

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Southeast Warren Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2013 Election)		
Paul Mead	President	2013
Ron Miller	Vice President	2013
Larrie Williams	Board Member	2015
Bruce Williams	Board Member	2015
Jennifer Mihalovich	Board Member	2015
(After September 2013 Election)		
Ron Miller	President	2017
Bruce Williams	Vice President	2015
Rande Seuferer	Board Member	2017
Larrie Williams	Board Member	2015
Jennifer Mihalovich	Board Member	2015
School Officials		
Delane Galvin	Superintendent	2014
Julie Wilson	Board Secretary and Business Manager	2014
Ahlers & Cooney Law Firm	Attorney	2014

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Southeast Warren 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 Southeast Warren Community School District, Liberty Center, 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 Southeast Warren 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 15 and 40 through 42 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 Southeast Warren 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 7, 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 24, 2015 on our consideration of Southeast Warren 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 Southeast Warren Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 24, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Southeast Warren 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 \$5,566,289 in fiscal 2013 to \$5,871,727 in fiscal 2014, while General Fund expenditures increased from \$5,659,874 in fiscal 2013 to \$6,044,964 in fiscal 2014. This resulted in a decrease in the District's General Fund balance from \$1,094,636 at June 30, 2013 to a balance of \$921,399 at June 30, 2014, a 15.83% decrease from the prior year.
- The increase in General Fund revenues was primarily attributable to an increase in state source revenue in fiscal 2014 as compared to fiscal 2013. The increase in expenditures was due primarily to the increase in the instruction functional area.

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 Southeast Warren 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 Southeast Warren 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 Southeast Warren Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

