

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis (MD&A)	7-15
Basic Financial Statements:	<u>Exhibit</u>
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	A 18
Statement of Activities	B 19
<i>Governmental Fund Financial Statements:</i>	
Balance Sheet	C 20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D 21
Statement of Revenues, Expenditures and Changes in Fund Balances	E 22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 23
<i>Proprietary Fund Financial Statements:</i>	
Statement of Net Position	G 24
Statement of Revenues, Expenses and Changes in Fund Net Position	H 25
Statement of Cash Flows	I 26
<i>Fiduciary Fund Financial Statements:</i>	
Statement of Fiduciary Net Position	J 27
Statement of Changes in Fiduciary Net Position	K 28
Notes to Financial Statements	29-39
 Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	42
Notes to Required Supplementary Information - Budgetary Reporting	43
Schedule of Funding Progress for the Retiree Health Plan	44
 Supplementary Information:	
<u>Schedule</u>	
<i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet	1 46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 47
<i>Capital Project Accounts:</i>	
Combining Balance Sheet	3 48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4 49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5 50
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	6 51
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 <u>Government Auditing Standards</u>	52-53
Schedule of Findings	54-59

Sibley-Ocheyedan Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before September 2013 Election)		
Keith Newman	President	2013
Cindy Onken	Vice President	2013
Cindy Roth	Board Member	2015
Dr. Daniel Berkland	Board Member	2015
Tracy Van Diepen	Board Member	2013

Board Redistricting (After September 2013 Election)

Susie Bormann	President	2017
Tracy Van Diepen	Vice President	2017
Tasha Bos	Board Member	2017
Kyle Grimes	Board Member	2015
Dr. Daniel Berkland	Board Member	2015

School Officials

Bill Boer	Superintendent	2014
Kindra Reiter	District Secretary/ Business Manager/Treasurer	2014
Stephen Avery	Attorney	2014

Sibley-Ocheyedan Community School District

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Sibley-Ocheyedan 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 Sibley-Ocheyedan Community School District, Sibley, 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 Sibley-Ocheyedan Community School District as of June 30, 2014, and the respective changes in financial position and, when applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information 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 Sibley-Ocheyedan Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2011 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2015 on our consideration of Sibley-Ocheyedan 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, 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 Sibley-Ocheyedan Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 10, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$7,496,006 in fiscal 2013 to \$7,461,202 in fiscal 2014, while General Fund expenditures increased from \$7,701,748 in fiscal 2013 to \$7,835,832 in fiscal 2014. This resulted in a decrease in the District's General Fund balance from \$1,512,405 June 30, 2013 to a balance of \$1,137,775 June 30, 2014, which is a 24.77% decrease from the prior year.
- The decrease in General Fund revenues was mainly attributable to a decrease in local tax revenues in fiscal 2014. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits paid to District employees.

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 Sibley-Ocheyedan 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 Sibley-Ocheyedan 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 Sibley-Ocheyedan Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

