	1,310,628	8.96%
Non-instructional programs	-	3,557	167,258	170,254	167,258	173,811	-3.77%
Other expenses	244,708	242,830	-	-	244,708	242,830	0.77%
Total expenses	4,944,147	5,102,129	167,258	170,254	5,111,405	5,272,383	-3.05%
Change in net position	295,354	55,840	24,328	14,495	319,682	70,335	354.51%
Net position beginning of year	3,312,591	3,256,751	98,942	84,447	3,411,533	3,341,198	2.11%
Net position end of year	\$ 3,607,945	3,312,591	123,270	98,942	3,731,215	3,411,533	9.37%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 67.09% of the revenue from governmental activities while charges for service and operating grants and contributions account for 98.70% of the revenue from business type activities.

The District's total revenues were \$5,433,126, of which \$5,239,501 was for governmental activities and \$193,625 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 1.69% in revenues and a decrease in expenses of 3.01%. Sales tax revenues increased \$10,968 to help fund expenditures. The decrease in expenses was related to increased efficiencies from the Districts ongoing sharing of staff with a neighboring district.

Governmental Activities

Revenues for governmental activities were \$5,239,501 and expenses were \$4,944,147 for the year ended June 30, 2014.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 3,545,114	3,256,380	8.87%	2,339,232	1,519,345	53.96%
Support services	1,310,628	1,039,659	26.06%	1,185,954	1,024,940	15.71%
Non-instructional	3,557	11,590	-69.31%	3,557	11,590	-69.31%
Other expenses	242,830	410,114	-40.79%	116,002	274,741	-57.78%
Totals	<u>\$ 5,102,129</u>	<u>4,717,743</u>	<u>8.15%</u>	<u>3,644,745</u>	<u>2,830,616</u>	<u>28.76%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,326,202.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$365,135.
- The net cost of governmental activities was financed with \$1,748,663 in property tax, \$61,038 in income surtax, \$295,732 in statewide sales, services and use tax, \$1,409,641 in unrestricted state grants, \$1,658 in interest income and \$31,432 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2014 were \$191,586 and expenses were \$167,258. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,775,291, below last year's ending fund balances of \$1,927,333. The decrease in ending fund balances was primarily due to the decrease in ending fund balances of the capital projects accounts.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Decreases in local tax revenues received by the District, as compared to the previous year, led to the decrease in revenues during the year ended June 30, 2014. Expenditures decreased due to changing in District staff levels and experience. This led to a change in fund balance of \$33,259 as a result, the District's General Fund balance increased from \$1,119,863 to \$1,153,122.

-
- The Management Levy Fund balance increased from \$321,372 in fiscal year 2013 to \$418,581 in fiscal year 2014.
 - The Capital Projects Accounts balance decreased from \$398,329 at the beginning of the fiscal year 2014 to \$125,117 at the end of the fiscal year 2014. The decrease in the Capital Projects Accounts is related to various construction and renovation projects completed around the District.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$98,942 at June 30, 2013 to \$123,270 at June 30, 2014, representing an increase of 24.59%.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District amended its budget one time to reflect additional expenditures for technology, equipment and construction expenses.

The District's revenues were \$109,704 more than budgeted revenues, a variance of 2.06%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$2,130,987, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 24.83% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$148,941.

The original cost of the District's capital assets was \$5,224,759. Governmental funds account for \$5,152,361 with the remainder of \$72,398 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$285,590 at June 30, 2014, compared to \$198,437 reported at June 30, 2013. The increase is due to completion of a playground project at the District during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total Change June 30, 2013-14
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2014	2013	2014	2013	2014	2013	
Land	\$ 10,850	10,850	-	-	10,850	10,850	0.00%
Buildings	1,683,629	1,355,864	-	-	1,683,629	1,355,864	24.17%
Land improvements	285,590	198,437	-	-	285,590	198,437	43.92%
Machinery and equipment	127,768	116,810	23,150	25,193	150,918	142,003	6.28%
Total	\$ 2,107,837	1,681,961	23,150	25,193	2,130,987	1,707,154	24.83%

Long-Term Debt

At June 30, 2014, the District had \$312,507 in total long-term debt outstanding. This represents a decrease of 11.61% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding termination benefits payable of \$178,826 at June 30, 2014, that is payable from the Special Revenue, Management Levy Fund.

