

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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SOUTH O'BRIEN 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 South O'Brien 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 South O'Brien Community School District, Paullina, 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 South O'Brien Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan and the financial statements for the discretely presented component unit on pages 7 through 16 and 40 through 44 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.

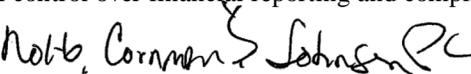
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South O'Brien Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed an unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 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 February 4, 2015 on our consideration of South O'Brien 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 South O'Brien Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

February 4, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The South O'Brien 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 increased from \$7,096,985 in fiscal 2013 compared to \$7,256,159 in fiscal 2014, while General Fund expenditures increased from \$6,867,991 in fiscal 2013 compared to \$7,332,076 in fiscal 2014. This resulted in a decrease in the District's General Fund balance from \$987,777 in fiscal 2013 to a balance of \$911,860 in fiscal 2014, a 7.69% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state sources. The increase in expenditures was due primarily to an increase in the instruction and support services functional areas.

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 South O'Brien 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 South O'Brien 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 South O'Brien Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan and the financial statements for the discreetly presented component unit.

The Supplementary Information provides detailed information about the nonmajor governmental funds and Capital Projects Accounts.

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

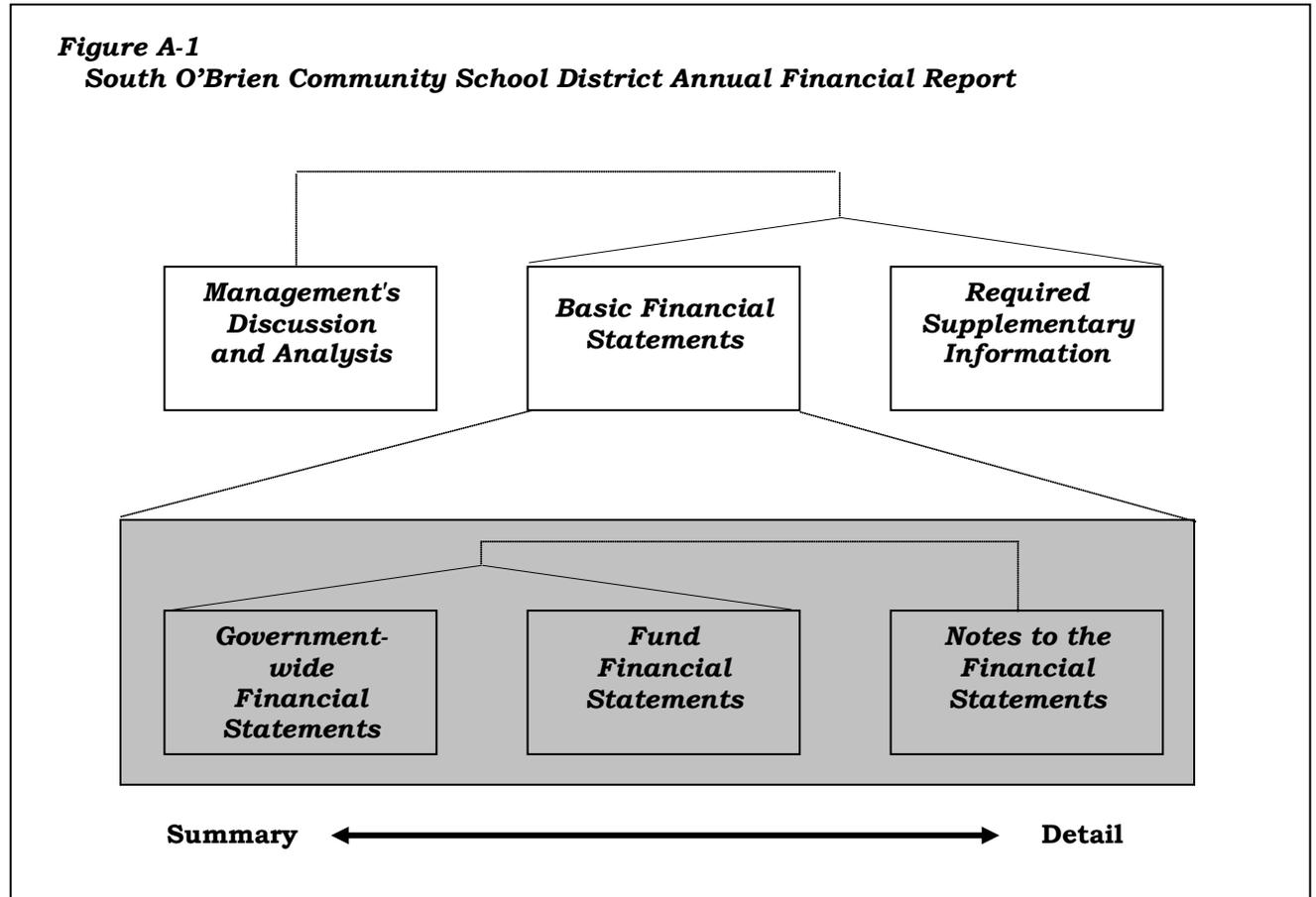


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects 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 one two Enterprise Funds, the School Nutrition Fund and the Wolverine Snack Shack Fund.

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 7,458,587	6,825,035	60,293	39,272	7,518,880	6,864,307	9.54%
Capital assets	4,982,069	5,126,253	32,398	38,889	5,014,467	5,165,142	-2.92%
Total assets	12,440,656	11,951,288	92,691	78,161	12,533,347	12,029,449	4.19%
Long-term liabilities	528,794	555,928	3,348	1,968	532,142	557,896	-4.62%
Other liabilities	898,184	760,860	10,900	11,794	909,084	772,654	17.66%
Total liabilities	1,426,978	1,316,788	14,248	13,762	1,441,226	1,330,550	8.32%
Deferred inflows of resources	3,936,620	3,900,508	-	-	3,936,620	3,900,508	0.93%
Net position:							
Net investment in capital assets	4,982,069	5,126,253	32,398	38,889	5,014,467	5,165,142	-2.92%
Restricted	1,308,971	802,507	-	-	1,308,971	802,507	63.11%
Unrestricted	786,018	805,232	46,045	25,510	832,063	830,742	0.16%
Total net position	\$ 7,077,058	6,733,992	78,443	64,399	7,155,501	6,798,391	5.25%

The District's combined net position increased by 5.25%, or \$357,110, over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$506,464, or 63.11% over the prior year. The increase was primarily a result of the increases in the Capital Projects: Property Plant and Equipment Levy Fund and Capital Projects: Statewide Sales, Services and Use Tax Fund balances.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$1,321, or 0.16%. This increase is due to the increase in fund balance of the Management Levy Fund.

