

OKOBOJI COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Okoboji Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2013 Election)

Laurie Simington	President	2013
Dee Wermersen	Vice President	2013
Joe Conover	Board Member	2015
Brad Droegmiller	Board Member	2015
Mark Hale	Board Member	2015

(After September 2013 Election)

Joe Conover	President	2015
Brad Droegmiller	Vice President	2015
Mark Hale	Board Member	2015
Jeff Nielsen	Board Member	2017
Stacy Titterington	Board Member	2017

School Officials

Gary Janssen	Superintendent	2014
Katy Sporrer	Business Manager/ District Secretary and Treasurer	2014
Cornwall, Avery, Bjornstad & Scott	Attorney	2014

OKOBOJI 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 Okoboji 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 Okoboji Community School District, Milford, 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 Okoboji Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of Funding Progress for the Retiree Health Plan and the information on the Component Unit on pages 7 through 15 and 42 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary 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 Okoboji 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 three years 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 six years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11, 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 16, 2015 on our consideration of Okoboji 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 reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,749,139 in fiscal 2013 to \$9,930,297 in fiscal 2014, while General Fund expenditures increased from \$9,815,531 in fiscal 2013 to \$10,214,939 in fiscal 2014. This resulted in a decrease in the District's General Fund balance from \$2,312,206 at June 30, 2013 to a balance of \$2,027,564 at June 30, 2014, which is a 12.31% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in state sources in fiscal 2014. The increase in expenditures was due primarily to an increase in instruction costs in fiscal 2014.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Okoboji 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 Okoboji 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 Okoboji Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

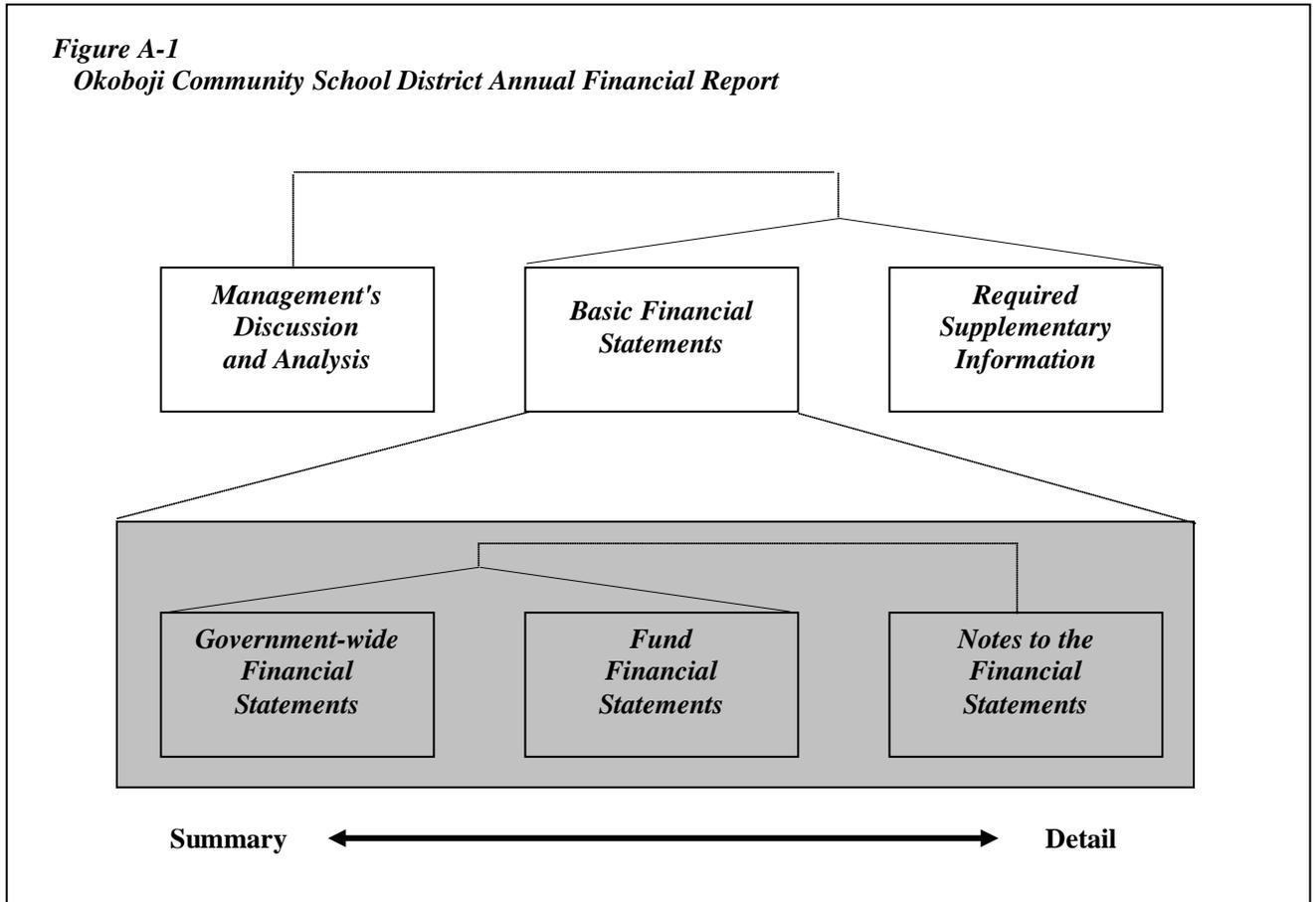


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 service 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 it has 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.
- *Component unit*: The Okoboji Community School Foundation was created to facilitate the distribution of scholarship monies to students that seek to further their education.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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 District-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 District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 13,225,134	13,737,811	150,343	120,756	13,375,477	13,858,567	-3.49%
Capital assets	14,824,389	14,893,374	76,872	67,274	14,901,261	14,960,648	-0.40%
Total assets	28,049,523	28,631,185	227,215	188,030	28,276,738	28,819,215	-1.88%
Long-term obligations	3,018,886	3,456,697	19,162	19,473	3,038,048	3,476,170	-12.60%
Other liabilities	1,275,008	1,302,388	30,563	28,955	1,305,571	1,331,343	-1.94%
Total liabilities	4,293,894	4,759,085	49,725	48,428	4,343,619	4,807,513	-9.65%
Deferred inflows of resources	8,215,691	8,008,920	-	-	8,215,691	8,008,920	2.58%
Net position:							
Net investment in capital assets	12,620,780	12,336,255	76,872	67,274	12,697,652	12,403,529	2.37%
Restricted	1,661,139	1,977,570	-	-	1,661,139	1,977,570	-16.00%
Unrestricted	1,258,019	1,549,355	100,618	72,328	1,358,637	1,621,683	-16.22%
Total net position	\$ 15,539,938	15,863,180	177,490	139,602	15,717,428	16,002,782	-1.78%

The District's total net position decreased by 1.78%, or \$285,354, over the prior year. The largest portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased 16.00%, or \$316,431, over the prior year. The decrease in restricted net position can be attributed to the decrease in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund as compared to the previous year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$263,046, or 16.22%. The decrease in unrestricted net position can be attributed to the decrease in fund balance for the General Fund as compared to the previous year.

