

SIDNEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

## Table of Contents

			<u>Page</u>
Officials			3
Independent Auditor's Report			5-6
Management's Discussion and Analysis			7-16
<b>Basic Financial Statements:</b>		<b><u>Exhibit</u></b>	
Government-wide Financial Statements:			
Statement of Net Position	A		18
Statement of Activities	B		19
Governmental Fund Financial Statements:			
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
Proprietary Fund Financial Statements:			
Statement of Net Position	G		24
Statement of Revenues, Expenditures and Changes in Fund Net Position	H		25
Statement of Cash Flows	I		26
Fiduciary Fund Financial Statements:			
Statement of Changes in Fiduciary Net Position	J		27
Notes to Financial Statements			28-39
<b>Required Supplementary Information:</b>			
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds			42
Notes to Required Supplementary Information - Budgetary Reporting			43
Schedule of Funding Progress for the Retiree Health Plan			44
<b>Supplementary Information:</b>		<b><u>Schedule</u></b>	
Nonmajor Governmental Funds:			
Combining Balance Sheet	1		46
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2		47
Capital Projects Accounts:			
Combining Balance Sheet	3		48
Combining Schedule 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 Funds	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

**Sidney Community School District**

**Officials**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires</u></b>
<b>Board of Education</b>		
<b>(Before September 2013 Election)</b>		
Heidi Lowthorp	President	2013
Randy Bishop	Vice President	2013
Alisha Ettleman	Board Member	2015
Erika Graham	Board Member	2015
Brad Johnson	Board Member	2015
<b>(After September 2013 Election)</b>		
Heidi Lowthorp	President	2017
Alisha Ettleman	Vice President	2015
Erika Graham	Board Member	2015
Brad Johnson	Board Member	2015
Larry Holt	Board Member	2017
<b>School Officials</b>		
Gregg Cruickshank	Superintendent	2014
Janet Lemrick	Board Secretary	2014
Jennifer Maher	Board Treasurer/ Business Manager	2014
Franck & Sextro	Attorney	2014

**SIDNEY COMMUNITY SCHOOLS**

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

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 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 in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

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

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 16, 2015, on our consideration of Sidney Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sidney Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 16, 2015  
Newton, Iowa

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### 2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,414,616 in fiscal year 2013 to \$5,122,131 in fiscal year 2014, and General Fund expenditures increased from \$4,690,942 in fiscal year 2013 to \$4,703,312 in fiscal year 2014. This resulted in an increase in the District's General Fund balance from \$42,929 at June 30, 2013 to a balance of \$461,748 at June 30, 2014.
- The increase in General Fund revenues was attributable to an increase in funding from local tax sources in fiscal year 2014. The increase in expenditures was due to an increase in expenditures in the support services functional area.
- Overall, the District's net position increased \$699,711 in the governmental activities and decreased \$15,141 in business type activities.

### 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 Sidney 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 Sidney 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 Sidney Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

**Figure A-1**  
**Sidney Community School District Annual Financial Report**

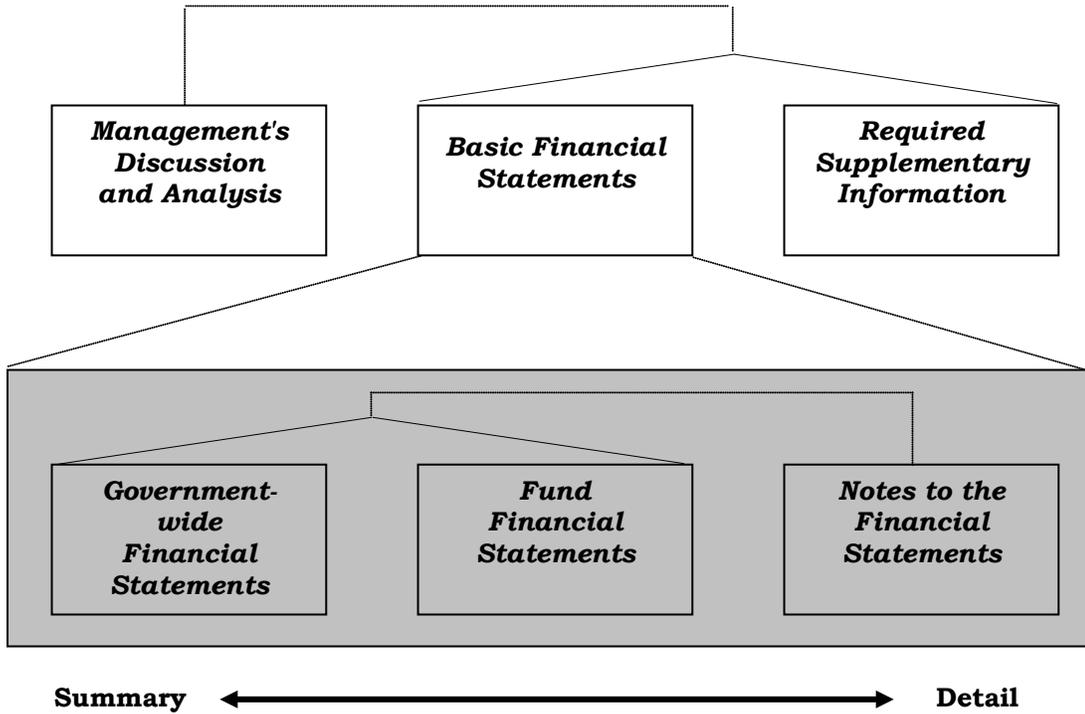


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
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 statements financial statements report the District's net position and how they have changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### **Fund Financial Statements**

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

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

The District has 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, Debt Service Fund and Capital Projects Fund.

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

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the 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 Government-wide financial statements because it cannot use these assets to finance its operations.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	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	\$ 3,830,959	3,057,274	30,537	32,919	3,861,496	3,090,193	24.96%
Capital assets	2,951,208	3,029,512	23,012	22,918	2,974,220	3,052,430	-2.56%
Total assets	<u>6,782,167</u>	<u>6,086,786</u>	<u>53,549</u>	<u>55,837</u>	<u>6,835,716</u>	<u>6,142,623</u>	<u>11.28%</u>
Long-term liabilities	997,311	1,350,449	182	142	997,493	1,350,591	-26.14%
Other liabilities	768,259	999,472	24,617	11,804	792,876	1,011,276	-21.60%
Total liabilities	<u>1,765,570</u>	<u>2,349,921</u>	<u>24,799</u>	<u>11,946</u>	<u>1,790,369</u>	<u>2,361,867</u>	<u>-24.20%</u>
Deferred inflows of resources	<u>2,036,099</u>	<u>1,456,078</u>	<u>-</u>	<u>-</u>	<u>2,036,099</u>	<u>1,456,078</u>	<u>39.83%</u>
Net position:							
Net investment in capital assets	2,236,208	2,069,512	23,012	22,918	2,259,220	2,092,430	7.97%
Restricted	541,311	432,982	-	-	541,311	432,982	25.02%
Unrestricted	202,979	(221,707)	5,738	20,973	208,717	(200,734)	203.98%
Total net position	<u>\$ 2,980,498</u>	<u>2,280,787</u>	<u>28,750</u>	<u>43,891</u>	<u>3,009,248</u>	<u>2,324,678</u>	<u>29.45%</u>

The District's combined net position increased by 29.45%, or \$684,570, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$108,329, or 25.02%. This increase in restricted net position was largely a result of the District's increase in the amount of categorical funding carryover which is restricted for certain purposes in the General Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$409,451, or 203.98%. This increase in unrestricted net position was largely a result of the District's increase in the General Fund balance.