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

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenues							
Program revenues and transfers:							
Charges for services	\$ 385,366	424,044	164,531	131,635	549,897	555,679	-1.04%
Operating grants and contributions and restricted interest	582,966	608,578	150,890	140,659	733,856	749,237	-2.05%
General revenues:							
Property tax	3,901,704	3,713,631	-	-	3,901,704	3,713,631	5.06%
Income surtax	452,758	363,049	-	-	452,758	363,049	24.71%
Statewide sales, services and use tax	564,758	586,505	-	-	564,758	586,505	-3.71%
Unrestricted state grants	2,982,520	2,915,634	-	-	2,982,520	2,915,634	2.29%
Unrestricted investment earnings	13,044	13,725	239	243	13,283	13,968	-4.90%
Other	28,307	7,426	1,962	1,207	30,269	8,633	250.62%
Transfers	-	(13,769)	-	13,769	-	-	0.00%
Total revenues and transfers	8,911,423	8,618,823	317,622	287,513	9,229,045	8,906,336	3.62%
Program expenses:							
Governmental activities:							
Instruction	5,644,007	5,038,016	-	-	5,644,007	5,038,016	12.03%
Support services	2,530,709	2,232,560	31,082	22,739	2,561,791	2,255,299	13.59%
Non-instructional programs	-	-	272,496	299,787	272,496	299,787	-9.10%
Other expenses	393,641	401,436	-	-	393,641	401,436	-1.94%
Total expenses	8,568,357	7,672,012	303,578	322,526	8,871,935	7,994,538	10.97%
Change in net position	343,066	946,811	14,044	(35,013)	357,110	911,798	-60.83%
Net position beginning of year	6,733,992	5,787,181	64,399	99,412	6,798,391	5,886,593	15.49%
Net position end of year	\$ 7,077,058	6,733,992	78,443	64,399	7,155,501	6,798,391	5.25%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 88.67% of the revenue from governmental activities while charges for service and operating grants and contributions account for 99.31% of the revenue from business type activities.

The District's total revenues were \$9,229,045 of which \$8,911,423 was for governmental activities and \$317,622 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.62% increase in revenues and a 10.97% increase in expenses. The increase in expenses was primarily due to the increase in the instruction functional area.

Governmental Activities

Revenues for governmental activities were \$8,911,423 and expenses were \$8,568,357 for the year ended June 30, 2014.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Service		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 5,644,007	5,038,016	12.03%	4,996,892	4,309,793	15.94%
Support services	2,530,709	2,232,560	13.35%	2,486,512	2,194,064	13.33%
Other expenses	393,641	401,436	-1.94%	116,621	135,533	-13.95%
Totals	<u>\$ 8,568,357</u>	<u>7,672,012</u>	<u>11.68%</u>	<u>7,600,025</u>	<u>6,639,390</u>	<u>14.47%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$385,366.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$582,966.
- The net cost of governmental activities was financed with \$3,901,704 in local tax, \$452,758 in income surtax, \$564,758 in statewide sales, services and use tax, \$2,982,520 in unrestricted state grants, \$13,044 in unrestricted investment earnings, \$28,307 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2014 were \$317,622 and expenses were \$303,578. The District's business type activities include the School Nutrition Fund and the Wolverine Snack Shack Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements, interest income, and capital contributions from the governmental funds.

INDIVIDUAL FUND ANALYSIS

As previously noted, the South O'Brien Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,256,540, above last year's ending fund balances of \$1,814,084. The increase in the combined fund balances is attributable to the increase in the Capital Projects: Property Plant and Equipment Levy Fund and Capital Projects: Statewide Sales, Services and Use Tax Fund balances.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in local and state sources resulted in an increase in revenues. The increase in revenues was less than the increase General Fund expenditures, resulting in a decrease in fund balance from \$987,777 to \$911,860.
- The Capital Projects Fund balance increased from \$618,777 to \$1,108,095. Despite minimal changes in revenues and expenses, the Capital Projects Fund balance increased as a result of the decrease in current year other financing uses, as compared to the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$64,399 at June 30, 2013 to \$66,835 at June 30, 2014, representing a 3.78% increase. The Wolverine Snack Shack net position increased from \$0 at June 30, 2013 to \$11,608 at June 30, 2014.

BUDGETARY HIGHLIGHTS

The District's revenues were \$258,286 more than budgeted revenues, a variance of 2.88%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional area due to the timing of expenditures at year end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$5,014,467, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.92% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$505,926.

The original cost of the District's capital assets was \$11,952,516. Governmental funds account for \$11,736,832 with the remainder of \$215,684 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$1,151,706 at June 30, 2014, compared to \$1,381,990 reported at June 30, 2013. This decrease resulted from depreciation expense in excess of equipment purchases recorded during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 68,514	68,514	-	-	68,514	68,514	0.00%
Buildings	3,586,948	3,502,769	-	-	3,586,948	3,502,769	2.40%
Land improvements	207,299	211,869	-	-	207,299	211,869	-2.16%
Machinery and equipment	1,119,308	1,343,101	32,398	38,889	1,151,706	1,381,990	-16.66%
Total	\$ 4,982,069	5,126,253	32,398	38,889	5,014,467	5,165,142	-2.92%

Long-Term Debt

At June 30, 2014, the District had \$532,142 in total long-term debt outstanding. This represents a decrease of 4.62% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had outstanding termination benefits payable from the Management Levy Fund of \$412,370 at June 30, 2014.

The District had a net OPEB liability of \$119,772 at June 30, 2014.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Termination benefits	\$ 412,370	487,489	-	-	412,370	487,489	-15.41%
Net OPEB liability	116,424	68,439	3,348	1,968	119,772	70,407	70.11%
Total	\$ 528,794	555,928	3,348	1,968	532,142	557,896	-4.62%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has levied for additional cash reserves in the past and will continue to levy for these funds to help offset any reduction in funding from the State of Iowa. The Supplemental State Aid funding from the State of Iowa for fiscal year 2015 was set at 4%. The Supplemental State Aid for fiscal year 2016 has not been set as required by Iowa statute. Supplemental State Aid for fiscal year 2016 will not be set until the Legislative session begins in January 2015. Two of the biggest items which necessitate the need for additional cash reserves are inadequate levels of Supplemental State Aid and the fluctuation of the District's enrollment.
- The residents of the District voted and passed a revised Revenue Purpose Statement to authorize the use of revenue from the statewide sales, services and use tax funds from the State of Iowa to the Secure an Advanced Vision for Education Fund for School Infrastructure on September 10, 2013.

