

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Paton-Churdan Community School District

Officials

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

(Before September 2013 Election)

Steve Burrell	President	2015
Greg Carey	Vice President	2013
Bradley Wilson	Board Member	2013
David Dumdei	Board Member	2013
Troy Paup	Board Member	2015

(After September 2013 Election)

Steve Burrell	President	2015
Greg Carey	Vice President	2017
Bradley Wilson	Board Member	2017
Deonne Reed	Board Member	2017
Troy Paup	Board Member	2015

School Officials

Rob Olsen	Superintendent	2014
Jina Brincks	District Secretary/Treasurer (Resigned June 11, 2014)	2014
Mitchell Lewis	District Secretary/Treasurer (Appointed June 12, 2014)	2014
Ahlers & Cooney, P.C.	Attorney	2014

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

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Paton-Churdan Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of the report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, 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 18, 2015 on our consideration of Paton-Churdan 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 Paton-Churdan Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 18, 2015
Newton, Iowa

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Paton-Churdan 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 \$2,037,890 in fiscal 2013 to \$2,207,899 in fiscal 2014, and General Fund expenditures increased from \$2,205,311 in fiscal 2013 to \$2,282,695 in fiscal 2014. This resulted in a decrease in the District's General Fund balance from \$475,476 at June 30, 2013 to \$400,680 at June 30, 2014, representing a decrease of 15.73%.
- The increase in General Fund revenues was attributable to increases in property tax and state aid in fiscal year 2014. The increase in expenditures was due primarily to increases in the instructional functions.

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds as well as the Capital Projects accounts.

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

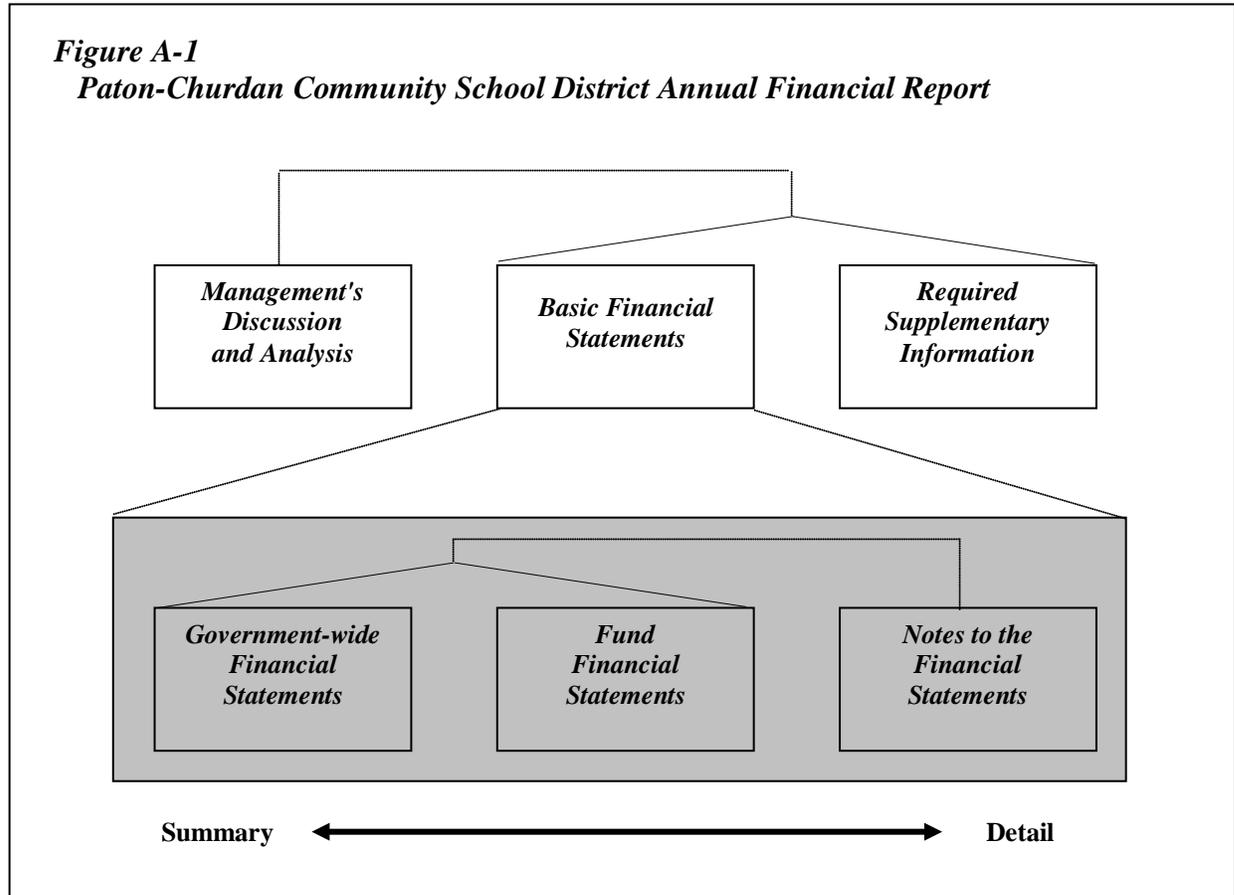


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide 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. 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 statements report the District’s net position and how it has changed. Net position is one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net position are an indicator of whether the 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 taxes 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 and child care programs 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 two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 2,425,989	2,214,452	21,928	6,146	2,447,917	2,220,598	10.24%
Capital assets	1,462,742	1,482,352	23,381	12,371	1,486,123	1,494,723	-0.58%
Total assets	3,888,731	3,696,804	45,309	18,517	3,934,040	3,715,321	5.89%
Long-term obligations	695,913	791,869	-	-	695,913	791,869	-12.12%
Other liabilities	216,910	209,845	2,356	390	219,266	210,235	4.30%
Total liabilities	912,823	1,001,714	2,356	390	915,179	1,002,104	-8.67%
Deferred inflows of resources	1,299,864	1,123,723	-	-	1,299,864	1,123,723	15.67%
Net position:							
Net investment in capital assets	837,742	762,352	23,381	12,371	861,123	774,723	11.15%
Restricted	386,621	311,302	-	-	386,621	311,302	24.19%
Unrestricted	451,681	497,713	19,572	5,756	471,253	503,469	-6.40%
Total net position	\$ 1,676,044	1,571,367	42,953	18,127	1,718,997	1,589,494	8.15%

