

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Orient-Macksburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2013 election)		
Brian Rohrig	President	2013
Eldon Ray	Vice President	2015
Wendi Eslinger	Board Member	2013
Randy Hensley	Board Member	2015
Doug White	Board Member	2015
Board of Education (After September 2013 election)		
Eldon Ray	President	2015
Stephanie Mikkelsen	Vice President	2017
Wendi Eslinger	Board Member	2017
Randy Hensley	Board Member	2015
Doug White	Board Member	2015
School Officials		
Clark Wicks	Superintendent	2014
Julie Frederick	District Secretary/ Treasurer	2014
Ahlers & Cooney, P.C.	Attorney	2014

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Orient-Macksburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 26, 2015 our consideration of Orient-Macksburg Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Orient-Macksburg Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,627,078 in fiscal year 2013 to \$2,275,660 in fiscal year 2014, while General Fund expenditures decreased from \$2,828,138 in fiscal year 2013 to \$2,675,648 in fiscal year 2014. This resulted in a decrease in the District's General Fund balance from \$703,316 at June 30, 2013 to \$303,328 at June 30, 2014, a 56.87% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local and federal source revenues during fiscal year 2014. The decrease in expenditures was primarily due to a decrease in support service expenditures.

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

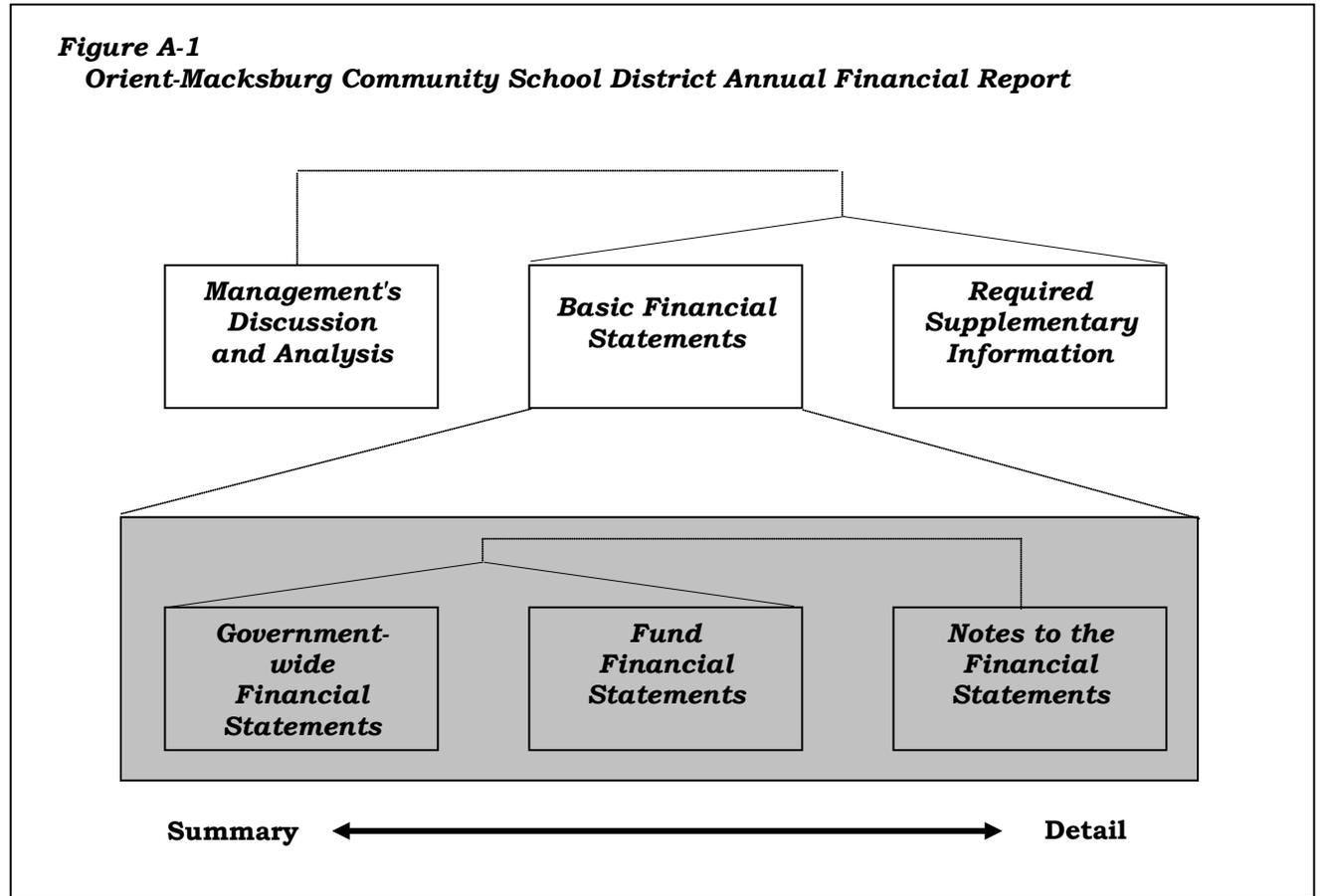


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
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
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
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
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

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 financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has two 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, Day Care and Fitness Center Funds.

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

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 total 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	\$ 2,955,445	3,298,562	4,567	65,504	2,960,012	3,364,066	-12.01%
Capital assets	1,238,147	1,269,756	13,833	15,675	1,251,980	1,285,431	-2.60%
Total assets	4,193,592	4,568,318	18,400	81,179	4,211,992	4,649,497	-9.41%
Long-term liabilities	248,574	388,171	-	2,425	248,574	390,596	-36.36%
Other liabilities	352,298	391,072	31,301	98,071	383,599	489,143	-21.58%
Total liabilities	600,872	779,243	31,301	100,496	632,173	879,739	-28.14%
Deferred inflows of resources	1,263,659	1,239,711	-	-	1,263,659	1,239,711	1.93%
Net position:							
Net investment in capital assets	1,058,147	1,034,756	13,833	15,675	1,071,980	1,050,431	2.05%
Restricted	963,325	896,430	-	-	963,325	896,430	7.46%
Unrestricted	307,589	618,178	(26,734)	(34,992)	280,855	583,186	-51.84%
Total net position	\$ 2,329,061	2,549,364	(12,901)	(19,317)	2,316,160	2,530,047	-8.45%

The District's combined net position decreased by 8.45%, or \$213,887 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 7.46% or \$66,895 from the prior year. The increase in restricted net position is mainly attributable to the improvement in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased 51.84% or \$302,331. The decrease is largely due to the decline in unassigned General Fund balance.