-
- The District approved a five year extension in May of 2013 of the Instructional Support Levy to continue funding for educational programs and technology.
 - At the time of the audit completion, negotiations for the fiscal year 2016 wage agreement with South O'Brien Education Association had not started. Any increase in the total compensation/benefit package will have an effect on the economic future of the District.

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 Dee Ann Lansink, School Business Manager, South O'Brien Community School District, 206 South Rutledge Street, Paullina, Iowa, 51046.

BASIC FINANCIAL STATEMENTS

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	South O'Brien School Foundation
Assets				
Cash, cash equivalents and pooled investments	\$ 2,869,524	55,243	2,924,767	57,067
Receivables:				
Property tax:				
Delinquent	61,904	-	61,904	-
Succeeding year	3,936,620	-	3,936,620	-
Income surtax	367,243	-	367,243	-
Accounts	3,493	214	3,707	-
Due from other governments	219,803	134	219,937	-
Inventories	-	4,702	4,702	-
Capital assets, net of accumulated depreciation	4,982,069	32,398	5,014,467	-
Total assets	12,440,656	92,691	12,533,347	57,067
Liabilities				
Accounts payable	254,957	-	254,957	-
Salaries and benefits payable	643,227	5,838	649,065	-
Unearned revenue	-	5,062	5,062	-
Long-term liabilities:				
Portion due within one year:				
Termination benefits	143,115	-	143,115	-
Portion due after one year:				
Termination benefits	269,255	-	269,255	-
Net OPEB liability	116,424	3,348	119,772	-
Total liabilities	1,426,978	14,248	1,441,226	-
Deferred inflows of resources				
Unavailable property tax revenues	3,936,620	-	3,936,620	-
Net Position				
Net investment in capital assets	4,982,069	32,398	5,014,467	-
Restricted for:				
Categorical funding	81,055	-	81,055	-
School infrastructure	614,835	-	614,835	-
Physical plant and equipment	493,260	-	493,260	-
Student activities	119,821	-	119,821	-
Unrestricted	786,018	46,045	832,063	57,067
Total net position	\$ 7,077,058	78,443	7,155,501	57,067

SEE NOTES TO FINANCIAL STATEMENTS.

**SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit South O'Brien School Foundation	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Primary Government			
				Governmental Activities	Business Type Activities		Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,292,197	82,339	62,737	(3,147,121)	-	(3,147,121)	-
Special	1,142,722	41,007	134,867	(966,848)	-	(966,848)	-
Other	1,209,088	260,324	65,841	(882,923)	-	(882,923)	-
	<u>5,644,007</u>	<u>383,670</u>	<u>263,445</u>	<u>(4,996,892)</u>	<u>-</u>	<u>(4,996,892)</u>	<u>-</u>
Support services:							
Student	148,520	-	3,311	(145,209)	-	(145,209)	-
Instructional staff	408,139	-	3,100	(405,039)	-	(405,039)	-
Administration	764,344	-	-	(764,344)	-	(764,344)	-
Operation and maintenance of plant	768,743	-	-	(768,743)	-	(768,743)	-
Transportation	440,963	1,696	36,090	(403,177)	-	(403,177)	-
	<u>2,530,709</u>	<u>1,696</u>	<u>42,501</u>	<u>(2,486,512)</u>	<u>-</u>	<u>(2,486,512)</u>	<u>-</u>
Other expenditures:							
AEA flowthrough	277,020	-	277,020	-	-	-	-
Depreciation(unallocated)*	116,621	-	-	(116,621)	-	(116,621)	-
	<u>393,641</u>	<u>-</u>	<u>277,020</u>	<u>(116,621)</u>	<u>-</u>	<u>(116,621)</u>	<u>-</u>
Total governmental activities	<u>8,568,357</u>	<u>385,366</u>	<u>582,966</u>	<u>(7,600,025)</u>	<u>-</u>	<u>(7,600,025)</u>	<u>-</u>
Business Type activities:							
Support services							
Administration	25,672	-	-	-	(25,672)	(25,672)	-
Operation and maintenance of plant	2,734	-	-	-	(2,734)	(2,734)	-
Transportation	2,676	-	-	-	(2,676)	(2,676)	-
	<u>31,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,082)</u>	<u>(31,082)</u>	<u>-</u>
Non-instructional programs:							
Food service operations	272,496	152,923	150,890	-	31,317	31,317	-
Wolverine Snack Shack	-	11,608	-	-	11,608	11,608	-
Total business type activities	<u>303,578</u>	<u>164,531</u>	<u>150,890</u>	<u>-</u>	<u>11,843</u>	<u>11,843</u>	<u>-</u>
Total Primary Government	<u>\$ 8,871,935</u>	<u>549,897</u>	<u>733,856</u>	<u>(7,600,025)</u>	<u>11,843</u>	<u>(7,588,182)</u>	<u>-</u>
Total Component Unit	<u>\$ 8,916</u>	<u>-</u>	<u>2,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,566)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 3,540,222	-	3,540,222	-
Capital outlay				361,482	-	361,482	-
Income surtax				452,758	-	452,758	-
Statewide sales, services and use tax				564,758	-	564,758	-
Unrestricted state grants				2,982,520	-	2,982,520	-
Unrestricted investment earnings				13,044	239	13,283	280
Other				28,307	1,962	30,269	-
Total general revenues				<u>7,943,091</u>	<u>2,201</u>	<u>7,945,292</u>	<u>280</u>
Changes in net position				343,066	14,044	357,110	(6,286)
Net position beginning of year, as restated				<u>6,733,992</u>	<u>64,399</u>	<u>6,798,391</u>	<u>63,353</u>
Net position end of year				<u>\$ 7,077,058</u>	<u>78,443</u>	<u>7,155,501</u>	<u>57,067</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 1,590,747	1,045,620	233,157	2,869,524
Receivables:				
Property tax:				
Delinquent	51,929	5,685	4,290	61,904
Succeeding year	3,224,377	365,243	350,000	3,939,620
Income surtax	220,346	146,897	-	367,243
Accounts	952	-	2,541	3,493
Due from other governments	106,098	113,705	-	219,803
Total assets	\$ 5,194,449	1,677,150	589,988	7,461,587
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 194,639	56,915	3,403	254,957
Salaries and benefits payable	643,227	-	-	643,227
Total liabilities	837,866	56,915	3,403	898,184
Deferred inflows of resources				
Unavailable revenue:				
Succeeding year property tax	3,224,377	365,243	350,000	3,939,620
Income surtax	220,346	146,897	-	367,243
Total deferred inflows of resources	3,444,723	512,140	350,000	4,306,863
Fund balances:				
Restricted for:				
Categorical funding	81,055	-	-	81,055
Management levy purposes	-	-	118,082	118,082
School infrastructure	-	614,835	-	614,835
Physical plant and equipment	-	493,260	-	493,260
Student activities	-	-	119,821	119,821
Unassigned				
General	830,805	-	-	830,805
Student activities	-	-	(1,318)	(1,318)
Total fund balances	911,860	1,108,095	236,585	2,256,540
Total liabilities, deferred inflows of resources and fund balances	\$ 5,194,449	1,677,150	589,988	7,461,587