The District had a total net OPEB liability of \$133,681.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change June 30, 2013-14
	June 30,		
	2014	2013	
Termination benefits	178,826	233,832	-23.52%
Net OPEB liability	133,681	119,718	11.66%
Total	\$ 312,507	353,550	-11.61%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low supplemental state aid over several years and small enrollment decreases negatively impacted the District's Unspent Budget Authority (previously known as Unspent Balance) in the previous year. However, FY 2013-2014 showed a slight increase of \$28,979 in unspent budget authority. Although the increase is a positive, the district must realize annual contractual increases and must monitor any program changes with consideration of this recent trend of decreasing Unspent Authority.

- The District continued discussions with the Battle Creek-Ida Grove School Board regarding the sharing of staff and resources. Prior to the end of FY 2013-2014, the following sharing agreements were approved for FY 14-15: Superintendent, Maintenance Director, Transportation Director, Business Manager Services, Middle School Principal, State Reporting Services, Director of Innovation, District Librarian and Curriculum Director. The District is eligible for the maximum amount of funding for several of these shared positions. Since the cost for salaries and benefits for these positions are shared between the two districts, BCIG realizes general fund savings as well. The District continues to monitor any legislative action that might add additional eligible positions.

- In 2013-2014 the District was in its fifth year of a whole grade sharing agreement with Battle Creek-Ida Grove for grades 6-12. Both Districts have seen financial savings due to efficiencies in staff and shared costs as well as increased academic offerings for students. We continue to investigate opportunities to share staff as well as supplies, equipment, etc. that would create a savings for either district.

- The Capital Projects Accounts balance showed a decrease of \$152,042 compared to the previous fiscal year. This can be attributed to the many remodeling and improvement projects the district completed in FY 13-14.

- The administration and the board are constantly re-evaluating programs in an effort to reduce expenditures and yet maintain a quality education programs.

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 Kathy Leonard, District Board Secretary/Treasurer, Odebolt-Arthur Community School District, 600 S Maple St, Odebolt, Iowa, 51458.

BASIC FINANCIAL STATEMENTS

ODEBOLT-ARTHUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 1,942,453	102,679	2,045,132
Receivables:			
Property tax:			
Delinquent	28,717	-	28,717
Succeeding year	1,864,582	-	1,864,582
Income surtax	37,324	-	37,324
Due from other funds	3,034	(3,034)	-
Accounts	1,663	-	1,663
Due from other governments	585,504	-	585,504
Inventories	-	7,101	7,101
Capital assets, net of accumulated depreciation	2,107,837	23,150	2,130,987
TOTAL ASSETS	6,571,114	129,896	6,701,010
LIABILITIES			
Accounts payable	443,333	3,630	446,963
Salaries and benefits payable	340,950	-	340,950
Advances from grantors	1,797	-	1,797
Unearned revenue	-	2,996	2,996
Long-term liabilities:			
Portion due within one year:			
Termination benefits payable	61,608	-	61,608
Portion due after one year:			
Termination benefits payable	117,218	-	117,218
Net OPEB liability	133,681	-	133,681
TOTAL LIABILITIES	1,098,587	6,626	1,105,213
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	1,864,582	-	1,864,582
NET POSITION			
Net investment in capital assets	2,107,837	23,150	2,130,987
Restricted for:			
Categorical funding	94,854	-	94,854
School infrastructure	109,052	-	109,052
Physical plant and equipment	16,065	-	16,065
Management levy purposes	239,755	-	239,755
Student activities	78,471	-	78,471
Unrestricted	961,911	100,120	1,062,031
TOTAL NET POSITION	\$ 3,607,945	123,270	3,731,215

SEE NOTES TO FINANCIAL STATEMENTS.