The District's combined net position increased by 8.15%, or \$129,503, over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the invested 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 \$75,319 or 24.19% over the prior year. The increase in restricted net position is due in part to the increase in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$32,216 or 6.40%. The decrease in unrestricted net position can be attributed to the decrease in fund balance of the General Fund.

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

Figure A-4
Changes in Net Position

	Governmental		Business Type		Total		Total Change
	Activities		Activities				
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for services	\$ 275,199	251,835	31,066	27,378	306,265	279,213	9.69%
Operating grants and contributions and restricted interest	212,476	194,267	64,863	49,178	277,339	243,445	13.92%
General revenues:							
Property tax	1,124,462	1,127,266	-	-	1,124,462	1,127,266	-0.25%
Income surtax	111,208	69,148	-	-	111,208	69,148	60.83%
Statewide sales, services and use tax	158,465	181,223	-	-	158,465	181,223	-12.56%
Unrestricted state grants	703,263	649,002	-	-	703,263	649,002	8.36%
Unrestricted investment earnings	2,486	4,224	19	10	2,505	4,234	-40.84%
Other	92,753	41,233	791	2,413	93,544	43,646	114.32%
Total revenues	2,680,312	2,518,198	96,739	78,979	2,777,051	2,597,177	6.93%
Program expenses:							
Governmental activities:							
Instruction	1,695,557	1,614,681	-	-	1,695,557	1,614,681	5.01%
Support services	706,915	709,517	-	-	706,915	709,517	-0.37%
Non-instructional programs	-	-	87,587	88,648	87,587	88,648	-1.20%
Other expenses	157,489	156,162	-	-	157,489	156,162	0.85%
Total expenses	2,559,961	2,480,360	87,587	88,648	2,647,548	2,569,008	3.06%
Excess(Deficiency) of revenues over(under) expenses	120,351	37,838	9,152	(9,669)	129,503	28,169	359.74%
Transfers	(15,674)	-	15,674	-	-	-	0.00%
Change in net position	104,677	37,838	24,826	(9,669)	129,503	28,169	359.74%
Beginning net position	1,571,367	1,533,529	18,127	27,796	1,589,494	1,561,325	1.80%
Ending net position	\$ 1,676,044	1,571,367	42,953	18,127	1,718,997	1,589,494	8.15%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 78.25% of the governmental revenue while charges for services and operating grants and contributions account for 99.16% of the revenue from business type activities.

The District's total revenues were approximately \$2.78 million, of which approximately \$2.68 million was for governmental activities and approximately \$0.10 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.93% increase in revenues and a 3.06% increase in expenses. Unrestricted state grants increased \$54,261 to help fund the increase in expenses. The increase in expenses was related to the increases in the instructional functions.

Governmental Activities

Revenues for governmental activities were \$2,680,312 and expenses were \$2,559,961.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 1,695,557	1,614,681	5.01%	\$ 1,284,179	1,242,649	3.34%
Support services	706,915	709,517	-0.37%	706,915	709,517	-0.37%
Other expenses	157,489	156,162	0.85%	81,192	82,092	-1.10%
Totals	<u>\$ 2,559,961</u>	<u>2,480,360</u>	<u>3.21%</u>	<u>\$ 2,072,286</u>	<u>2,034,258</u>	<u>1.87%</u>

- The cost financed by users of the District’s programs was \$275,199.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$212,476.
- The net cost of governmental activities was financed with \$1,124,462 in property tax, \$111,208 in income surtax, \$158,465 in statewide sales, services and use tax, \$703,263 in unrestricted state grants, \$2,486 in unrestricted investment earnings and \$92,753 in other general revenues.

Business Type Activities

Revenues of the District’s business type activities were \$96,739 expenses were \$87,587. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Paton-Churdan 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 \$846,481, above last year’s ending fund balances of \$825,560. The primary reason for the increase in combined fund balances in fiscal 2014 was due to the increase in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Governmental Fund Highlights

- The District’s deteriorating General Fund financial position is the product of many factors. Growth during the year in property tax and state grant funding led to the increase in revenues during fiscal 2014. However the increase in revenues was not enough to offset the increase in expenditures for the year causing the General Fund balance to decrease from \$475,476 at June 30, 2013 to \$400,680 at June 30, 2014.
- The Management Levy Fund increased from a balance of \$208,756 at June 30, 2013 to \$284,306 at June 30, 2014.
- The Capital Projects accounts balance increased from a balance of \$127,636 at the end of fiscal year 2013 to \$141,507 at the end of fiscal year 2014.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$18,127 at June 30, 2013 to \$42,953 at June 30, 2014, representing an increase of 136.96%. An increase in revenues coupled with a decrease in expenditures as compared to the prior year led to the increase in fund balance.

BUDGETARY HIGHLIGHTS

The District's revenues were \$227,697 more than budgeted revenues, a variance of 8.99%. The most significant variance resulted from the District receiving more in state source revenues than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$1,486,123, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a decrease of 0.58% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$88,735.