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH O'BRIEN 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)	\$ 2,256,540
 <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.	4,982,069
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	367,243
Long-term liabilities, including termination benefits payable and other postemployment benefits payable, are not due and payable in the current period and, therefore are not reported in governmental funds.	<u>(528,794)</u>
Net position of governmental activities(page 18)	<u><u>\$ 7,077,058</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH O'BRIEN 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	\$ 3,531,199	535,521	270,082	4,336,802
Tuition	108,051	-	-	108,051
Other	58,745	3,891	265,798	328,434
State sources	3,346,987	564,947	141	3,912,075
Federal sources	208,401	-	-	208,401
Total revenues	<u>7,253,383</u>	<u>1,104,359</u>	<u>536,021</u>	<u>8,893,763</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,014,918	76,073	142,711	3,233,702
Special	1,112,577	2,917	-	1,115,494
Other	901,496	2,917	243,557	1,147,970
	<u>5,028,991</u>	<u>81,907</u>	<u>386,268</u>	<u>5,497,166</u>
Support services:				
Student	112,309	-	-	112,309
Instructional staff	282,581	73,119	-	355,700
Administration	742,435	4,975	1,784	749,194
Operation and maintenance of plant	529,216	85,438	103,228	717,882
Transportation	359,524	95,458	15,686	470,668
	<u>2,026,065</u>	<u>258,990</u>	<u>120,698</u>	<u>2,405,753</u>
Capital outlay	-	274,144	-	274,144
Other expenditures:				
AEA flowthrough:	277,020	-	-	277,020
Total expenditures	<u>7,332,076</u>	<u>615,041</u>	<u>506,966</u>	<u>8,454,083</u>
Excess(deficiency) of revenues over(under) expenditures	(78,693)	489,318	29,055	439,680
Other financing sources:				
Sale of equipment	2,776	-	-	2,776
Change in fund balances	(75,917)	489,318	29,055	442,456
Fund balances beginning of year	987,777	618,777	207,530	1,814,084
Fund balances end of year	<u>\$ 911,860</u>	<u>1,108,095</u>	<u>236,585</u>	<u>2,256,540</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds(page 22) \$ 442,456

*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. Capital outlay expenditures and depreciation expense in the current year, are as follows:

Expenditures for capital assets	\$ 348,289	
Depreciation expense	<u>(492,473)</u>	(144,184)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 17,660

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

Termination benefits	75,119	
Other postemployment benefits	<u>(47,985)</u>	<u>27,134</u>

Change in net position of governmental activities(page 19) \$ 343,066

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	Enterprise		Total
	School Nutrition	Wolverine Snack Shack	
Assets			
Current assets:			
Cash and pooled investments	\$ 43,635	11,608	55,243
Accounts receivable	214	-	214
Due from other governments	134	-	134
Inventories	4,702	-	4,702
Total current assets	48,685	11,608	60,293
Noncurrent assets:			
Capital assets, net of accumulated depreciation	32,398	-	32,398
Total assets	81,083	11,608	92,691
Liabilities			
Current liabilities:			
Salaries and benefits payable	5,838	-	5,838
Unearned revenues	5,062	-	5,062
Total current liabilities	10,900	-	10,900
Noncurrent liabilities:			
Net OPEB liability	3,348	-	3,348
Total liabilities	14,248	-	14,248
Net position			
Net investment in capital assets	32,398	-	32,398
Unrestricted	34,437	11,608	46,045
Total net position	\$ 66,835	11,608	78,443

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise		Total
	School Nutrition	Wolverine Snack Shack	
Operating revenue:			
Local sources:			
Charges for services	\$ 152,923	11,608	164,531
Miscellaneous	1,962	-	1,962
Total operating revenues:	<u>154,885</u>	<u>11,608</u>	<u>166,493</u>
Operating expenses:			
Support services:			
Administration:			
Salaries	16,716	-	16,716
Benefits	7,940	-	7,940
Services	100	-	100
Other	916	-	916
Operation and maintenance of plant:			
Services	2,734	-	2,734
Transportation:			
Salaries	2,296	-	2,296
Benefits	380	-	380
	<u>31,082</u>	<u>-</u>	<u>31,082</u>
Non-instructional programs:			
Salaries	67,527	-	67,527
Benefits	31,340	-	31,340
Services	79	-	79
Supplies	165,559	-	165,559
Depreciation	7,991	-	7,991
	<u>272,496</u>	<u>-</u>	<u>272,496</u>
Total operating expenses	<u>303,578</u>	<u>-</u>	<u>303,578</u>
Operating gain(loss)	<u>(148,693)</u>	<u>11,608</u>	<u>(137,085)</u>
Non-operating revenues			
State sources	2,752	-	2,752
Federal sources	148,138	-	148,138
Interest income	239	-	239
Total non-operating revenues	<u>151,129</u>	<u>-</u>	<u>151,129</u>
Change in net position	2,436	11,608	14,044
Net position beginning of year	<u>64,399</u>	<u>-</u>	<u>64,399</u>
Net position end of year	<u>\$ 66,835</u>	<u>11,608</u>	<u>78,443</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise		Total
	School Nutrition	Wolverine Snack Shack	
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 153,049	-	153,049
Cash received from miscellaneous operating activities	1,962	11,608	13,570
Cash payments to employees for services	(124,808)	-	(124,808)
Cash payments to suppliers for goods or services	(146,497)	-	(146,497)
Net cash provided by(used in) operating activities	<u>(116,294)</u>	<u>11,608</u>	<u>(104,686)</u>
Cash flows from non-capital financing activities:			
State grants received	2,752	-	2,752
Federal grants received	125,418	-	125,418
Net cash provided by non-capital financing activities	<u>128,170</u>	<u>-</u>	<u>128,170</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(1,500)</u>	<u>-</u>	<u>(1,500)</u>
Cash flows from investing activities:			
Interest on investments	<u>239</u>	<u>-</u>	<u>239</u>
Net increase in cash and cash equivalents	10,615	11,608	22,223
Cash and cash equivalents at beginning of year	<u>33,020</u>	<u>-</u>	<u>33,020</u>
Cash and cash equivalents at end of year	<u>\$ 43,635</u>	<u>11,608</u>	<u>55,243</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating gain(loss)	\$ (148,693)	11,608	(137,085)
Adjustments to reconcile operating gain(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	22,720	-	22,720
Depreciation	7,991	-	7,991
Decrease in inventories	687	-	687
Decrease in accounts receivable	515	-	515
Decrease in accounts payable	(516)	-	(516)
Increase in salaries and benefits payable	11	-	11
Decrease in unearned revenue	(389)	-	(389)
Increase in other postemployment benefits payable	1,380	-	1,380
Net cash provided by(used in) operating activities	<u>\$ (116,294)</u>	<u>11,608</u>	<u>(104,686)</u>

Non-cash investing, capital, and financing activities:

During the year ended June 30, 2014, the District received Federal commodities valued at \$22,720.