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

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

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

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

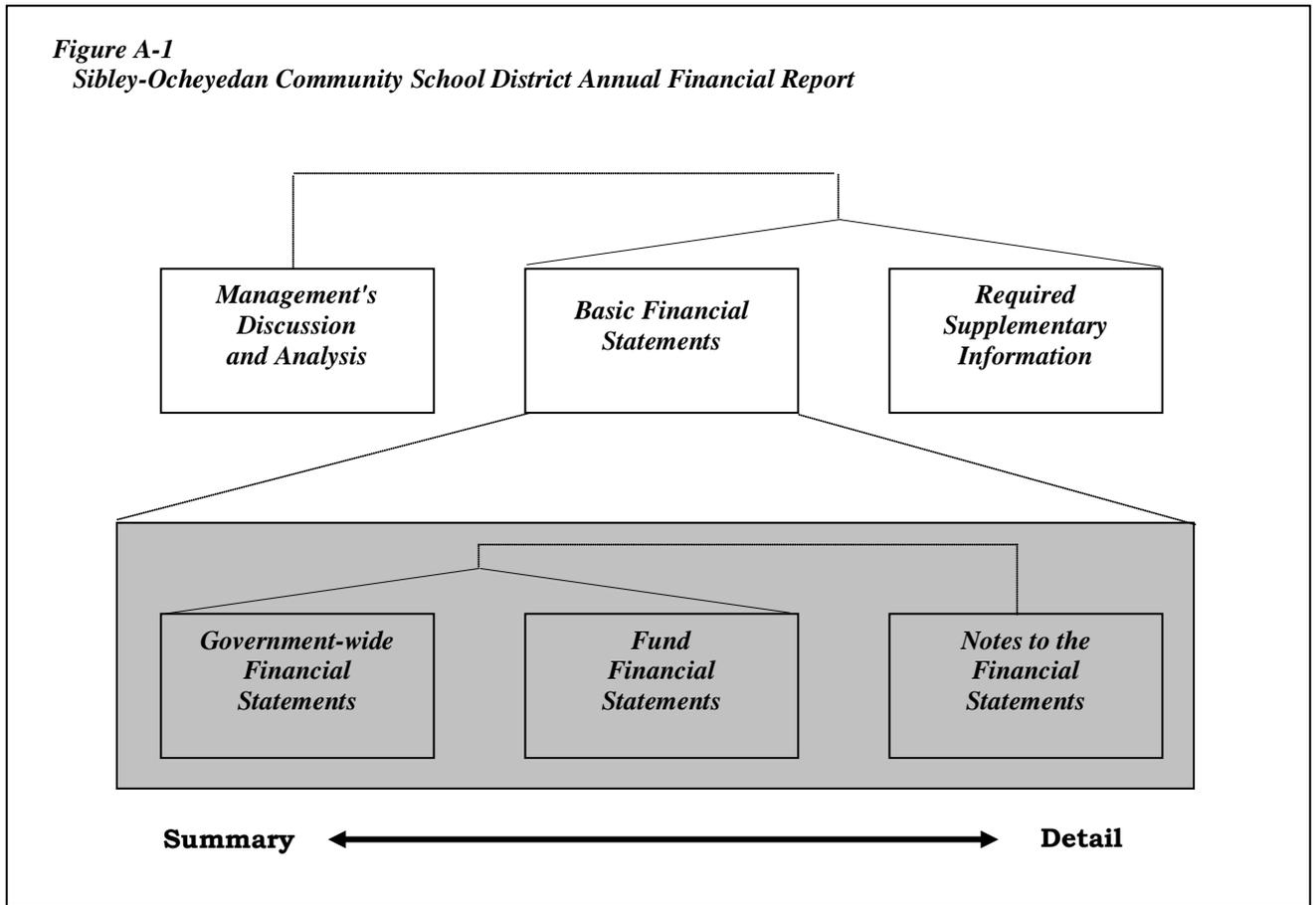


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 6,105,515	6,756,891	128,108	114,146	6,233,623	6,871,037	-9.28%
Capital assets	6,308,699	6,454,146	65,452	66,186	6,374,151	6,520,332	-2.24%
Total assets	12,414,214	13,211,037	193,560	180,332	12,607,774	13,391,369	-5.85%
Long-term obligations	1,352,996	2,112,039	25,277	19,165	1,378,273	2,131,204	-35.33%
Other liabilities	747,926	752,119	5,747	5,132	753,673	757,251	-0.47%
Total liabilities	2,100,922	2,864,158	31,024	24,297	2,131,946	2,888,455	-26.19%
Deferred inflows of resources	3,115,163	3,476,985	-	-	3,115,163	3,476,985	-10.41%
Net position:							
Net investment in capital assets	5,628,699	4,852,380	65,452	66,186	5,694,151	4,918,566	15.77%
Restricted	1,335,947	1,234,472	-	-	1,335,947	1,234,472	8.22%
Unrestricted	233,483	783,042	97,084	89,849	330,567	872,891	-62.13%
Total net position	\$ 7,198,129	6,869,894	162,536	156,035	7,360,665	7,025,929	4.76%

The District's combined net position increased by 4.76%, or \$334,736, over the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 8.22%, or \$101,475, over the prior year. This increase in restricted net position is mainly attributable to increases fund balance of the Capital Projects: Physical Plant and Equipment Levy and Management Levy funds.

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 \$542,324, or 62.13%. The decrease in unrestricted net position is mainly attributable 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 compared to the year ended June 30, 2013.

Figure A-4
Changes of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for services	\$ 595,872	614,515	259,755	246,471	855,627	860,986	-0.62%
Operating grants and contributions and restricted interest	1,531,498	721,440	220,608	209,067	1,752,106	930,507	88.30%
General revenues:							
Property tax	3,481,406	3,459,397	-	-	3,481,406	3,459,397	0.64%
Income surtax	266,610	241,763	-	-	266,610	241,763	10.28%
Statewide sales, services and use tax	656,970	615,800	-	-	656,970	615,800	6.69%
Unrestricted state grants	2,885,830	3,409,416	-	-	2,885,830	3,409,416	-15.36%
Unrestricted investment earnings	550	658	62	54	612	712	-14.04%
Other	88,459	53,960	667	1,484	89,126	55,444	60.75%
Total revenues	9,507,195	9,116,949	481,092	457,076	9,988,287	9,574,025	4.33%
Program expenses:							
Governmental activities:							
Instructional	5,622,601	5,526,038	-	-	5,622,601	5,526,038	1.75%
Support services	2,853,608	2,671,657	10,692	6,028	2,864,300	2,677,685	6.97%
Non-instructional programs	-	-	463,899	421,887	463,899	421,887	9.96%
Other expenses	702,751	715,014	-	-	702,751	715,014	-1.72%
Total expenses	9,178,960	8,912,709	474,591	427,915	9,653,551	9,340,624	3.35%
Changes in net position	328,235	204,240	6,501	29,161	334,736	233,401	43.42%
Beginning net position	6,869,894	6,665,654	156,035	126,874	7,025,929	6,792,528	3.44%
Ending net position	\$ 7,198,129	6,869,894	162,536	156,035	7,360,665	7,025,929	4.76%

In fiscal year 2014, property tax, income surtax and unrestricted state grants account for 69.78% of governmental activities revenue while charges for services and operating grants, contributions and restricted interest accounted for 99.85% of business type activities revenue.

The District's total revenues were approximately \$9.99 million of which approximately \$9.51 million was for governmental activities and approximately \$0.48 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.33% increase in revenues and a 3.35% increase in expenses. Property tax collected increased \$22,009 to help fund the increase in expenses. The increase in expenses can be attributed to an increase in expenditures for the support services functional area of \$186,615.

Governmental Activities

Revenues for governmental activities were \$9,507,195 and expenses were \$9,178,960 for the year ended June 30, 2014.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 5,622,601	5,526,038	1.75%	3,822,963	4,527,878	-15.57%
Support services	2,853,608	2,671,657	6.81%	2,833,715	2,627,553	7.85%
Other expenses	702,751	715,014	-1.72%	394,912	421,323	-6.27%
Totals	\$ 9,178,960	8,912,709	2.99%	7,051,590	7,576,754	-6.93%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$595,872.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,531,498.
- The net cost of governmental activities was financed with \$3,481,406 in property tax, \$266,610 in income surtax, \$656,970 in statewide sales, services and use tax, \$2,885,830 in unrestricted state grants, \$550 in interest income and \$88,459 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2014 were \$481,092, representing a 5.25% increase over the prior year, while expenses totaled \$474,591, a 10.91% increase over the prior year. The District's business type activities are comprised of 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 Sibley-Ocheyedan Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,019,077, below last year's ending fund balances of \$2,324,937. However, the primary reason for the decrease in combined fund balances is due to a decrease in fund balance of the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. A decrease in revenues from local tax source revenues resulted in a decrease in revenues. An increase in salaries and benefits paid to District employees is one of the reasons for the increase in expenditures. The net result was a decrease in fund balance from \$1,512,405 at June 30, 2013 to \$1,137,775 at June 30, 2014.
- During the year ended June 30, 2014, the Management Fund balance increased from \$151,228 at June 30, 2013 to \$194,287 at June 30, 2014. The increase in fund balance can be attributed to increased property tax revenue received as compared to the previous year.

- The Capital Projects account balances overall increased from \$573,121 at June 30, 2013 to \$593,200 at June 30, 2014. The increase in fund balance for the Capital Projects accounts is a result of increase in state source revenues received during the year.

Proprietary Fund Highlights

The School Nutrition Fund's increase in revenues was more than enough to offset the continued increase in food costs, and salaries and benefits. Overall, net position increased from \$156,035 at June 30, 2013 to \$162,536 at June 30, 2014, representing an increase of 4.17%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$239,944 more than budgeted revenues, a variance of 2.46%. The most significant variances resulted from the District receiving more in state sources than what was originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the support services and non-instructional programs functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$6,374,151, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a decrease of 2.24% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$419,166.