The original cost of the District's capital assets was \$2,765,910. Governmental funds account for \$2,724,606 with the remainder of approximately \$41,304 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$0 at June 30, 2013, compared to \$6,460 reported at June 30, 2014. The main reason for the increase in the land improvements category is attributable to the capitalization of a lighting project that was completed during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 5,000	5,000	-	-	5,000	5,000	0.00%
Land improvements	6,460	-	-	-	6,460	-	100.00%
Buildings	1,304,594	1,340,623	-	-	1,304,594	1,340,623	-2.69%
Machinery and equipment	146,688	136,729	23,381	12,371	170,069	149,100	14.06%
Total	\$ 1,462,742	1,482,352	23,381	12,371	1,486,123	1,494,723	-0.58%

Long-Term Debt

At June 30, 2014, the District had \$695,913 in revenue bonds and other long-term debt outstanding. This represents a decrease of 12.12% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding revenue bonds of \$415,000 at June 30, 2014 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had outstanding capital loan notes of \$210,000 at June 30, 2014 payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

The District had termination benefits payable of \$42,899 at June 30, 2014, which will be paid primarily out of the Special Revenue, Management Levy Fund.

The District had net OPEB liability of \$28,014 at June 30, 2014.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Total
	Activities		Change
	June 30,	June 30,	June 30,
	2014	2013	2013-14
Revenue Bonds	\$ 415,000	460,000	-9.78%
Capital Loan Notes	210,000	260,000	-19.23%
Termination Benefits	42,899	50,389	-14.86%
Net OPEB Liability	28,014	21,480	30.42%
Totals	\$ 695,913	791,869	-12.12%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The sharing of programs and related cost savings along with allowable growth set by the state legislature will have a major effect on 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 Mitch Lewis, District Secretary/Treasurer, Paton-Churdan Community School District, 606 Adrian Street, Churdan, Iowa 50050.

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT

Basic Financial Statements

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 899,471	16,390	915,861
Receivables:			
Property tax:			
Delinquent	9,549	-	9,549
Succeeding year	1,299,864	-	1,299,864
Income surtax	74,261	-	74,261
Accounts	439	805	1,244
Due from other governments	111,486	2,506	113,992
Prepaid expenses	30,919	-	30,919
Inventories	-	2,227	2,227
Capital assets, net of accumulated depreciation	1,462,742	23,381	1,486,123
TOTAL ASSETS	3,888,731	45,309	3,934,040
LIABILITIES			
Accounts payable	62,762	2,356	65,118
Salaries and benefits payable	142,621	-	142,621
Interest payable	11,527	-	11,527
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	50,000	-	50,000
Capital loan notes payable	50,000	-	50,000
Termination benefits payable	12,400	-	12,400
Portion due after one year:			
Revenue bonds payable	365,000	-	365,000
Capital loan notes payable	160,000	-	160,000
Termination benefits payable	30,499	-	30,499
Net OPEB liability	28,014	-	28,014
TOTAL LIABILITIES	912,823	2,356	915,179
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	1,299,864	-	1,299,864
NET POSITION			
Net investment in capital assets	837,742	23,381	861,123
Restricted for:			
Categorical funding	13,077	-	13,077
Management levy purposes	210,488	-	210,488
Student activities	21,549	-	21,549
School infrastructure	140,089	-	140,089
Physical plant and equipment	1,418	-	1,418
Unassigned	451,681	19,572	471,253
TOTAL NET POSITION	\$ 1,676,044	42,953	1,718,997

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,242,468	204,941	29,277	(1,008,250)	-	(1,008,250)
Special	223,435	35,723	8,909	(178,803)	-	(178,803)
Other	229,654	34,535	97,993	(97,126)	-	(97,126)
	<u>1,695,557</u>	<u>275,199</u>	<u>136,179</u>	<u>(1,284,179)</u>	<u>-</u>	<u>(1,284,179)</u>
Support services:						
Student	4,858	-	-	(4,858)	-	(4,858)
Instructional staff	35,737	-	-	(35,737)	-	(35,737)
Administration	290,713	-	-	(290,713)	-	(290,713)
Operation and maintenance of plant	201,927	-	-	(201,927)	-	(201,927)
Transportation	173,680	-	-	(173,680)	-	(173,680)
	<u>706,915</u>	<u>-</u>	<u>-</u>	<u>(706,915)</u>	<u>-</u>	<u>(706,915)</u>
Long-term debt interest	41,506	-	-	(41,506)	-	(41,506)
Other expenditures:						
AEA flowthrough	76,297	-	76,297	-	-	-
Depreciation(unallocated)*	39,686	-	-	(39,686)	-	(39,686)
	<u>115,983</u>	<u>-</u>	<u>76,297</u>	<u>(39,686)</u>	<u>-</u>	<u>(39,686)</u>
Total governmental activities	<u>2,559,961</u>	<u>275,199</u>	<u>212,476</u>	<u>(2,072,286)</u>	<u>-</u>	<u>(2,072,286)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	87,587	31,066	64,863	-	8,342	8,342
Total business type activities	<u>87,587</u>	<u>31,066</u>	<u>64,863</u>	<u>-</u>	<u>8,342</u>	<u>8,342</u>
Total	<u>\$ 2,647,548</u>	<u>306,265</u>	<u>277,339</u>	<u>(2,072,286)</u>	<u>8,342</u>	<u>(2,063,944)</u>
General Revenues & Transfers:						
Property tax levied for:						
General purposes				\$ 1,001,902	-	1,001,902
Capital outlay				122,560	-	122,560
Income surtax				111,208	-	111,208
Statewide sales, services and use tax				158,465	-	158,465
Unrestricted state grants				703,263	-	703,263
Unrestricted investment earnings				2,486	19	2,505
Other general revenues				92,753	791	93,544
Transfers				(15,674)	15,674	-
Total general revenues & transfers				<u>2,176,963</u>	<u>16,484</u>	<u>2,193,447</u>
Change in net position				104,677	24,826	129,503
Net position beginning of year				<u>1,571,367</u>	<u>18,127</u>	<u>1,589,494</u>
Net position end of year				<u>\$ 1,676,044</u>	<u>42,953</u>	<u>1,718,997</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Management Levy	Capital Projects	Nonmajor Student Activity	Total
ASSETS					
Cash and pooled investments	\$ 512,951	252,240	114,292	19,988	899,471
Receivables:					
Property tax					
Delinquent	7,362	1,147	1,040	-	9,549
Succeeding year	883,703	160,000	256,161	-	1,299,864
Income surtax	74,261	-	-	-	74,261
Accounts	439	-	-	-	439
Due from other funds	28,168	-	5,000	-	33,168
Due from other governments	51,824	-	59,662	-	111,486
Prepaid expenses	-	30,919	-	-	30,919
TOTAL ASSETS	\$ 1,558,708	444,306	436,155	19,988	2,459,157
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ -	-	33,168	-	33,168
Accounts payable	57,443	-	5,319	-	62,762
Salaries and benefits payable	142,621	-	-	-	142,621
Total liabilities	200,064	-	38,487	-	238,551
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	883,703	160,000	256,161	-	1,299,864
Income surtax	74,261	-	-	-	74,261
Total deferred inflows of resources	957,964	160,000	256,161	-	1,374,125
Fund balances:					
Nonspendable	-	30,919	-	-	30,919
Restricted for:					
Categorical funding	13,077	-	-	-	13,077
Management levy purposes	-	253,387	-	-	253,387
Student activities	-	-	-	21,549	21,549
School infrastructure	-	-	140,089	-	140,089
Physical plant and equipment	-	-	1,418	-	1,418
Unassigned:					
General fund	387,603	-	-	-	387,603
Student activities	-	-	-	(1,561)	(1,561)
Total fund balances	400,680	284,306	141,507	19,988	846,481
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,558,708	444,306	436,155	19,988	2,459,157