ODEBOLT-ARTHUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Governmental activities:						
Instruction:						
Regular	\$ 2,515,708	779,181	87,513	(1,649,014)	-	(1,649,014)
Special	423,920	285,815	43,752	(94,353)	-	(94,353)
Other	331,753	34,133	80,426	(217,194)	-	(217,194)
	<u>3,271,381</u>	<u>1,099,129</u>	<u>211,691</u>	<u>(1,960,561)</u>	<u>-</u>	<u>(1,960,561)</u>
Support services:						
Student	119,049	10,543	-	(108,506)	-	(108,506)
Instructional staff	385,560	83,129	21,772	(280,659)	-	(280,659)
Administration	443,193	131,259	-	(311,934)	-	(311,934)
Operation and maintenance of plant	321,180	-	-	(321,180)	-	(321,180)
Transportation	159,076	2,142	-	(156,934)	-	(156,934)
	<u>1,428,058</u>	<u>227,073</u>	<u>21,772</u>	<u>(1,179,213)</u>	<u>-</u>	<u>(1,179,213)</u>
Other expenditures:						
AEA flowthrough	131,672	-	131,672	-	-	-
Depreciation(unallocated)*	113,036	-	-	(113,036)	-	(113,036)
	<u>244,708</u>	<u>-</u>	<u>131,672</u>	<u>(113,036)</u>	<u>-</u>	<u>(113,036)</u>
Total governmental activities	4,944,147	1,326,202	365,135	(3,252,810)	-	(3,252,810)
Business type activities:						
Non-instructional programs:						
Nutrition services	167,258	79,761	111,399	-	23,902	23,902
Total business type activities	<u>167,258</u>	<u>79,761</u>	<u>111,399</u>	<u>-</u>	<u>23,902</u>	<u>23,902</u>
Total	<u>\$ 5,111,405</u>	<u>1,405,963</u>	<u>476,534</u>	<u>(3,252,810)</u>	<u>23,902</u>	<u>(3,228,908)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,530,659	-	1,530,659
Capital outlay				218,004	-	218,004
Income surtax				61,038	-	61,038
Statewide sales, services and use tax				295,732	-	295,732
Unrestricted state grants				1,409,641	-	1,409,641
Unrestricted investment earnings				1,658	45	1,703
Other				31,432	381	31,813
Total general revenues				<u>3,548,164</u>	<u>426</u>	<u>3,548,590</u>
Change in net position				295,354	24,328	319,682
Net position beginning of year				<u>3,312,591</u>	<u>98,942</u>	<u>3,411,533</u>
Net position end of year				<u>\$ 3,607,945</u>	<u>123,270</u>	<u>3,731,215</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

ODEBOLT-ARTHUR COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Management Levy	Capital Projects	Nonmajor Student Activity	Total
ASSETS					
Cash and pooled investments	\$ 1,299,556	413,482	149,567	79,848	1,942,453
Receivables:					
Property tax:					
Delinquent	20,446	4,836	3,435	-	28,717
Succeeding year	1,350,611	280,000	233,971	-	1,864,582
Income surtax	18,662	-	18,662	-	37,324
Accounts	1,400	263	-	-	1,663
Due from other funds	3,034	-	-	-	3,034
Due from other governments	454,166	-	131,338	-	585,504
TOTAL ASSETS	\$ 3,147,875	698,581	536,973	79,848	4,463,277
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 282,733	-	159,223	1,377	443,333
Salaries and benefits payable	340,950	-	-	-	340,950
Advances from grantors	1,797	-	-	-	1,797
Total liabilities	625,480	-	159,223	1,377	786,080
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,350,611	280,000	233,971	-	1,864,582
Income surtax	18,662	-	18,662	-	37,324
Total deferred inflows of resources	1,369,273	280,000	252,633	-	1,901,906
Fund balances:					
Restricted for:					
Categorical funding	94,854	-	-	-	94,854
School infrastructure	-	-	109,052	-	109,052
Physical plant and equipment	-	-	16,065	-	16,065
Management levy purposes	-	418,581	-	-	418,581
Student activities	-	-	-	78,471	78,471
Unassigned	1,058,268	-	-	-	1,058,268
Total fund balances	1,153,122	418,581	125,117	78,471	1,775,291
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,147,875	698,581	536,973	79,848	4,463,277