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	Private Purpose Trust
	Scholarship
Assets	
Cash, cash equivalents and pooled investments	\$ 3,079
Liabilities	
	-
Net position	
Restricted for scholarships	\$ 3,079

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest income	\$ 13
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	350
Change in net position	(337)
Net position beginning of year	3,416
Net position end of year	\$ 3,079

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

The South O'Brien Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served primarily includes the Cities of Paullina, Primghar, Sutherland and Calumet, Iowa and the predominately agricultural territory in a portion of O'Brien, Cherokee, and Clay Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, South O'Brien 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.

Discretely Presented Component Unit - The South O'Brien Community School District Foundation was created to raise money through contributions and fundraisers to benefit the District. The Foundation is a separate legal entity with its own accounting records and board of trustees. The trustees are elected from nominations submitted by the Board of Education of the District. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation is accounted for as a governmental fund in these financial statements.

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

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as 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 utilized to account for all resources used in the acquisition and construction of capital facilities and the collection and use of the statewide sales and services tax.

The District reports the following nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Enterprise, Wolverine Snack Shack Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Wolverine Snack Shack Fund is used to account for the operations of the District's snack store.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund 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 are valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

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

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

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

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

Capital Assets - Capital assets, which include property, machinery and equipment, and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair 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	\$ 500
Buildings	2,500
Land improvements	2,500
Intangible assets	75,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	15-50 years
Land improvements	15-50 years
Intangible assets	5-10 years
Machinery and equipment	5-15 years

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

Deferred Revenue - 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 revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end. Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

The District's deposits 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. As of June 30, 2014, the District had no investments.

Note 3. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 68,514	-	-	68,514
Total capital assets not being depreciated	<u>68,514</u>	<u>-</u>	<u>-</u>	<u>68,514</u>
Capital assets being depreciated:				
Buildings	7,080,259	187,355	-	7,267,614
Land improvements	372,432	8,875	-	381,307
Machinery and equipment	3,867,338	164,349	12,290	4,019,397
Total capital assets being depreciated	<u>11,320,029</u>	<u>360,579</u>	<u>12,290</u>	<u>11,668,318</u>
Less accumulated depreciation for:				
Buildings	3,577,490	103,176	-	3,680,666
Land improvements	160,563	13,445	-	174,008
Machinery and equipment	2,524,237	381,314	5,462	2,900,089
Total accumulated depreciation	<u>6,262,290</u>	<u>497,935</u>	<u>5,462</u>	<u>6,754,763</u>
Total capital assets being depreciated, net	<u>5,057,739</u>	<u>(137,356)</u>	<u>6,828</u>	<u>4,913,555</u>
Governmental activities capital assets, net	<u>\$ 5,126,253</u>	<u>(137,356)</u>	<u>6,828</u>	<u>4,982,069</u>
Business type activities:				
Machinery and equipment	\$ 214,184	1,500	-	215,684
Less accumulated depreciation	175,295	7,991	-	183,286
Business-type activities capital assets, net	<u>\$ 38,889</u>	<u>(6,491)</u>	<u>-</u>	<u>32,398</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 154,689
Other	47,480
Support services:	
Instructional	63,201
Operation and maintenance	56,198
Transportation	59,746
	<u>381,314</u>
Unallocated depreciation	<u>116,621</u>
Total governmental activities depreciation expense	<u>\$ 497,935</u>
Business type activities:	
Food services	<u>\$ 7,991</u>

Note 4. Long-Term Debt

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Termination Benefits	\$ 487,489	63,813	138,932	412,370	143,115
Net OPEB liability	68,439	47,985	-	116,424	-
Total	\$ 555,928	111,798	138,932	528,794	143,115
	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 1,968	1,380	-	3,348	-

Note 5. Termination Benefits

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must have completed at least twenty years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

The 2014 early retirement incentive was \$30,000 per retiree, which is paid to a special pay plan, and will be paid over 5 years. At June 30, 2014, the District has obligations to 21 participants with a total liability of \$412,370. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$138,932.

Note 6. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$383,349, \$353,306, and \$333,593 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 76 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs 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	\$	56,649
Interest on net OPEB obligation		1,760
Adjustment to annual required contribution		(5,880)
Annual OPEB cost		<u>52,529</u>
Contributions made		<u>(3,164)</u>
Increase in net OPEB obligation		49,365
Net OPEB obligation beginning of year		<u>70,407</u>
Net OPEB obligation end of year	\$	<u><u>119,772</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.

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	\$ 52,505	82.81%	\$ 21,356
2013	53,195	7.79%	70,407
2014	52,529	6.02%	119,772

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 \$404,888, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$404,888. The covered payroll (annual payroll of active employees covered by the plan was \$4,240,696, and the ratio of the UAAL to covered payroll was 9.55%. As of June 30, 2014, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

South O’Brien Community School District is exposed to various risks to loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. 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. 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 \$277,020 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

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

Program	Amount
Successful Progression for Early Readers	\$ 17,085
Teacher Leadership Grants	3,690
Teacher Salary Supplement	794
Professional Development	360
Gifted and Talented	50,845
Professional Development for Model Core Curriculum	8,281
Total	<u>\$ 81,055</u>

Note 11. Deficit Unassigned Balance

During the year ended June 30, 2014 the District had two accounts in the Student Activity Fund with a deficit unassigned fund balance of \$1,318.

Note 12. 28E Organization

The District is part of a 28E organization with the City of Paullina for the separate entity named the Swanson Sports Complex Commission (referred to hereafter as Commission). The Commission was established for the purpose of developing, supervising and managing a sports complex that includes fields for baseball, softball, tennis and other such recreational areas that can be utilized by the District and the residents of the City of Paullina.