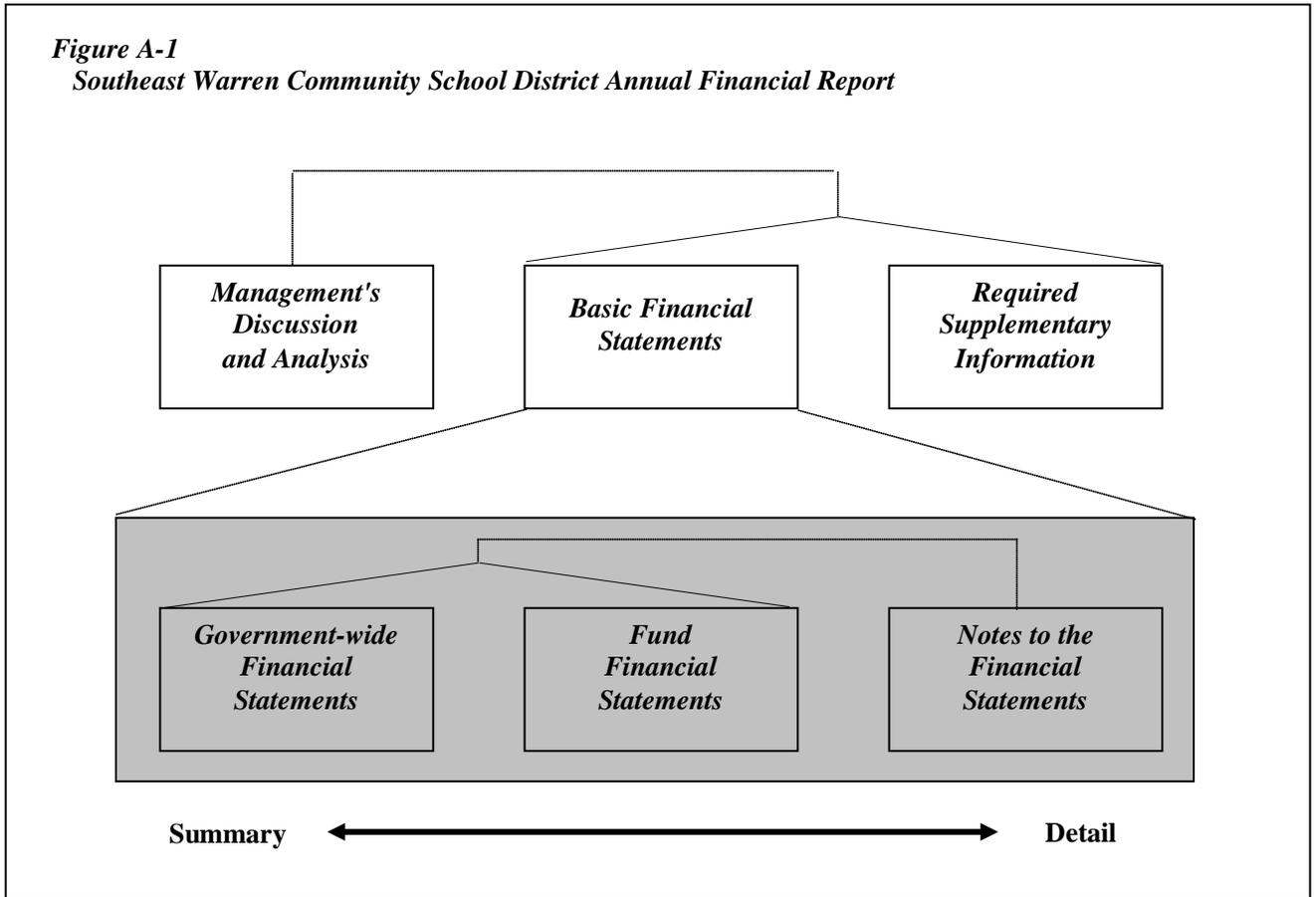


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how they have changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position 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, Capital Projects and Debt Service Fund.

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

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency Fund.

- Agency Fund - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Figure A-3						
	Condensed Statement of Net Position						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
June 30,		June 30,		June 30,		June 30,	
2014		2013		2014		2013-14	
Current and other assets	\$ 5,378,420	5,543,005	68,173	87,730	5,446,593	5,630,735	-3.27%
Capital assets	5,987,648	5,956,619	54,221	62,440	6,041,869	6,019,059	0.38%
Total assets	11,366,068	11,499,624	122,394	150,170	11,488,462	11,649,794	-1.38%
Long-term liabilities	2,700,499	3,076,734	4,925	4,179	2,705,424	3,080,913	-12.19%
Other liabilities	1,056,960	973,555	38,405	41,765	1,095,365	1,015,320	7.88%
Total liabilities	3,757,459	4,050,289	43,330	45,944	3,800,789	4,096,233	-7.21%
Deferred inflows of resources	2,242,164	2,184,282	-	-	2,242,164	2,184,282	2.65%
Net position:							
Net investment in capital assets	3,377,648	3,011,619	54,221	62,440	3,431,869	3,074,059	11.64%
Restricted	1,381,190	1,295,194	-	-	1,381,190	1,295,194	6.64%
Unrestricted	607,607	958,240	24,843	41,786	632,450	1,000,026	-36.76%
Total net position	\$ 5,366,445	5,265,053	79,064	104,226	5,445,509	5,369,279	1.42%

The District's combined net position increased by 1.42% or \$76,230 compared to the prior year. The largest portion of the District's net position is invested in capital assets, 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 \$85,996 or 6.64% over the prior year. The increase in restricted net position is attributable in part to the increase in carryover categorical funding as compared to the previous year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$367,576 or 36.76%. The decrease in unrestricted net position is attributable in part to the decrease in fund balance for the General Fund as compared to the previous year.

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

	Figure A-4							Total Change June 30, 2013-14
	Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District			
	June 30, 2014	2013	June 30, 2014	2013	June 30, 2014	2013		
Revenues:								
Program revenues:								
Charges for service	\$ 458,191	506,843	207,714	213,267	665,905	720,110	-7.53%	
Operating grants, contributions and restricted interest	475,239	368,081	123,639	120,094	598,878	488,175	22.68%	
Capital grants, contributions and restricted interest	30,617	-	-	-	30,617	-	100.00%	
General revenues:								
Property tax	2,193,608	2,183,265	-	-	2,193,608	2,183,265	0.47%	
Income surtax	215,691	200,200	-	-	215,691	200,200	7.74%	
Statewide sales, services and use tax	482,354	457,663	-	-	482,354	457,663	5.40%	
Unrestricted state grants	3,185,713	3,022,468	-	-	3,185,713	3,022,468	5.40%	
Unrestricted investment earnings	3,877	4,166	23	115	3,900	4,281	-8.90%	
Other	31,337	21,423	814	1,755	32,151	23,178	38.71%	
Total revenues	7,076,627	6,764,109	332,190	335,231	7,408,817	7,099,340	4.36%	
Program expenses:								
Governmental activities:								
Instruction	4,551,705	4,356,507	-	-	4,551,705	4,356,507	4.48%	
Support services	1,916,398	1,711,343	10,466	9,806	1,926,864	1,721,149	11.95%	
Non-instructional programs	9,450	6,411	346,886	362,353	356,336	368,764	-3.37%	
Other expenses	497,682	485,714	-	-	497,682	485,714	2.46%	
Total expenses	6,975,235	6,559,975	357,352	372,159	7,332,587	6,932,134	5.78%	
Change in net position	101,392	204,134	(25,162)	(36,928)	76,230	167,206	-54.41%	
Net position beginning of year	5,265,053	5,060,919	104,226	141,154	5,369,279	5,202,073	3.21%	
Net position end of year	\$ 5,366,445	5,265,053	79,064	104,226	5,445,509	5,369,279	1.42%	