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$	1,775,291
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		2,107,837
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period, and therefore, are recognized as deferred inflows of resources in the governmental funds.		37,324
Long-term liabilities, including termination benefits payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(312,507)</u>
Net position of governmental activities(page 18)	\$	<u><u>3,607,945</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Nonmajor Student Activity	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,288,899	291,321	242,415	-	1,822,635
Tuition	1,051,086	-	-	-	1,051,086
Other	289,339	2,181	-	18,205	309,725
State sources	1,650,707	-	295,732	-	1,946,439
Federal sources	122,550	-	-	-	122,550
Total revenues	<u>4,402,581</u>	<u>293,502</u>	<u>538,147</u>	<u>18,205</u>	<u>5,252,435</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,346,765	152,991	-	-	2,499,756
Special	409,267	-	-	-	409,267
Other	293,733	-	-	25,416	319,149
	<u>3,049,765</u>	<u>152,991</u>	<u>-</u>	<u>25,416</u>	<u>3,228,172</u>
Support services:					
Student	116,213	-	-	-	116,213
Instructional staff	253,355	-	125,674	-	379,029
Administration	417,458	6,215	-	-	423,673
Operation and maintenance of plant	270,595	26,696	9,402	-	306,693
Transportation	138,940	10,391	-	-	149,331
	<u>1,196,561</u>	<u>43,302</u>	<u>135,076</u>	<u>-</u>	<u>1,374,939</u>
Capital outlay	-	-	676,283	-	676,283
Other expenditures:					
AEA flowthrough	131,672	-	-	-	131,672
Total expenditures	<u>4,377,998</u>	<u>196,293</u>	<u>811,359</u>	<u>25,416</u>	<u>5,411,066</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	24,583	97,209	(273,212)	(7,211)	(158,631)
Other financing sources(uses):					
Transfer in	8,676	-	-	-	8,676
Transfer out	-	-	-	(2,087)	(2,087)
Total other financing sources(uses)	<u>8,676</u>	<u>-</u>	<u>-</u>	<u>(2,087)</u>	<u>6,589</u>
Change in fund balances	33,259	97,209	(273,212)	(9,298)	(152,042)
Fund balance beginning of year	<u>1,119,863</u>	<u>321,372</u>	<u>398,329</u>	<u>87,769</u>	<u>1,927,333</u>
Fund balance end of year	<u>\$ 1,153,122</u>	<u>418,581</u>	<u>125,117</u>	<u>78,471</u>	<u>1,775,291</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 22) \$ (152,042)

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

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

Capital outlay	\$ 571,170	
Depreciation expense	<u>(145,294)</u>	425,876

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis		(6,589)
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Income surtax account receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.		(12,934)
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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 fund.

Termination benefits	55,006	
Other postemployment benefits	<u>(13,963)</u>	<u>41,043</u>

Change in net position of governmental activities(page 19) \$ 295,354

ODEBOLT-ARTHUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2014

	Business Type Activities:
	Enterprise Fund
	School
	Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 102,679
Inventories	7,101
Total current assets	109,780
Non-current assets:	
Capital assets, net of accumulated depreciation	23,150
TOTAL ASSETS	132,930
LIABILITIES	
Current liabilities:	
Due to other funds	3,034
Accounts payable	3,630
Unearned revenue	2,996
TOTAL LIABILITIES	9,660
NET POSITION	
Net investment in capital assets	23,150
Unrestricted	100,120
TOTAL NET POSITION	\$ 123,270

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Enterprise Fund	Governmental
	School	Internal
	Nutrition	Service
OPERATING REVENUE:		
Local sources:		
Charges for service	\$ 79,761	-
Miscellaneous	381	-
TOTAL OPERATING REVENUES	80,142	-
OPERATING EXPENSES:		
Non-instructional programs:		
Food service operations:		
Salaries	50,888	-
Benefits	8,211	-
Services	6,055	-
Supplies	98,457	-
Depreciation	3,647	-
	167,258	-
TOTAL OPERATING EXPENSES	167,258	-
OPERATING LOSS	(87,116)	-
NON-OPERATING REVENUES(EXPENSES):		
Transfer out	-	(6,589)
State sources	1,828	-
Federal sources	109,571	-
Interest income	45	-
TOTAL NON-OPERATING REVENUES(EXPENSES)	111,444	(6,589)
Change in net position	24,328	(6,589)
Net position beginning of year	98,942	6,589
Net position end of year	\$ 123,270	-

SEE NOTES TO FINANCIAL STATEMENTS.