The governing body of the Commission consists of three representatives appointed to staggered three year terms. Representatives of the Commission consist of one representative from the City of Paullina (appointed by the Paullina City Council); one representative from the District (appointed by the Board of Education) and one representative selected from residents of the District (appointed by joint decision of the Board President of the District and the Mayor of the City of Paullina).

The following are terms agreed upon by the District and the City of Paullina concerning the Commission:

The District and the City jointly own the property where the sports complex is located and are to share equally in the operational and maintenance costs of the sports complex.

Any contracts for purchases of goods or services over \$1,000 must have the approval of the District and the City of Paullina.

The Commission has the power to set rental rates, enter into debt agreements, accept donations, grants, labor or supplies for maintenance and operation of the sports complex.

The Commission shall prepare an annual budget for its operation for fiscal years ending June 30th by February 1st of each year for approval by the District and the City of Paullina. The Commission shall provide an annual report to the District and the City of Paullina detailing the annual budget and financial activity of the Commission.

This agreement is to remain in effect until either the District or the City of Paullina wishes to terminate the agreement. The Commission had revenues of \$14,500 and expenses of \$13,185 during the year. If you would like any other information on the Commission, please contact the South O'Brien Community School District.

Note 13. Detailed Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Management Levy Purposes	Unassigned/ Restricted Balances
Fund Balance (Exhibit C)	\$ 118,082	830,805
Unassigned student activity fund balance (Exhibit C)	-	(1,318)
Termination benefits payable	(118,082)	(294,288)
Income surtax	-	367,243
Net OPEB liability	-	(116,424)
Net position (Exhibit A)	<u>\$ -</u>	<u>786,018</u>

Note 14. Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the instruction functional area.

Note 15. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosure 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

SOUTH O'BRIEN 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 Actual Variance
	Fund Types	Fund Types		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,773,287	166,732	4,940,019	5,381,655	5,381,655	(441,636)
State sources	3,912,075	2,752	3,914,827	3,187,714	3,187,714	727,113
Federal sources	208,401	148,138	356,539	383,730	383,730	(27,191)
Total revenues	8,893,763	317,622	9,211,385	8,953,099	8,953,099	258,286
Expenditures:						
Instruction	5,497,166	-	5,497,166	5,402,045	5,402,045	(95,121)
Support services	2,405,753	31,082	2,436,835	2,820,100	2,820,100	383,265
Non-instructional programs	-	272,496	272,496	310,000	310,000	37,504
Other expenditures	551,164	-	551,164	1,030,306	1,030,306	479,142
Total expenditures	8,454,083	303,578	8,757,661	9,562,451	9,562,451	804,790
Excess(Deficiency) of revenues over(under) expenditures	439,680	14,044	453,724	(609,352)	(609,352)	1,063,076
Other financing sources, net	2,776	-	2,776	2,500	2,500	276
Excess(Deficiency)of revenues and other financing sources over(under) expenditures	442,456	14,044	456,500	(606,852)	(606,852)	1,063,352
Balance beginning of year	1,814,084	64,399	1,878,483	1,523,472	1,523,472	(355,011)
Balance end of year	\$ 2,256,540	78,443	2,334,983	916,620	916,620	708,341

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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

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

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

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

SOUTH O'BRIEN 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	\$ -	\$ 562,000	\$ 562,000	0.00%	\$ 3,960,000	14.19%
2011	July 1, 2009	-	522,000	522,000	0.00%	4,100,000	12.73%
2012	July 1, 2009	-	475,000	475,000	0.00%	2,000,000	23.75%
2013	July 1, 2012	-	420,720	420,720	0.00%	4,654,330	9.04%
2014	July 1, 2012	-	404,888	404,888	0.00%	4,240,696	9.55%

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.

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT
 STATEMENT OF ASSETS, LIABILITIES AND NET POSITION – CASH BASIS
 COMPONENT UNIT
 JUNE 30, 2014

	South O'Brien School Foundation
Assets	
Cash and cash equivalents	\$ 57,067
Liabilities:	-
Net Position	
Unrestricted net position	\$ 57,067

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT
STATEMENT OF SUPPORT AND REVENUE, EXPENSES AND
CHANGES IN NET POSITION – CASH BASIS
COMPONENT UNIT
YEAR ENDED JUNE 30, 2014

	South O'Brien School Foundation
Support and Revenue:	
Interest	\$ 280
Donations	850
Fundraisers	1,500
Total support and revenue	2,630
Expenses:	
Scholarships	7,416
Fundraising supplies	1,500
Total expenses	8,916
Deficiency of support and revenue under expenses	(6,286)
Net position beginning of year, as restated	63,353
Net position end of year	\$ 57,067

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 115,081	118,076	233,157
Receivables:			
Property tax:			
Delinquent	4,290	-	4,290
Succeeding year	350,000	-	350,000
Accounts	-	2,541	2,541
Total assets	\$ 469,371	120,617	589,988
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,289	2,114	3,403
Deferred inflows of resources			
Unavailable revenue:			
Succeeding year property tax	350,000	-	350,000
Fund balances:			
Restricted for:			
Management levy purposes	118,082	-	118,082
Student activities	-	119,821	119,821
Unassigned:			
Student activities	-	(1,318)	(1,318)
Total fund balances	118,082	118,503	236,585
Total liabilities, deferred inflows of resources and fund balances	\$ 469,371	120,617	589,988

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 270,082	-	270,082
Other	5,099	260,699	265,798
State sources	141	-	141
Total revenues	<u>275,322</u>	<u>260,699</u>	<u>536,021</u>
Expenditures:			
Current:			
Instruction:			
Regular	142,711	-	142,711
Other	-	243,557	243,557
Support services:			
Administration	1,784	-	1,784
Operation and maintenance of plant	103,228	-	103,228
Transportation	15,686	-	15,686
Total expenditures	<u>263,409</u>	<u>243,557</u>	<u>506,966</u>
Change in fund balances	11,913	17,142	29,055
Fund balances beginning of year	<u>106,169</u>	<u>101,361</u>	<u>207,530</u>
Fund balances end of year	<u>\$ 118,082</u>	<u>118,503</u>	<u>236,585</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 549,691	495,929	1,045,620
Receivables:			
Property tax:			
Delinquent	-	5,685	5,685
Succeeding year	-	365,243	365,243
Income surtax	-	146,897	146,897
Due from other governments	113,705	-	113,705
Total assets	\$ 663,396	1,013,754	1,677,150
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 48,561	8,354	56,915
Deferred inflows of resources			
Unavailable revenue:			
Succeeding year property tax	-	365,243	365,243
Income surtax	-	146,897	146,897
Total deferred inflows of resources	-	512,140	512,140
Fund balances:			
Restricted for:			
School infrastructure	614,835	-	614,835
Physical plant and equipment	-	493,260	493,260
Total fund balances	614,835	493,260	1,108,095
Total liabilities, deferred inflows of resources and fund balances	\$ 663,396	1,013,754	1,677,150