The original cost of the District's capital assets was \$14,259,325. Governmental funds account for \$14,129,551 with the remainder of \$129,774 in the Enterprise: School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2014 as compared to \$33,250 at June 30, 2013. This decrease resulted from the completion of construction on a sidewalk project for the football field from the prior year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	2013-14
Land	\$ 25,000	25,000	-	-	25,000	25,000	0.00%
Construction in progress	-	33,250	-	-	-	33,250	-100.00%
Buildings	5,893,859	6,204,747	-	-	5,893,859	6,204,747	-5.01%
Land improvements	84,457	52,173	-	-	84,457	52,173	61.88%
Machinery and equipment	305,383	138,976	65,452	66,186	370,835	205,162	80.75%
Total	\$ 6,308,699	6,454,146	65,452	66,186	6,374,151	6,520,332	-2.24%

Long-Term Debt

At June 30, 2014, the District had \$1,378,273 in a total long-term debt outstanding. This represents a decrease of 35.33% from the prior 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 \$680,000 of an outstanding capital loan note payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District has an OPEB liability of \$698,273 as of June 30, 2014. Governmental activities account for \$672,996 while business type activities account for \$25,277.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
General Obligation Bonds	\$ -	630,000	-	-	-	630,000	-100.00%
Capital Loan Note	680,000	735,000	-	-	680,000	735,000	-7.48%
Revenue Bonds	-	135,000	-	-	-	135,000	-100.00%
Belt Sander/Table Saw Lease	-	5,636	-	-	-	5,636	-100.00%
Computer Lease	-	96,130	-	-	-	96,130	-100.00%
Net OPEB Liability	672,996	510,273	25,277	19,165	698,273	529,438	31.89%
Total	\$ 1,352,996	2,112,039	25,277	19,165	1,378,273	2,131,204	-35.33%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- It is a concern of this District that certain costs continue to increase, such as those associated with negotiated agreements with unions, i.e. salaries and benefits. The District continues to approve an Early Retirement Plan in an effort to achieve costs savings through higher paid teachers retiring early and hiring less experienced teachers as replacements that typically will be paid less, thus resulting in a cost savings to the District.
- With the legislature not setting the allowable growth in a timely basis, the District will find it hard to make future funding predictions.

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 Kindra Reiter, District Secretary/Business Manager/Treasurer, Sibley-Ocheyedan Community School District, 120 11th Avenue NE, Sibley, Iowa, 51249.

Sibley-Ocheyedan Community School District

BASIC FINANCIAL STATEMENTS

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,290,096	122,765	2,412,861
Receivables:			
Property tax:			
Delinquent	59,112	-	59,112
Succeeding year	3,115,163	-	3,115,163
Income surtax	225,990	-	225,990
Accounts	996	-	996
Due from other funds	(80)	80	-
Due from other governments	414,238	-	414,238
Inventories	-	5,263	5,263
Capital assets, net of accumulated depreciation	6,308,699	65,452	6,374,151
TOTAL ASSETS	12,414,214	193,560	12,607,774
LIABILITIES			
Accounts payable	105,316	366	105,682
Salaries and benefits payable	639,969	487	640,456
Accrued interest payable	2,641	-	2,641
Unearned revenue	-	4,894	4,894
Long-term liabilities:			
Portion due within one year:			
Capital loan note payable	55,000	-	55,000
Portion due after one year:			
Capital loan note payable	625,000	-	625,000
Net OPEB liability	672,996	25,277	698,273
TOTAL LIABILITIES	2,100,922	31,024	2,131,946
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	3,115,163	-	3,115,163
NET POSITION			
Net investment in capital assets	5,628,699	65,452	5,694,151
Restricted for:			
Categorical funding	452,242	-	452,242
Debt service	9,597	-	9,597
Management levy purposes	194,287	-	194,287
School infrastructure	515,771	-	515,771
Physical plant and equipment	77,429	-	77,429
Student activities	86,621	-	86,621
Unrestricted	233,483	97,084	330,567
TOTAL NET POSITION	\$ 7,198,129	162,536	7,360,665

SEE NOTES TO FINANCIAL STATEMENTS.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,538,958	184,171	568,465	(2,786,322)	-	(2,786,322)
Special	774,214	111,876	81,144	(581,194)	-	(581,194)
Other	1,309,429	288,694	565,288	(455,447)	-	(455,447)
	<u>5,622,601</u>	<u>584,741</u>	<u>1,214,897</u>	<u>(3,822,963)</u>	<u>-</u>	<u>(3,822,963)</u>
Support services:						
Student	234,525	-	4,230	(230,295)	-	(230,295)
Instructional staff	354,504	-	-	(354,504)	-	(354,504)
Administration	906,220	-	-	(906,220)	-	(906,220)
Operation and maintenance of plant	931,974	5,854	-	(926,120)	-	(926,120)
Transportation	426,385	5,277	4,532	(416,576)	-	(416,576)
	<u>2,853,608</u>	<u>11,131</u>	<u>8,762</u>	<u>(2,833,715)</u>	<u>-</u>	<u>(2,833,715)</u>
Long-term debt interest	55,136	-	-	(55,136)	-	(55,136)
Other expenses:						
AEA flowthrough	307,839	-	307,839	-	-	-
Depreciation(unallocated)*	339,776	-	-	(339,776)	-	(339,776)
	<u>647,615</u>	<u>-</u>	<u>307,839</u>	<u>(339,776)</u>	<u>-</u>	<u>(339,776)</u>
Total governmental activities	9,178,960	595,872	1,531,498	(7,051,590)	-	(7,051,590)
Business type activities:						
Support services:						
Administration	4,242	-	-	-	(4,242)	(4,242)
Operation and maintenance of plant	6,450	-	-	-	(6,450)	(6,450)
Total support services	<u>10,692</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,692)</u>	<u>(10,692)</u>
Non-instructional programs:						
Nutrition services	463,899	259,755	220,608	-	16,464	16,464
Total business type activities	<u>474,591</u>	<u>259,755</u>	<u>220,608</u>	<u>-</u>	<u>5,772</u>	<u>5,772</u>
Total	\$ 9,653,551	855,627	1,752,106	(7,051,590)	5,772	(7,045,818)
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,751,738	-	2,751,738
Debt service				642,654	-	642,654
Capital outlay				87,014	-	87,014
Income surtax				266,610	-	266,610
Statewide sales, services and use tax				656,970	-	656,970
Unrestricted state grants				2,885,830	-	2,885,830
Unrestricted investment earnings				550	62	612
Other				88,459	667	89,126
Total general revenues				<u>7,379,825</u>	<u>729</u>	<u>7,380,554</u>
Change in net position				328,235	6,501	334,736
Net position beginning of year				<u>6,869,894</u>	<u>156,035</u>	<u>7,025,929</u>
Net position end of year				\$ <u>7,198,129</u>	<u>162,536</u>	<u>7,360,665</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2014