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 Change in Net Position							
	Governmental Activities		Business type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for services	\$ 930,385	1,007,524	218,286	207,988	1,148,671	1,215,512	-5.50%
Operating grants and contributions and restricted interest	951,635	814,703	225,800	216,603	1,177,435	1,031,306	14.17%
General revenues:							
Property tax	8,037,257	8,383,163	-	-	8,037,257	8,383,163	-4.13%
Income surtax	218,314	175,097	-	-	218,314	175,097	24.68%
Statewide sales, services and use tax	816,652	768,187	-	-	816,652	768,187	6.31%
Unrestricted state grants	619,163	313,797	-	-	619,163	313,797	97.31%
Unrestricted investment earnings	31,493	62,169	683	1,182	32,176	63,351	-49.21%
Other	47,691	134,112	650	1,769	48,341	135,881	-64.42%
Total revenues	11,652,590	11,658,752	445,419	427,542	12,098,009	12,086,294	0.10%
Program expenses:							
Governmental activities:							
Instructional	7,718,991	7,549,635	-	-	7,718,991	7,549,635	2.24%
Support services	3,279,179	2,959,660	5,343	2,279	3,284,522	2,961,939	10.89%
Non-instructional programs	-	-	402,188	399,086	402,188	399,086	0.78%
Other expenses	977,662	938,699	-	-	977,662	938,699	4.15%
Total expenses	11,975,832	11,447,994	407,531	401,365	12,383,363	11,849,359	4.51%
Change in net position	(323,242)	210,758	37,888	26,177	(285,354)	236,935	-220.44%
Beginning net position	15,863,180	15,652,422	139,602	113,425	16,002,782	15,765,847	1.50%
Ending net position	\$ 15,539,938	15,863,180	177,490	139,602	15,717,428	16,002,782	-1.78%

In fiscal 2014, property tax, income surtax, statewide sales, services, and use tax and unrestricted state grants account for 83.17% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.70% of the revenue from business type activities.

The District's total revenues were approximately \$12.10 million of which approximately \$11.65 million was for governmental activities and approximately \$0.45 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.10% increase in revenues and a 4.51% increase in expenses. The increase in expenses is related to increased spending on instructional and support services

Governmental Activities

Revenues for governmental activities were \$11,652,590 and expenses were \$11,975,832.

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

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 7,718,991	7,549,635	2.24%	6,233,987	5,621,073	10.90%
Support services	3,279,179	2,959,660	10.80%	3,272,600	2,772,052	18.06%
Other expenses	977,662	938,699	4.15%	587,225	612,459	-4.12%
Totals	\$ 11,975,832	11,447,994	4.61%	10,093,812	9,005,584	12.08%

For the year ended June 30, 2014:

- The cost financed by users of the District’s programs was \$930,385.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$951,635.
- The net cost of governmental activities was financed with \$8,037,257 in property tax, \$218,314 in income surtax, \$816,652 in statewide sales, services and use tax, \$619,163 in unrestricted state grants and \$31,493 in interest income and \$47,691 in other general revenues.

Business type Activities

Revenues of the District’s business type activity were \$445,419 and expenses were \$407,531. The District’s business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, interest income, and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Okoboji 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 \$3,340,765 below last year’s ending fund balances of \$4,058,048. However, the primary reason for the decrease in combined fund balances is due to the decrease in combined fund balances of the Capital Projects Fund accounts.

Governmental Fund Highlights

- The District’s General Fund financial position is the product of many factors. Increases during the year in state source revenues resulted in an increase in revenues. The increase in instructional expenditures is one of the reasons for the increase in expenditures. The net result was a decrease in fund balance from \$2,312,206 at June 30, 2013 to \$2,027,564 at June 30, 2014.

- The Capital Projects Accounts balance decreased from \$878,310 at June 30, 2013 to \$445,222 at June 30, 2014. Revenues increased compared to the prior year, primarily due to increased sales tax revenue.

Proprietary Fund Highlights

As of the year ended June 30, 2014, the School Nutrition Fund experienced an increase in revenues and increase in expenses as compared to fiscal year 2013. Overall, net position increased from \$139,602 at June 30, 2013 to \$177,490 at June 30, 2014, representing an increase of 27.14%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$154,232 less than budgeted revenues, a variance of 1.26%. The most significant variance resulted from the District receiving less in local source revenues 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 so that the District has 10% left in maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional areas.

In spite of the District's budgetary practice, expenditures in the other expenditures functional area exceeded the amount budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$14,901,261, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net decrease of 0.40% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$696,475.

The original cost of the District's capital assets was \$26,812,224. Governmental funds account for \$26,406,389 with the remainder of \$405,835 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2013 as compared to \$186,739 at June 30, 2014. This increase is due to the District beginning construction on a high school addition and remodel project.

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 248,655	248,655	-	-	248,655	248,655	0.00%
Construction in progress	186,739	-	-	-	186,739	-	100.00%
Buildings	13,462,933	13,610,154	-	-	13,462,933	13,610,154	-1.08%
Land improvements	517,747	581,867	-	-	517,747	581,867	-11.02%
Machinery and equipment	408,315	452,698	76,872	67,274	485,187	519,972	-6.69%
Total	\$ 14,824,389	14,893,374	76,872	67,274	14,901,261	14,960,648	-0.40%

Long-Term Debt

At June 30, 2014, the District had \$3,038,048 in revenue bonds and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding revenue bonds payable of \$2,090,055 at June 30, 2014.

The District had a real estate contract payable of \$113,554 at June 30, 2014.

The District had outstanding termination benefits of \$162,078 payable from the Special Revenue, Management Fund at June 30, 2014.

The District has a Net OPEB liability of \$653,199 in the governmental activities and \$19,162 in the business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenue bonds	\$ 2,090,055	2,434,035	-	-	2,090,055	2,434,035	-14.13%
Real estate contract	113,554	123,084	-	-	113,554	123,084	-7.74%
Termination benefits	162,078	235,791	-	-	162,078	235,791	-31.26%
Net OPEB liability	653,199	663,787	19,162	19,473	672,361	683,260	-1.60%
Total	\$ 3,018,886	3,456,697	19,162	19,473	3,038,048	3,476,170	-12.60%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Polaris Industries expanded their plant in Milford, Iowa; however there is a lack of affordable housing in the Okobojo School District, so the effect on the district is unknown at this time.
- Okobojo School District issued \$5,333,000 in sales tax revenue bonds, on July 1, 2015, of which \$2,060,801 was used to pay off the 2010 series revenue bonds and \$3,272,198 is being used to build an entrance addition on to the high school as well as new alternative school.

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 Katy Sporrer, Business Manager, Okobojo Community School District, 1205 7th Street, Milford, IA 51351.

OKOBOJI COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

OKOBOJI COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Unit *
	Governmental Activities	Business Type Activities	Total	Okoboji Community School Foundation
ASSETS				
Cash and pooled investments	\$ 4,322,638	144,763	4,467,401	249,525
Receivables:				
Property tax:				
Delinquent	47,988	-	47,988	-
Succeeding year	8,215,691	-	8,215,691	-
Income surtax	156,225	-	156,225	-
Accounts	38,648	148	38,796	-
Inventories	-	5,432	5,432	-
Due from other governments	443,944	-	443,944	-
Capital assets, net of accumulated depreciation	14,824,389	76,872	14,901,261	-
TOTAL ASSETS	28,049,523	227,215	28,276,738	249,525
LIABILITIES				
Accounts payable	191,358	139	191,497	-
Salaries and benefits payable	1,077,071	22,241	1,099,312	-
Interest payable	6,579	-	6,579	-
Unearned revenue	-	8,183	8,183	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds payable	356,216	-	356,216	-
Real estate contract payable	10,018	-	10,018	-
Termination benefits payable	35,136	-	35,136	-
Portion due after one year:				
Revenue bonds payable	1,733,839	-	1,733,839	-
Real estate contract payable	103,536	-	103,536	-
Termination benefits payable	126,942	-	126,942	-
Net OPEB liability	653,199	19,162	672,361	-
TOTAL LIABILITIES	4,293,894	49,725	4,343,619	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable property tax revenue	8,215,691	-	8,215,691	-
NET POSITION				
Net investment in capital assets	12,620,780	76,872	12,697,652	-
Restricted for:				
Scholarships	-	-	-	249,525
Categorical funding	516,596	-	516,596	-
Debt service	44,719	-	44,719	-
Management levy purposes	527,628	-	527,628	-
Student activities	126,975	-	126,975	-
School infrastructure	181,454	-	181,454	-
Physical plant and equipment	263,768	-	263,768	-
Unrestricted	1,258,018	100,618	1,358,636	-
TOTAL NET POSITION	\$ 15,539,938	177,490	15,717,428	249,525

* The component year end is December 31, 2013.