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	535,521	535,521
Other	2,284	1,607	3,891
State sources	564,758	189	564,947
Total revenues	<u>567,042</u>	<u>537,317</u>	<u>1,104,359</u>
Expenditures:			
Current:			
Instruction:			
Regular	73,623	2,450	76,073
Special	2,917	-	2,917
Other	2,917	-	2,917
Support services:			
Instructional staff	44,907	28,212	73,119
Administration	-	4,975	4,975
Operation and maintenance of plant	31,837	53,601	85,438
Transportation	-	95,458	95,458
Other expenditures:			
Capital outlay	213,685	60,459	274,144
Total expenditures	<u>369,886</u>	<u>245,155</u>	<u>615,041</u>
Change in fund balances	197,156	292,162	489,318
Fund balances beginning of year	<u>417,679</u>	<u>201,098</u>	<u>618,777</u>
Fund balances end of year	<u>\$ 614,835</u>	<u>493,260</u>	<u>1,108,095</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTH O'BRIEN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund Transfers	Balance End of Year
General athletics	\$ 19,290	56,382	57,083	12,023	30,612
Cross country club	408	729	458	-	679
HS football club	610	9,008	6,733	-	2,885
Basketball club - boys	567	7,421	6,462	-	1,526
Baseball club	453	4,049	2,844	-	1,658
Track club	223	2,223	2,334	-	112
Golf club - boys	397	2,823	2,657	-	563
Basketball club - girls	1,351	7,867	5,216	-	4,002
Volleyball club	5,420	8,997	10,794	-	3,623
Softball club	1,163	2,999	2,097	-	2,065
Track club - girls	1,048	2,597	2,335	-	1,310
Golf club - girls	(166)	466	69	-	231
Wolverine club	-	12,190	-	(12,190)	-
Wolverine snack shack club	8,233	8,739	16,972	-	-
HS student council	841	4,784	4,757	-	868
FFA	15,550	50,652	51,993	-	14,209
Spanish club	236	-	-	-	236
Model UN	2,563	1,583	1,287	-	2,859
HS cheerleaders	3,875	9,429	8,298	-	5,006
HS science club	740	-	-	-	740
National honor society	834	1,013	897	-	950
HS art club	258	-	10	-	248
Dinner theater club	2,303	3,774	3,357	-	2,720
HS vocal music resale	1,586	-	-	-	1,586
Yearbook club	16,403	15,288	6,754	-	24,937
HS speech club	(58)	-	423	481	-
JH student council	7,151	-	15	-	7,136
JH music club	24	10	-	-	34
PR book club	303	425	728	-	-
TAG club	2,266	228	524	-	1,970
Clothes for kids	2,576	1,000	654	-	2,922
Class of 2013	919	-	665	-	254
Class of 2014	861	460	847	-	474
Class of 2015	2,114	3,555	4,387	-	1,282
Class of 2016	430	1,447	75	-	1,802
Class of 2017	-	280	-	-	280
Weight room club	142	1,561	1,661	-	42
Elementary playground	575	1,311	1,886	-	-
Interest	-	314	-	(314)	-
HS Science Club	-	36,542	36,997	-	(455)
Instrumental music resale	(128)	553	1,288	-	(863)
Total	\$ 101,361	260,699	243,557	-	118,503

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 4,336,802	4,667,487	4,255,347	4,116,317	3,677,072	3,515,639	3,313,037	3,314,347	3,431,676	3,638,870
Tuition	108,051	128,396	119,376	136,813	88,895	189,657	134,946	136,085	121,513	104,325
Other	328,434	323,657	380,509	355,541	313,059	290,187	327,538	364,765	351,465	351,552
State sources	3,912,075	3,280,752	3,198,672	2,819,523	2,427,427	3,143,667	3,231,147	3,010,114	2,958,051	2,725,862
Federal sources	208,401	236,602	305,932	374,179	691,602	299,451	287,977	447,641	313,666	324,853
Total	\$ 8,893,763	8,636,894	8,259,836	7,802,373	7,198,055	7,438,601	7,294,645	7,272,952	7,176,371	7,145,462
Expenditures:										
Instruction:										
Regular	\$ 3,233,702	2,976,981	2,882,991	2,945,990	2,700,442	2,690,017	2,600,693	2,513,470	2,338,534	2,331,304
Special	1,115,494	1,109,602	1,003,511	944,430	904,458	925,227	916,288	922,488	914,675	855,630
Other	1,147,970	1,131,324	1,054,456	964,281	965,102	801,530	771,990	733,738	788,699	680,560
Support services:										
Student	112,309	113,231	108,247	149,953	165,072	166,623	156,887	158,246	262,464	274,449
Instructional staff	355,700	385,504	358,131	399,792	306,553	299,587	253,012	239,722	312,508	388,374
Administration	749,194	776,107	715,865	720,458	738,082	702,128	685,071	679,553	672,739	583,215
Operation and maintenance of plant	717,882	616,763	581,636	511,302	466,013	540,827	503,439	543,007	586,845	480,195
Transportation	470,668	445,779	361,939	325,076	381,294	311,771	426,176	427,034	349,115	288,567
Capital outlay	274,144	213,859	383,197	261,095	197,671	138,576	339,141	163,257	2,556,606	914,354
Long-term debt:										
Principal	-	635,000	395,000	385,000	365,000	366,449	356,454	346,454	331,454	111,454
Interest and fiscal charges	-	28,056	41,490	56,491	67,442	72,881	90,056	101,181	173,909	51,599
Other expenditures:										
AEA flow-through	277,020	265,903	250,710	278,142	276,664	257,835	252,401	244,936	239,076	235,162
Total	\$ 8,454,083	8,698,109	8,137,173	7,942,010	7,533,793	7,273,451	7,351,608	7,073,086	9,526,624	7,194,863

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 South O'Brien 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 South O'Brien Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 4, 2015.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South O'Brien 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.

South O'Brien Community School District's Responses to Findings

South O'Brien Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. South O'Brien 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 South O'Brien 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.

February 4, 2015
Newton, Iowa

SOUTH O'BRIEN 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, bank reconciliations.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Inventories - ordering, receiving, issuing and storing.
- 5) Wire transfers - processing and approving.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.
- 8) 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 continue to monitor the segregation of duties to the best of our ability. The Superintendent and Board President will continue to review some of our financial statements.

Conclusion - Response accepted.