	General	Management Levy	Capital Projects	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 1,612,641	187,791	396,714	92,950	2,290,096
Receivables:					
Property tax:					
Delinquent	39,980	6,811	1,469	10,852	59,112
Succeeding year	2,573,125	450,001	92,037	-	3,115,163
Income surtax	225,990	-	-	-	225,990
Accounts	996	-	-	-	996
Due from other funds	19,809	-	19,905	-	39,714
Due from other governments	200,719	-	213,519	-	414,238
TOTAL ASSETS	\$ 4,673,260	644,603	723,644	103,802	6,145,309
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 76,496	315	18,598	9,907	105,316
Salaries and benefits payable	639,969	-	-	-	639,969
Due to other funds	19,905	-	19,809	80	39,794
Total liabilities	736,370	315	38,407	9,987	785,079
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,573,125	450,001	92,037	-	3,115,163
Income surtax	225,990	-	-	-	225,990
Total deferred inflows of resources	2,799,115	450,001	92,037	-	3,341,153
Fund balances:					
Restricted for:					
Categorical funding	452,242	-	-	-	452,242
Debt service	-	-	-	12,238	12,238
Management levy purposes	-	194,287	-	-	194,287
School infrastructure	-	-	515,771	-	515,771
Physical plant and equipment	-	-	77,429	-	77,429
Student activities	-	-	-	86,621	86,621
Unassigned:					
General	685,533	-	-	-	685,533
Student activities	-	-	-	(5,044)	(5,044)
Total fund balances	1,137,775	194,287	593,200	93,815	2,019,077
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,673,260	644,603	723,644	103,802	6,145,309

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$ 2,019,077
<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.	6,308,699
Income surtax is not yet available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds.	225,990
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.	(2,641)
Long-term liabilities, including capital loan note payable, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,352,996)</u>
Net position of governmental activities(page 18)	<u><u>\$ 7,198,129</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIBLEY-OCHEYEDAN 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	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,609,237	400,524	87,014	642,654	3,739,429
Tuition	290,706	-	-	-	290,706
Other	105,394	5,576	45	308,679	419,694
State sources	4,124,708	-	656,970	-	4,781,678
Federal sources	267,101	-	-	-	267,101
Total revenues	<u>7,397,146</u>	<u>406,100</u>	<u>744,029</u>	<u>951,333</u>	<u>9,498,608</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	3,182,904	187,989	80,067	-	3,450,960
Special	754,952	-	-	-	754,952
Other	1,004,758	-	-	296,408	1,301,166
	<u>4,942,614</u>	<u>187,989</u>	<u>80,067</u>	<u>296,408</u>	<u>5,507,078</u>
Support services:					
Student	226,209	1,000	-	-	227,209
Instructional staff	345,568	-	-	-	345,568
Administration	896,343	-	47,198	-	943,541
Operation and maintenance of plant	745,834	151,004	1,250	-	898,088
Transportation	371,425	23,048	200,447	-	594,920
	<u>2,585,379</u>	<u>175,052</u>	<u>248,895</u>	<u>-</u>	<u>3,009,326</u>
Capital outlay	-	-	55,467	-	55,467
Long-term debt:					
Principal	-	-	-	921,766	921,766
Interest and fiscal charges	-	-	-	67,048	67,048
	<u>-</u>	<u>-</u>	<u>-</u>	<u>988,814</u>	<u>988,814</u>
Other expenditures:					
AEA flowthrough	307,839	-	-	-	307,839
TOTAL EXPENDITURES	<u>7,835,832</u>	<u>363,041</u>	<u>384,429</u>	<u>1,285,222</u>	<u>9,868,524</u>
Excess(Deficiency) of revenues over(under) expenditures	(438,686)	43,059	359,600	(333,889)	(369,916)
Other financing sources(uses):					
Transfer in	-	-	-	339,521	339,521
Transfer out	-	-	(339,521)	-	(339,521)
Insurance proceeds	8,899	-	-	-	8,899
Sale of equipment	55,157	-	-	-	55,157
Total other financing sources(uses)	<u>64,056</u>	<u>-</u>	<u>(339,521)</u>	<u>339,521</u>	<u>64,056</u>
Change in fund balance	(374,630)	43,059	20,079	5,632	(305,860)
Fund balances beginning of year	<u>1,512,405</u>	<u>151,228</u>	<u>573,121</u>	<u>88,183</u>	<u>2,324,937</u>
Fund balances end of year	<u>\$ 1,137,775</u>	<u>194,287</u>	<u>593,200</u>	<u>93,815</u>	<u>2,019,077</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIBLEY-OCHEYEDAN 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) \$ (305,860)

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

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

Capital outlay	\$ 300,469	
Depreciation expense	(410,208)	
Loss on asset disposal	<u>(35,708)</u>	(145,447)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in Statement of Net Position. 921,766

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. 11,912

Income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 8,587

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, as follows:

Other postemployment benefits	<u>(162,723)</u>
-------------------------------	------------------

Change in net position of governmental activities(page 19) \$ 328,235

SEE NOTES TO FINANCIAL STATEMENTS.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUND
 JUNE 30, 2014

	<u>School Nutrition</u>
ASSETS	
Current assets:	
Cash and pooled investments	\$ 122,765
Due to other funds	80
Inventories	5,263
Total current assets	<u>128,108</u>
Non-current assets:	
Capital assets, net of accumulated depreciation	65,452
TOTAL ASSETS	<u>193,560</u>
LIABILITIES	
Current liabilities:	
Accounts payable	366
Salaries and benefits payable	487
Unearned revenue	4,894
Total current liabilities	<u>5,747</u>
Non-current liabilities:	
Net OPEB liability	25,277
TOTAL LIABILITIES	<u>31,024</u>
NET POSITION	
Net investment in capital assets	65,452
Unrestricted	97,084
TOTAL NET POSITION	<u>\$ 162,536</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIBLEY-OCHEYEDAN 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 services	\$ 259,755
Miscellaneous	667
TOTAL OPERATING REVENUES	260,422
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	4,242
Operation and maintenance of plant:	
Services	6,450
Total support services	10,692
Non-instructional programs:	
Food service operations:	
Salaries	148,717
Benefits	61,881
Services	396
Supplies	243,910
Depreciation	8,958
Other	37
	463,899
TOTAL OPERATING EXPENSES	474,591
OPERATING LOSS	(214,169)
NON-OPERATING REVENUES:	
State sources	3,718
Federal sources	216,890
Interest income	62
TOTAL NON-OPERATING REVENUES	220,670
Change in net position	6,501
Net position beginning of year	156,035
Net position end of year	\$ 162,536

SEE NOTES TO FINANCIAL STATEMENTS.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from operating activities	\$ 260,692
Cash received from miscellaneous	667
Cash payments to employees for services	(203,999)
Cash payments to suppliers for goods or services	(226,312)
Net cash used in operating activities	(168,952)
Cash flows from non-capital financing activities:	
Interfund with Activity Fund	(80)
State grants received	3,718
Federal grants received	187,799
Net cash provided by non-capital financing activities	191,437
Cash flows from capital financing activities:	
Purchase of capital assets	(8,224)
Cash flows from investing activities:	
Interest on investment	62
Net increase in cash and cash equivalents	14,323
Cash and cash equivalents at beginning of year	108,442
Cash and cash equivalents at end of year	\$ 122,765
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (214,169)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	29,091
Depreciation	8,958
Increase in inventories	(69)
Decrease in accounts receivable	510
Decrease in accounts payable	(299)
Increase in salaries and benefits payable	487
Increase in unearned revenues	427
Increase in other postemployment benefits	6,112
Net cash used in operating activities	\$ (168,952)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$29,091.