SEE NOTES TO FINANCIAL STATEMENTS.

**OKOBOJI COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Net (Expense) Revenue and Changes in Net Position						Component Unit ** Okoboji Community School Foundation
	Program Revenues			Primary Government		Total	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities		
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 4,721,509	547,023	43,186	(4,131,300)	-	(4,131,300)	-
Special	1,612,463	190,401	134,217	(1,287,845)	-	(1,287,845)	-
Other	1,385,019	189,715	380,462	(814,842)	-	(814,842)	-
	<u>7,718,991</u>	<u>927,139</u>	<u>557,865</u>	<u>(6,233,987)</u>	<u>-</u>	<u>(6,233,987)</u>	<u>-</u>
Support services:							
Student	236,533	-	3,333	(233,200)	-	(233,200)	-
Instructional staff	229,246	-	-	(229,246)	-	(229,246)	-
Administration	1,185,150	-	-	(1,185,150)	-	(1,185,150)	-
Operation and maintenance of plant	1,156,409	-	-	(1,156,409)	-	(1,156,409)	-
Transportation	471,841	3,246	-	(468,595)	-	(468,595)	-
	<u>3,279,179</u>	<u>3,246</u>	<u>3,333</u>	<u>(3,272,600)</u>	<u>-</u>	<u>(3,272,600)</u>	<u>-</u>
Long-term debt interest	84,614	-	-	(84,614)	-	(84,614)	-
Other expenses:							
AEA flowthrough	390,437	-	390,437	-	-	-	-
Depreciation(unallocated)*	502,611	-	-	(502,611)	-	(502,611)	-
	<u>893,048</u>	<u>-</u>	<u>390,437</u>	<u>(502,611)</u>	<u>-</u>	<u>(502,611)</u>	<u>-</u>
Total governmental activities	11,975,832	930,385	951,635	(10,093,812)	-	(10,093,812)	-
Business type activities:							
Support services:							
Operation and maintenance of plant	5,343	-	-	-	(5,343)	(5,343)	-
Non-instructional programs:							
Nutrition services	398,516	212,904	222,865	-	37,253	37,253	-
Community service	3,672	5,382	2,935	-	4,645	4,645	-
Total business type activities	<u>407,531</u>	<u>218,286</u>	<u>225,800</u>	<u>-</u>	<u>36,555</u>	<u>36,555</u>	<u>-</u>
Total primary government	<u>\$ 12,383,363</u>	<u>1,148,671</u>	<u>1,177,435</u>	<u>(10,093,812)</u>	<u>36,555</u>	<u>(10,057,257)</u>	<u>-</u>
Total component unit	<u>\$ 19,159</u>	<u>-</u>	<u>10,400</u>				<u>8,759</u>
General Revenues:							
Property tax for:							
General purposes				\$ 7,655,538	-	7,655,538	-
Capital outlay				381,719	-	381,719	-
Income surtax				218,314	-	218,314	-
Statewide sales, services and use tax				816,652	-	816,652	-
Unrestricted state grants				619,163	-	619,163	-
Unrestricted investment earnings				31,493	683	32,176	2,540
Unrealized loss on investments				-	-	-	(556)
Other				47,691	650	48,341	-
Total general revenues				<u>9,770,570</u>	<u>1,333</u>	<u>9,771,903</u>	<u>1,984</u>
Change in net position				(323,242)	37,888	(285,354)	(6,775)
Net position beginning of year				15,863,180	139,602	16,002,782	256,300
Net position end of year				<u>\$ 15,539,938</u>	<u>177,490</u>	<u>15,717,428</u>	<u>249,525</u>

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

** The component year end is December 31, 2013

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 2,886,723	326,227	866,593	4,079,543
Receivables:				
Property tax:				
Delinquent	43,648	2,239	2,101	47,988
Succeeding year	7,522,329	393,362	300,000	8,215,691
Income surtax	156,225	-	-	156,225
Accounts	36,497	-	1,222	37,719
Due from other governments	313,850	129,491	603	443,944
TOTAL ASSETS	\$ 10,959,272	851,319	1,170,519	12,981,110
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 176,083	12,735	2,540	191,358
Salaries and benefits payable	1,077,071	-	-	1,077,071
Total liabilities	1,253,154	12,735	2,540	1,268,429
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	7,522,329	393,362	300,000	8,215,691
Income surtax	156,225	-	-	156,225
Total deferred infows of resources	7,678,554	393,362	300,000	8,371,916
Fund balances:				
Restricted for:				
Categorical funding	516,596	-	-	516,596
Debt service	-	-	51,298	51,298
Management levy purposes	-	-	689,706	689,706
Student activities	-	-	126,975	126,975
School infrastructure	-	181,454	-	181,454
Physical plant and equipment	-	263,768	-	263,768
Assigned	14,934	-	-	14,934
Unassigned	1,496,034	-	-	1,496,034
Total fund balances	2,027,564	445,222	867,979	3,340,765
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,959,272	851,319	1,170,519	12,981,110

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI 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)	\$	3,340,765
 <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.		14,824,389
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		244,024
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		156,225
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(6,579)
Long-term liabilities, including revenue bonds payable, termination benefits payable, real estate contract payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(3,018,886)</u>
Net position of governmental activities(page 18)	\$	<u><u>15,539,938</u></u>

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

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 7,512,542	381,719	351,248	8,245,509
Tuition	676,678	-	-	676,678
Other	147,130	2,534	213,944	363,608
Intermediate sources	3,219	-	-	3,219
State sources	1,256,062	816,769	118	2,072,949
Federal sources	280,565	-	-	280,565
TOTAL REVENUES	9,876,196	1,201,022	565,310	11,642,528
EXPENDITURES:				
Current:				
Instruction:				
Regular	4,455,538	188,061	157,436	4,801,035
Special	1,618,860	-	-	1,618,860
Other	1,178,301	10,300	198,823	1,387,424
	7,252,699	198,361	356,259	7,807,319
Support services:				
Student	237,170	-	-	237,170
Instructional staff	162,883	40,819	-	203,702
Administration	990,837	58,306	146,257	1,195,400
Operation and maintenance of plant	816,038	5,411	46,052	867,501
Transportation	364,875	85,750	16,295	466,920
	2,571,803	190,286	208,604	2,970,693
Capital outlay	-	806,306	-	806,306
Long-term debt:				
Principal	-	-	353,510	353,510
Interest and fiscal charges	-	-	85,647	85,647
	-	-	439,157	439,157
Other expenditures:				
AEA flowthrough	390,437	-	-	390,437
TOTAL EXPENDITURES	10,214,939	1,194,953	1,004,020	12,413,912
Excess(Deficiency) of revenues over(under)expenditures	(338,743)	6,069	(438,710)	(771,384)
Other financing sources(uses):				
Transfer in	-	-	439,157	439,157
Transfer out	-	(439,157)	-	(439,157)
Insurance proceeds	54,101	-	-	54,101
Total other financing sources(uses)	54,101	(439,157)	439,157	54,101
Change in fund balances	(284,642)	(433,088)	447	(717,283)
Fund balance beginning of year	2,312,206	878,310	867,532	4,058,048
Fund balance end of year	\$ 2,027,564	445,222	867,979	3,340,765

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI 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) \$ (717,283)

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. Capital outlay expenditures and depreciation expense of assets in the current year are as follows:

Expenditures for capital assets	\$ 617,736	
Depreciation expense	<u>(686,721)</u>	(68,985)

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis.	14,120
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Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows:

Repaid	353,510
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	1,033
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Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds.	10,062
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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 funds.