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

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 310,283	449,155	51,072	73,105	361,355	522,260	-30.81%
Operating grants, contributions and restricted interest	214,559	312,842	72,430	80,378	286,989	393,220	-27.02%
General revenues:							
Property tax	1,240,821	1,210,518	-	-	1,240,821	1,210,518	2.50%
Income surtax	131,494	126,908	-	-	131,494	126,908	3.61%
Statewide sales, services and use tax	168,057	185,210	-	-	168,057	185,210	-9.26%
Unrestricted state grants	757,946	772,161	-	-	757,946	772,161	-1.84%
Unrestricted investment earnings	1,069	2,850	40	85	1,109	2,935	-62.21%
Other	19,478	11,189	271	1,800	19,749	12,989	52.04%
Total revenues	<u>2,843,707</u>	<u>3,070,833</u>	<u>123,813</u>	<u>155,368</u>	<u>2,967,520</u>	<u>3,226,201</u>	<u>-8.02%</u>
Program expenditures:							
Instructional	2,015,845	2,034,532	-	-	2,015,845	2,034,532	-0.92%
Support services	887,481	1,028,028	2,935	577	890,416	1,028,605	-13.43%
Non-instructional programs	2,285	1,884	114,462	153,899	116,747	155,783	-25.06%
Other expenditures	158,399	153,878	-	-	158,399	153,878	2.94%
Total expenditures	<u>3,064,010</u>	<u>3,218,322</u>	<u>117,397</u>	<u>154,476</u>	<u>3,181,407</u>	<u>3,372,798</u>	<u>-5.67%</u>
Excess(Deficiency) of revenues over(under) expenditures	(220,303)	(147,489)	6,416	892	(213,887)	(146,597)	45.90%
Transfers	-	(6,464)	-	6,464	-	-	0.00%
Change in net position	(220,303)	(153,953)	6,416	7,356	(213,887)	(146,597)	45.90%
Net position beginning of year	<u>2,549,364</u>	<u>2,703,317</u>	<u>(19,317)</u>	<u>(26,673)</u>	<u>2,530,047</u>	<u>2,676,644</u>	<u>-5.48%</u>
Net position end of year	<u>\$ 2,329,061</u>	<u>2,549,364</u>	<u>(12,901)</u>	<u>(19,317)</u>	<u>2,316,160</u>	<u>2,530,047</u>	<u>-8.45%</u>

In fiscal year 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 80.82% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.75% of the revenue from business type activities.

The District's total revenues were \$2,967,520, of which \$2,843,707 was for governmental activities and \$123,813 was for business type activities.

As shown in Figure A-4, the District as a whole experienced decrease of 8.02% in revenues and a 5.67% decrease in expenditures. The most significant declines in revenue occurred in charges for service and operating grants, contributions and restricted interest. The decrease in expenditures was related to reductions in the support services functional area.

Governmental Activities

Revenues for governmental activities were \$2,843,707 and expenses were \$3,064,010.

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

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 2,015,845	2,034,532	-0.92%	1,585,577	1,399,892	13.26%
Support services	887,481	1,028,028	-13.67%	879,167	984,773	-10.72%
Non-instructional	2,285	1,884	21.28%	2,285	1,884	21.28%
Other expenses	158,399	153,878	2.94%	72,139	69,776	3.39%
Totals	<u>\$ 3,064,010</u>	<u>3,218,322</u>	<u>-4.79%</u>	<u>2,539,168</u>	<u>2,456,325</u>	<u>3.37%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$310,283.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$214,559.
- The net cost of governmental activities was financed with \$1,240,821 in property tax, \$131,494 in income surtax, \$168,057 in statewide sales, services and use tax, \$757,946 in unrestricted state grants, \$1,069 in interest income, and \$19,478 in other general revenues.

Business type Activities

Revenues of the District's business type activities during the year ended June 30, 2014 were \$123,813 representing a 20.31% decrease from the prior year, while expenses totaled \$117,397, a 24.00% decrease from the prior year. The District's business type activities include the School Nutrition Fund, Day Care Fund, and Fitness Center Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenue.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,214,896, compared to last year's ending fund balances of \$1,561,480. The primary reason for the decline in combined fund balances is the decrease in the General Fund balance during the year.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. The District was able to produce a 5.39% reduction in General Fund expenditures; however, it was outpaced by the decline in revenues. Reductions in local, state and federal source revenues combined for an overall 13.38% decrease in revenues when compared with the prior year.
- The Capital Projects Accounts balance increased from \$604,029 at June 30, 2013 to \$687,701 at June 30, 2014. The increase in fund balance largely occurred in the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Proprietary Fund Highlights

- The School Nutrition Fund net position decreased from \$74,272 at June 30, 2013 to \$70,779 at June 30, 2014, representing a decrease of 4.70%.
- The Day Care Fund net position improved from a deficit \$98,851 at June 30, 2013 to a deficit \$91,051 at June 30, 2014, representing an increase of 7.89%.
- The Fitness Center Fund net position increased from \$5,262 at June 30, 2013 to \$7,371 at June 30, 2014, representing an increase of 40.08%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$897,419 less than budgeted revenues, a variance of 23.33%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

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

In spite of the District's budgetary practice, the District exceeded its General Fund unspent authorized budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$1,251,980, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a decrease of 2.60% compared to the previous year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$123,294.

The original cost of the District's capital assets was \$3,891,568. Governmental funds account for \$3,825,372 with the remainder of \$66,196 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$121,299 at June 30, 2014 compared to \$74,292 reported at June 30, 2013. The increase resulted from the capitalization of a parking lot project completed during the year.

	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	\$ 31,728	31,728	-	-	31,728	31,728	0.00%
Buildings	966,251	989,836	-	-	966,251	989,836	-2.38%
Land improvements	121,299	74,292	-	-	121,299	74,292	63.27%
Machinery and equipment	118,869	173,900	13,833	15,675	132,702	189,575	-30.00%
Total	\$ 1,238,147	1,269,756	13,833	15,675	1,251,980	1,285,431	-2.60%

Long-Term Debt

At June 30, 2014, the District had long-term debt outstanding of \$248,574. This represents a decrease of 36.36% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$180,000 at June 30, 2014.