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

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 868,380	991,199	71,075	78,092	939,455	1,069,291	-12.14%
Operating grants, contributions and restricted interest	326,133	409,624	123,979	113,753	450,112	523,377	-14.00%
Capital grants, contributions and restricted interest	-	3,693	-	-	-	3,693	-100.00%
General revenues:							
Property tax	2,210,642	1,430,247	-	-	2,210,642	1,430,247	54.56%
Income surtax	199,445	155,070	-	-	199,445	155,070	28.62%
Statewide sales, services and use tax	286,608	296,345	-	-	286,608	296,345	-3.29%
Unrestricted state grants	1,886,887	1,900,553	-	-	1,886,887	1,900,553	-0.72%
Unrestricted investment earnings	2,054	4,450	1,126	76	3,180	4,526	-29.74%
Other	34,011	72,184	6,740	-	40,751	72,184	-43.55%
Total revenues	<u>5,814,160</u>	<u>5,263,365</u>	<u>202,920</u>	<u>191,921</u>	<u>6,017,080</u>	<u>5,455,286</u>	<u>10.30%</u>
Program expenses:							
Governmental activities:							
Instructional	3,321,386	3,437,537	-	-	3,321,386	3,437,537	-3.38%
Support services	1,514,458	1,829,829	-	-	1,514,458	1,829,829	-17.23%
Non-instructional programs	-	-	221,420	194,519	221,420	194,519	13.83%
Other expenses	275,246	269,707	-	-	275,246	269,707	2.05%
Total expenses	<u>5,111,090</u>	<u>5,537,073</u>	<u>221,420</u>	<u>194,519</u>	<u>5,332,510</u>	<u>5,731,592</u>	<u>-6.96%</u>
Excess(Deficiency) of revenues over (under) expenses	703,070	(273,708)	(18,500)	(2,598)	684,570	(276,306)	-347.76%
Transfers	(3,359)	-	3,359	-	-	-	0.00%
Change in net position	699,711	(273,708)	(15,141)	(2,598)	684,570	(276,306)	347.76%
Net position beginning of year	<u>2,280,787</u>	<u>2,554,495</u>	<u>43,891</u>	<u>46,489</u>	<u>2,324,678</u>	<u>2,600,984</u>	<u>-10.62%</u>
Net position ending of year	<u>\$ 2,980,498</u>	<u>2,280,787</u>	<u>28,750</u>	<u>43,891</u>	<u>3,009,248</u>	<u>2,324,678</u>	<u>29.45%</u>

In fiscal year 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 78.83% of the revenue from governmental activities while charges for services and operating grants and contributions account for 96.12% of the revenue from business type activities.

The District's total revenues were approximately \$6.02 million, of which approximately \$5.82 million was for governmental activities and approximately \$0.20 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 10.30% increase in revenues and a 6.96% decrease in expenses. The increase in revenues is primarily due to an increase in property tax revenues received compared to the prior year. The decrease in expenses is related to decreases in expenditures incurred in the support services functional area.

### Governmental Activities

Revenues for governmental activities were \$5,814,160 and expenses were \$5,111,090 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.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 3,321,386	3,437,537	-3.38%	2,461,157	2,311,570	6.47%
Support services	1,514,458	1,829,829	-17.23%	1,323,026	1,691,218	-21.77%
Other expenses	275,246	269,707	2.05%	132,394	129,769	2.02%
Totals	<u>\$ 5,111,090</u>	<u>5,537,073</u>	<u>-7.69%</u>	<u>3,916,577</u>	<u>4,132,557</u>	<u>-5.23%</u>

For the year ended June 30, 2014:

- The portion of the cost financed by users of the District's programs was \$868,380.
- Federal and state government along with contributions from local sources subsidized certain programs with operating grants and contributions totaling \$326,133.
- The net cost portion of governmental activities was financed with \$2,210,642 in property tax, \$199,445 in income surtax, \$286,608 in statewide sales, services and use tax, \$1,886,887 in unrestricted state grants, \$2,054 in interest income and \$34,011 in other general revenues.

### Business Type Activities

Revenues of the Districts business type activities were \$202,920 and expenses were \$221,420. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, investment income, and other general revenues.

### INDIVIDUAL FUND ANALYSIS

As previously noted, the Sidney 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 \$871,427, above last year's ending fund balance in governmental funds of \$431,705. The primary reason for the increase in combined fund balances at the end of fiscal year 2014 is due to the increase in fund balance of the District's general fund compared to the prior year.

## **Governmental Fund Highlights**

- The District's General Fund financial position is the product of many factors. An increase in local tax revenues helped fund an increase in General Fund revenues. Total expenditures also increased during the year but not enough to offset the extra revenues received. This resulted in an increase in General Fund balance from \$42,929 at June 30, 2013 to \$461,748 at June 30, 2014.

## **Proprietary Fund Highlights**

School Nutrition Fund net position decreased from \$43,891 at June 30, 2013 to \$28,750 at June 30, 2014, representing a decrease of 34.50%. Although total revenues increased compared to the prior year primarily due to increases in federal source revenue received it was not enough to offset the increase in expenditures incurred, ensuring a decrease in fund balance for the year.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$7,375 less than budgeted revenues, a variance of less than one percent. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

Total expenditures were more 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 other expenditures functional areas.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2014, the District had invested \$2,974,220, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$148,463.