Termination benefits	73,713	
Other postemployment benefits	<u>10,588</u>	<u>84,301</u>

Change in net position of governmental activities(page 19) \$ (323,242)

OKOBOJI COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business Type Activities: Enterprise Fund			Governmental Activities: Internal Service Fund
	School Nutrition	Community Service	Total	
ASSETS				
Current assets:				
Cash and pooled investments	\$ 139,965	4,798	144,763	243,095
Accounts receivable	148	-	148	929
Inventories	5,432	-	5,432	-
Total current assets	<u>145,545</u>	<u>4,798</u>	<u>150,343</u>	<u>244,024</u>
Non-current assets:				
Capital assets, net of accumulated depreciation	76,872	-	76,872	-
TOTAL ASSETS	<u>222,417</u>	<u>4,798</u>	<u>227,215</u>	<u>244,024</u>
LIABILITIES				
Current liabilities:				
Accounts payable	-	139	139	-
Salaries and benefits payable	22,241	-	22,241	-
Unearned revenue	8,183	-	8,183	-
Total current liabilities	<u>30,424</u>	<u>139</u>	<u>30,563</u>	<u>-</u>
Non-current liabilities:				
Net OPEB liability	19,162	-	19,162	-
TOTAL LIABILITIES	<u>49,586</u>	<u>139</u>	<u>49,725</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	76,872	-	76,872	-
Unrestricted	95,959	4,659	100,618	244,024
TOTAL NET POSITION	<u>\$ 172,831</u>	<u>4,659</u>	<u>177,490</u>	<u>244,024</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Fund			Governmental
	School	Community	Total	Activities: Internal
	Nutrition	Service		Service Fund
OPERATING REVENUE:				
Local sources:				
Charges for service	\$ 212,904	5,382	218,286	-
Contributions	-	2,935	2,935	-
Miscellaneous	650	-	650	1,217,293
TOTAL OPERATING REVENUES	213,554	8,317	221,871	1,217,293
OPERATING EXPENSES:				
Support services:				
Operation and maintenance of plant:				
Services	5,343	-	5,343	-
Non-instructional programs:				
Food service operations:				
Salaries	133,200	-	133,200	-
Benefits	53,065	-	53,065	-
Services	964	-	964	-
Supplies	201,533	-	201,533	-
Depreciation	9,754	-	9,754	-
	398,516	-	398,516	-
Other enterprise operations:				
Benefits	-	-	-	1,190,427
Services	-	-	-	13,982
Supplies	-	3,672	3,672	-
	-	3,672	3,672	1,204,409
Total non-instructional programs	398,516	3,672	402,188	1,204,409
TOTAL OPERATING EXPENSES	403,859	3,672	407,531	1,204,409
OPERATING INCOME(LOSS)	(190,305)	4,645	(185,660)	12,884
NON-OPERATING REVENUES:				
State sources	3,814	-	3,814	-
Federal sources	219,051	-	219,051	-
Interest income	669	14	683	1,236
TOTAL NON-OPERATING REVENUES	223,534	14	223,548	1,236
Change in net position	33,229	4,659	37,888	14,120
Net position beginning of year	139,602	-	139,602	229,904
Net position end of year	\$ 172,831	4,659	177,490	244,024

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type Activities: Enterprise Fund			Governmental Activities: Internal Service Fund
	School Nutrition	Community Service	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 212,997	-	212,997	-
Cash received from miscellaneous operating activities	650	5,382	6,032	1,216,388
Cash received from donations	-	2,935	2,935	-
Cash payments to employees for services	(185,021)	-	(185,021)	-
Cash payments to suppliers for goods or services	(185,697)	(3,533)	(189,230)	(1,204,409)
Net cash provided by(used in) operating activities	<u>(157,071)</u>	<u>4,784</u>	<u>(152,287)</u>	<u>11,979</u>
Cash flows from non-capital financing activities:				
State grants received	3,814	-	3,814	-
Federal grants received	196,342	-	196,342	-
Net cash provided by non-capital financing activities	<u>200,156</u>	<u>-</u>	<u>200,156</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(19,352)	-	(19,352)	-
Cash flows from investing activities:				
Interest on investments	669	14	683	1,236
Net increase in cash and cash equivalents	24,402	4,798	29,200	13,215
Cash and cash equivalents at beginning of year	115,563	-	115,563	229,879
Cash and cash equivalents at end of year	<u>\$ 139,965</u>	<u>4,798</u>	<u>144,763</u>	<u>243,094</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (190,306)	4,645	(191,413)	12,884
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	22,709	-	22,709	-
Depreciation	9,754	-	9,754	-
Increase in inventories	(566)	-	(566)	-
Decrease(Increase) in accounts receivable	179	-	179	(905)
Increase in accounts payable	-	139	139	-
Increase in salaries and benefits payable	1,555	-	1,555	-
Decrease in unearned revenue	(86)	-	(86)	-
Decrease in other postemployment benefits	(311)	-	(311)	-
Net cash provided by(used in) operating activities	<u>\$ (157,072)</u>	<u>4,784</u>	<u>(158,040)</u>	<u>11,979</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$22,709.

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 31,305
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for scholarships	<u>\$ 31,305</u>

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
ADDITIONS:	
Local sources:	
Interest	\$ 138
Contributions	8,100
TOTAL ADDITIONS	<u>8,238</u>
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	<u>8,450</u>
Change in net position	(212)
Net position beginning of year	<u>31,517</u>
Net position end of year	<u>\$ 31,305</u>

SEE NOTES TO FINANCIAL STATEMENTS.

OKOBOJI COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

The Okoboji Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Milford, Arnolds Park, Fostoria, Okoboji, West Okoboji and Wahpeton, Iowa and the agricultural area in Dickinson and Clay 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, Okoboji 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.

These financial statements present Okoboji Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting because of the significance of its operational or financial relationship with the District. Certain disclosures about the component unit are not included because the component unit is unaudited.

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

Discrete Component Unit - Okoboji Community School Foundation is a legally separate not-for-profit foundation. The Foundation was established for the purpose of granting scholarships to students of the Okoboji Community School District who will attend community colleges and universities. The Foundation is governed by an independent Board of Directors.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District also reports one nonmajor proprietary fund:

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

The District also reports one other proprietary fund:

The Internal Service Fund is used to account for the self-funded employee health insurance plan of the District and the employee's flexible spending plan. 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 include the following:

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.