The District had a net OPEB liability of \$68,574 at June 30, 2014.

	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
General obligation bonds	\$ 180,000	235,000	-	-	180,000	235,000	-23.40%
Computer lease	-	49,573	-	-	-	49,573	-100.00%
Termination benefits	-	39,023	-	-	-	39,023	-100.00%
Net OPEB liability	68,574	64,575	-	2,425	68,574	67,000	2.35%
Total	\$ 248,574	388,171	-	2,425	248,574	390,596	-36.36%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period, which began in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without consideration of our unspent authorized budget.
- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.
- The District experienced a significant decrease of grant funds.

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 Julie Frederick, District Secretary/Treasurer, Orient-Macksburg Community School District, P.O. Box 129, Orient, Iowa, 50858.

BASIC FINANCIAL STATEMENTS

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 1,383,514	-	1,383,514
Receivables:			
Property tax:			
Delinquent	22,066	-	22,066
Succeeding year	1,263,659	-	1,263,659
Income surtax	125,762	-	125,762
Due from other governments	160,444	-	160,444
Inventories	-	4,567	4,567
Capital assets, net of accumulated depreciation	1,238,147	13,833	1,251,980
Total assets	4,193,592	18,400	4,211,992
Liabilities			
Warrants in excess of bank balance	-	30,354	30,354
Accounts payable	162,132	-	162,132
Salaries and benefits payable	188,996	274	189,270
Interest payable	1,170	-	1,170
Unearned revenue	-	673	673
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	60,000	-	60,000
Portion due after one year:			
General obligation bonds payable	120,000	-	120,000
Net OPEB liability	68,574	-	68,574
Total liabilities	600,872	31,301	632,173
Deferred Inflows of Resources			
Succeeding year property tax	1,263,659	-	1,263,659
Net Position			
Net investment in capital assets	1,058,147	13,833	1,071,980
Restricted for:			
Categorical funding	52,927	-	52,927
Student activities	26,935	-	26,935
Management levy purposes	172,790	-	172,790
Public education and recreation	16,409	-	16,409
Debt service	6,563	-	6,563
School infrastructure	550,174	-	550,174
Physical plant and equipment	137,527	-	137,527
Unrestricted	307,589	(26,734)	280,855
Total net position	\$ 2,329,061	(12,901)	2,316,160

SEE NOTES TO FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, and Restricted Contributions Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,149,974	134,793	18,945	(996,236)	-	(996,236)
Special	431,045	89,780	9,442	(331,823)	-	(331,823)
Other	434,826	83,710	93,598	(257,518)	-	(257,518)
	<u>2,015,845</u>	<u>308,283</u>	<u>121,985</u>	<u>(1,585,577)</u>	<u>-</u>	<u>(1,585,577)</u>
Support services:						
Student	55,488	-	5,861	(49,627)	-	(49,627)
Instructional staff	124,994	-	-	(124,994)	-	(124,994)
Administration	304,554	2,000	-	(302,554)	-	(302,554)
Operation and maintenance of plant	298,742	-	-	(298,742)	-	(298,742)
Transportation	103,703	-	453	(103,250)	-	(103,250)
	<u>887,481</u>	<u>2,000</u>	<u>6,314</u>	<u>(879,167)</u>	<u>-</u>	<u>(879,167)</u>
Non-instructional programs:						
Food service operations	2,285	-	-	(2,285)	-	(2,285)
Long-term debt interest	9,183	-	-	(9,183)	-	(9,183)
Other expenditures:						
AEA flowthrough	86,260	-	86,260	-	-	-
Depreciation(unallocated)*	62,956	-	-	(62,956)	-	(62,956)
	<u>149,216</u>	<u>-</u>	<u>86,260</u>	<u>(62,956)</u>	<u>-</u>	<u>(62,956)</u>
Total governmental activities	<u>3,064,010</u>	<u>310,283</u>	<u>214,559</u>	<u>(2,539,168)</u>	<u>-</u>	<u>(2,539,168)</u>
Business type activities:						
Support services:						
Operation and maintenance of plant	2,935	-	-	-	(2,935)	(2,935)
Non-instructional programs:						
Food service operations	112,020	38,725	72,430	-	(865)	(865)
Other enterprise operations	2,442	10,242	-	-	7,800	7,800
Fitness center	-	2,105	-	-	2,105	2,105
Total business type activities	<u>117,397</u>	<u>51,072</u>	<u>72,430</u>	<u>-</u>	<u>6,105</u>	<u>6,105</u>
Total	\$ <u>3,181,407</u>	<u>361,355</u>	<u>286,989</u>	<u>(2,539,168)</u>	<u>6,105</u>	<u>(2,533,063)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,040,140	-	1,040,140
Public education and recreation levy				16,405	-	16,405
Debt service				64,612	-	64,612
Capital outlay				119,664	-	119,664
Income surtax				131,494	-	131,494
Statewide sales, services and use tax				168,057	-	168,057
Unrestricted state grants				757,946	-	757,946
Unrestricted investment earnings				1,069	40	1,109
Other				19,478	271	19,749
Total general revenues				<u>2,318,865</u>	<u>311</u>	<u>2,319,176</u>
Change in net position				(220,303)	6,416	(213,887)
Net position beginning of year				2,549,364	(19,317)	2,530,047
Net position end of year				\$ <u>2,329,061</u>	<u>(12,901)</u>	<u>2,316,160</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 467,159	694,997	221,358	1,383,514
Receivables:				
Property tax:				
Delinquent	17,429	2,128	2,509	22,066
Succeeding year	971,014	128,252	164,393	1,263,659
Income surtax	83,841	41,921	-	125,762
Due from other governments	109,718	50,726	-	160,444
Total assets	\$ 1,649,161	918,024	388,260	2,955,445
Liabilities , Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 101,982	60,150	-	162,132
Salaries and benefits payable	188,996	-	-	188,996
Total liabilities	290,978	60,150	-	351,128
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	971,014	128,252	164,393	1,263,659
Income surtax	83,841	41,921	-	125,762
Total deferred inflows of resources	1,054,855	170,173	164,393	1,389,421
Fund balances:				
Restricted for:				
Categorical funding	52,927	-	-	52,927
Student activities	-	-	26,935	26,935
Management levy purposes	-	-	172,790	172,790
Public education and recreation	-	-	16,409	16,409
Debt service	-	-	7,733	7,733
School infrastructure	-	550,174	-	550,174
Physical plant and equipment	-	137,527	-	137,527
Unassigned	250,401	-	-	250,401
Total fund balances	303,328	687,701	223,867	1,214,896
Total liabilities, deferred inflows of resources and fund balances	\$ 1,649,161	918,024	388,260	2,955,445