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PATON-CHURDAN 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)	\$ 846,481
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	1,462,742
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(11,527)
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	74,261
Long-term liabilities, including revenue bonds payable, capital loan notes payable, termination benefits payable, and other postemployment benefits payable, are not due and not payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(695,913)</u>
Net position of governmental activities(page 18)	<u><u>\$ 1,676,044</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Nonmajor Debt Service	Nonmajor Student Activity	Total
REVENUES:						
Local sources:						
Local tax	\$ 960,816	135,083	122,560	-	-	1,218,459
Tuition	239,789	-	-	-	-	239,789
Other	96,226	-	94	-	38,912	135,232
State sources	845,247	58	158,480	-	-	1,003,785
Federal sources	65,821	-	-	-	-	65,821
Total revenues	2,207,899	135,141	281,134	-	38,912	2,663,086
EXPENDITURES:						
Current:						
Instruction:						
Regular	1,197,638	26,715	-	-	-	1,224,353
Special	223,435	-	-	-	-	223,435
Other	196,201	-	-	-	32,616	228,817
	1,617,274	26,715	-	-	32,616	1,676,605
Support services:						
Student	4,858	-	-	-	-	4,858
Instructional staff	35,737	-	-	-	-	35,737
Administration	262,148	32,395	-	-	-	294,543
Operation and maintenance of plant	137,160	-	104,732	-	-	241,892
Transportation	149,221	481	35,826	-	-	185,528
	589,124	32,876	140,558	-	-	762,558
Long-term debt:						
Principal	-	-	-	95,000	-	95,000
Interest and fiscal charges	-	-	-	31,705	-	31,705
	-	-	-	126,705	-	126,705
Other expenditures:						
AEA flowthrough	76,297	-	-	-	-	76,297
Total expenditures	2,282,695	59,591	140,558	126,705	32,616	2,642,165
Excess(Deficiency) of revenues over(under) expenditures	(74,796)	75,550	140,576	(126,705)	6,296	20,921
Other financing sources(uses):						
Transfer in	-	-	-	126,705	-	126,705
Transfer out	-	-	(126,705)	-	-	(126,705)
Total other financing sources(uses)	-	-	(126,705)	126,705	-	-
Change in fund balances	(74,796)	75,550	13,871	-	6,296	20,921
Fund balances beginning of year	475,476	208,756	127,636	-	13,692	825,560
Fund balances end of year	\$ 400,680	284,306	141,507	-	19,988	846,481

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 22)	\$	20,921
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlay and depreciation expense in the year are as follows:		
Capital outlay	\$ 65,694	
Depreciation expense	<u>(85,304)</u>	(19,610)
 Repayment of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
		95,000
 Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless, of when it is due.		
		(9,801)
 Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds.		
		17,211
 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	7,490	
Other postemployment benefits	<u>(6,534)</u>	<u>956</u>
 Change in net position of governmental activities(page 19)	 \$	 <u><u>104,677</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 16,390
Accounts receivable	805
Due from other governments	2,506
Inventories	2,227
Total current assets	21,928
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	23,381
TOTAL ASSETS	45,309
LIABILITIES	
Current liabilities:	
Accounts payable	2,356
NET POSITION	
Net investment in capital assets	23,381
Unrestricted	19,572
TOTAL NET POSITION	\$ 42,953