The original cost of the District's capital assets was \$6,803,503. Governmental funds accounted for \$6,690,916, with the remainder of \$112,587 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$2,920,006 at June 30, 2013 compared to \$2,829,212 at June 30, 2014. This decrease resulted primarily from annual depreciation expense incurred during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 7,500	7,500	-	-	7,500	7,500	0.00%
Buildings	2,829,212	2,920,006	-	-	2,829,212	2,920,006	-3.11%
Land improvements	15,372	9,336	-	-	15,372	9,336	64.65%
Machinery and equipment	99,124	92,670	23,012	22,918	122,136	115,588	5.66%
Total	\$ 2,951,208	3,029,512	23,012	22,918	2,974,220	3,052,430	-2.56%

### Long-Term Debt

At June 30, 2014, the District had \$997,493 in general obligation and other long-term debt outstanding. This represents a decrease of 26.14% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

As of June 30, 2014 the District had general obligation bond indebtedness of \$715,000 payable from the Debt Service Fund.

As of June 30, 2014, the District had two computer leases for a total indebtedness of \$185,463, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

As of June 30, 2014, the District had compensated absences of \$21,366 payable from the General Fund.

As of June 30, 2014, the District's total Net OPEB obligation was \$75,664. Governmental activities account for \$75,482 of this total while business type activities account for the remaining \$182.

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	\$ 715,000	960,000	-	-	715,000	960,000	-25.52%
Computer leases	185,463	331,138	-	-	185,463	331,138	-43.99%
Compensated absences	21,366	-	-	-	21,366	-	100.00%
Net OPEB obligation	75,482	59,311	182	142	75,664	59,453	27.27%
Total	\$ 997,311	1,350,449	182	142	997,493	1,350,591	-26.14%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

- With the implementation of GASB Statement No. 68 in FY15, the District is expected to book a liability on financial statements associated with the District's share of its IPERS liability. This is expected to negatively impact the District's financial statements.

## **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 Jennifer Maher, Business Manager, Sidney Community School District, 2754 Knox Road, Sidney, Iowa, 51652.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,040,417	28,381	1,068,798
Receivables:			
Property tax:			
Delinquent	37,680	-	37,680
Succeeding year	2,036,099	-	2,036,099
Income surtax	156,928	-	156,928
Accounts	31,735	-	31,735
Due from other governments	528,100	-	528,100
Inventories	-	2,156	2,156
Capital assets, net of accumulated depreciation	2,951,208	23,012	2,974,220
<b>TOTAL ASSETS</b>	<b>6,782,167</b>	<b>53,549</b>	<b>6,835,716</b>
<b>LIABILITIES</b>			
Accounts payable	148,206	10,973	159,179
Line of credit payable	167,651	-	167,651
Salaries and benefits payable	447,534	12,224	459,758
Advances from grantors	3,114	-	3,114
Accrued interest payable	1,754	-	1,754
Unearned revenue	-	1,420	1,420
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	250,000	-	250,000
Computer leases payable	91,911	-	91,911
Compensated absences	21,366	-	21,366
Portion due after one year:			
General obligation bonds payable	465,000	-	465,000
Computer leases payable	93,552	-	93,552
Net OPEB liability	75,482	182	75,664
<b>TOTAL LIABILITIES</b>	<b>1,765,570</b>	<b>24,799</b>	<b>1,790,369</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	2,036,099	-	2,036,099
<b>NET POSITION</b>			
Net investment in capital assets	2,236,208	23,012	2,259,220
Restricted for:			
Categorical funding	124,754	-	124,754
Management levy purposes	103,666	-	103,666
Student activities	36,411	-	36,411
School infrastructure	270,955	-	270,955
Physical plant and equipment	5,525	-	5,525
Unrestricted	202,979	5,738	208,717
<b>TOTAL NET POSITION</b>	<b>\$ 2,980,498</b>	<b>28,750</b>	<b>3,009,248</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,683,457	482,691	58,007	(1,142,759)	-	(1,142,759)
Special	984,792	83,892	15,893	(885,007)	-	(885,007)
Other	653,137	112,990	106,756	(433,391)	-	(433,391)
	<u>3,321,386</u>	<u>679,573</u>	<u>180,656</u>	<u>(2,461,157)</u>	<u>-</u>	<u>(2,461,157)</u>
Support services:						
Student	112,693	-	917	(111,776)	-	(111,776)
Instructional staff	167,553	-	-	(167,553)	-	(167,553)
Administration	488,272	94,051	-	(394,221)	-	(394,221)
Operation and maintenance of plant	442,241	-	-	(442,241)	-	(442,241)
Transportation	303,699	94,756	1,708	(207,235)	-	(207,235)
	<u>1,514,458</u>	<u>188,807</u>	<u>2,625</u>	<u>(1,323,026)</u>	<u>-</u>	<u>(1,323,026)</u>
Long-term debt interest	23,336	-	-	(23,336)	-	(23,336)
Other expenditures:						
AEA flowthrough	142,852	-	142,852	-	-	-
Depreciation(unallocated)*	109,058	-	-	(109,058)	-	(109,058)
	<u>251,910</u>	<u>-</u>	<u>142,852</u>	<u>(109,058)</u>	<u>-</u>	<u>(109,058)</u>
Total governmental activities	5,111,090	868,380	326,133	(3,916,577)	-	(3,916,577)
Business type activities:						
Non-instructional programs:						
Food service operations	221,420	71,075	123,979	-	(26,366)	(26,366)
Total	<u>\$ 5,332,510</u>	<u>939,455</u>	<u>450,112</u>	<u>(3,916,577)</u>	<u>(26,366)</u>	<u>(3,942,943)</u>
<b>General Revenues and Transfers:</b>						
Property tax levied for:						
General purposes				\$ 1,931,934	-	1,931,934
Debt service				263,658	-	263,658
Capital outlay				15,050	-	15,050
Income surtax				199,445	-	199,445
Statewide sales, services and use tax				286,608	-	286,608
Unrestricted state grants				1,886,887	-	1,886,887
Unrestricted investment earnings				2,054	1,126	3,180
Other				34,011	6,740	40,751
Transfers				(3,359)	3,359	-
Total general revenues and transfers				<u>4,616,288</u>	<u>11,225</u>	<u>4,627,513</u>
Change in net position				699,711	(15,141)	684,570
Net position beginning of year				<u>2,280,787</u>	<u>43,891</u>	<u>2,324,678</u>
Net position end of year				<u>\$ 2,980,498</u>	<u>28,750</u>	<u>3,009,248</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Nonmajor	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 713,654	326,763	1,040,417
Receivables:			
Property tax:			
Delinquent	30,839	6,841	37,680
Succeeding year	1,578,869	457,230	2,036,099
Income surtax	156,928	-	156,928
Accounts	21,938	9,797	31,735
Due from other funds	-	38,045	38,045
Due from other governments	476,573	51,527	528,100
<b>TOTAL ASSETS</b>	<b>\$ 2,978,801</b>	<b>890,203</b>	<b>3,869,004</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Due to other funds	\$ 26,722	11,323	38,045
Accounts payable	136,235	11,971	148,206
Line of credit payable	167,651	-	167,651
Salaries and benefits payable	447,534	-	447,534
Advances from grantors	3,114	-	3,114
Total liabilities	<u>781,256</u>	<u>23,294</u>	<u>804,550</u>
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	1,578,869	457,230	2,036,099
Income surtax	156,928	-	156,928
Total deferred inflows of resources	<u>1,735,797</u>	<u>457,230</u>	<u>2,193,027</u>
Fund balances:			
Restricted for:			
Categorical funding	124,754	-	124,754
Management levy purposes	-	103,666	103,666
Student activities	-	36,411	36,411
School infrastructure	-	270,955	270,955
Physical plant and equipment	-	5,525	5,525
Unassigned:			
General	336,994	-	336,994
Debt service	-	(6,878)	(6,878)
Total fund balances	<u>461,748</u>	<u>409,679</u>	<u>871,427</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,978,801</b>	<b>890,203</b>	<b>3,869,004</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2014