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$	1,214,896
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		1,238,147
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(1,170)
Accounts receivable income surtax are not yet available to to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		125,762
Long-term liabilities, including general obligation bonds payable and other postemployment benefits payable are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		<u>(248,574)</u>
Net position of governmental activities(page 18)	\$	<u><u>2,329,061</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ORIENT-MACKSBURG 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	\$ 1,056,425	157,264	141,071	1,354,760
Tuition	205,567	-	-	205,567
Other	41,163	780	83,320	125,263
State sources	894,062	168,057	-	1,062,119
Federal sources	78,443	-	-	78,443
Total revenues	<u>2,275,660</u>	<u>326,101</u>	<u>224,391</u>	<u>2,826,152</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,134,472	729	23,174	1,158,375
Special	418,844	-	-	418,844
Other	334,803	-	92,844	427,647
	<u>1,888,119</u>	<u>729</u>	<u>116,018</u>	<u>2,004,866</u>
Support services:				
Student	55,472	-	-	55,472
Instructional staff	31,725	78,156	152	110,033
Administration	302,958	-	20,914	323,872
Operation and maintenance of plant	226,908	52,894	41,616	321,418
Transportation	84,206	-	9,180	93,386
	<u>701,269</u>	<u>131,050</u>	<u>71,862</u>	<u>904,181</u>
Non-instructional programs:				
Food service operations	-	-	2,285	2,285
Capital outlay	-	60,650	-	60,650
Long-term debt:				
Principal	-	-	104,573	104,573
Interest and fiscal charges	-	-	9,921	9,921
	<u>-</u>	<u>-</u>	<u>114,494</u>	<u>114,494</u>
Other expenditures:				
AEA flowthrough	86,260	-	-	86,260
Total expenditures	<u>2,675,648</u>	<u>192,429</u>	<u>304,659</u>	<u>3,172,736</u>
Excess(Deficiency) of revenues over(under) expenditures	(399,988)	133,672	(80,268)	(346,584)
Other financing sources(uses):				
Transfer in	-	-	50,000	50,000
Transfer out	-	(50,000)	-	(50,000)
Total other financing sources(uses)	<u>-</u>	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>
Change in fund balances	(399,988)	83,672	(30,268)	(346,584)
Fund balances beginning of year	<u>703,316</u>	<u>604,029</u>	<u>254,135</u>	<u>1,561,480</u>
Fund balances end of year	<u>\$ 303,328</u>	<u>687,701</u>	<u>223,867</u>	<u>1,214,896</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ORIENT-MACKSBURG 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) \$ (346,584)

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

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

Capital outlay	\$ 89,843	
Depreciation expense	<u>(121,452)</u>	(31,609)

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 17,555

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. 104,573

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

Termination benefits	39,023	
Other postemployment benefits	<u>(3,999)</u>	35,024

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 738

Change in net position of governmental activities(page 19) \$ (220,303)

SEE NOTES TO FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business Type Activities:			
	Enterprise Funds			
	School Nutrition	Day Care	Fitness Center	Total
Assets				
Current assets:				
Cash and pooled investments	\$ 53,326	-	7,371	60,697
Inventories	4,567	-	-	4,567
Total current assets	57,893	-	7,371	65,264
Noncurrent assets:				
Capital assets, net of accumulated depreciation	13,833	-	-	13,833
Total assets	71,726	-	7,371	79,097
Liabilities				
Warrants in excess of bank balance	-	91,051	-	91,051
Salaries and benefits payable	274	-	-	274
Unearned revenues	673	-	-	673
Total liabilities	947	91,051	-	91,998
Net Position				
Net investment in capital assets	13,833	-	-	13,833
Unrestricted	56,946	(91,051)	7,371	(26,734)
Total net position	\$ 70,779	(91,051)	7,371	(12,901)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities:			
	Enterprise Funds			
	School Nutrition	Day Care	Fitness Center	Total
Operating revenues:				
Local sources:				
Charges for service	\$ 38,725	10,242	2,105	51,072
Miscellaneous	271	-	-	271
Total operating revenues	<u>38,996</u>	<u>10,242</u>	<u>2,105</u>	<u>51,343</u>
Operating expenses:				
Support services:				
Operation and maintenance of plant:				
Services	2,935	-	-	2,935
Non-instructional programs:				
Food service operations:				
Salaries	39,071	-	-	39,071
Benefits	6,362	-	-	6,362
Services	315	-	-	315
Supplies	64,430	-	-	64,430
Depreciation	1,842	-	-	1,842
	<u>112,020</u>	<u>-</u>	<u>-</u>	<u>112,020</u>
Other enterprise operations:				
Salaries	-	1,516	-	1,516
Benefits	-	554	-	554
Supplies	-	372	-	372
	<u>-</u>	<u>2,442</u>	<u>-</u>	<u>2,442</u>
Total operating expenses	<u>114,955</u>	<u>2,442</u>	<u>-</u>	<u>117,397</u>
Operating income(loss)	<u>(75,959)</u>	<u>7,800</u>	<u>2,105</u>	<u>(66,054)</u>
Non-operating revenues:				
Interest	36	-	4	40
State sources	1,096	-	-	1,096
Federal sources	71,334	-	-	71,334
Total non-operating revenues	<u>72,466</u>	<u>-</u>	<u>4</u>	<u>72,470</u>
Change in net position	(3,493)	7,800	2,109	6,416
Net position beginning of year	<u>74,272</u>	<u>(98,851)</u>	<u>5,262</u>	<u>(19,317)</u>
Net position end of year	<u>\$ 70,779</u>	<u>(91,051)</u>	<u>7,371</u>	<u>(12,901)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities:			
	Enterprise Funds			
	School Nutrition	Day Care	Fitness Center	Total
Cash flows from operating activities:				
Cash received from operating activities	\$ 38,617	10,242	2,105	50,964
Cash received from miscellaneous operating activities	271	-	-	271
Cash payments to employees for services	(45,159)	(15,212)	-	(60,371)
Cash payments to suppliers for goods or services	(62,520)	(372)	-	(62,892)
Net cash provided by(used in) operating activities	<u>(68,791)</u>	<u>(5,342)</u>	<u>2,105</u>	<u>(72,028)</u>
Cash flows from non-capital financing activities:				
State grants received	1,096	697	-	1,793
Federal grants received	66,179	-	-	66,179
Net cash provided by non-capital financing activities	<u>67,275</u>	<u>697</u>	<u>-</u>	<u>67,972</u>
Cash flows from investing and other financing activities:				
Interest on investments	36	-	4	40
Net increase(decrease) in cash and cash equivalents	(1,480)	(4,645)	2,109	(4,016)
Cash and cash equivalents beginning of year	54,806	(86,406)	5,262	(26,338)
Cash and cash equivalents end of year	<u>\$ 53,326</u>	<u>(91,051)</u>	<u>7,371</u>	<u>(30,354)</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (75,959)	7,800	2,105	(66,054)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities used	5,155	-	-	5,155
Depreciation	1,842	-	-	1,842
Decrease in inventories	5	-	-	5
Decrease in accounts receivable	167	-	-	167
Increase(Decrease) in salaries and benefits payable	274	(10,717)	-	(10,443)
Decrease in other postemployment benefits	-	(2,425)	-	(2,425)
Decrease in unearned revenue	(275)	-	-	(275)
Net cash provided by(used in) operating activities	<u>\$ (68,791)</u>	<u>(5,342)</u>	<u>2,105</u>	<u>(72,028)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$5,155 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