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 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 - committed, assigned, 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 during the fiscal year on a cash basis. At the end of the fiscal year, for reporting purposes, the District prepares the financial statements on an accrual basis 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The 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	\$ 0
Buildings	2,500
Land improvements	2,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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	20 years
Machinery and equipment	5-12 years

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

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

soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of unspent grant proceeds as well as 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 on 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.

Assigned - Amounts are not available for appropriation but are set aside for a specific purpose.

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

Note 2. Cash and Pooled Investments

The District’s deposits at June 30, 2014 were entirely covered by federal depository insurance or 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 no investments to be reported.

Note 3. Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services, and Use Tax	\$ 439,157
		\$ 439,157

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

Note 4. 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	\$ 248,655	-	-	248,655
Construction in progress	-	186,739	-	186,739
Total capital assets not being depreciated	<u>248,655</u>	<u>186,739</u>	<u>-</u>	<u>435,394</u>
Capital assets being depreciated:				
Buildings	20,732,010	291,270	-	21,023,280
Land improvements	1,418,967	-	-	1,418,967
Machinery and equipment	3,389,021	139,727	-	3,528,748
Total capital assets being depreciated	<u>25,539,998</u>	<u>430,997</u>	<u>-</u>	<u>25,970,995</u>
Less accumulated depreciation for:				
Buildings	7,121,856	438,491	-	7,560,347
Land improvements	837,100	64,120	-	901,220
Machinery and equipment	2,936,323	184,110	-	3,120,433
Total accumulated depreciation	<u>10,895,279</u>	<u>686,721</u>	<u>-</u>	<u>11,582,000</u>
Total capital assets being depreciated, net	<u>14,644,719</u>	<u>(255,724)</u>	<u>-</u>	<u>14,388,995</u>
Governmental activities capital assets, net	<u>\$ 14,893,374</u>	<u>(68,985)</u>	<u>-</u>	<u>14,824,389</u>
Business type activities:				
Machinery and equipment	\$ 386,483	19,352	-	405,835
Less accumulated depreciation	319,209	9,754	-	328,963
Business type activities capital assets, net	<u>\$ 67,274</u>	<u>9,598</u>	<u>-</u>	<u>76,872</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 5,892
Other	35,649
Support services:	
Instructional staff	28,728
Administration	4,319
Operation and maintenance	15,446
Transportation	94,076
	<u>184,110</u>
Unallocated depreciation	<u>502,611</u>
Total governmental activities depreciation expense	<u>\$ 686,721</u>
Business type activities:	
Food services	<u>\$ 9,754</u>

Note 5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 2,434,035	-	343,980	2,090,055	356,216
Real estate contract	123,084	-	9,530	113,554	10,018
Termination benefits	235,791	-	73,713	162,078	35,156
Net OPEB liability	663,787	-	10,588	653,199	-
Total	\$ 3,456,697	-	437,811	3,018,886	401,390
Business Type Activities:					
Net OPEB liability	\$ 19,473	-	311	19,162	-

Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue of August 23, 2010			
	Interest Rates	Principal	Interest	Total
2015	3.50 %	\$ 356,216	67,474	423,690
2016	3.50	368,885	54,804	423,689
2017	3.50	382,005	41,684	423,689
2018	3.50	395,592	28,097	423,689
2019	3.50	409,662	14,027	423,689
2020	3.50	177,695	1,575	179,270
Total		\$ 2,090,055	207,661	2,297,716

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,500,000 bonds issued in August 2010. The bonds were issued for the purpose of financing school renovations. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2020. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 52% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,297,716. For the current year, \$343,980 of principal and \$79,709 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$816,652.

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

The bonds will only be redeemed from the future earnings of the statewide sales, services and use tax revenues received by the District and the bond holders hold a lien on the future revenues received.

Real Estate Contract

In fiscal 2009, the District borrowed \$163,000 for the purchase of a building to house the alternative high school. Principal and interest payments will be made from the Capital Projects: Statewide Sales, Services and Use Tax Fund. Details of the District's June 30, 2014 real estate contract indebtedness are as follows:

Year Ending June 30,	Real Estate Contract			
	Interest Rate	Principal	Interest	Total
2015	5.00 %	\$ 10,018	5,450	15,468
2016	5.00	103,536	5,048	108,584
Total		\$ 113,554	10,498	124,052

Originally, monthly payments of \$1,289 were due through September 1, 2013. During the year ended June 30, 2014, United Community Bank agreed to extend the monthly payments until the alternative high school project is completed. At the time of project completion, the remaining balance of the contract will have to be repaid or refinanced.

Termination Benefits

During the year ended June 30, 2012, the District approved a voluntary early retirement plan for certified employees. Employees were eligible if they were at least age fifty-five by January 1, 2012 and completed fifteen years continuous service to the District. Employees must have completed an application which was subject to approval by the Board of Education.

The benefit has a value of \$50,000 and may either be taken in cash payments over six fiscal years or applied to insurance on a monthly basis, until exhausted. This Board does not intend to offer early retirement in the next two (2) years. Future Boards will determine if early retirement is offered (per Board Policy 407.3).

At June 30, 2014, the District has obligations to five participants with a total liability of \$162,078. Early retirement expenditures for the year ended June 30, 2014 totaled \$73,713.

Note 6. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$549,676, \$505,571 and \$481,365 respectively, equal to the required contributions for each year.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 127 active and 21 retired members in the plan.

The medical/prescription drug benefit, which is a partially self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 142,693
Interest on net OPEB obligation	17,082
Adjustment to annual required contribution	(101,442)
Annual OPEB cost	<u>58,333</u>
Contributions made	<u>(69,232)</u>
Increase in net OPEB obligation	(10,899)
Net OPEB obligation - beginning of year	<u>683,260</u>
Net OPEB obligation - end of year	<u>\$ 672,361</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2012.

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	\$ 345,855	28.52%	\$ 691,019
2013	67,440	111.51%	683,260
2014	58,333	118.68%	672,361

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 \$0.684 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.684 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5,754 million, and the ratio of the UAAL to the covered payroll was 11.89%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the 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 that are 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 health cost trend rate for basis of the actuarial was 6% per year.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the 2006 Society of Actuaries Study.

Projected claim costs of the medical plan are \$504 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

In addition, the District is exposed to various risks to 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$390,437 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Budget Overexpenditure

During the year ended June 30, 2014, the District exceeded its budget in the other expenditures functional area.

Note 11. Operating Lease

During the year ended June 30, 2011, the District entered into an agreement with Canon to lease a copy machine for the elementary school. Lease payments of \$977 per month began for sixty months in July of 2011. For the year ended June 30, 2014, the District paid \$11,724 for lease of the copy machine. The District has twenty-four months remaining on the lease for a total of \$23,448.

Note 12. Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2014 are broken out by the following projects:

Project	Amount
Teacher Salary Supplement	\$ 92,656
4 Year Old Preschool	342,261
Professional Development	40,999
Professional Development for Model Core Curriculum	1,563
Beginning Teacher Mentoring	8,501
Market Factor	3,205
Market Factor Incentives	6,551
Gifted and Talented	11,471
Successful Progression for Early Readers	9,389
Total	<u>\$ 516,596</u>

Note 13. Construction Commitment

The District has entered into various contracts totaling \$2,729,239 for the high school addition/renovation project. As of June 30, 2014, costs of \$186,739 had been incurred against the contracts. The balance of \$2,542,500 remaining at June 30, 2014 will be paid as work on the project progresses.