I-B-14 Gate Receipts - We noted that the District does not use pre-numbered tickets for all events that require an admission.

Recommendation -The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the

policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number, times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District will review current practices to ensure the handling of activity fund receipts and deposits are monitored and reconciled properly for all pertinent activities.

Conclusion - Response accepted.

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

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

Response - The District will work with the Athletic Director to insure that timesheets are used and monitored for non-certified coaches. Time sheets are being used during the 2014-15 school year.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014 exceeded budgeted amounts in the instruction functional area.

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

Response - The District will closely monitor the budget to make sure it is amended if required.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements -

Clothing Items Purchased for Staff: We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity and School Nutrition Funds are “public funds” the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups. A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds.

Response - The District has discontinued the practice of purchasing coaches clothing out of the Activity Fund.

Conclusion - Response accepted.

Cash Prizes: During our audit we noted that the District gave cash prizes to top sellers during the magazine fundraiser. Giving cash to students for this purpose does not appear to meet public purpose as defined in the Attorney General’s opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to be in compliance.

Response - Current procedures have been discussed and the buildings will investigate using alternatives to cash prizes to be in compliance.

Conclusion - Response accepted.

Basketball Camp: During our audit we noted that the District paid for students to attend an out-of-season basketball camp.

Recommendation - Per Guidance on the Student Activity Fund and Camp/Clinic Rule provided by the Iowa Department of Education dated September 9, 2011, no district funds can be used to pay for any student’s participation, either in whole or in part, in any out -of-season camp or clinic. The District should review the procedures in place, and make necessary adjustments to be in compliance.

Response - The District will review procedures to ensure that no District funds will be used for out of season camps or clinics for students.

Conclusion - Response accepted.

II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted; however, we noted that there were instances of reimbursements made to employees which lacked a detailed receipt. According to board policy number 401.10, a detailed receipt must be turned in for every purchase made with the District credit card.

Recommendation - The District should review procedures in place with personnel who use the District’s credit card to ensure the proper detailed documentation will be available with paid credit card statements.

Response - The District will review procedures to ensure that detailed documentation will be available with credit card purchases.

Conclusion - Response accepted.

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

Name, Title and Business Connection	Transaction Description	Amount
Clara Black, Bus Driver Owns Black's Farm Store	Supplies	\$1,522
Jessica Waterman, High School Secretary Owns Custom Creations	Supplies	\$20
Rick Weideman, Bus Driver Owns Weidaman's True Value Hardware	Supplies	\$8,291
Kiley Yates, Teacher Business owner	Apparel	\$11,105
Mark Fuhrman, Head Football Coach Spouse employed by Darren's Clothing Co.	Supplies	\$7,517
Michelle Aberson, Teacher Spouse owns Paullina Chiropractic	Services	\$1,805
Kris Fanst, Teacher Spouse owns South O'Brien Insurance Co.	Insurance	\$239,527

Name, Title and Business Connection	Transaction Description	Amount
Janet Miller, Teacher Spouse owns Whiskey Creek	Services	\$1,931
Julie Paulsen, Girls Head Track Coach Sister owns Any Wear Apparel	Supplies	\$3,552
Kelsey Bachman, Volleyball Coach Mother is a business owner	Supplies	\$115
Darrell Rehdeer, Board Member School event worker	Services	\$216

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with Clara Black, Jessica Waterman, Rick Weideman, and Kiley Yates do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with spouse, sister, and mother of District employees do not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Board Member Darrell Rehdeer does not appear to be a conflict of interest.

- II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-14 Certified Enrollment - We noted variances in the basic enrollment data certified to the Iowa Department of Education. The number of resident students was understated by 0.5 students.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

Response - Our auditors will be contacting the Iowa Department of Education and the Department of Management to resolve this matter.

Conclusion - Response accepted.
- 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 with the use of the statewide sales, services and use tax revenue provisions o

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

Beginning Balance		\$	417,679
Revenues:			
Sales tax revenues	\$	564,758	
Other local revenues		2,284	567,042
			<u>984,721</u>
Expenditures/transfers out:			
School infrastructure construction		202,264	
Equipment		91,194	
Other		76,428	369,886
			<u>369,886</u>
Ending balance		\$	<u><u>614,835</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 and 423F of the Code of Iowa.

II-M-14 Financial Condition - During the year ended June 30, 2014 the District had two accounts with a total deficit unassigned balance of \$1,318 in the Student Activity Fund.

Recommendation - The District should monitor this fund and investigate alternatives to eliminate the deficit accounts.

Response - The District will review and monitor the Activity Fund and investigate alternatives to eliminate the deficit accounts.

Conclusion - Response accepted.

II-N-14 Senior Trip - We noted during our audit that the District conducts fundraisers to help defray the costs of the senior trip. However, individual students are given accounts to allocate how much each student has raised individually and the student must pay the difference between the cost of the fieldtrip and the money raised by the student. This does not appear to ensure equitable participation in fundraising benefits for the students.

Recommendation - Per Chapter 9 of the Uniform Accounting Procedure Manual, all members of a student activity group must have equitable opportunity to participate in the benefits offered by the group. All criteria for participation in a benefit offered to some, but not all, members of the group must be approved by the local school board. These benefits may be defined locally, but must include attendance at any state-level or national-level conferences, as well as all other activities that are not available to all student members of the group because of cost restrictions.

Response - The District has discontinued the Senior Trip.

Conclusion - Response accepted.

II-O-14 District and Regional Rents - We noted during our audit that the District receives money for the use of facilities when hosting district and regional athletic events, but those revenues are not recorded in the General Fund.

Additionally, we noted that the District collected \$2,744.00 in gate receipts from hosting a regional basketball game and that when pre-numbered tickets used at the gate represented only \$2,658.00, the district only remitted the \$2,658.00 instead of the entire amount collected.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage during District and Regional athletic events into the General Fund. When hosting district or regional events, the District should remit the full amount collected.

Response - The District will review current practices and ensure rent from district and regional events are properly remitted and properly receipted into the General Fund.

Conclusion - Response accepted.

II-P-14 Check Signatures - During our audit we noted instances of District checks being signed by the Superintendent in place of the Board President; however, we noted no board resolution designating the Superintendent to sign checks on her behalf.

Recommendation - Chapter 291.1 of the Code of Iowa requires the District's Board President to sign all checks, or have a designee who is not the Board Secretary sign on their behalf. Designees should be approved by the Board of Directors through a board resolution. The District should review procedures in place to ensure that the proper signatures are on all checks and designees are properly approved in order to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The District will review its procedures to ensure all checks are properly signed.

Conclusion - Response accepted.