The Orient-Macksburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Orient and Macksburg, Iowa, and the predominate agricultural territory in Adams, Adair, Madison and Union 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, Orient-Macksburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Orient-Macksburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but 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 Adams, Adair, Madison and Union County Assessors' Conference Board.

B. Basis of Presentation

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

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt 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 not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

The District's nonmajor proprietary funds include the Enterprise, School Nutrition Fund, the Daycare Fund and the Enterprise, Fitness Center Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Daycare Fund is used to account for the day care operations of the District. The Fitness Center Fund is used to account the fitness center services provided by the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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 are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

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

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

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

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	\$ 1,000
Buildings	1,000
Land improvements	1,000
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 of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more
Machinery and equipment	5-12 years

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

Deferred Inflow of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred Inflow 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 consists of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources on 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.

Unassigned - All amounts not included in the preceding 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, the District exceeded its General Fund unspent authorized budget

Note 2. Cash and Pooled Investments

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

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,240,616 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor’s Financial Services.

Note 3. Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Physical Plant and Equipment Levy	<u>\$ 50,000</u>

The transfer from Capital Projects: Physical, Plant and Equipment Levy Fund to the Debt Service Fund was needed for the final principal and interest payments on the District’s computer lease.

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 31,728	-	-	31,728
Total capital assets not being depreciated	31,728	-	-	31,728
Capital assets being depreciated:				
Buildings	2,219,588	26,228	-	2,245,816
Land improvements	253,157	60,150	-	313,307
Machinery and equipment	1,231,056	3,465	-	1,234,521
Total capital assets being depreciated	3,703,801	89,843	-	3,793,644
Less accumulated depreciation for:				
Buildings	1,229,752	49,813	-	1,279,565
Land improvements	178,865	13,143	-	192,008
Machinery and equipment	1,057,156	58,496	-	1,115,652
Total accumulated depreciation	2,465,773	121,452	-	2,587,225
Total capital assets being depreciated, net	1,238,028	(31,609)	-	1,206,419
Governmental activities capital assets, net	\$ 1,269,756	(31,609)	-	1,238,147
Business type activities:				
Machinery and equipment	\$ 66,196	-	-	66,196
Less accumulated depreciation	50,521	1,842	-	52,363
Business type activities capital assets, net	\$ 15,675	(1,842)	-	13,833

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 8,843
Special	11,903
Other	5,737
Support services:	
Instructional staff	14,608
Administration	1,925
Operation and maintenance of plant	5,166
Transportation	10,314
	58,496
Unallocated depreciation	62,956
Total governmental activities depreciation expense	\$ 121,452
Business type activities:	
Food service operations	\$ 1,842

Note 5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 235,000	-	55,000	180,000	60,000
Computer lease	49,573	-	49,573	-	-
Termination benefits	39,023	-	39,023	-	-
Net OPEB liability	64,575	3,999	-	68,574	-
Total	<u>\$ 388,171</u>	<u>3,999</u>	<u>143,596</u>	<u>248,574</u>	<u>60,000</u>
Business type activities:					
Net OPEB liability	\$ 2,425	-	2,425	-	-

General Obligation Bonds Payable

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

Year Ending June 30,	Interest Rate	Issue dated February 15, 2008		
		Principal	Interest	Total
2015	3.80%	\$ 60,000	7,020	67,020
2016	3.90	60,000	4,740	64,740
2017	4.00	60,000	2,400	62,400
Total		<u>\$ 180,000</u>	<u>14,160</u>	<u>194,160</u>

Termination Benefits(Early Retirement)

The District had offered a voluntary early retirement to eligible employees in prior years. The purpose of this plan was to provide the District's employees with options and opportunities for early retirement from their employment with the District. The requirements for early retirement were: 1) they had completed 15 years of full time contracted service with the District, 2) they attained the age of at least 55 on or before July 31st of the year they retire 3) the early retirement application had to be submitted by a date determined by the Board. During the year ended June 30, 2014, the District paid early retirement benefits of \$39,023.

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 covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$130,583, \$134,754, and \$126,148, 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 29 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Dental coverage is provided by ISEBA. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. Eligible retirees received contributions toward insurance premiums resulting in an explicit rate subsidy.

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

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

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

Annual required contribution	\$ 38,000
Interest on net OPEB obligation	3,015
Adjustment to annual required contribution	<u>(2,441)</u>
Annual OPEB cost	38,574
Contributions made	<u>(37,000)</u>
Increase in net OPEB obligation	1,574
Net OPEB obligation beginning of year	67,000
Net OPEB obligation end of year	<u><u>\$ 68,574</u></u>

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

For the year ended June 30, 2014, the District contributed \$37,000 to the medical plan. Plan members eligible for benefits contributed \$20,000 or 35.09% of the premium costs.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation 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	\$ 51,279	60.45%	\$ 58,411
2013	37,589	77.15	67,000
2014	38,574	95.92	68,574

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 \$247,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$247,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,066,263, and the ratio of the UAAL to covered payroll was 23.17%. As of June 30, 2014, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The health cost trend rate is 10% a year. The ultimate health care cost trend rate is 5%. The health care cost trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate

Mortality rates are from the RP2000 Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from table 1 in GASB 45 paragraph 35(b) and applying the termination factors used in table 1 in GASB 45 paragraph 35(b).