Note 14. Assigned Fund Balances

The District's ending assigned fund balances as of June 30, 2014 are intended for the following projects:

<u>Project</u>	<u>Amount</u>
Memorial Fund	\$ 2,655
Elementary School Field Trip	3,369
Elementary School Guided Reading	50
Elementary School Supplies	5,185
Elementary School BD Youth Programs	1,251
Middle School Supplies	200
Middle School PE	1251
Okoboji Scrip	973
Total	<u>\$ 14,934</u>

Note 15. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented 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.

OKOBOJI COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

OKOBOJI 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 Fund Actual	Proprietary Fund Actual	Total Actual			Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 9,285,795	222,554	9,508,349	10,483,077	10,483,077	(974,728)
Intermediate sources	3,219	-	3,219	-	-	3,219
State sources	2,072,949	3,814	2,076,763	1,289,102	1,289,102	787,661
Federal sources	280,565	219,051	499,616	470,000	470,000	29,616
Total revenues	<u>11,642,528</u>	<u>445,419</u>	<u>12,087,947</u>	<u>12,242,179</u>	<u>12,242,179</u>	<u>(154,232)</u>
Expenditures/Expenses:						
Instruction	7,807,319	-	7,807,319	8,710,000	8,710,000	902,681
Support services	2,970,693	5,343	2,976,036	3,505,000	3,505,000	528,964
Non-instructional programs	-	402,188	402,188	450,000	450,000	47,812
Other expenditures	1,635,900	-	1,635,900	1,619,518	1,619,518	(16,382)
Total expenditures/expenses	<u>12,413,912</u>	<u>407,531</u>	<u>12,821,443</u>	<u>14,284,518</u>	<u>14,284,518</u>	<u>1,463,075</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(771,384)	37,888	(733,496)	(2,042,339)	(2,042,339)	1,308,843
Other financing sources, net	<u>54,101</u>	<u>-</u>	<u>54,101</u>	<u>-</u>	<u>-</u>	<u>54,101</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(717,283)	37,888	(679,395)	(2,042,339)	(2,042,339)	1,362,944
Balance beginning of year	<u>4,058,048</u>	<u>139,602</u>	<u>4,197,650</u>	<u>3,995,638</u>	<u>3,995,638</u>	<u>(202,012)</u>
Balance end of year	<u>\$ 3,340,765</u>	<u>177,490</u>	<u>3,518,255</u>	<u>1,953,299</u>	<u>1,953,299</u>	<u>1,160,932</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI 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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except 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 or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

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

OKOBOJI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 2,555	\$ 2,555	0.0%	\$ 5,692	44.89%
2011	July 1, 2009	\$ -	\$ 2,460	\$ 2,460	0.0%	\$ 5,290	46.50%
2012	July 1, 2009	\$ -	\$ 2,320	\$ 2,320	0.0%	\$ 5,486	42.29%
2013	July 1, 2012	\$ -	\$ 760	\$ 760	0.0%	\$ 5,112	14.87%
2014	July 1, 2012	\$ -	\$ 684	\$ 684	0.0%	\$ 5,754	11.89%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OKOBOJI COMMUNITY SCHOOL DISTRICT
STATEMENT OF ASSETS, LIABILITIES AND NET POSITION
COMPONENT UNIT
DECEMBER 31, 2013

	Okoboji Community School Foundation
ASSETS	
Cash and pooled investments	\$ 249,525
LIABILITIES	
	-
NET POSITION	
Restricted for scholarships	\$ 249,525

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT
STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND
CHANGES IN NET POSITION
COMPONENT UNIT
YEAR ENDED DECEMBER 31, 2013

	Okoboji Community School Foundation
Support and Revenue:	
Investment income	\$ 2,540
Public support	10,400
Total support and revenue	12,940
Expenses:	
Investment management fees	131
Office	28
Scholarships	19,000
Unrealized loss on investments	556
Total expenses	19,715
Change in net position	(6,775)
Net position beginning of year	256,300
Net position end of year	\$ 249,525

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

OKOBOJI COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total Special Revenue		
ASSETS					
Cash and pooled investments	\$ 687,605	127,690	815,295	51,298	866,593
Receivables:					
Property tax					
Delinquent	2,101	-	2,101	-	2,101
Succeeding year	300,000	-	300,000	-	300,000
Accounts	-	1,222	1,222	-	1,222
Due from other governments	-	603	603	-	603
TOTAL ASSETS	\$ 989,706	129,515	1,119,221	51,298	1,170,519
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	2,540	2,540	-	2,540
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	300,000	-	300,000	-	300,000
Fund balances:					
Restricted for:					
Debt service	-	-	-	51,298	51,298
Management levy purposes	689,706	-	689,706	-	689,706
Student activities	-	126,975	126,975	-	126,975
Total fund balances	689,706	126,975	816,681	51,298	867,979
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 989,706	129,515	1,119,221	51,298	1,170,519

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	Special Revenue				Total
	Management Levy	Student Activity	Total Special Revenue	Debt Service	
REVENUES:					
Local sources:					
Local tax	\$ 351,248	-	351,248	-	351,248
Other	9,362	204,275	213,637	307	213,944
State sources	118	-	118	-	118
TOTAL REVENUES	360,728	204,275	565,003	307	565,310
EXPENDITURES:					
Current:					
Instruction:					
Regular	157,436	-	157,436	-	157,436
Other	-	198,823	198,823	-	198,823
Support services:					
Administration	145,170	1,087	146,257	-	146,257
Operation and maintenance of plant	46,052	-	46,052	-	46,052
Transportation	16,295	-	16,295	-	16,295
Long-term debt:					
Principal	-	-	-	353,510	353,510
Interest and fiscal charges	-	-	-	85,647	85,647
TOTAL EXPENDITURES	364,953	199,910	564,863	439,157	1,004,020
Excess(Deficiency) of revenues over(under) expenditures	(4,225)	4,365	140	(438,850)	(438,710)
Other financing sources:					
Transfer in	-	-	-	439,157	439,157
Change in fund balances	(4,225)	4,365	140	307	447
Fund balance beginning of year	693,931	122,610	816,541	50,991	867,532
Fund balance end of year	<u>\$ 689,706</u>	<u>126,975</u>	<u>816,681</u>	<u>51,298</u>	<u>867,979</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 64,698	261,529	326,227
Receivables:			
Property tax			
Delinquent	-	2,239	2,239
Succeeding year	-	393,362	393,362
Due from other governments	129,491	-	129,491
TOTAL ASSETS	\$ 194,189	657,130	851,319
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 12,735	-	12,735
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	393,362	393,362
Fund balances:			
Restricted for:			
School infrastructure	181,454	-	181,454
Physical plant and equipment	-	263,768	263,768
Total fund balances	181,454	263,768	445,222
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 194,189	657,130	851,319

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT 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	\$ -	381,719	381,719
Other	1,212	1,322	2,534
State sources	816,652	117	816,769
TOTAL REVENUES	817,864	383,158	1,201,022
EXPENDITURES:			
Current:			
Instruction:			
Regular	26,877	161,184	188,061
Other	4,585	5,715	10,300
Support services:			
Instructional staff	5,533	35,286	40,819
Administration	1,138	57,168	58,306
Operation and maintenance of plant	1,297	4,114	5,411
Transportation	-	85,750	85,750
Capital outlay	762,334	43,972	806,306
TOTAL EXPENDITURES	801,764	393,189	1,194,953
Excess(Deficiency) of revenues over(under) expenditures	16,100	(10,031)	6,069
Other financing uses:			
Transfer out	(439,157)	-	(439,157)
Change in fund balances	(423,057)	(10,031)	(433,088)
Fund balance beginning of year	604,511	273,799	878,310
Fund balance end of year	\$ 181,454	263,768	445,222