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 31,066
Miscellaneous	791
TOTAL OPERATING REVENUES	31,857
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	24,079
Benefits	5,137
Services	171
Supplies	53,536
Depreciation	3,431
TOTAL OPERATING EXPENSES	86,354
OPERATING LOSS	(54,497)
NON-OPERATING REVENUES(EXPENSES):	
State sources	760
Federal sources	64,103
Interest income	19
Loss on asset disposal	(1,233)
TOTAL NON-OPERATING REVENUES(EXPENSES)	63,649
Excess of revenues over expenses	9,152
Other financing sources:	
Capital contributions	15,674
Change in net position	24,826
Net position beginning of year	18,127
Net position end of year	\$ 42,953

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 29,890
Cash received from miscellaneous sources	791
Cash payments to employees for services	(29,216)
Cash payments to suppliers for goods or services	(49,232)
Net cash used in operating activities	(47,767)
Cash flows from non-capital financing activities:	
State grants received	760
Federal grants received	63,298
Net cash provided by non-capital financing activities	64,058
Cash flows from investing activities:	
Interest on investments	19
Net increase in cash and cash equivalents	16,310
Cash and cash equivalents at beginning of year	80
Cash and cash equivalents at end of year	\$ 16,390
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (54,497)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	1,821
Depreciation	3,431
Decrease in inventories	317
Increase in accounts receivable	(805)
Increase in accounts payable	2,337
Decrease in unearned revenue	(371)
Net cash used in operating activities	\$ (47,767)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$1,821.

During the year ended June 30, 2014, the District received capital contributions from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$15,674.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

The Paton-Churdan Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Paton and Churdan, Iowa, and the agricultural territory in Greene County. 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 Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Paton-Churdan Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Paton-Churdan Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the activities of the District, with omission of the fiduciary funds. 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 support.

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or

directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

The Management Levy Fund is utilized for the payment of insurance, unemployment and termination benefits.

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

The District also reports the following nonmajor proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary 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 measureable and available only when cash is received by the District.

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

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

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

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

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

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

For purpose 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 Taxes - Property taxes in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

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

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

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

Capital Assets - Capital assets, which include property, machinery, and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal

maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Intangibles	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 and August, have been accrued as liabilities.

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

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

Unearned Revenues - 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 Statement of Net Position in the Proprietary, School Nutrition Fund.

Long-term Obligations - 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:

Nonspendable - Amounts that include the values of prepaid property insurance for fiscal year 2015. The amount of the nonspendable balance can be found in the Management Levy Fund.

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Control

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

Note 2. Cash and Pooled Investments

The District's deposits 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. Due From and Due to Other Funds

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

Due to	Due from	Amount
General	Capital Projects: Statewide Sales, Services and Use Tax	\$ 17,000
Capital Projects: Physical Plant and Equipment Levy	Capital Projects: Statewide Sales, Services and Use Tax	5,000
General	Capital Projects: Physical Plant and Equipment Levy	11,168
Total		<u>\$ 33,168</u>

The Capital Projects: Statewide Sales, Services and Use Tax Fund is repaying the General Fund for money borrowed for cash flow purposes.

The Capital Projects: Statewide Sales, Services and Use Tax Fund is repaying the Capital Projects: Physical Plant and Equipment Levy for money borrowed for cash flow purposes.

The Capital Projects: Physical Plant and Equipment Levy is repaying the General Fund for money borrowed for cash flow purposes.

Note 4. Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 66,350
Debt Service	Capital Projects: Physical Plant and Equipment Levy	60,355
Total		<u>\$ 126,705</u>

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

The transfer from the Capital Projects: Physical Plant and Equipment Levy to the Debt Service Fund was needed for principal and interest payments on the District's capital loan note indebtedness.

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2014 was the following:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,000	-	-	5,000
Total capital assets not being depreciated	5,000	-	-	5,000
Capital assets being depreciated:				
Buildings	2,104,217	3,317	-	2,107,534
Land improvements	-	6,800	-	6,800
Machinery and equipment	549,695	55,577	-	605,272
Total capital assets being depreciated	2,653,912	65,694	-	2,719,606
Less accumulated depreciation for:				
Buildings	763,594	39,346	-	802,940
Land and improvements	-	340	-	340
Machinery and equipment	412,966	45,618	-	458,584
Total accumulated depreciation	1,176,560	85,304	-	1,261,864
Total capital assets being depreciated, net	1,477,352	(19,610)	-	1,457,742
Governmental activities capital assets, net	\$ 1,482,352	(19,610)	-	1,462,742
Business type activities:				
Machinery and equipment	\$ 33,027	15,674	7,397	41,304
Less accumulated depreciation	20,656	3,431	6,164	17,923
Business type activities capital assets, net	\$ 12,371	12,243	1,233	23,381

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 13,894
Other	837
Support services:	
Administration	1,347
Operations and maintenance of plant	2,365
Transportation	27,175
	45,618
Unallocated depreciation	39,686
Total governmental activities depreciation expense	\$ 85,304
Business type activities:	
Food services	\$ 3,431

Note 6. Long-Term Debt

A summary of changes in long-term debt for governmental type activities and business type activities for the year ended June 30, 2014 are as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 460,000	-	45,000	415,000	50,000
Capital Loan Notes	260,000	-	50,000	210,000	50,000
Termination Benefits	50,389	-	7,490	42,899	12,400
Net OPEB Liability	21,480	6,534	-	28,014	-
Total	\$ 791,869	6,534	102,490	695,913	112,400

Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue of September 1, 2007				
	Rate	Principal	Interest	Total	
2015	4.88 %	\$ 50,000	19,032	69,032	
2016	4.88	40,000	16,836	56,836	
2017	4.88	40,000	14,884	54,884	
2018	4.88	40,000	12,932	52,932	
2019	4.88	45,000	10,858	55,858	
2020-2023	4.88	200,000	20,252	220,252	
Total		\$ 415,000	94,794	509,794	

The District has pledged future statewide sales, services and use tax revenues to repay the \$620,000 of bonds issued September 2007. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require approximately 44% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid is \$509,794. For the current year \$45,000 in principal and \$21,350 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$158,465.