The salary increase rate was assumed to be 3.5% per year. The implicit subsidy portion of UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

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

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2014 were \$3,162.

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

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

Note 9. Budget Overexpenditure

During the year ended June 30, 2014, the District exceeded its General Fund unspent authorized budget.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$86,260 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Deficit Unassigned Fund Balance and Unrestricted Net Position

The Enterprise, Day Care Fund had a deficit unrestricted and total net position of \$91,051 at June 30, 2014. Total business type activities had a deficit unrestricted net position of \$26,734 and a deficit total net position of \$12,901.

Note 12. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Gifted and talented programs	\$ 476
Beginning teacher mentoring and induction program	1,093
Successful progression for early readers	13,165
Professional development for model core curriculum	10,675
Professional development	21,209
Teacher leadership grants	5,709
Empowerment professional development grant	600
Total	<u>\$ 52,927</u>

Note 13. Reconciliation of Governmental Fund Balances to Net Position

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

	<u>Invested in Capital Assets</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	7,733	250,401
Invested in capital assets, net of accumulated depreciation	1,238,514	-	-
General obligation bond capitalized indebtedness	(180,000)	-	-
Accrued interest payable	-	(1,170)	-
Income surtax receivable	-	-	125,762
Net OPEB liability	-	-	(68,574)
Net position (Exhibit A)	<u>\$ 1,058,514</u>	<u>6,563</u>	<u>307,589</u>

Note 14. Prospective Accounting Change

The Governmental Accounting Standard 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 established new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

ORIENT-MACKSBURG 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	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 1,685,590	51,383	1,736,973	2,621,437	2,621,437	(884,464)
State sources	1,062,119	1,096	1,063,215	883,947	883,947	179,268
Federal sources	78,443	71,334	149,777	342,000	342,000	(192,223)
Total revenues	2,826,152	123,813	2,949,965	3,847,384	3,847,384	(897,419)
Expenditures/expenses:						
Instruction	2,004,866	-	2,004,866	2,485,000	2,485,000	480,134
Support services	904,181	2,935	907,116	1,079,270	1,079,270	172,154
Non-instructional programs	2,285	114,462	116,747	194,000	194,000	77,253
Other expenditures	261,404	-	261,404	365,256	365,256	103,852
Total expenditures/expenses	3,172,736	117,397	3,290,133	4,123,526	4,123,526	833,393
Excess(Deficiency) of revenues over(under) expenditures/expenses	(346,584)	6,416	(340,168)	(276,142)	(276,142)	(64,026)
Other financing sources, net	-	-	-	1,000	1,000	1,000
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(346,584)	6,416	(340,168)	(275,142)	(275,142)	(63,026)
Balances beginning of year	1,561,480	(19,317)	1,542,163	1,171,053	1,171,053	371,110
Balances end of year	\$ 1,214,896	(12,901)	1,201,995	895,911	895,911	308,084

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ORIENT-MACKSBURG 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. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund 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 district expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the Year ended June 30, 2014, the District exceeded its General Fund unspent authorized budget.

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

For 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	-	\$ 637,000	637,000	0.0 %	\$ 887,365	71.79 %
2011	July 1, 2009	-	637,000	637,000	0.0	618,764	102.95
2012	July 1, 2009	-	637,000	637,000	0.0	731,822	87.04
2013	July 1, 2012	-	247,000	247,000	0.0	974,703	25.34
2014	July 1, 2012	-	247,000	247,000	0.0	1,066,263	23.17

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue					
	Student Activity	Management Levy	Public Education and Recreation		Debt Service	Total
			Levy	Levy		
Assets						
Cash and pooled investments	\$ 26,935	171,722	16,117	214,774	6,584	221,358
Receivables:						
Property tax:						
Delinquent	-	1,068	292	1,360	1,149	2,509
Succeeding year	-	80,000	16,873	96,873	67,520	164,393
Total assets	\$ 26,935	252,790	33,282	313,007	75,253	388,260
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities	\$ -	-	-	-	-	-
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	-	80,000	16,873	96,873	67,520	164,393
Fund balances:						
Restricted for:						
Student activities	26,935	-	-	26,935	-	26,935
Management levy purposes	-	172,790	-	172,790	-	172,790
Public education and recreation	-	-	16,409	16,409	-	16,409
Debt service	-	-	-	-	7,733	7,733
Total fund balances	26,935	172,790	16,409	216,134	7,733	223,867
Total liabilities, deferred inflows of resources and fund balances	\$ 26,935	252,790	33,282	313,007	75,253	388,260

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue					
	Student Activity	Management Levy	Public Education and Recreation		Debt Service	Total
			Levy	Total		
Revenues:						
Local sources:						
Local tax	\$ -	60,054	16,405	76,459	64,612	141,071
Other	80,938	2,365	4	83,307	13	83,320
Total revenues	80,938	62,419	16,409	159,766	64,625	224,391
Expenditures:						
Current:						
Instruction:						
Regular	-	23,174	-	23,174	-	23,174
Other	92,844	-	-	92,844	-	92,844
Support services:						
Instructional staff	-	152	-	152	-	152
Administration	-	20,914	-	20,914	-	20,914
Operation and maintenance of plant	-	41,616	-	41,616	-	41,616
Transportation	-	9,180	-	9,180	-	9,180
Non-instructional programs:						
Food service operations	-	2,285	-	2,285	-	2,285
Long-term debt:						
Principal	-	-	-	-	104,573	104,573
Interest and fiscal charges	-	-	-	-	9,921	9,921
Total expenditures	92,844	97,321	-	190,165	114,494	304,659
Excess(Deficiency) of revenues over(under) expenditures	(11,906)	(34,902)	16,409	(30,399)	(49,869)	(80,268)
Other financing sources:						
Transfer in	-	-	-	-	50,000	50,000
Change in fund balances	(11,906)	(34,902)	16,409	(30,399)	131	(30,268)
Fund balances beginning of year	38,841	207,692	-	246,533	7,602	254,135
Fund balances end of year	\$ 26,935	172,790	16,409	216,134	7,733	223,867