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI 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	Intrafund Transfers	Balance End of Year
All School Play	\$ 1,694	1,045	847	-	1,892
Speech	-	2,485	4,885	2,400	-
Debate Tournament	1,846	1,905	886	(1,921)	944
HS Debate	2,096	1,073	6,766	3,597	-
Debate Fundraiser	972	175	-	-	1,147
Show Choir	3,750	1,002	1,295	-	3,457
Jazz Band	-	3,526	5,607	2,082	1
Musical	4,888	3,008	3,984	-	3,912
Cross Country	100	1,157	1,215	419	461
Tennis	37	-	-	-	37
Boys Basketball	1,105	7,652	7,177	158	1,738
Boys Basketball - Fundraiser	-	1,499	260	(408)	831
Football	6,874	16,385	21,580	87	1,766
Football Fundraisers	2,660	4,950	7,610	-	-
Baseball	303	4	3,853	4,001	455
Boys Track	1,026	177	3,212	2,209	200
Boys Golf	55	160	1,155	1,809	869
Wrestling	1,227	8,753	8,407	854	2,427
Wrestling Fundraisers	-	186	-	(186)	-
Girls Basketball	4,535	8,850	10,283	(41)	3,061
Volleyball	2,183	8,939	10,308	360	1,174
Volleyball Fundraiser	-	835	934	100	1
Softball	2,316	2,033	4,202	2,919	3,066
Softball Fundraiser	5	950	402	-	553
Girls Track	96	73	1,020	2,210	1,359
Girls Golf	-	76	707	1,410	779
MS Athletics	606	300	2,787	3,257	1,376
Class of 2013	1,441	-	150	(1,291)	-
Class of 2014	496	889	717	-	668
Class of 2015	1,477	427	777	-	1,127
Class of 2016	1,107	434	27	-	1,514
Class of 2017	1,287	434	27	-	1,694
Class of 2018	-	-	-	761	761
National Honor Society	-	-	85	85	-
Activity Tickets	-	9,008	-	(8,908)	100
Interest	129	797	-	(863)	63
Concessions	1,568	33,856	22,201	(11,541)	1,682

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Student Pop	606	3,523	3,507	-	622
Pioneer Club	59	12,727	3,750	(8,055)	981
Student Council	2,400	1,709	2,410	210	1,909
Student Council Milk	878	-	-	-	878
Cheerleaders - Football	395	1,316	742	42	1,011
Cheerleaders - Basketball	350	-	666	338	22
Cheerleaders - Wrestling	632	-	39	38	631
Drill Team	82	2,978	3,582	838	316
Prom	3,150	1,265	2,047	1,467	3,835
Annual	2,131	2,573	773	-	3,931
Spanish Club	5,980	3,590	2,793	210	6,987
Science Club	1,368	-	-	-	1,368
FFA	2,913	13,174	12,627	419	3,879
FFA - Fruit Sales	29,637	14,471	15,033	-	29,075
Thespian Club	1,977	1,307	873	(191)	2,220
Art Appreciation	1,164	469	2,124	491	-
Art Society Fundraiser	470	2,515	97	(72)	2,816
Industrial Arts Club	1,583	-	-	419	2,002
Academic Awards	96	-	-	-	96
Key Club	2,099	145	480	210	1,974
HS Spec Ed Club	2,284	-	364	838	2,758
Elementary	279	-	-	-	279
EL/MS Special Ed Club	85	25	30	-	80
OES Character Counts	407	-	249	-	158
Elementary K-Kids Club	322	-	-	-	322
MS Student Senate	178	-	-	-	178
MS Concessions	583	4,157	3,747	-	993
OMS TAG - Boston Trip	794	2,036	-	-	2,830
MS Magazine Sales	8,547	11,684	9,524	(761)	9,946
MS Spirit Club	205	193	-	-	398
MS Builders Club	239	-	-	-	239
Needs Fund	4,535	1,375	1,087	-	4,823
Needs Fund - Athletics	250	-	-	-	250
MS Archery Club	53	-	-	-	53
Total	\$ 122,610	204,275	199,910	-	126,975

OKOBOJI COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 JUNE 30, 2014

	Medical	Flex	Total
ASSETS			
Cash and pooled investments	\$ 213,077	30,018	243,095
Accounts receivable	929	-	929
TOTAL ASSETS	214,006	30,018	244,024
LIABILITIES			
	-	-	-
NET POSITION			
Unrestricted	\$ 214,006	30,018	244,024

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2014

	Medical	Flex	Total
OPERATING REVENUE:			
Local sources:			
Miscellaneous	\$ 1,142,267	75,026	1,217,293
OPERATING EXPENSES:			
Other enterprise operations:			
Benefits	1,118,316	72,111	1,190,427
Services	13,982	-	13,982
TOTAL OPERATING EXPENSES	1,132,298	72,111	1,204,409
OPERATING INCOME	9,969	2,915	12,884
NON-OPERATING REVENUES:			
Interest income	1,236	-	1,236
Change in net position	11,205	2,915	14,120
Net position beginning of year	202,801	27,103	229,904
Net position end of year	\$ 214,006	30,018	244,024

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2014

	Medical	Flex	Total
Cash flows from operating activities:			
Cash received from miscellaneous operating activities	\$ 1,141,362	75,026	1,216,388
Cash payments to suppliers for goods or services	(1,132,298)	(72,111)	(1,204,409)
Net cash provided by operating activities	<u>9,064</u>	<u>2,915</u>	<u>11,979</u>
Cash flows from investing activities:			
Interest on investments	<u>1,236</u>	-	<u>1,236</u>
Net increase in cash and cash equivalents	10,300	2,915	13,215
Cash and cash equivalents at beginning of year	<u>202,776</u>	<u>27,103</u>	<u>229,879</u>
Cash and cash equivalents at end of year	<u>\$ 213,076</u>	<u>30,018</u>	<u>243,094</u>
Reconciliation of operating income(loss) to net cash provided by operating activities:			
Operating income	\$ 9,969	2,915	12,884
Adjustments to reconcile operating income to net cash provided by operating activities:			
Increase in accounts receivable	(905)	-	(905)
Net cash provided by operating activities	<u>\$ 9,064</u>	<u>2,915</u>	<u>11,979</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund							Total
	Clara Conkey Scholarship	H.E. Jacobs Scholarship	Kramer Scholarship	OHS Scholarship	Vestergaard Scholarship	Buchanan Scholarship		
ASSETS								
Cash and pooled investments	\$ 4,106	10,110	1,882	1,958	11,800	1,449	31,305	
LIABILITIES	-	-	-	-	-	-	-	
NET POSITION								
Restricted for scholarships	\$ 4,106	10,110	1,882	1,958	11,800	1,449	31,305	

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OKOBOJI COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund						Total
	Clara Conkey Scholarship	H.E. Jacobs Scholarship	Kramer Scholarship	OHS Scholarship	Vestergaard Scholarship	Buchanan Scholarship	
ADDITIONS:							
Local sources:							
Interest	\$ 2	110	16	-	-	10	138
Contributions	-	-	-	-	8,100	-	8,100
TOTAL ADDITIONS	2	110	16	-	8,100	10	8,238
DEDUCTIONS:							
Instruction:							
Regular:							
Scholarships awarded	-	-	500	450	7,500	-	8,450
Change in net position	2	110	(484)	(450)	600	10	(212)
Net position beginning of year	4,104	10,000	2,366	2,408	11,200	1,439	31,517
Net position end of year	\$ 4,106	10,110	1,882	1,958	11,800	1,449	31,305