<b>Total fund balances of governmental funds(page 20)</b>	\$	871,427
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		2,951,208
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.		(1,754)
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period, therefore, are recognized as deferred inflows of resources in the governmental funds.		156,928
Long-term liabilities, including general obligation bonds payable, computer leases payable, accrued compensated absences payable, and other postemployment benefits payable are not due and payable in the current period and, therefore, are note reported in the funds.		(997,311)
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u>2,980,498</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Nonmajor	Total
<b>Revenues:</b>			
<b>Local sources:</b>			
Local tax	\$ 2,013,053	404,152	2,417,205
Tuition	545,617	-	545,617
Other	260,901	112,402	373,303
State sources	2,079,017	286,608	2,365,625
Federal sources	119,528	-	119,528
Total revenues	<u>5,018,116</u>	<u>803,162</u>	<u>5,821,278</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	1,624,844	32,491	1,657,335
Special	996,209	-	996,209
Other	566,629	103,600	670,229
	<u>3,187,682</u>	<u>136,091</u>	<u>3,323,773</u>
<b>Support services:</b>			
Student	123,177	-	123,177
Instructional staff	151,000	27,505	178,505
Administration	487,910	6,989	494,899
Operation and maintenance of plant	294,134	169,864	463,998
Transportation	316,557	-	316,557
	<u>1,372,778</u>	<u>204,358</u>	<u>1,577,136</u>
Capital outlay	-	14,431	14,431
<b>Long-term debt:</b>			
Principal	-	390,675	390,675
Interest and fiscal charges	-	24,029	24,029
	<u>-</u>	<u>414,704</u>	<u>414,704</u>
<b>Other expenditures:</b>			
AEA flowthrough	142,852	-	142,852
	<u>142,852</u>	<u>429,135</u>	<u>571,987</u>
Total expenditures	<u>4,703,312</u>	<u>769,584</u>	<u>5,472,896</u>
Excess of revenues over expenditures	<u>314,804</u>	<u>33,578</u>	<u>348,382</u>
<b>Other financing sources(uses):</b>			
Sale of equipment	91,340	-	91,340
Transfer in	12,675	151,476	164,151
Transfer out	-	(164,151)	(164,151)
Total other financing sources(uses)	<u>104,015</u>	<u>(12,675)</u>	<u>91,340</u>
Change in fund balances	418,819	20,903	439,722
Fund balances beginning of year	<u>42,929</u>	<u>388,776</u>	<u>431,705</u>
Fund balances end of year	<u>\$ 461,748</u>	<u>409,679</u>	<u>871,427</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIDNEY 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)** \$ 439,722

*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. The amounts of capital outlay and depreciation expense are as follows:

Capital outlay	\$ 66,894	
Depreciation expense	<u>(145,198)</u>	(78,304)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 390,675

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (8,420)

Income surtax accounts receivable is not available to finance expenditures of the current year period and is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (7,118)

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. 693

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.

Accrued compensated absences	\$ (21,366)	
Other postemployment benefits	<u>(16,171)</u>	<u>(37,537)</u>

**Change in net position of governmental activities(page 19)** \$ 699,711

SIDNEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2014

		Enterprise School Nutrition
<b>ASSETS</b>		
Cash and pooled investments	\$	28,381
Inventories		2,156
Capital assets, net of accumulated depreciation		23,012
<b>TOTAL ASSETS</b>		<b>53,549</b>
<b>LIABILITIES</b>		
Accounts payable		10,973
Salaries and benefits payable		12,224
Unearned revenue		1,420
Net OPEB liability		182
<b>TOTAL LIABILITIES</b>		<b>24,799</b>
<b>NET POSITION</b>		
Net investment in capital assets		23,012
Unrestricted		5,738
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b>28,750</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
Operating revenues:		
Local sources:		
Charges for services	\$ 71,075	-
Miscellaneous revenue	6,740	22,150
Total operating revenues	<u>77,815</u>	<u>22,150</u>
Operating expenses:		
Support services:		
Administration:		
Benefits	-	30,570
Non-instructional programs:		
Salaries	73,082	-
Benefits	12,790	-
Supplies	129,250	-
Depreciation	3,265	-
Other	3,033	-
Total operating expenses	<u>221,420</u>	<u>30,570</u>
Operating loss	<u>(143,605)</u>	<u>(8,420)</u>
Non-operating revenues:		
State sources	1,814	-
Federal sources	122,165	-
Interest on investments	1,126	-
Total non-operating revenues	<u>125,105</u>	<u>-</u>
Change in net position before other financing sources	(18,500)	(8,420)
Other financing sources:		
Capital contributions	<u>3,359</u>	<u>-</u>
Change in net position	(15,141)	(8,420)
Net position beginning of year	<u>43,891</u>	<u>8,420</u>
Net position end of year	<u>\$ 28,750</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 70,416	-
Cash received from miscellaneous operating activities	6,740	22,150
Cash payments to employees for services	(83,092)	(30,570)
Cash payments to suppliers for goods or services	(111,634)	-
Net cash used by operating activities	<u>(117,570)</u>	<u>(8,420)</u>
Cash flows from non-capital financing activities:		
State grants received	1,814	-
Federal grants received	111,125	-
Net cash provided by non-capital financing activities	<u>112,939</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	1,126	-
Net decrease in cash and cash equivalents	(3,505)	(8,420)
Cash and cash equivalents beginning of year	31,886	8,420
Cash and cash equivalents end of year	<u>\$ 28,381</u>	<u>-</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss	\$ (143,605)	(8,420)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	11,040	-
Depreciation	3,265	-
Increase in inventories	(1,123)	-
Increase in accounts payable	10,732	-
Increase in salaries and benefits payable	2,740	-
Increase in net OPEB liability	40	-
Decrease in unearned revenue	(659)	-
Net cash used by operating activities	<u>\$ (117,570)</u>	<u>(8,420)</u>

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2014, the District received \$11,040 of federal commodities.