OLDEBOLT-ARTHUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business Type	
	Enterprise Fund	Governmental
	School	Internal
	Nutrition	Service
Cash flows from operating activities:		
Cash received from charges for services	\$ 81,154	-
Cash received from miscellaneous operating activities	381	-
Cash payments to employees for services	(59,099)	-
Cash payments to suppliers for goods or services	(88,665)	-
Net cash provided by(used by) operating activities	<u>(66,229)</u>	<u>-</u>
Cash flows from non-capital financing activities:		
Transfer to General Fund	-	(6,589)
Borrowings from General Fund	3,034	-
State grants received	1,828	-
Federal grants received	96,541	-
Net cash provided by non-capital financing activities	<u>101,403</u>	<u>(6,589)</u>
Cash flows from investing activities:		
Interest on investments	45	-
Cash flows from capital financing activities:		
Acquisitions of capital assets	(1,604)	-
Net increase in cash and cash equivalents	33,615	(6,589)
Cash and cash equivalents at beginning of year	69,064	6,589
Cash and cash equivalents at end of year	<u>\$ 102,679</u>	<u>-</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (87,116)	-
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	13,030	-
Depreciation	3,647	-
Increase in inventories	(332)	-
Increase in accounts payable	3,149	-
Increase in unearned revenue	1,393	-
Net cash used by operating activities	<u>\$ (66,229)</u>	<u>-</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$13,030.

SEE NOTES TO FINANCIAL STATEMENTS.

ODEBOLT-ARTHUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 105,625
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for scholarships	<u>\$ 105,625</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
ADDITIONS:	\$	-
DEDUCTIONS:		
Instruction:		
Regular:		
Scholarships awarded	4,050	
Change in net position	(4,050)	
Net position beginning of year	109,675	
Net position end of year	<u>\$</u>	<u>105,625</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ODEBOLT-ARTHUR COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

The Odebolt-Arthur Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Odebolt and Arthur, Iowa, and the predominate agricultural territory in Sac, Ida and Crawford 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, Odebolt-Arthur Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Odebolt-Arthur 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 Sac and Ida County Assessors' 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 nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Management Levy Fund is used to account for resources used in the purchase of property insurance and payments for termination benefit incentives.

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

The District reports the following nonmajor proprietary fund:

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

The District also reports the following other proprietary fund:

The Internal Service Fund is used to account for the self-funded insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds are as follows:

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is 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 - restricted and then unassigned fund balances.

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

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

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

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

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

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

Property Tax Receivable - Property 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 that 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

Asset Class	Amount
Land	\$ 200
Buildings	1,500
Land improvements	1,500
Intangibles	30,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	5-25 years
Intangibles	3-40 years
Machinery and equipment	3-20 years

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

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

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

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected in the Statement of Net Position in the Proprietary Funds.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Control

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

Note 2. Cash and Pooled Investments

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

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$170,107 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
General Fund	Nutrition Fund	\$ 3,034

The Nutrition Fund is repaying the General Fund for salaries and benefits paid during the year.

Note 4. Interfund Transfers

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

Transfer to	Transfer from	Amount
General Fund	Activity Fund	\$ 2,087
General Fund	Internal Service	6,589
Total		\$ 8,676

The transfer from the Activity Fund to the General Fund was needed to close the activity fund TAG account to the General Fund.

The transfer from the Internal Service Fund to the General Fund was to close the remaining balance from discontinuing the self-funded insurance plan of the District.

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,850	-	-	10,850
Total capital assets not being depreciated	10,850	-	-	10,850
Capital assets being depreciated:				
Buildings	3,106,177	418,808	-	3,524,985
Land improvements	466,447	109,146	-	575,593
Machinery and equipment	997,717	43,216	-	1,040,933
Total capital assets being depreciated	4,570,341	571,170	-	5,141,511
Less accumulated depreciation for:				
Buildings	1,750,313	91,043	-	1,841,356
Land improvements	268,010	21,993	-	290,003
Machinery and equipment	880,907	32,258	-	913,165
Total accumulated depreciation	2,899,230	145,294	-	3,044,524
Total capital assets being depreciated, net	1,671,111	425,876	-	2,096,987
Governmental activities capital assets, net	\$ 1,681,961	425,876	-	2,107,837
Business type activities:				
Machinery and equipment	\$ 70,794	1,604	-	72,398
Less accumulated depreciation	45,601	3,647	-	49,248
Business type activities capital assets, net	\$ 25,193	(2,043)	-	23,150