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

- a) No reserve account is required for the revenue bonds.
- b) Monthly payments shall be made to sinking account in order to make payment when due.

Capital Loan Notes Payable

During the year ended June 30, 2008, the District issued Capital Loan Notes of \$475,000 to be used for energy management projects throughout the District. The capital loan notes are payable from the Capital Project: Physical Plant and Equipment Levy Fund. Details of the District's June 30, 2014 capital loan notes indebtedness are as follows:

Year Ending June 30,	Capital Loan Note Issue of September 1, 2007			
	Rate	Principal	Interest	Total
2015	3.90 %	\$ 50,000	8,405	58,405
2016	4.00	50,000	6,455	56,455
2017	4.00	55,000	4,455	59,455
2018	4.10	55,000	2,255	57,255
Total		\$ 210,000	21,570	231,570

Termination Benefits

The District offered a one-time voluntary termination benefit (early retirement) plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee was equal to the payment of the single health insurance premium until the eligible employee reaches the age of 65.

At June 30, 2013, the District has obligations to two participants with a total liability of \$42,899. Actual early retirement expenditures for the year ended June 30, 2014 total \$7,489.

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 12 active and 0 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$	7,235
Interest on net OPEB obligation		537
Adjustment to annual required contribution		(1,238)
Annual OPEB cost		<u>6,534</u>
Contributions made		<u>-</u>
Increase in net OPEB obligation		6,534
Net OPEB obligation beginning of year		<u>21,480</u>
Net OPEB obligation end of year	\$	<u><u>28,014</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	\$ 5,484	0.00 %	\$ 15,188
2013	6,292	0.00 %	21,480
2014	6,534	0.00 %	28,014

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 \$38,952, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$38,952. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$550,613, and the ratio of the UAAL to covered payroll was 7.1%. 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 the 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 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$89,751, \$90,718, and \$88,701 respectively, equal to the required contributions for each year.

Note 9. Risk Management

Paton-Churdan Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$76,297 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

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

<u>Project</u>	<u>Amount</u>
Successful Progression for Early Readers	\$ 13,077

Note 12. Deficit Unassigned Balance

The Student Activity Fund had three individual accounts with a total deficit unassigned fund balance of \$1,561.

Note 13. Prospective Accounting Change

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

Required Supplementary Information

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 1,593,480	31,876	1,625,356	1,634,337	1,634,337	(8,981)
State sources	1,003,785	760	1,004,545	789,791	789,791	214,754
Federal sources	65,821	64,103	129,924	108,000	108,000	21,924
Total revenues	<u>2,663,086</u>	<u>96,739</u>	<u>2,759,825</u>	<u>2,532,128</u>	<u>2,532,128</u>	<u>227,697</u>
Expenditures/Expenses:						
Instruction	1,676,605	-	1,676,605	1,690,000	1,690,000	13,395
Support services	762,558	-	762,558	850,000	850,000	87,442
Non-instructional programs	-	87,587	87,587	80,000	100,000	12,413
Other expenditures	203,002	-	203,002	209,409	209,409	6,407
Total expenditures/expenses	<u>2,642,165</u>	<u>87,587</u>	<u>2,729,752</u>	<u>2,829,409</u>	<u>2,849,409</u>	<u>119,657</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	20,921	9,152	30,073	(297,281)	(317,281)	347,354
Other financing sources, net	-	15,674	15,674	-	-	15,674
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	20,921	24,826	45,747	(297,281)	(317,281)	363,028
Balance beginning of year	<u>825,560</u>	<u>18,127</u>	<u>843,687</u>	<u>530,891</u>	<u>530,891</u>	<u>312,796</u>
Balance end of year	<u>\$ 846,481</u>	<u>42,953</u>	<u>889,434</u>	<u>233,610</u>	<u>213,610</u>	<u>675,824</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PATON-CHURDAN 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 Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. 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, the District adopted one budget amendment, increasing budgeted expenditures by \$20,000.

PATON-CHURDAN 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	\$ -	\$ 18,000	\$ 18,000	0.00%	\$ 1,096,000	1.6%
2011	July 1, 2009	-	20,000	20,000	0.00%	1,225,000	1.6%
2012	July 1, 2009	-	21,000	21,000	0.00%	1,157,000	1.8%
2013	July 1, 2012	-	37,112	37,112	0.00%	500,421	7.4%
2014	July 1, 2012	-	38,952	38,952	0.00%	550,613	7.1%

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

Supplementary Information

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 102,427	11,865	114,292
Receivables:			
Property tax:			
Delinquent	-	1,040	1,040
Succeeding year	-	256,161	256,161
Due from other funds	-	5,000	5,000
Due from other governments	59,662	-	59,662
TOTAL ASSETS	\$ 162,089	274,066	436,155
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 22,000	11,168	33,168
Accounts payable	-	5,319	5,319
Total liabilities	22,000	16,487	38,487
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	256,161	256,161
Fund balances:			
Restricted for:			
School infrastructure	140,089	-	140,089
Physical plant and equipment	-	1,418	1,418
Total fund balances	140,089	1,418	141,507
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 162,089	274,066	436,155

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNT
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	122,560	122,560
Other	55	39	94
State sources	158,465	15	158,480
Total revenues	158,520	122,614	281,134
EXPENDITURES:			
Current:			
Support services:			
Operation and maintenance of plant	52,394	52,338	104,732
Transportation	-	35,826	35,826
Total expenditures	52,394	88,164	140,558
Excess of revenues over expenditures	106,126	34,450	140,576
Other financing uses:			
Transfer out	(66,350)	(60,355)	(126,705)
Change in fund balances	39,776	(25,905)	13,871
Fund balances beginning of year	100,313	27,323	127,636
Fund balances end of year	\$ 140,089	1,418	141,507