During the year ended June 30, 2014, the District received capital contributions from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$3,359.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Donations	<u>\$          1,600</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>                  1,600</u>
Change in net position	-
Net position beginning of year	<u>-</u>
Net position end of year	<u><u>\$          -</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

**(1) Summary of Significant Accounting Policies**

The Sidney Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Sidney, Iowa, and the predominate agricultural territory in Fremont 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, Sidney 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 Sidney Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

**B. Basis of Presentation**

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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 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 District reports the following nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for employee flex benefits.

The District reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the Statement of Net Position and will be paid in the future out of the General Fund.

The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund.

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

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 year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the support services and other expenditures functional areas.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2014 were entirely covered by federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$192,394 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**(3) On Demand Line of Credit**

During the year ended June 30, 2013, the District entered into an agreement with Great Western Bank, whereas the District may borrow funds when necessary to provide temporary financing during periods of low cash flows. The line of credit was issued with an interest rate at 3.50%. Details of the District's activity for the year ended June 30, 2014 are as follows:

Fund	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year	Interest Paid
General	\$ 300,000	200,000	332,349	167,651	9,629

**(4) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 151,476
General	Activity Fund	12,675
Total		<u>\$ 164,151</u>

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

The transfer from the Activity Fund to the General Fund was to move the remaining balance in the Elementary Activities account to the General Fund, which is where it is more appropriately handled.

**(5) 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
Capital Projects: Statewide Sales, Services and Use Tax	General	\$ 26,722
Capital Projects: Statewide Sales, Services and Use Tax	Debt Service	11,323
Total		<u>\$ 38,045</u>

The General Fund is repaying the Capital Projects: Statewide Sales, Services and Use Tax Fund for Microsoft settlement money not moved before year end from a prior year.

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

**(6) 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
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 7,500	-	-	7,500
Total capital assets not being depreciated	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>7,500</u>
Capital assets being depreciated:				
Buildings	5,349,818	17,110	-	5,366,928
Land improvements	193,934	7,190	-	201,124
Machinery and equipment	1,107,019	42,594	34,249	1,115,364
Total capital assets being depreciated	<u>6,650,771</u>	<u>66,894</u>	<u>34,249</u>	<u>6,683,416</u>
Less accumulated depreciation for:				
Buildings	2,429,812	107,904	-	2,537,716
Land improvements	184,598	1,154	-	185,752
Machinery and equipment	1,014,349	36,140	34,249	1,016,240
Total accumulated depreciation	<u>3,628,759</u>	<u>145,198</u>	<u>34,249</u>	<u>3,739,708</u>
Total capital assets being depreciated, net	<u>3,022,012</u>	<u>(78,304)</u>	<u>-</u>	<u>2,943,708</u>
Governmental activities capital assets, net	<u>\$ 3,029,512</u>	<u>(78,304)</u>	<u>-</u>	<u>2,951,208</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 109,228	3,359	-	112,587
Less accumulated depreciation	86,310	3,265	-	89,575
Business type activities capital assets, net	<u>\$ 22,918</u>	<u>94</u>	<u>-</u>	<u>23,012</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Instruction:				
Regular			\$	11,871
Other				2,532
Support services:				
Operation and maintenance of plant				2,437
Transportation				<u>19,300</u>
				36,140
Unallocated depreciation				<u>109,058</u>
Total depreciation expense - governmental activities			<u>\$</u>	<u>145,198</u>
Business type activities:				
Food services operations			<u>\$</u>	<u>3,265</u>

## (7) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 960,000	-	245,000	715,000	250,000
Computer leases	331,138	-	145,675	185,463	91,911
Compensated absences	-	21,366	-	21,366	21,366
Net OPEB liability	59,311	16,171	-	75,482	-
Total	\$ 1,350,449	37,537	390,675	997,311	363,277
Business type activities:					
Net OPEB liability	\$ 142	40	-	182	-

### General Obligation Bonds

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

Year Ending June 30,	Bond Issue of February 28, 2011				
	Interest Rates		Principal	Interest	Total
2015	1.70	% \$	250,000	14,420	264,420
2016	2.05		210,000	10,170	220,170
2017	2.30		255,000	5,865	260,865
Total			\$ 715,000	30,455	745,455

### Computer Leases

The District entered into agreements with Apple, Inc. for the lease of computers. The principal and interest payments are paid from the Statewide Sales, Services and Use Tax Fund. Details of the District's June 30, 2014, computer lease indebtedness is as follows:

Year Ending June 30,	Computer Lease of May 1, 2013				
	Interest Rates		Principal	Interest	Total
2015	1.79	%" \$	91,911	3,314	95,225
2016	1.79		93,552	1,671	95,223
Total			\$ 185,463	4,985	190,448

## (8) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$247,172, \$238,803 and \$218,257, respectively, equal to the required contributions for each year.

**(9) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical benefits for employees, retirees and their spouses. There are 43 active and 2 members in the plan. Retired participants must be age 55 or older at age of retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which result 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 (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$	21,022
Interest on net OPEB obligation		1,486
Adjustment to annual required contribution		(3,755)
Annual OPEB cost		<u>18,753</u>
Contributions made		<u>(2,542)</u>
Increase in net OPEB obligation		16,211
Net OPEB obligation beginning of year		<u>59,453</u>
Net OPEB obligation end of year	\$	<u><u>75,664</u></u>

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

For the year ended June 30, 2014, the District contributed \$2,542 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 42,225	68.68%	\$ 43,352
2013	18,166	11.37%	59,453
2014	18,753	13.56%	75,664

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 \$140,096 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$140,096. The covered payroll (annual payroll of active employees covered by the plan) was \$2,014,569 and the ratio of the UAAL to covered payroll was 6.95%. 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. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the Actuarial Cost Method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The projected annual health care cost trend rate is 6.00%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$376 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.

**(10) Risk Management**

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

**(11) 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 \$142,852 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.

**(12) Deficit Fund Balances**

The Debt Service Fund had a deficit unassigned fund balance of \$6,878 at June 30, 2014.

**(13) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Limited English Proficiency Weighting	\$ 7,037
Home School Assistance Program	18,013
Returning dropouts and dropout prevention	52,651
Four Year Old Preschool State Aid	14,055
Successful progression for early readers	14,308
Teacher Leadership Grant	6,214
State Decategorization Grant	729
Empowerment Professional Development Grant	2,000
Professional Development	9,747
Total	<u>\$ 124,754</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 other expenditures functional areas exceeded the amounts budgeted.