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 15,191
Other	560
Support services:	
Operation and maintenance of plant	6,766
Transportation	9,741
	<u>32,258</u>
Unallocated depreciation	<u>113,036</u>
Total governmental activities depreciation expense	<u>\$ 145,294</u>
Business type activities:	
Food services	<u>\$ 3,647</u>

Note 6. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Termination benefits	\$ 233,832	-	55,006	178,826	61,608
Net OPEB liability	119,718	13,963	-	133,681	-
Total	<u>\$ 353,550</u>	<u>13,963</u>	<u>55,006</u>	<u>312,507</u>	<u>61,608</u>

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal year 2013. Eligible employees must have completed at least twelve years of full-time service to the District and must have reached the age of fifty-five on or before July 1 of the year the application for early retirement is submitted. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits for fiscal year 2014 consist of the District paying a portion of the single premium, but not to exceed the total cost of \$5,800 per retiree.

At June 30, 2014, the District has obligations to eleven participants with a total liability of \$178,826. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$55,006.

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$190,294, \$205,768 and \$178,074, respectively, equal to the required contributions for each year.

Note 8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 38 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate 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 which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Districts 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	\$	26,260
Interest on net OPEB obligation		2,993
Adjustment to annual required contribution		(10,076)
Annual OPEB cost		<u>19,177</u>
Contributions made		<u>(5,214)</u>
Increase in net OPEB obligation		13,963
Net OPEB obligation beginning of year		119,718
Net OPEB obligation end of year	\$	<u><u>133,681</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 \$5,214 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 50,048	37.31%	\$ 95,472
2013	\$ 31,464	22.94%	\$ 119,718
2014	\$ 19,177	27.19%	\$ 133,681

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$199,373, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$199,373. The covered payroll (annual payroll of active employees covered by the plan) was \$1,867,010, and the ratio of the UAAL to covered payroll was 10.68%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past

expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Risk Management

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

Note 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 \$131,672 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

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

Program	Amount
Dropout and dropout prevention programs	\$ 37,952
Beginning teach mentoring and induction	168
Teacher salary supplement	29,734
Successful progression for early readers	10,587
Professional development for core curriculum	8,686
Professional development	5,004
Teacher leadership grants	2,723
Total	<u>\$ 94,854</u>

Note 12. Prospective Accounting Change

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,183,446	80,187	3,263,633	3,473,512	3,473,512	(209,879)
State sources	1,946,439	1,828	1,948,267	1,575,805	1,575,805	372,462
Federal sources	122,550	109,571	232,121	285,000	285,000	(52,879)
Total revenues	<u>5,252,435</u>	<u>191,586</u>	<u>5,444,021</u>	<u>5,334,317</u>	<u>5,334,317</u>	<u>109,704</u>
Expenditures/Expenses:						
Instruction	3,228,172	-	3,228,172	3,447,500	3,447,500	219,328
Support services	1,374,939	-	1,374,939	1,038,300	1,500,000	125,061
Non-instructional programs	-	167,258	167,258	183,000	225,000	57,742
Other expenditures	807,955	-	807,955	569,101	1,249,828	441,873
Total expenditures/expenses	<u>5,411,066</u>	<u>167,258</u>	<u>5,578,324</u>	<u>5,237,901</u>	<u>6,422,328</u>	<u>844,004</u>
Excess(Deficiency)of revenues over(under)expenditures/expenses	(158,631)	24,328	(134,303)	96,416	(1,088,011)	953,708
Other financing sources, net	<u>6,589</u>	-	<u>6,589</u>	-	-	<u>6,589</u>
Excess(Deficiency)of revenues and other financing sources over(under) expenditures/expenses	(152,042)	24,328	(127,714)	96,416	(1,088,011)	960,297
Balance beginning of year	<u>1,927,333</u>	<u>98,942</u>	<u>2,026,275</u>	<u>2,232,267</u>	<u>2,232,267</u>	<u>(205,992)</u>
Balance end of year	<u>\$ 1,775,291</u>	<u>123,270</u>	<u>1,898,561</u>	<u>2,328,683</u>	<u>1,144,256</u>	<u>754,305</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$1,184,427.