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 8,245,509	9,307,576	8,762,689	9,031,113	8,530,278	7,995,383	7,425,261	7,804,516	6,866,765	6,522,808
Tuition	676,678	728,443	849,882	710,323	616,747	492,471	565,965	547,104	471,660	404,145
Other	363,608	499,144	411,369	418,119	418,349	545,049	471,259	695,224	401,532	361,779
Intermediate sources	3,219	500	3,580	2,700	-	-	-	-	-	-
State sources	2,072,949	863,683	1,069,971	980,673	416,163	1,432,268	1,945,081	1,830,669	2,085,303	2,250,304
Federal sources	280,565	240,535	383,261	461,724	938,420	702,721	180,647	259,106	288,506	120,445
Total	\$ 11,642,528	11,639,881	11,480,752	11,604,652	10,919,957	11,167,892	10,588,213	11,136,619	10,113,766	9,659,481
Expenditures:										
Instruction:	\$									
Regular	4,801,035	4,604,206	4,187,462	4,242,024	4,133,788	4,182,045	3,835,710	3,767,315	3,659,712	3,465,089
Special	1,618,860	1,638,770	1,499,152	1,473,944	1,353,992	1,324,689	1,305,797	1,234,842	1,164,236	1,102,321
Other	1,387,424	1,286,264	1,249,650	1,269,808	1,225,056	1,244,589	876,267	851,826	845,396	800,438
Support services:										
Student	237,170	245,561	363,459	254,227	259,635	229,474	305,035	443,438	474,575	298,795
Instructional staff	203,702	337,090	264,126	520,624	254,432	245,583	339,627	322,767	558,304	265,083
Administration	1,195,400	1,084,608	1,028,400	1,074,838	1,011,057	846,376	843,449	827,716	787,710	801,969
Operation and maintenance of plant	867,501	832,248	738,547	865,116	794,111	808,885	882,472	822,464	751,089	716,128
Transportation	466,920	484,065	427,325	465,630	388,581	428,071	393,666	438,837	361,773	226,331
Capital outlay	806,306	242,735	660,406	2,787,053	297,105	500,647	125,360	592,510	1,058,877	962,361
Long-term debt:										
Principal	353,510	574,778	357,861	612,748	777,689	747,805	714,338	873,086	973,509	1,205,000
Interest and fiscal charges	85,647	109,848	118,807	106,831	40,737	68,043	88,620	116,630	137,364	267,554
Other expenditures:										
AEA flow-through	390,437	351,173	334,755	372,750	358,743	320,746	312,783	307,878	288,255	290,337
Total	\$ 12,413,912	11,791,346	11,229,950	14,045,593	10,894,926	10,946,953	10,023,124	10,599,309	11,060,800	10,401,406

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 Okoboji Community School District:

We have audited in accordance with U.S. generally accepted auditing standard 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 Okoboji 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 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Okoboji Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Okoboji Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Okoboji Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be a material weakness 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 misstatement 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 items I-A-14 to be a material weakness.

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

Compliance and Other Matters

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

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

Okoboji Community School District's Responses to Findings

Okoboji Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Okoboji Community School District's responses 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 Okoboji 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 16, 2015
Newton, Iowa

OKOBOJI 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 reported.

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 has control over each of the following areas for the District:

1) Receipts - recording, journalizing, posting and reconciling.

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

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

I-B-14 Pre-Numbered Receipts - We noted during our audit that district is not using pre-numbered receipts in the receipting process.

Recommendation - The District should institute the use of pre-numbered receipt books to achieve better internal control over cash collections. Additionally, the use of pre-numbered receipt books allows the person responsible for bank reconciliations to be able to reconcile cash collected to the amount that was deposited in the bank. The numerical sequence of receipts should be accounted for in the reconciliation process. Any void receipts should be turned into the Central office with an explanation why the receipt was voided.

Response - We will implement the use of pre-numbered receipts.

Conclusion - Response accepted.

I-C-14 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying several significant negative student 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. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - We have implemented procedures to notify families that their lunch balance is getting low to try to prevent negative balances from happening. We have also set up a system to work with families with negative balances to complete a free and reduced lunch application.

Conclusion - Response accepted.

OTHER MATTERS:

I-D-14 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - We have set-up a review schedule for board policies.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

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

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

Response - We will amend our budget in the future if need be.

Conclusion - Response accepted.

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

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 - No business transactions between the District and District officials were noted.

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. However, we noted that the District sold computers to employees but did not publish this sale in a newspaper of general circulation. The District's Board Policy 803.1, in compliance with Chapter 297.22 of the Code of Iowa, states "*the sale of equipment, furnishings or supplies, having a value of less than \$5,000, shall be published in a newspaper of general circulation. The publication of the sale shall be published with at least one insertion each week for two consecutive weeks.*"

Recommendation - The District should review and follow the provisions of Board Policy 902.5 and Chapter 297.22 of the Iowa Code when disposing of obsolete equipment.

Response - We will publish the sale of equipment, furnishings or supplies in a newspaper of general circulation.

Conclusion - Response accepted.

- II-G-14 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by 1 student.
- Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.
- Response - The District's auditors will contact the Iowa Department of Education and the Department of Management on our behalf to resolve this matter.
- Conclusion - Response accepted.
- II-H-14 Supplementary Weighting - We noted variances regarding the supplementary weighting data certified to the Iowa Department of Education. The number certified to the Iowa Department of Education was overstated 0.348 for the fall of 2013.
- Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.
- Response - The District's auditors will contact the Iowa Department of Education and the Department of Management on our behalf to resolve this matter.
- Conclusion - Response accepted.
- 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 being used to supplant rather than supplement other funds.
- II-L-14 District and Regional Rents - We noted during our audit that the District receives money for the use of facilities when hosting district and regional events. The District currently receipts district and regional rents into the Student Activity Fund.
- Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.
- Response - We will record a portion of the money received for use of facilities for hosting district and regional events a rent in the General Fund.
- Conclusion - Response accepted.
- II-M-14 Lifetouch Picture Commissions - We noted during our audit that Lifetouch Picture commissions were being receipted to the Student Activity Fund. According to Chapter 298A.2 of the Code of Iowa all money received by a District must be accounted for in the General Fund excepted for money required by law to be accounted for in another fund. Since commissions are not identified as allowable to the Student Activity Fund, they should be put in the General Fund.

Recommendation - According to Chapter 298A.2 of the Code of Iowa all money received by a District must be accounted for in the General Fund excepted for money required by law to be accounted for in another fund. Commissions are not specifically identified as allowable revenue for the Student Activity Fund; therefore Lifetouch Picture commissions should be receipted into the General Fund.

Response - We will deposit Lifetouch Picture commissions in the General Fund.

Conclusion - Response accepted.

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the 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		\$	604,511
Revenues:			
Sales Tax Revenues	\$	816,652	
Other Local Revenues		1,212	817,864
			<u>1,422,375</u>
Expenditures/Transfers out:			
School Infrastructure Construction	\$	431,912	
Equipment		160,988	
Other		208,864	
Transfers to Other Funds			
Debt Service Fund		439,157	1,240,921
			<u>1,240,921</u>
Ending balance		\$	<u>181,454</u>

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