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletics	\$ (194)	16,748	13,183	3,371
Music Resale	(131)	291	235	(75)
Class of 2017	628	490	-	1,118
Class of 2016	1,278	1,756	325	2,709
Class of 2015	2,254	1,780	2,366	1,668
Class of 2014	1,667	1,628	1,570	1,725
Miscellaneous	272	19	3	288
Cheerleading	-	245	148	97
Musical	658	265	54	869
Student Council	1,508	2,852	2,270	2,090
Annual	(2,518)	3,357	2,325	(1,486)
Elementary	6,427	4,287	4,422	6,292
Student Pop Machine	255	3,458	3,621	92
Book Fair	528	1,736	1,736	528
National Honor Society	1,060	-	358	702
TOTALS	\$ 13,692	38,912	32,616	19,988

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 1,218,459	1,382,760	1,246,194	1,262,732	1,173,701	1,132,120	1,034,427	1,021,032	1,027,895	960,813
Tuition	239,789	210,685	257,250	180,968	170,228	89,937	89,424	68,199	78,860	22,043
Other	135,232	90,712	119,758	104,020	117,972	140,293	84,271	84,650	95,769	131,394
State sources	1,003,785	770,884	875,852	877,764	679,111	939,314	1,040,548	993,080	921,121	881,704
Federal sources	65,821	68,280	58,194	137,047	211,703	60,443	62,001	68,460	131,633	112,346
Total	<u>\$ 2,663,086</u>	<u>2,523,321</u>	<u>2,557,248</u>	<u>2,562,531</u>	<u>2,352,715</u>	<u>2,362,107</u>	<u>2,310,671</u>	<u>2,235,421</u>	<u>2,255,278</u>	<u>2,108,300</u>
Expenditures:										
Instruction:										
Regular	\$ 1,224,353	1,180,843	1,262,406	1,198,347	1,122,514	1,035,994	1,053,121	1,013,141	1,025,736	1,023,114
Special	223,435	189,728	146,093	163,386	176,763	188,455	168,606	179,791	192,584	192,091
Other	228,817	214,947	225,547	214,843	213,100	192,470	137,831	133,083	154,188	153,793
Support services:										
Student	4,858	2,953	10,920	10,334	8,550	9,992	10,364	9,748	9,717	1,074
Instructional staff	35,737	68,052	40,102	6,992	37,267	25,737	27,461	33,992	29,576	38,317
Administration	294,543	274,049	284,672	254,688	269,912	300,095	276,737	246,245	250,404	219,657
Operation and maintenance of plant	241,892	186,275	236,757	253,848	144,513	230,930	201,977	229,493	279,480	142,543
Transportation	185,528	152,836	208,376	190,864	128,049	120,972	104,391	160,031	215,464	63,274
Capital outlay	-	-	-	-	-	982,003	273,110	51,309	-	133,418
Long-term debt:										
Principal	95,000	90,000	85,000	85,000	75,000	40,000	5,155	2,579	2,579	2,579
Interest and other charges	31,705	35,589	39,350	42,922	46,799	44,799	-	-	-	-
Other expenditures:										
AEA flow-through	76,297	74,070	73,438	83,051	81,087	75,406	75,248	72,878	69,832	65,908
Total	<u>\$ 2,642,165</u>	<u>2,469,342</u>	<u>2,612,661</u>	<u>2,504,275</u>	<u>2,303,554</u>	<u>3,246,853</u>	<u>2,334,001</u>	<u>2,132,290</u>	<u>2,229,560</u>	<u>2,035,768</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the Paton-Churdan 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 Paton-Churdan 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 18, 2015.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Paton-Churdan 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.

Paton-Churdan Community School District's Responses to Findings

Paton-Churdan Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Paton-Churdan 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 Paton-Churdan 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 18, 2015
Newton, Iowa

PATON-CHURDAN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Basic 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) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Wire transfers - processing and approving.
- 8) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 9) Transfers - preparing and approving.
- 10) Financial reporting - preparing, reconciling and approving.
- 11) Computer systems - performing all general accounting functions and controlling all data input and output.
- 12) 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 - We will review procedures and investigate available alternatives.

Conclusion - Response accepted.

I-B-14 Subsidiary Record Keeping - We noted that the Student Activity Fund and School Nutrition Fund's financial records are being maintained on Quicken. It appeared that the District was not reconciling the Student Activity Fund or School Nutrition Fund subsidiary records to the District's Uniform Financial Accounting system in a timely manner.

Recommendation - The District needs to integrate the financial transactions of the Student Activity Fund and the School Nutrition Fund on the District's Uniform Financial Accounting system. District personnel should receive additional training on how to properly maintain the official records on the District's Uniform Financial Accounting system.

The District may maintain subsidiary records for District activities, but all official records of the District shall be maintained on the District's Uniform Financial Accounting system. If subsidiary records are maintained, the records must be reconciled to the official records monthly.

Response - As of September 22nd, 2014, the Activity Fund and the Hot Lunch Fund was switched to the District's Uniform Financial Accounting System. There are no funds in Quicken anymore.

Conclusion - Response accepted.

I-C-14 Grant Coding - We noted that corrective adjustments were required at year end to code and clear expenses in various grant accounts. The reclassifying of expenses gives the appearance that the grants may not be monitored throughout the year and the District is finding already existing purchases that might qualify for the grant.