ODEBOLT-ARTHUR 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	\$ -	\$ 729,428	\$ 729,428	0.00%	\$ 1,700,000	42.91%
2011	July 1, 2009	-	695,913	695,913	0.00%	1,920,000	36.25%
2012	July 1, 2009	-	695,913	695,913	0.00%	1,925,000	36.15%
2013	July 1, 2012	-	210,642	210,642	0.00%	1,967,996	10.70%
2014	July 1, 2012	-	199,373	199,373	0.00%	1,867,010	10.68%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SUPPLEMENTARY INFORMATION

ODEBOLT-ARTHUR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 41,799	107,768	149,567
Receivables:			
Property tax:			
Delinquent	-	3,435	3,435
Succeeding year	-	233,971	233,971
Income surtax	-	18,662	18,662
Due from other governments	131,338	-	131,338
TOTAL ASSETS	\$ 173,137	363,836	536,973
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 64,085	95,138	159,223
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	233,971	233,971
Income surtax	-	18,662	18,662
Total deferred inflows of resources	-	252,633	252,633
Fund balances:			
Restricted for:			
School infrastructure	109,052	-	109,052
Physical plant and equipment	-	16,065	16,065
Total fund balances	109,052	16,065	125,117
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 173,137	363,836	536,973

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ODEBOLT-ARUTHUR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	242,415	242,415
State sources	295,732		295,732
Total revenues	295,732	242,415	538,147
Expenditures:			
Current:			
Support services:			
Instructional staff	-	125,674	125,674
Operation and maintainance of plant services	-	9,402	9,402
Capital outlay	371,213	305,070	676,283
Total expenditures	371,213	440,146	811,359
Change in fund balances	(75,481)	(197,731)	(273,212)
Fund balance beginning of year	184,533	213,796	398,329
Fund balance end of year	\$ 109,052	16,065	125,117

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund Transfers	Balance End of Year
MS student council	\$ 6,597	8,367	7,400	-	7,564
MS athletics	78,527	6,641	17,617	-	67,551
TAG	759	1,383	55	(2,087)	-
Springbook	1,886	1,814	344	-	3,356
Total	<u>\$ 87,769</u>	<u>18,205</u>	<u>25,416</u>	<u>(2,087)</u>	<u>78,471</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ODEBOLT-ARTHUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUND
JUNE 30, 2014

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>of Year</u>
ASSETS				
Cash and pooled investments	\$ 11,767	-	11,767	-
LIABILITIES				
Due to other groups	\$ 11,767	-	11,767	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ODEBOLT-ARTHUR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 1,822,635	2,170,411	2,094,857	1,978,017	1,906,147	1,693,045	1,629,344	1,632,394	1,532,409	1,532,608
Tuition	1,051,086	1,056,363	876,698	491,868	830,763	113,085	123,304	96,803	101,939	112,921
Other	309,725	213,470	403,724	621,229	182,878	187,408	222,556	278,168	261,244	188,383
State sources	1,946,439	1,639,938	1,693,091	1,640,760	1,414,929	1,603,274	1,585,495	1,663,299	1,600,539	1,623,410
Federal sources	122,550	127,193	198,918	203,788	296,458	174,534	133,891	119,915	148,856	188,481
Total	<u>\$ 5,252,435</u>	<u>5,207,375</u>	<u>5,267,288</u>	<u>4,935,662</u>	<u>4,631,175</u>	<u>3,771,346</u>	<u>3,694,590</u>	<u>3,790,579</u>	<u>3,644,987</u>	<u>3,645,803</u>
Expenditures:										
Instruction:										
Regular	\$ 2,499,756	2,472,050	2,485,835	2,594,021	2,439,501	1,928,607	1,716,314	1,710,894	1,663,598	1,541,939
Special	409,267	420,565	411,221	291,683	336,798	337,717	334,673	304,965	308,843	346,517
Other	319,149	362,889	342,772	266,731	294,691	297,888	307,305	289,789	150,975	295,333
Support services:										
Student	116,213	127,311	98,993	122,457	119,326	169,202	164,187	146,882	185,298	76,651
Instructional staff	379,029	152,254	156,608	121,314	112,304	128,771	119,399	137,384	126,761	100,015
Administration	423,673	496,998	384,589	368,537	410,923	404,520	400,792	396,834	383,621	290,063
Operation and maintenance of plant	306,693	297,440	246,540	257,591	258,190	274,351	267,036	298,827	237,283	295,936
Transportation	149,331	185,127	143,975	170,917	124,437	146,066	125,634	174,208	116,751	103,095
Non-instructional:										
Food service operations	-	3,557	11,590	3,897	4,749	5,394	5,153	-	-	9,978
Capital outlay	676,283	396,300	170,169	260,222	365,199	316,917	403,923	181,496	186,138	55,927
Long-term debt:										
Principal	-	-	-	-	50,000	75,000	75,000	-	-	-
Interest	-	-	-	-	1,000	3,500	6,856	-	-	-
Other expenditures:										
AEA flow-through	131,672	126,828	124,326	139,785	140,290	126,913	123,291	122,773	118,773	119,259
Total	<u>\$ 5,411,066</u>	<u>5,041,319</u>	<u>4,576,618</u>	<u>4,597,155</u>	<u>4,657,408</u>	<u>4,214,846</u>	<u>4,049,563</u>	<u>3,764,052</u>	<u>3,478,041</u>	<u>3,234,713</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the Odebolt-Arthur Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental 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 Odebolt-Arthur Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 3, 2015.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Odebolt-Arthur Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