SEE NOTES TO FINANCIAL STATEMENTS.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 14,911
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for scholarships	<u>\$ 14,911</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
ADDITIONS:		
Local sources:		
Interest	\$	29
Contributions		<u>7,550</u>
TOTAL ADDITIONS		<u>7,579</u>
DEDUCTIONS:		
Instruction:		
Regular:		
Scholarships awarded		<u>7,200</u>
Change in net position		379
Net position beginning of year		<u>14,532</u>
Net position end of year	\$	<u><u>14,911</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies

The Sibley-Ocheyedan Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served primarily includes the Cities of Sibley and Ocheyedan, Iowa and the predominate agricultural territory in Osceola 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 Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sibley-Ocheyedan 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 Sibley-Ocheyedan Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

The Statement of Net Position presents the District's non-fiduciary 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 not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The Management Levy Fund is utilized to account for the revenues and expenses of unemployment benefits, early retirement benefits, and insurance agreements relating to such liabilities.

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

The District reports the following nonmajor proprietary fund:

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

The District also reports fiduciary funds which focus on net position and changes in net position.

The District's fiduciary funds include the following:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Land improvements	10,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50 years
Land improvements	5-20 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 is 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the support services and non-instructional programs functions.

(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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$975 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was AAA by Standard & Poor's Financial Services.

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
Nutrition	Student Activity	\$ 80
Capital Projects: Physical Plant and Equipment Levy	General	19,905
General	Capital Projects: Statewide Sales, Services and Use Tax	19,809
		<u>\$ 39,794</u>

The Student Activity Fund is repaying the Nutrition Fund for monies inadvertently deposited into the incorrect bank account.

The General Fund is repaying the Capital Projects: Physical Plant and Equipment Levy (PPEL) Fund for expenses that were paid from PPEL but should have been from the General Fund.

The Capital Projects: Statewide Sales, Services and Use Tax Fund is repaying the General Fund for bus sale proceeds that were deposited to the incorrect account.

(4) Interfund Transfers

The detail of the 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	<u>\$ 339,521</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed to pay the principal and interest on the District's Apple computer lease, sander/saw lease, revenue bonds and capital loan notes.

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 25,000	-	-	25,000
Construction in progress	33,250	14,750	48,000	-
Total capital assets not being depreciated	<u>58,250</u>	<u>14,750</u>	<u>48,000</u>	<u>25,000</u>
Capital assets being depreciated:				
Buildings	12,370,722	13,172	-	12,383,894
Land improvements	281,960	48,000	-	329,960
Machinery and equipment	1,261,462	272,547	143,312	1,390,697
Total capital assets being depreciated	<u>13,914,144</u>	<u>333,719</u>	<u>143,312</u>	<u>14,104,551</u>
Less accumulated depreciation for:				
Buildings	6,165,975	324,060	-	6,490,035
Land improvements	229,787	15,716	-	245,503
Machinery and equipment	1,122,486	70,432	107,604	1,085,314
Total accumulated depreciation	<u>7,518,248</u>	<u>410,208</u>	<u>107,604</u>	<u>7,820,852</u>
Total capital assets being depreciated, net	<u>6,395,896</u>	<u>(76,489)</u>	<u>35,708</u>	<u>6,283,699</u>
Governmental activities capital assets, net	<u>\$ 6,454,146</u>	<u>(61,739)</u>	<u>83,708</u>	<u>6,308,699</u>
Business type activities:				
Machinery and equipment	\$ 121,550	8,224	-	129,774
Less accumulated depreciation	55,364	8,958	-	64,322
Business type activities capital assets, net	<u>\$ 66,186</u>	<u>(734)</u>	<u>-</u>	<u>65,452</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Support services:		
Administration		\$ 15,472
Operation and maintenance		11,005
Transportation		43,955
		<u>70,432</u>
Unallocated depreciation		<u>339,776</u>
Total governmental activities depreciation expense		<u>\$ 410,208</u>
Business type activities:		
Food services		<u>\$ 8,958</u>

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 630,000	-	630,000	-	-
Capital Loan Note	735,000	-	55,000	680,000	55,000
Revenue Bonds	135,000	-	135,000	-	-
Belt Sander/Table Saw Lease	5,636	-	5,636	-	-
Computer Lease	96,130	-	96,130	-	-
Net OPEB Liability	510,273	162,723	-	672,996	-
Total	<u>\$ 2,112,039</u>	<u>162,723</u>	<u>921,766</u>	<u>1,352,996</u>	<u>55,000</u>
Business type activities:					
Net OPEB Liability	\$ 19,165	6,112	-	25,277	-

Capital Loan Note

Detail of the District's June 30, 2014 capital loan note indebtedness that is to be paid from the Capital Projects: Statewide Sales, Services and Use Tax Fund, is as follows:

Year Ending June 30,	Note Dated December 18, 2008			
	Interest Rates	Principal	Interest	Total
2015	4.25	% \$ 55,000	31,688	86,688
2016	4.25	60,000	29,350	89,350
2017	4.25	60,000	26,800	86,800
2018	4.25	65,000	24,250	89,250
2019	4.75	65,000	21,488	86,488
2020-2024	4.75-5.00	375,000	57,225	432,225
Total		<u>\$ 680,000</u>	<u>190,801</u>	<u>870,801</u>

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual 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 contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$434,077, \$424,332 and \$386,022 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 89 active and 13 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a fully-insured medical plan, is administered by Wellmark Blue Cross Blue Shield. Certified teaching staff who retired during fiscal years 2002 through 2005 receive health coverage up to \$550 per month until age 65 while certified teaching staff who retired in fiscal year 2007 and later receive coverage of up to \$550 per month for 60 months. All other retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 252,229
Interest on net OPEB obligation	13,236
Adjustment to annual required contribution	(48,843)
Annual OPEB cost	<u>216,622</u>
Contributions made	<u>(47,787)</u>
Increase in net OPEB obligation	168,835
Net OPEB obligation - beginning of year	<u>529,438</u>
Net OPEB obligation - end of year	<u>\$ 698,273</u>

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

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	176,521	28.71%	361,850
2013	252,513	33.63%	529,438
2014	216,622	22.06%	698,273

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 \$1.672 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.672 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.549 million, and the ratio of the UAAL to the covered payroll was 36.8%. As of June 30, 2014, there were no trust fund assets.

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

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

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

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the 2006 Society of Actuaries Study.

Projected claim costs of the medical plan are \$568 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The District is a member in the Iowa Star Schools 28E Retention Pool Trust. The Iowa Star Schools 28E Retention Pool Trust is a voluntary joint undertaking of units of government to create and maintain a fully-funded health benefits program through cooperative action with private agencies, as authorized by Chapter 28E of the Code of Iowa. The Trust maintains a fully funded health benefits program. District contributions to Schools 28E Retention Pool Trust for the year ended June 30, 2014 were \$928,675.