Recommendation - The District should determine who and what costs are appropriate prior to payment and operation of the grant. The individual in charge of the grants should be communicating with the accounting department and consistently monitoring financial reports to ensure that the grant is spent for appropriate items as well as in the current time period.

Response - Grants given to the District will be recorded on a document that shows the carryover, amount received in the current fiscal year, the amount spent in the fiscal year and the ending balance of the grant account.

Conclusion - Response accepted.

I-D-14 Student Activity Fund-Fundraisers - We noted during our audit that the District maintains fundraisers in the Student Activity Fund, however they are not approved by the Board. We recommend that all fundraisers be approved by Board. We also noted that the fundraisers do not always have a stated purpose.

Recommendation - Districts should have policies and/or procedures in place to address fund-raising activity including:

- a. The Board or its designee should approve all District-sponsored fundraising activity.
- b. The Board may also adopt a policy to require Board approval of all fundraising activity including fundraising activities of affiliated organizations such as Booster Clubs and the PTO.
- c. Boards should establish procedures for fund-raising activity for District sponsored fund-raisers as well as fund-raisers sponsored by outside groups and organizations to help ensure consistency and accountability over fund-raising activities.

- d. The Board should determine the extent, if any, of administrative support to be provided for District-sponsored and affiliated organization fundraising activity including the cost and/or expense associated with staff time used in collecting payments; preparing, printing and/or assembling mailings; postage; etc.
- e. Fund-raising activity should be clearly designated as District-sponsored and/or sponsored by an outside group or affiliated organization to clearly establish responsibility and accountability.
- f. If District-sponsored, the District should account for the fund-raising activity.

Response - The District's Board of Education is now approving fundraisers. Fundraisers are listed under the consent agenda every month starting in November 2014.

Conclusion - Response accepted.

- I-E-14 Checks Made Payable to Cash - We noted during our audit instances of checks for start-up money for gates made payable only to "Cash".

Recommendation - Checks made out to the bank only are considered bearer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the custodian/sponsor of the event and the District.

Response - The District will write the check to the sponsor of an event when cash is needed.

Conclusion - Response accepted.

- I-F-14 Purchase Orders - We noted during our audit that purchase orders are required before employees are allowed to check out the District credit card. However, we noted multiple purchases that did not have an approved purchase order. We also noted instances of transactions processed without purchase orders.

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

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

Response - We will review our procedures on purchase orders including approval from appropriate administrators. We will require them for purchases pertaining to instruction and business matters.

Conclusion - Response accepted.

- I-G-14 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying numerous negative student lunch account balances on the books. It was noted that some of the negative accounts appear to be excessive in amount.

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

Response - We will review our procedures when lunch accounts become negative. The lunch accounts that were excessive were recovered in fiscal year 2015.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District disbursements for the year ended June 30, 2014, did not exceed the amount budgeted.

II-B-14 Questionable Disbursements - We noted during our audit that the District wrote a check for pedicures during the senior trip. This 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 comply with the Attorney General's opinion dated April 25, 1979.

Response - We will review our procedures and policies for purchases out of all funds. All purchases will meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

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 using the district credit cards to ensure the proper detailed documentation will be available with paid credit card statements.

Response - We will review our procedures and policies for purchases with District cards. All purchases will require a detail receipt.

Conclusion - Response accepted.

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

II-E-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However we noted during our audit that board minutes were missing the signature of the Board President.

Recommendation - The District should review its procedures to ensure that the board minutes are reviewed and signed by the Board President.

Response - All official minutes will be signed and reviewed by the Board President and Secretary at the succeeding board meeting.

Conclusion - Response accepted.

- II-F-14 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-14 Supplementary Weighting - No variances regarding 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 - We noted during our audit that the District did not record the revenue received for the Successful Progression for Early Readers grant. The following shows the adjustment made by the District to the ending restricted balance for the Successful Progression of Early Readers grant.

	<u>Restricted Balance on District's CAR</u>	<u>Amount of Revenue Adjustment</u>	<u>Audited Ending Restricted Balance</u>
Successful Progression for Early Readers	\$ -	\$ 13,077	\$ 13,077

Recommendation - The District should review their procedures to ensure that all money received is recorded into the District's books. The District should also notify the Department of Education.

Response - The District will insure all Categorical Funding is properly recorded in the District's books. The District will notify the Department of Education.

Conclusion - Response accepted.

- 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 of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit:

Beginning balance		\$ 100,313
Revenues:		
Sales tax revenues	\$ 158,465	
Other local revenues	55	158,520
Expenditures/transfer out:		258,833
Equipment	\$ 52,394	
Transfer to another fund:		
Debt service fund	66,350	118,744
Ending balance		<u>\$ 140,089</u>

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

II-M-14 Financial Condition - The District had three accounts in the Special Revenue, Student Activity Fund that had deficit balances at the end of the year totaling \$1,561.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit. The District should consider additional approval of bills from the Student Activity Fund. A workout plan for the deficit accounts should also be considered for the Student Activity Fund.

Response - The District's Activity Fund will be monitored for negative balances and a work out plan will be created in collaboration with the District's Board of Education Finance Committee.

Conclusion - Response accepted.

II-N-14 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. However, we noted expenditures which do not appear to be related to cocurricular or extracurricular activities.

Questionable Account: We noted a Book Fair and Music Resale accounts in the Student Activity Fund. The revenues and expenditures related to the Book Fair account appear to be for instructional items and therefore, would be more appropriately handled in the General Fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The revenues and expenditures in the Book Fair account appear to be more instructional in nature and would be more appropriate in the General Fund.

Response - We will review all expenditures and revenues within the Activity Fund to insure that they are deemed cocurricular or extracurricular. The District will now handle the Book Fair through the General Fund.

Conclusion - Response accepted.