**(15) Rental of District Property**

In fiscal year 2010 the District entered into an agreement with U.S. Cellular to lease District property for the construction of an antenna tower to be used by U.S. Cellular. This lease was agreed upon for five years at base rent of \$400 paid by U.S. Cellular to the District. The initial term of the lease is scheduled to automatically renew for an additional five years.

**(16) Reconciliation of Governmental Fund Balances to Net Position**

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

	<u>Net investment in capital assets</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	(6,878)	336,994
Capital assets, net of accumulated depreciation	2,951,208	-	-
General obligation bond capitalized indebtedness	(715,000)	-	-
Computer lease indebtedness	-	-	(185,463)
Deficit debt service	-	6,878	(6,878)
Accrued interest payable	-	-	(1,754)
Income surtax	-	-	156,928
Compensated absences	-	-	(21,366)
Net OPEB liability	-	-	(75,482)
Net position (Exhibit A)	<u>\$ 2,236,208</u>	<u>-</u>	<u>202,979</u>

**(17) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68 Accounting and Financial Reporting for Pensions – an Amendment to 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.

**SIDNEY COMMUNITY SCHOOLS**

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
<b>Revenues:</b>						
Local sources	\$ 3,336,125	78,941	3,415,066	3,659,730	3,659,730	(244,664)
Intermediate sources	-	-	-	3,000	3,000	(3,000)
State sources	2,365,625	1,814	2,367,439	2,000,043	2,000,043	367,396
Federal sources	119,528	122,165	241,693	368,800	368,800	(127,107)
Total revenues	5,821,278	202,920	6,024,198	6,031,573	6,031,573	(7,375)
<b>Expenditures/Expenses:</b>						
Instruction	3,323,773	-	3,323,773	3,458,000	3,458,000	134,227
Support services	1,577,136	-	1,577,136	1,557,050	1,557,050	(20,086)
Non-instructional programs	-	221,420	221,420	278,000	278,000	56,580
Other expenditures	571,987	-	571,987	503,435	503,435	(68,552)
Total expenditures/expenses	5,472,896	221,420	5,694,316	5,796,485	5,796,485	102,169
Excess(Deficiency) of revenues over(under) expenditures/expenses	348,382	(18,500)	329,882	235,088	235,088	94,794
Other financing sources, net	91,340	3,359	94,699	(135,600)	(135,600)	230,299
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	439,722	(15,141)	424,581	99,488	99,488	325,093
Balances beginning of year	431,705	43,891	475,596	335,461	335,461	140,135
Balances end of year	\$ 871,427	28,750	900,177	434,949	434,949	465,228

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 a 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 functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2014 expenditures in the support services and other expenditures functional areas exceeded the amounts budgeted.

SIDNEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
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	-	\$ 373,000	373,000	0.00%	\$ 1,914,906	19.48%
2011	July 1, 2009	-	373,000	373,000	0.00%	1,766,157	21.12%
2012	July 1, 2009	-	373,000	373,000	0.00%	2,158,654	17.28%
2013	July 1, 2012	-	140,867	140,867	0.00%	2,116,627	6.66%
2014	July 1, 2012	-	140,096	140,096	0.00%	2,014,569	6.95%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

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

	Special Revenue					Total
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	Capital Projects	
<b>ASSETS</b>						
Cash and pooled investments	\$ 101,524	29,767	131,291	-	195,472	326,763
Receivables:						
Property tax:						
Delinquent	2,142	-	2,142	4,445	254	6,841
Succeeding year	150,000	-	150,000	264,420	42,810	457,230
Accounts	-	9,079	9,079	-	718	9,797
Due from other funds	-	-	-	-	38,045	38,045
Due from other governments	-	-	-	-	51,527	51,527
<b>TOTAL ASSETS</b>	<b>\$ 253,666</b>	<b>38,846</b>	<b>292,512</b>	<b>268,865</b>	<b>328,826</b>	<b>890,203</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Due to other funds	\$ -	-	-	11,323	-	11,323
Accounts payable	-	2,435	2,435	-	9,536	11,971
Total liabilities	-	2,435	2,435	11,323	9,536	23,294
Deferred Inflows of resources:						
Unavailable revenue:						
Succeeding year property tax	150,000	-	150,000	264,420	42,810	457,230
Fund balances:						
Restricted for:						
Management levy purposes	103,666	-	103,666	-	-	103,666
Student activities	-	36,411	36,411	-	-	36,411
School infrastructure	-	-	-	-	270,955	270,955
Physical plant and equipment	-	-	-	-	5,525	5,525
Unassigned	-	-	-	(6,878)	-	(6,878)
Total fund balances	103,666	36,411	140,077	(6,878)	276,480	409,679
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 253,666</b>	<b>38,846</b>	<b>292,512</b>	<b>268,865</b>	<b>328,826</b>	<b>890,203</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue					Total
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	Capital Projects	
Revenues:						
Local sources:						
Local tax	\$ 125,444	-	125,444	263,658	15,050	404,152
Other	5,520	106,077	111,597	-	805	112,402
State sources	-	-	-	-	286,608	286,608
Total revenues	130,964	106,077	237,041	263,658	302,463	803,162
Expenditures:						
Current:						
Instruction:						
Regular	-	-	-	-	32,491	32,491
Other	-	103,600	103,600	-	-	103,600
Support services:						
Instructional staff	-	-	-	-	27,505	27,505
Administration	-	-	-	-	6,989	6,989
Operation and maintenance of plant	100,273	-	100,273	-	69,591	169,864
Capital outlay	-	-	-	-	14,431	14,431
Long-term debt:						
Principal	-	-	-	390,675	-	390,675
Interest and fiscal charges	-	-	-	24,029	-	24,029
Total expenditures	100,273	103,600	203,873	414,704	151,007	769,584
Excess(Deficiency) of revenues over(under) expenditures	30,691	2,477	33,168	(151,046)	151,456	33,578
Other financing sources(uses):						
Transfer in	-	-	-	151,476	-	151,476
Transfer out	-	(12,675)	(12,675)	-	(151,476)	(164,151)
Total other financing sources(uses)	-	(12,675)	(12,675)	151,476	(151,476)	(12,675)
Change in fund balances	30,691	(10,198)	20,493	430	(20)	20,903
Fund balances beginning of year	72,975	46,609	119,584	(7,308)	276,500	388,776
Fund balances end of year	\$ 103,666	36,411	140,077	(6,878)	276,480	409,679