The 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.

(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 \$307,839 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.

(11) Deficit Fund Balance

At June 30, 2014, the Special Revenue: Student Activity Fund had one account with a deficit unassigned fund balance of \$5,044.

(12) Categorical Funding

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

Project	Amount
Weighted limited english proficiency	\$ 64,066
Gifted and talented	109,932
Teacher salary supplement	848
Four-year-old preschool state aid	71,285
At-risk supplementary weighting	30,537
Successful progression for early readers	16,103
Professional development, model core curriculum	47,829
Professional development	31,383
Teacher leadership grants	7,801
Beginning teacher mentoring and induction	539
Dropout and dropout prevention	71,919
Total	<u>\$ 452,242</u>

(13) Reconciliation of Governmental Fund Balances to Net Position

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

	Net Investment in Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	12,238	685,533
Capital assets, net of accumulated depreciation	6,308,699	-	-
Capital loan note capitalized indebtedness	(680,000)	-	-
Accrued interest payable	-	(2,641)	-
Income surtax	-	-	225,990
Unassigned student activity fund balances	-	-	(5,044)
Net OPEB liability	-	-	(672,996)
Net position (Exhibit A)	<u>\$ 5,628,699</u>	<u>9,597</u>	<u>233,483</u>

(14) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2014, expenditures in the support services and non-instructional programs functional areas exceeded the amounts budgeted.

(15) Prospective Accounting Change

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

Sibley-Ocheyedan Community School District

REQUIRED SUPPLEMENTARY INFORMATION

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2014

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 4,449,829	260,484	4,710,313	5,265,754	5,265,754	(555,441)
State sources	4,781,678	3,718	4,785,396	4,034,002	4,034,002	751,394
Federal sources	267,101	216,890	483,991	440,000	440,000	43,991
Total revenues	<u>9,498,608</u>	<u>481,092</u>	<u>9,979,700</u>	<u>9,739,756</u>	<u>9,739,756</u>	<u>239,944</u>
Expenditures/Expenses:						
Instruction	5,507,078	-	5,507,078	5,817,622	5,817,622	310,544
Support services	3,009,326	10,692	3,020,018	2,856,000	2,856,000	(164,018)
Non-instructional programs	-	463,899	463,899	450,000	450,000	(13,899)
Other expenditures	1,352,120	-	1,352,120	1,640,722	1,640,722	288,602
Total expenditures/expenses	<u>9,868,524</u>	<u>474,591</u>	<u>10,343,115</u>	<u>10,764,344</u>	<u>10,764,344</u>	<u>421,229</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(369,916)	6,501	(363,415)	(1,024,588)	(1,024,588)	661,173
Other financing sources, net	<u>64,056</u>	<u>-</u>	<u>64,056</u>	<u>-</u>	<u>-</u>	<u>64,056</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(305,860)	6,501	(299,359)	(1,024,588)	(1,024,588)	725,229
Balance beginning of year	<u>2,324,937</u>	<u>156,035</u>	<u>2,480,972</u>	<u>2,154,947</u>	<u>2,154,947</u>	<u>326,025</u>
Balance end of year	<u>\$ 2,019,077</u>	<u>162,536</u>	<u>2,181,613</u>	<u>1,130,359</u>	<u>1,130,359</u>	<u>1,051,254</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

During the year ended June 30, 2014, expenditures in the support services and non-instructional functions exceeded the amounts budgeted.

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 443	\$ 443	0.0%	\$ 4,626	9.6%
2011	July 1, 2009	-	1,113	1,113	0.0%	4,692	23.7%
2012	July 1, 2009	-	1,113	1,113	0.0%	4,059	27.4%
2013	July 1, 2012	-	1,801	1,801	0.0%	4,366	41.3%
2014	July 1, 2012	-	1,672	1,672	0.0%	4,549	36.8%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	<u>Special Revenue</u>		
	Student Activity	Debt Service	Total
ASSETS			
Cash and pooled investments	\$ 91,564	1,386	92,950
Receivables:			
Property tax:			
Delinquent	-	10,852	10,852
TOTAL ASSETS	\$ 91,564	12,238	103,802
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 9,907	-	9,907
Due to other funds	80		80
Total liabilities	9,987	-	9,987
Fund balances:			
Restricted for:			
Debt service	-	12,238	12,238
Student activities	86,621	-	86,621
Unassigned	(5,044)	-	(5,044)
Total fund balances	81,577	12,238	93,815
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 91,564	12,238	103,802

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Student Activity	Debt Service	Total
REVENUES:			
Local sources:			
Local tax	\$ -	642,654	642,654
Other	308,679	-	308,679
TOTAL REVENUES	308,679	642,654	951,333
EXPENDITURES:			
Current:			
Instruction:			
Other	296,408	-	296,408
Long-term debt:			
Principal	-	921,766	921,766
Interest and fiscal charges	-	67,048	67,048
TOTAL EXPENDITURES	296,408	988,814	1,285,222
Excess(Deficiency) of revenues over(under) expenditures	12,271	(346,160)	(333,889)
Other financing sources:			
Transfer in	-	339,521	339,521
Change in fund balances	12,271	(6,639)	5,632
Fund balances beginning of year	69,306	18,877	88,183
Fund balances end of year	\$ 81,577	12,238	93,815

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 340,659	56,055	396,714
Receivables:			
Property tax:			
Delinquent	-	1,469	1,469
Succeeding year	-	92,037	92,037
Due from other funds	-	19,905	19,905
Due from other governments	213,519	-	213,519
TOTAL ASSETS	\$ 554,178	169,466	723,644
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 18,598	-	18,598
Due to other funds	19,809	-	19,809
Total liabilities	38,407	-	38,407
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	92,037	92,037
Fund balances:			
Restricted for:			
School infrastructure	515,771	-	515,771
Physical plant and equipment	-	77,429	77,429
Total fund balances	515,771	77,429	593,200
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 554,178	169,466	723,644

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	87,014	87,014
Other	27	18	45
State sources	656,970	-	656,970
TOTAL REVENUES	656,997	87,032	744,029
EXPENDITURES:			
Current:			
Instruction:			
Regular	52,808	27,259	80,067
Support services:			
Administration	47,198	-	47,198
Operation and maintenance of plant	-	1,250	1,250
Transportation	169,747	30,700	200,447
Capital outlay	50,681	4,786	55,467
TOTAL EXPENDITURES	320,434	63,995	384,429
Excess of revenues over expenditures	336,563	23,037	359,600
Other financing uses:			
Transfer out	(339,521)	-	(339,521)
Change in fund balances	(2,958)	23,037	20,079
Fund balances beginning of year	518,729	54,392	573,121
Fund balances end of year	\$ 515,771	77,429	593,200