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 499,448	195,549	694,997
Receivables:			
Property tax:			
Delinquent	-	2,128	2,128
Succeeding year	-	128,252	128,252
Income surtax	-	41,921	41,921
Due from other governments	50,726	-	50,726
Total assets	\$ 550,174	367,850	918,024
Liabilities, Deferred Inflow of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	60,150	60,150
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	128,252	128,252
Income surtax	-	41,921	41,921
Total deferred inflows of resources	-	170,173	170,173
Fund balances:			
Restricted for:			
School infrastructure	550,174	-	550,174
Physical plant and equipment	-	137,527	137,527
Total fund balances	550,174	137,527	687,701
Total liabilities, deferred inflows of resources and fund balances	\$ 550,174	367,850	918,024

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	157,264	157,264
Other	273	507	780
State sources	168,057	-	168,057
Total revenues	<u>168,330</u>	<u>157,771</u>	<u>326,101</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	729	729
Support services:			
Instructional staff	46,421	31,735	78,156
Operation and maintenance of plant	52,894	-	52,894
Capital outlay	-	60,650	60,650
Total expenditures	<u>99,315</u>	<u>93,114</u>	<u>192,429</u>
Excess of revenues over expenditures	69,015	64,657	133,672
Other financing uses:			
Transfer out	-	(50,000)	(50,000)
Change in fund balances	69,015	14,657	83,672
Fund balances beginning of year	<u>481,159</u>	<u>122,870</u>	<u>604,029</u>
Fund balances end of year	<u>\$ 550,174</u>	<u>137,527</u>	<u>687,701</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ORIENT-MACKSBURG 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	Balance End of Year
Annual	\$ 2,442	5,036	5,863	1,615
Bank Interest	(132)	296	163	1
Athletics	14,539	18,468	25,906	7,101
Baseball	810	2,155	200	2,765
Cheerleaders	427	-	427	-
Drill Team	1,110	-	1,110	-
Class of 2011	94	-	45	49
Class of 2012	2,598	1	2,599	-
Class of 2013	469	-	469	-
Class of 2014	6,390	440	5,087	1,743
Class of 2015	-	24,222	23,696	526
FFA	2,437	17,212	16,115	3,534
MS Reading Club	2,153	5,688	5,021	2,820
NHS	(332)	1,142	276	534
Plays	1,460	313	595	1,178
Secondary Pepsi	2	-	2	-
Student Council	89	2,191	2,229	51
Foods Club	78	860	345	593
Elem Reading Club	3,613	2,914	2,696	3,831
Uniforms	115	-	-	115
Tag	479	-	-	479
Total	<u>\$ 38,841</u>	<u>80,938</u>	<u>92,844</u>	<u>26,935</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 1,354,760	1,521,499	1,405,840	1,305,801	1,719,457	1,631,417	1,577,581	1,414,094	1,441,106	1,667,689
Tuition	205,567	223,382	158,895	272,614	194,302	174,860	232,654	242,996	184,113	357,180
Other	125,263	239,812	341,328	254,704	297,734	293,876	219,154	183,840	191,373	145,093
State sources	1,062,119	922,130	1,070,180	945,467	858,242	1,126,712	1,162,992	1,080,173	1,119,141	1,161,841
Federal sources	78,443	162,873	199,207	150,030	255,554	150,222	115,420	199,801	132,040	134,419
Total	\$ 2,826,152	3,069,696	3,175,450	2,928,616	3,325,289	3,377,087	3,307,801	3,120,904	3,067,773	3,466,222
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,158,375	1,206,700	1,175,053	1,022,088	1,082,877	1,044,669	1,089,674	1,200,060	1,004,980	1,073,567
Special	418,844	361,832	320,446	341,131	332,997	333,102	304,451	321,654	342,002	322,037
Other	427,647	475,956	453,043	528,137	518,384	462,964	518,078	546,657	585,287	527,096
Support services:										
Student	55,472	42,165	40,991	32,842	27,422	24,831	24,559	23,125	20,274	36,621
Instructional	110,033	169,382	147,420	291,641	90,749	110,156	64,411	71,329	97,808	28,307
Administration	323,872	386,166	365,292	357,726	326,164	366,642	333,968	363,176	396,561	404,494
Operation and maintenance of plant	321,418	289,041	297,567	190,788	164,196	184,289	178,022	185,764	201,614	261,624
Transportation	93,386	117,324	158,593	100,658	93,080	120,272	103,933	96,322	199,603	110,230
Other support	-	-	-	-	-	-	-	-	-	8,078
Non-instructional programs:										
Food service operations	2,285	1,884	1,661	1,562	1,751	1,823	1,881	2,579	1,953	2,692
Capital outlay	60,650	14,192	26,359	178,472	70,938	45,875	303,930	153,185	69,291	56,733
Long term debt:										
Principal	104,573	104,124	98,673	99,968	50,000	45,000	40,000	48,840	43,496	43,164
Interest and fiscal charges	9,921	11,911	14,552	14,956	16,535	18,021	26,576	30,910	32,779	35,214
Other expenditures:										
AEA flow-through	86,260	84,102	83,986	96,852	96,192	89,981	88,107	86,448	85,283	86,123
Total	\$ 3,172,736	3,264,779	3,183,636	3,256,821	2,871,285	2,847,625	3,077,590	3,130,049	3,080,931	2,995,980

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 Orient-Macksburg Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Orient-Macksburg 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 26, 2015.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Orient-Macksburg Community School District's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Orient-Macksburg 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 26, 2015
Newton, Iowa

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

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

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

Response - The district will review its control procedures and make changes if possible

Conclusion - Response accepted

I-B-14 Reliable Financial Statements - Iowa School District are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function need to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited Inc. This training helps in providing instruction as well as promoted networking of other accounting personnel.

We noted material adjustments to accounts payable were necessary.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every District. The necessity of the numerous adjustments for the financial states may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements

Response - District will seek additional end-of year training for the accounting personnel and strive to make timely adjustments for better reliable financial statements at the end of the fiscal year.

Conclusion - Response accepted

I-C-14 Purchase Orders - During our audit we noted the District currently uses purchase orders in the purchasing process, however, the Student Activity Fund had instances of invoices without purchase orders and we also noted purchase orders that were dated after the ordering of goods and/or services had already taken place.

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

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

Response - District is reviewing the current purchase order system and will make necessary changes so that all disbursements are approved administrator before ordering of supplies. Also District will refrain from reimbursing employees for purchases on personal credit cards or cash.