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY 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
<b>ASSETS</b>			
Cash and pooled investments	\$ 189,875	5,597	195,472
Receivables:			
Property tax:			
Delinquent	-	254	254
Succeeding year	-	42,810	42,810
Accounts	718	-	718
Due from other funds	38,045	-	38,045
Due from other governments	51,527	-	51,527
<b>TOTAL ASSETS</b>	<b>\$ 280,165</b>	<b>48,661</b>	<b>328,826</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 9,210	326	9,536
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	42,810	42,810
Fund balances:			
Restricted for:			
School infrastructure	270,955	-	270,955
Physical plant and equipment	-	5,525	5,525
Total fund balances	270,955	5,525	276,480
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 280,165</b>	<b>48,661</b>	<b>328,826</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIDNEY COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
REVENUES:			
Local sources:			
Local tax	\$ -	15,050	15,050
Other	794	11	805
State sources	286,608	-	286,608
Total revenues	<u>287,402</u>	<u>15,061</u>	<u>302,463</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	32,491	-	32,491
Support services:			
Instructional staff	27,505	-	27,505
Administration	871	6,118	6,989
Operation and maintenance of plant	69,591	-	69,591
Other expenditures:			
Capital outlay	13,992	439	14,431
Total expenditures	<u>144,450</u>	<u>6,557</u>	<u>151,007</u>
Excess of revenues over expenditures	142,952	8,504	151,456
Other financing uses:			
Transfer out	(151,476)	-	(151,476)
Change in fund balances	(8,524)	8,504	(20)
Fund balances beginning of year	<u>279,479</u>	<u>(2,979)</u>	<u>276,500</u>
Fund balances end of year	<u>\$ 270,955</u>	<u>5,525</u>	<u>276,480</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund and Intrafund Transfers	Balance End of Year
Daisy Hummel Memorial	\$ 330	-	100	-	230
Drama Club	483	3,176	2,761	(20)	878
Vocal Music	186	-	-	-	186
Swing Choir/Jazz Band	118	-	-	-	118
JH Athletics	445	3,819	4,538	274	-
JH Girls Basketball	-	457	1,334	877	-
Golf	-	383	1,098	715	-
Boys Basketball	-	6,458	4,325	(2,133)	-
Football	172	10,025	9,411	(786)	-
FB Donnie	-	821	-	-	821
Baseball	-	5,501	6,211	710	-
Boys Track	-	297	860	563	-
Wrestling	-	11,535	13,277	1,742	-
Girls Basketball	-	4,128	3,536	(592)	-
Girls Basketball Fundraiser	-	123	-	201	324
Volleyball	-	6,938	6,035	(903)	-
Softball	-	1,653	2,667	1,014	-
Girls Track	-	160	898	738	-
Art Club	916	419	645	-	690
FCCLA	136	140	-	-	276
Honor Society	359	384	581	-	162
Student Council HS	2,172	564	706	-	2,030
Student Council JH	2,507	566	590	-	2,483
Business Club	1,838	5,010	4,907	-	1,941
Band Projects	260	-	-	-	260
BB Cheerleaders	259	180	270	(134)	35
Class of 2014	5,219	187	3,860	-	1,546
Class of 2015	-	9,077	5,023	20	4,074
Class of 2016	-	268	-	-	268
Sidewalk Project	15,155	-	-	50	15,205
FB Cheerleaders	20	2,276	2,430	134	-
WR Cheerleaders	78	3,100	3,637	459	-
Athletics Pop Machine	1,234	8,117	6,872	(2,129)	350
Elementary Activities	11,274	16,698	15,297	(12,675)	-
Interest	105	47	35	-	117
Plays	3,343	2,770	1,696	-	4,417
Athletic Season	-	800	-	(800)	-
Total	\$ 46,609	106,077	103,600	(12,675)	36,411

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**SIDNEY 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	\$ 2,417,205	1,883,528	1,643,243	1,598,580	1,615,977	1,734,649	1,743,519	1,773,618	1,758,105	1,633,214
Tuition	545,617	682,588	521,521	440,127	364,338	205,035	185,330	203,497	146,025	124,819
Other	373,303	402,570	272,818	168,272	180,369	209,693	224,151	281,439	260,332	285,964
Intermediate sources	-	-	2,500	-	-	-	2,368	-	-	-
State sources	2,365,625	2,162,891	2,214,220	2,163,704	1,763,359	2,117,573	2,086,935	1,862,149	1,801,552	1,649,337
Federal sources	119,528	133,653	230,550	419,861	591,159	256,394	207,350	183,410	170,584	196,792
<b>Total</b>	<b>\$ 5,821,278</b>	<b>5,265,230</b>	<b>4,884,852</b>	<b>4,790,544</b>	<b>4,515,202</b>	<b>4,523,344</b>	<b>4,449,653</b>	<b>4,304,113</b>	<b>4,136,598</b>	<b>3,890,126</b>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,657,335	1,902,994	1,836,727	1,616,985	1,781,265	1,630,114	1,548,722	1,549,988	1,451,545	1,383,753
Special	996,209	975,321	938,030	963,691	371,106	666,773	647,232	612,881	488,056	442,290
Other	670,229	532,276	465,694	448,248	533,116	318,744	303,080	222,333	311,437	298,717
Support services:										
Student	123,177	67,759	141,995	152,445	133,380	159,861	139,589	129,148	134,148	113,912
Instructional staff	178,505	517,762	148,555	209,375	408,167	171,791	99,592	108,393	133,909	78,533
Administration	494,899	517,345	498,668	495,380	541,494	397,125	396,570	379,710	370,155	455,720
Operation and maintenance of plant	463,998	387,823	331,708	241,742	362,356	297,942	309,554	305,048	288,372	278,940
Transportation	316,557	322,251	341,806	255,030	242,484	190,068	180,541	185,875	257,805	149,636
Non-instructional programs										
Capital outlay	14,431	-	60,575	91,235	79,700	59,378	35,959	57,008	39,740	240,802
Long-term debt:										
Principal	390,675	308,873	242,351	985,396	337,717	251,835	206,020	2,250,395	158,207	135,000
Interest and other charges	24,029	21,170	23,768	50,480	62,023	68,857	73,336	191,631	196,603	205,650
Other expenditures:										
AEA flow-through	142,852	139,938	140,809	158,235	147,831	138,325	131,204	115,493	109,205	108,712
<b>Total</b>	<b>\$ 5,472,896</b>	<b>5,693,512</b>	<b>5,170,686</b>	<b>5,668,242</b>	<b>5,000,639</b>	<b>4,350,813</b>	<b>4,071,399</b>	<b>6,107,903</b>	<b>3,939,182</b>	<b>3,891,665</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

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

**To the Board of Education of the Sidney Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sidney Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 16, 2015.