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIBLEY-OCHEYEDAN 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
Boys basketball	\$ 2,009	6,115	6,545	1,579
Cross country	770	1,247	2,003	14
Football	2,094	18,030	18,353	1,771
Boys golf	1,151	736	225	1,662
Boys track	(397)	3,710	2,762	551
Baseball	(496)	13,676	12,626	554
Wrestling	736	11,114	11,291	559
Girls basketball	1,638	10,769	10,417	1,990
Softball	251	3,044	2,992	303
Girls track	(232)	4,565	4,162	171
Girls volleyball	703	4,350	4,892	161
Girls golf	1,060	364	1,004	420
Weightlifting	13	-	-	13
Dance team	822	1,552	1,627	747
Cheerleaders	2,219	2,341	3,498	1,062
Co-ed athletics	(118)	249	131	-
HS Concessions	(577)	22,446	19,397	2,472
Athletics	1,816	4,691	11,551	(5,044)
Athletics and Fitness	2,350	1,488	3,264	574
Student assistance	1,259	-	40	1,219
International club	3,166	861	1,609	2,418
Art club	2,771	505	443	2,833
Science club	1,128	35	500	663
Industrial tech club	2,696	-	-	2,696
Speech club	6,903	203	1,765	5,341
Quill club	64	-	-	64
Drama club	4,695	2,335	1,025	6,005
HS activity	3,391	4,162	7,553	-
FFA	5,478	129,076	99,395	35,159
MS band	287	4,074	4,361	-
HS band	(15)	18,268	17,988	265
MS concessions	1,439	-	1,439	-
Vocal music	4,444	5,790	8,700	1,534
MS activities	1,160	12,965	12,884	1,241
National honor society	660	774	922	512
HS student leadership	448	1,133	1,581	-
Annual club	9,861	8,350	12,224	5,987
Elementary activities	1,080	2,017	596	2,501
Prom	2,576	4,873	4,492	2,957
Class of 2013	3	-	-	3
Class of 2014	-	2,064	2,064	-
Care-E-Out	-	707	87	620
Total	\$ 69,306	308,679	296,408	81,577

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 3,739,429	4,338,786	4,396,542	4,150,745	3,751,485	3,613,910	3,222,773	3,146,175	3,057,682	3,166,335
Tuition	290,706	297,751	338,486	296,961	328,210	273,957	251,630	184,206	252,136	226,228
Other	419,694	395,320	453,808	428,385	446,877	461,457	524,755	462,940	441,271	402,033
State sources	4,781,678	3,840,658	4,116,649	3,808,346	3,507,678	4,435,413	4,420,383	2,876,109	3,892,147	3,672,039
Federal sources	267,101	266,260	369,025	479,190	743,282	231,027	239,551	230,034	309,049	254,119
Total	\$ 9,498,608	9,138,775	9,674,510	9,163,627	8,777,532	9,015,764	8,659,092	6,899,464	7,952,285	7,720,754
Expenditures:										
Instruction:										
Regular	\$ 3,450,960	3,445,974	3,689,847	3,225,005	3,143,148	3,138,026	3,238,813	2,972,147	2,965,110	2,848,585
Special	754,952	801,786	900,814	820,208	1,106,025	1,391,602	1,259,281	1,091,078	954,725	690,073
Other	1,301,166	1,198,060	1,209,865	1,236,736	915,486	821,885	785,195	924,693	862,477	891,442
Support services:										
Student	227,209	254,961	257,784	265,709	270,603	264,265	287,663	199,600	172,466	220,483
Instructional staff	345,568	306,889	301,607	262,609	153,184	170,012	174,299	319,025	210,667	222,105
Administration	943,541	848,943	843,037	707,795	749,817	820,030	836,214	805,178	725,969	604,896
Operation and maintenance of plant	898,088	772,973	766,430	806,082	734,281	780,494	699,473	834,642	892,056	748,234
Transportation	594,920	381,228	362,574	339,197	285,159	293,804	297,702	390,150	377,711	434,252
Capital outlays	55,467	58,810	52,932	140,690	969,199	970,280	873,761	302,002	50,379	202,571
Long-term debt:										
Principal	921,766	586,536	566,579	460,000	425,000	380,000	245,000	235,000	225,000	210,000
Interest and fiscal charges	67,048	89,939	111,622	112,019	144,314	95,683	113,209	111,865	121,428	130,351
Other expenditures:										
AEA flow-through	307,839	293,691	295,638	332,139	332,779	310,801	294,935	282,816	275,616	270,801
Total	\$ 9,868,524	9,039,790	9,358,729	8,708,189	9,228,995	9,436,882	9,105,545	8,468,196	7,833,604	7,473,793

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

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Government 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 Sibley-Ocheyedan Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 10, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sibley-Ocheyedan 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 Sibley-Ocheyedan Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Sibley-Ocheyedan 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 over financial reporting 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 certain deficiencies in internal control we consider to be a 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 misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sibley-Ocheyedan Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and,

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

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

Sibley-Ocheyedan Community School District's Responses to Findings

Sibley-Ocheyedan Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Sibley-Ocheyedan 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 Sibley-Ocheyedan Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 10, 2015
Newton, Iowa

SIBLEY-OCHEYEDAN 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 control is the segregation of duties among employees and officials to prevent an individual employee from handling duties which are incompatible. For the District, one individual has control over each of the following areas:

- 1) Cash - bank reconciliations, cash receipts and the disbursement function.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Inventories - handling inventory and recording inventory records.
- 4) Long-term debt - maintaining debt records and control of cash, reconciliations and approval.
- 5) Receipts - journalizing, posting and reconciling.
- 6) Disbursements - purchase order processing, check preparation, signing checks, mailing and recording, voucher preparation and reconciling disbursements to the check register.
- 7) Wire transfers - processing and approving.
- 8) Payroll - approval of and recording employees added or deleted from the payroll system, entering contracts into the system and verifying accuracy, approval of and payment of payroll taxes, write checks, sign checks and post payroll to the general ledger.
- 9) Financial reporting - preparing, reconciling and approving.
- 10) Computer systems - performing all general accounting functions and controlling all data input and output.
- 11) Journal entries - approval and posting.

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

Response - The District understands the nature of the weakness and the necessity of oversight and review procedures. The District will review its procedures and implement changes. The District has prepared and implemented a Business Procedure Manual for all employees. This document clarifies the expectations and processes for employees to follow. The District has implemented an electronic purchase order system to streamline the purchasing process.

Conclusion - Response accepted.

I-B-14 Capital Assets - Board Policy 802.4R1 states, "The fixed assets manager, in conjunction with the fixed assets management team, will conduct an annual fixed assets physical count to develop the annual fixed assets listing in a manner similar to the initial fixed assets listing process. At least every three years, someone other than the person in custody of the fixed assets in the building/department/room will perform the fixed assets physical count for the building/department/room." An independent reconciliation of capital assets to the

accounting records is not performed. In addition, identifying tags are not placed on capital assets.