Conclusion - Response accepted

I-D-14 School Accounting Software Integration - During our audit we noted the Special Revenue, Student Activity Fund accounts were not integrated with the general ledger accounting system. The District may maintain subsidiary records for student activities, but all official records of the Student Activity Fund shall be maintained on the District's Uniform Financial Accounting system. If subsidiary records are maintained, these records must be reconciled to the official records monthly. Currently the Student Activity Fund is recorded into Quickbooks and then journal entries are made at the end of the year into Software Unlimited.

Recommendation - The District should contact Software Unlimited support and integrate the accounting for individual student activity accounts. Since the certified annual report upload requires the entire accounting software to be uploaded together, the District should maintain all accounting records for the District on one accounting system.

Response - The District will contact Software Unlimited support and integrate the accounting for individual student activity and maintain all accounting records for the District on one accounting system.

Conclusion - Response accepted

I-E-14 Supporting Documentation - During our audit, we noted instance of purchases being made with District credit card that lacked a credit card receipt and a detailed receipt to be used subsequently for supporting documentation.

Recommendation - District Board Policy 401.10 states in part that "Employees and Officers using school district credit cards must submit a detailed receipt in addition to a credit card receipt indicating the date, purpose and nature of the expenses for each claim item. Failure to provide proper receipt shall make the employee responsible for the expenses incurred. These expenses shall be reimbursed to the school district the school district no later than ten working days following the use of the school district's credit card." The District should review procedures in place regarding usage of the District credit card and require the submission of detailed receipts as supporting documentation for purchases made.

Response - The District will review procedures in place regarding usage of the District credit card and require the submission of detailed receipts as supporting documentation for purchases made.

Conclusion - Response accepted

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

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

Response - District is implementing the use of time sheets for all coaches who are non-certified. Also ensuring that there is supporting documentation for all employees receiving checks.

Conclusion - Response accepted

ORIENT-MACKSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014 did not exceed the certified amounts in the functional areas. However the District exceeded its General Fund unspent authorized budget for the year ended June 30, 2014 by \$23,384.

Recommendation - The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the General Fund unspent authorized budget over expenditure.

Response - The District is in contact with the Iowa Department of Education and School Budget Review Committee to resolve the General Fund unspent authorized budget over expenditure.

Conclusion - Response accepted

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

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

II-D-14 Business Transactions - 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 ensure 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 did not list ISJIT as an official depository in accordance with Chapter 12C.2 of the Code of Iowa which states, *"The approval of a financial institution as a depository of public funds for a public body shall be by written resolution or order that shall be entered of record in the minutes of the approving board, and that shall distinctly name each depository approved, and specify the maximum amount that may be kept on deposit in each depository"*.

Recommendation -The District should document Board approved depositories and their limits in the District's official minutes in accordance of Chapter 12C.2 of the Code of Iowa.

Response - The district will document all Board approved depositories and their limits in the district's official minutes in accordance of Chapter 12C.2 of the Code of Iowa

Conclusion - Response accepted

II-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

- II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance noted with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$ 481,159
Revenues:		
Sales tax revenues	\$ 168,057	
Other local revenues	273	168,330
		<u>649,489</u>
Expenditures:		
Equipment		<u>99,315</u>
Ending balance		<u><u>\$ 550,174</u></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.

- II-M-14 Financial Condition - The Enterprise, Day Care Fund had deficit unrestricted net position of \$91,051 at June 30, 2014. Total business type activities had deficit unrestricted net position of \$26,734 and a deficit total net position of \$12,901.

Recommendation - The District has carried a deficit fund balance the past eight years in the Enterprise Day Care Fund. It has become clear that the District is unable to clear the deficit balance in the Enterprise, Day Care Fund. The District should consider closing the Day Care Fund and appealing to the School Budget Review Committee to allow the General Fund to transfer money to the Day Care Fund to eliminate the deficit balance.

Response - The Orient-Macksburg board of Education closed the district's day Care on July 31, 2013. In addition, the District is approaching the School Budget Review Committee April 8, 2015, regarding the Day Care Fund.

Conclusion - Response accepted

II-N-14 Checks Outstanding - During our audit we noted the District had checks included on the bank reconciliations that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks should be voided, reissued or submitted to the State Treasurer as unclaimed property. Per chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District will evaluate the outstanding checks on the bank reconciliations and decide to void, reissue or submit to the State Treasurer as unclaimed property if necessary.

Conclusion - Response accepted

II-O-14 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular and extracurricular activities offered as a part of the education program for student. During our audit we noted that the District is maintaining a Talented and Gifted Account in the Student Activity Fund which accounts for the Talented and Gifted Program for the District. The District also has Elementary and Middle School Reading Accounts that appear to account for instructional supplies and field trips.

Recommendation - These accounts do not appear to be co-curricular or extracurricular, but rather instructional in nature and, therefore, would be more appropriately accounted for in the General Fund. The District should review the propriety of accounts within the Student Activity Fund to comply with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1).

Response - The District will review the propriety of accounts within the Student Activity Fund to comply with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1).

Conclusion - Response accepted

II-P-14 Athletic Officials - We noted during our audit that the District's practice is to pay athletic officials the day of the event which is allowable given a valid contract for the services is in place. However, on occasions when substitute officials were needed, the District paid those officials on the day of the event as well.

Recommendation - Pursuant to a valid contractual agreement between the school board and the officials, which includes terms and conditions for payment and compliance with Chapters 279.29 and 279.30 of the Code of Iowa, officials could be paid the night of the game, after the service has been rendered. For non-contract officials or substitute officials, payment should be made after services have been rendered and audited and allowed similar to other vendor payments. The District should have a policy and (athletic) officials should be informed that payment will be made in this manner unless a valid contract exists.

Response - The District will inform non-contract or substitute athletic officials' payment will be made after services have been rendered and audited and allowed similar to other vendor payments unless a valid contract exists

Conclusion - Response accepted

II-Q-14 Superintendent Reimbursements - It was noted during our audit that the Superintendent was approving his own reimbursements. This does not allow verification that expenses are appropriate and meet public purpose.

Recommendation - The Superintendent reimbursements should be approved by someone other than the Superintendent. Getting the reimbursement approved by a third party allows for the verification that the expenses being reimbursed were actual district expenses and meet a public purpose.

Response - The District will have a third party approve all superintendents reimbursements.

Conclusion - Response accepted