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

Odebolt-Arthur Community School District's Responses to Findings

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

Purpose of this Report

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 3, 2015
Newton, Iowa

ODEBOLT-ARTHUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District.

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

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

Response - The District will investigate available alternatives and implement as soon as possible. We have hired a part time person to do data entry and other miscellaneous duties at the central office that will help shift and share some of the duties listed.

Conclusion - Response accepted.

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

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

Response - Time sheets for FY 14-15 have been distributed to non-certified staff coaches.

Conclusion - Response accepted.

- I-C-14 Deficit Student Nutrition Account Balances - It was noted during the audit that the Nutrition Fund is carrying numerous negative student and adult lunch account balances on the books.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances from the families. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - An Iowa Eligibility Application is sent home to families who chronically carry negative balances. An emailed low balance notice is sent out every Monday and Friday and a printed low balance notice is distributed to families every Wednesday to keep parents aware when their students are carrying a low or negative school meal balance.

Conclusion - Response accepted.

- I-D-14 Time Sheets - We noted during our audit that the District does not currently have documentation showing that timesheets are approved by the employee's supervisor. Better internal controls are achieved if the appropriate supervisor signs off on the timesheets verifying their accuracy.

Recommendation - The District should review its procedures to ensure an acceptable level of control is achieved in regards to timesheets.

Response - Effective September 2014, time sheets are emailed monthly to the building principal. He reviews and responds with approval or comments on hours and/or overtime.

Conclusion - Response accepted.

OTHER MATTERS:

- I-E-14 Commodity Pricing - We noted during our audit of the Enterprise, School Nutrition Fund that the District did not price out the commodity inventory using the correct values at the end of the year.

Recommendation - The District should review procedures in place for calculation of commodity inventory prices. The State of Iowa provides a price guide listing of values to be used in the calculation. The District needs to use the correct price values in calculating the inventory value at year end.

Response - Error duly noted and the correct column pricing values will be used in the future when calculating inventory values at year end.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

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

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

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

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

Name, Title and Business Connection	Transaction Description	Amount
Sherri Wunschel, Paraeducator Father-in-law owns Wunschel Service	Fuel	\$ 4,254
Kim Wunschel, Paraeducator Father-in-law owns Wunschel Service	Fuel	\$ 4,254

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the father-in-law of the District's employees do not appear to represent a conflict of interest

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

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

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

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

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

II-J-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.

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

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

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

Beginning Balance	\$	184,533
Revenues:		
Sales tax revenues		295,732
		<u>480,265</u>
Expenditures:		
School infrastructure		<u>371,213</u>
Ending Balance	\$	<u><u>109,052</u></u>

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