Recommendation - Capital assets should be periodically reconciled to the accounting records by an individual having no responsibility for the assets. Identification tags should be placed on all capital assets.

Response - The District understands the nature of the weakness and the necessity of oversight and review procedures. The Board has reviewed board policies 802.4 through 802.4R2. The Superintendent and the Fixed Asset Management team will implement a process to verify and reconcile the capital assets of the district.

Conclusion - Response accepted.

- I-C-14 Scholarship Awards - We noted during our audit that scholarship checks were being written from several different accounts in the Student Activity Fund.

Recommendation - If these student activity groups intend on awarding scholarships each year, the District needs to make these groups aware that they need to fundraise specifically for the purpose of awarding a scholarship. Revenues and subsequent expenditures for scholarships from the activity fund groups would be more appropriately handled in the Private Purpose Trust Fund.

Response - The District understands the nature of the weakness. The District will inform each activity group who intends to award scholarships that they need to fundraise specifically for the purpose of awarding a scholarship. The District will handle the revenue and subsequent expenditures for scholarships from activity groups in the Private Purpose Trust Fund.

Conclusion - Response accepted

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014 exceeded the amount budgeted in the support services and non-instructional programs functions.

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

Response - The District understands the nature of the weakness. Due to the timing of expenditures at year-end there was not sufficient time to amend the certified budget by the deadline. The District will monitor expenditures more closely in regard to the certified budget.

Conclusion - Response accepted.

- II-B-14 Questionable Disbursements - During our audit we note the following items as questionable disbursements. More specific examples of those instances of questioned items and recommendations are as follows:

Gift Cards: We noted during our audit that the District purchased gift cards to be used as prizes for students or gifts to volunteers. Gift cards do 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 - The District understands the nature of the weakness. The District will discontinue using gift cards as a student reward.

Conclusion - Response accepted.

Sales Tax: We noted during our audit an instance of the District paying sales tax on the purchase of curriculum books. The District is a tax exempt entity and should not be paying for sales tax.

Recommendation - The District should review its purchasing procedures and ensure that appropriate paperwork is filed with vendors to ensure the District does not pay sales tax on District purchases.

Response - The District understands the nature of the weakness and the necessity of oversight and review procedures. The District will review its purchasing procedures and ensure that appropriate paperwork is filed with vendors to ensure the District does not pay sales tax on District purchases.

Conclusion - Response accepted.

Donation to Outside Organization: We noted during our audit an instance of the District donating money from the Student Activity Fund International Club group to the Heifer Project without supporting documentation. Iowa Administrative rule 98.70(3) outlines inappropriate uses of student activity money and subsection (D) specifically prohibits payments to any outside organization unless a fundraiser was held expressly for that purpose and the purpose of the fundraiser was specifically identified.

Recommendation - If the District wishes to enable Student Activity Fund groups to raise money for outside organizations the District should review procedures to enable groups to seek approval and also allow the District to track the money raised for this purpose. Additionally, if the District chooses to allow student groups to participate in fundraising for outside groups, procedures and documentation should be established to track the expenditures.

Response - The District understands the nature of the weakness and the necessity of oversight and review procedures. The District will notify the International Club sponsor to specify the purpose of the money raised.

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. No travel advances to District officials or employees were noted, however we noted the following during our audit:

Lack of Receipts: We noted instances of employees not turning in detailed receipts for meal purchases when using the district's credit card. Board policy 401.10 states "Employees and officers using a school district credit card must submit a detailed receipt in addition to a credit card receipt indicating the date, purpose and nature of the expense. Failure to provide a proper receipt shall make the employee responsible for expenses incurred."

Recommendation - The District should review Board policy 401.10 with employees and require a detailed receipt in addition to a credit card receipt indicating the date, purpose and nature of the expense incurred on the District's credit cards.

Response - The District understands the nature of the weakness and the necessity of oversight and review procedures. The District has implemented a School Business Procedure manual and reviewed it with all employees. The District has notified employees of the need for detailed receipts.

Conclusion - Response accepted.

Meal Reimbursement: We noted during our audit the District reimbursing an employee for a meal that was not for overnight travel and was not added to the employee's W-2 as a taxable benefit. Per the IRS Fringe Benefit Guide, Publication 5137, this does not appear to meet the requirements to be a benefit that is excludable from taxable wages.

Recommendation - The District should review its reimbursement procedures to ensure that the District is complying with IRS guidance on reimbursements.

Response - The District understands the nature of the weakness and the necessity of oversight and review procedures. The District has discontinued the practice of reimbursing meals that are not for overnight travel.

Conclusion - Response accepted.

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

Name, Title and Business Connection	Transaction Description	Amount
Tom Doeden, Transportation Director Son owns B. Doeden Manure Hauling	Snow removal, parts and labor	\$5,028

In accordance with the Attorney General's opinion dated November 9, 1976, the above transaction with the son of an employee does not appear to cause a conflict of interest.

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

II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The District understands the nature of the weakness and the necessity of oversight and review procedures. The Board Secretary will maintain a copy of correspondence when submitting the minutes for publication.

Conclusion - Response accepted.

- II-G-14 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of students reported was overstated by 1.0 student.
- Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response - The District's auditor will contact the Iowa Department of Education and Department of Management to resolve this matter.
- Conclusion - Response accepted.
- II-H-14 Supplementary Weighting - We noted the supplementary weighting data certified to the Iowa Department of Education was overstated by 0.129 students.
- Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response - The District's auditor will contact the Iowa Department of Education and Department of Management to resolve this matter.
- Conclusion - Response accepted.
- II-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-14 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$	518,729
Revenues:			
Sales tax revenues	\$	656,970	
Other local revenues		27	656,997
Total revenues			<u>1,175,726</u>
Expenditures/transfer out:			
School infrastructure construction		36,848	
Equipment		264,782	
Other		18,804	
Transfers to other funds:			
Debt service fund		339,521	659,955
Ending balance			<u>\$ 515,771</u>

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

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

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

Response - The District understands the nature of the weakness and the necessity of oversight and review procedures. The District will require all non-certified coaches to keep track of their hours. The District distributed timesheets to all non-certified coaches.

Conclusion - Response accepted.

II-N-14 Financial Condition - We noted during our audit the Special Revenue, Student Activity Fund had one negative account with a deficit balance of \$5,044 at June 30, 2014.

Recommendation - The District should continue to monitor this account and investigate alternatives to eliminate the deficits.

Response - The District maintains an inventory of medals, ribbons, pins, letters, and trophies for use in the 2014-15 school year, the District does track expenses and this account went negative due to payment for next year medals, ribbons, pins, letters, and trophies at the end of the 2014 fiscal year. The District will monitor this account to ensure that it does not have a deficit balance in the future.

Conclusion - Response accepted.