**Internal Control Over Financial Reporting**

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

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

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

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

## **Compliance and Other Matters**

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

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

## **Sidney Community School District's Responses to Findings**

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 16, 2015  
Newton, Iowa

SIDNEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District.

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

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

Response - The District will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-14 Accounts Payable - During the audit it was noted the District received a legal invoice billed to the Schleswig Community School District which was mistakenly sent to Sidney Community School District. The District subsequently paid this invoice of the

Schleswig Community School District as part of its bill to its legal counsel. This payment does not appear to be a valid expense for the Sidney Community School District and should not have been paid by the District.

Recommendation - The District should scrutinize any bills which appear to be questionable, against District policies and procedures, or in conflict with the Code of Iowa. These questioned bills should be subsequently investigated by the central office staff to determine if they are valid expenses of the District. If unable to determine the appropriateness and proprietary nature of a transaction the District should refuse payment on such item until the transaction is deemed valid and proper for payment. The District should review its business practices for its accounts payable system to ensure all bills are properly approved and supported prior to payment, and review these practices with District employees to ensure all bills are valid expenses of the District.

We further recommend the District contact Schleswig Community School District and the District's legal counsel to determine the appropriate corrective action to be taken regarding this matter.

Response - The District will scrutinize bills closely and investigate any questionable bills. The District will contact Schleswig to resolve the bill in question.

Conclusion - Response accepted.

SIDNEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

**Part II: Other Findings Related to Statutory Reporting:**

II-A-14 **Certified Budget** - District disbursements for the year ended June 30, 2014 exceeded the certified budget amounts in the support services and other expenditures functional areas.

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

**Response** - The District will amend their certified budget in future years before expenditures exceed the budget.

**Conclusion** - Response accepted.

II-B-14 **Questionable Disbursements** - Disbursements noted which may not meet public purpose as defined by Attorney General's opinion dated April 25, 1979 are noted as follows:

**Gift Card/Prizes:** Noted the District purchased a kindle fire and a \$10 gift card to be given as an award for Battle of the Books out of the General Fund. Giving cash or gift certificates/cards does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979. We also question giving prizes to top sellers for District fundraisers, and we question the public purpose served.

**Recommendation** - Gift cards are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to "audit and allow" all bills and the gift card does not provide the board with the ability to perform the required function of approval of the final purchase. The District should refrain from purchasing gift cards to be given as prizes, gifts or incentives. In addition, the District should refrain from purchasing prizes to be given to students who participate in District fundraisers.

**Response** - The District will refrain from giving cards or purchasing prizes to be given to students in the future.

**Conclusion** - Response accepted.

**Student Activity Fund:** During the audit it was noted the District made a purchase of t-shirts to be given to cheerleaders with personalized names embroidered on the back through the Student Activity Fund. We noted it was difficult to determine if the District collected funds to cover the costs of the apparel ordered. Information was accumulated subsequently to document that in most cases the District did record cash receipts to support other purchases; however, we were unable to determine that these cheerleading t-shirts were paid for by individuals receiving the clothing.

**Recommendation** - The District should refrain from purchasing personal clothing for students, coaches, or staff, since it would not meet the requirement of public purpose. In addition the District should review procedures in place for documenting purchases of sports apparel for fundraising purchases to ensure payment for ordered items. Possibly by having the sponsor keep a list of students who ordered the shirts and document payment has been received. This documentation should be kept as along with the invoice as supporting documentation.

**Response** - The District has reviewed our procedures and make changes to ensure proper documentation is kept to match invoices.

Conclusion - Response accepted.

II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted; however, we noted an instance of a meal purchased with a District credit card which lacked a detailed receipt. According to board policy 401.10, "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 for each claim item. Failure to provide a proper receipt will make the employee responsible for expenses incurred"

Recommendation - The District should review procedures in place when employees use the District's credit card for expenses. Detailed receipts should be turned into the District central office for processing travel and all expenses made with District credit cards. If detailed receipts are not available, the cost should be borne by the employee in accordance with District policy.

Response - Procedures have been reviewed with employees regarding detailed receipts. Costs will borne to employees in future if no detailed receipt is turned in.

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
Larry Holt, Board Member Father is part owner of Holt Gas	Fuel	\$54,571

In accordance with the Attorney General's opinion dated November 9, 1976, the above transaction with the father of board member, Larry Holt does not appear to represent a conflict of interest.

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

II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

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

II-H-14 Supplementary Weighting - The following variances regarding supplementary weighting certified to the Iowa Department of Education were noted:

**Course Adjustments:** The number certified to the Iowa Department of Education was overstated by 0.39 students for the fall of 2013 count date.

**Operational Sharing Adjustments:** We noted an operational sharing adjustment for a shared transportation director of +5.0 and a shared superintendent of +8.0 which were not certified by the District for the Fall 2013 count date for a total operational sharing adjustment of +13.0.

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

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf of the District to resolve the above matters.

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 statewide sales, services and use tax revenue provided by Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Reports (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the following 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		\$ 279,479
Revenues:		
Sales tax revenues	\$ 286,608	
Other local revenues	794	287,402
		<u>566,881</u>
Expenditures/transfer out:		
School infrastructure construction	\$ 2,425	
Equipment	77,527	
Other	64,498	
Transfer to other funds:		
Debt service fund	151,476	295,926
		<u>270,955</u>
Ending balance		<u>\$ 270,955</u>

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

II-M-14 Financial Condition - We noted the Debt Service fund had a deficit unassigned fund balance of \$6,878 as of June 30, 2014.

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

Response – The District will continue to monitor this fund.

Conclusion - Response accepted.

II-N-14 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. More specific examples of these instances of questioned items and recommendations are as follows:

**Scholarships:** We noted during our audit scholarships which were awarded from the Drama Club's within the Student Activity Fund. These scholarships were not fundraised specifically for the purpose of to be given as scholarship to students. Instead the club used excess funds at the end of the year to provide the scholarships. The sponsor of the Drama Club arbitrarily decided to give out scholarships with some of the accounts remaining balance at year end.

Recommendation - Scholarships are most appropriately paid from a Private Purpose Trust Fund. All money to be given out as a scholarship must be fundraised for this specific purpose, and receipted and recorded in the appropriate fund when cash is received. Individual accounts within the Activity Fund cannot give out scholarships to student just to spend down end of the year balances if money fundraised was not raised for that specific purpose. The decision on who received scholarships should be discussed and approved by the club participants, not solely at the discretion of the sponsor. The scholarships given by the Drama Club should be fundraised by the club with notification to donors that money received will be given out as scholarships to students.

Response - Scholarships will be given as stated in fundraising purpose in the future.

Conclusion - Response accepted.