In fiscal 2014, local tax (property tax, income surtax and statewide sales, services and use tax) and unrestricted state grants account for 85.88% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.75% of the revenue from business type activities.

The District's total revenues were approximately \$7.41 million of which approximately \$7.08 million was for governmental activities and approximately \$0.33 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 4.36% in revenues and a 5.78% increase in expenses. The increase in revenues can be attributable to the increase in operating grants, contributions and restricted interest as well as unrestricted state grants during fiscal 2014. The increase in expenses was due primarily to an increase in the instruction and support services functional areas.

Governmental Activities

Revenues for governmental activities were \$7,076,627 and expenses were \$6,975,235.

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

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 4,551,705	4,356,507	4.48%	3,870,969	3,750,468	3.21%
Support services	1,916,398	1,711,343	11.98%	1,848,345	1,642,361	12.54%
Non-instructional programs	9,450	6,411	47.40%	7,002	6,411	9.22%
Other expenses	497,682	485,714	2.46%	284,872	285,811	-0.33%
Totals	\$ 6,975,235	6,559,975	6.33%	6,011,188	5,685,051	5.74%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$458,191.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$505,856.
- The net cost of governmental activities was financed with \$2,193,608 in property tax, \$215,691 in income surtax, \$482,354 in statewide sales, services and use tax, \$3,185,713 in unrestricted state grants, \$3,877 in interest income and \$31,337 of other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$332,190 and expenses were \$357,352. The District's business type activities include the School Nutrition Fund, the Day Care Fund and the Student Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Southeast Warren 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 \$1,891,647, below last year's ending fund balance of \$2,193,313. This decrease was primarily the result of the decrease in the General Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Revenues increased due to increases in local tax and state source revenues. The increase in expenses was due primarily to an increase in instruction expenditures.

- The Capital Projects Fund balance decreased from a balance of \$753,803 at the beginning of the fiscal year 2014 to \$624,908 at the end of fiscal year 2014. The decrease in fund balance was primarily a result of increased instruction and support services expenditures.
- The Debt Service Fund balance increased from a balance of \$40,245 at the beginning of the fiscal year 2014 to \$42,792. The increase in fund balance was a result of the transfers from the Capital Projects Fund.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$81,332 at June 30, 2013 to \$69,613 at June 30, 2014, representing a decrease of approximately 14.41%. The Day Care Fund net position decreased from \$22,814 at June 30, 2013 to \$9,370 at June 30, 2014, representing a decrease of 58.93%. The Student Construction Fund increased from \$80 at June 30, 2013 to \$81 at June 30, 2014, representing an increase of 1.25%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$307,207 less than budgeted revenues, a variance of 3.98%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$6.04 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.38% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$354,280

The original cost of the District's capital assets was \$10,262,086. Governmental funds account for \$10,025,780 with the remainder of \$236,306 in the Proprietary, School Nutrition Fund and the Proprietary, Day Care Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$252,754 at June 30, 2013 compared to \$386,861 at June 30, 2014. This was a result of a parking lot project completed during the year and the replacement and installation of the District's playground equipment.

	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	\$ 30,174	30,174	-	-	30,174	30,174	0.00%
Buildings	5,114,794	5,231,433	-	-	5,114,794	5,231,433	-2.23%
Land improvements	386,861	252,754	-	-	386,861	252,754	53.06%
Machinery and equipment	455,819	442,258	54,221	62,440	510,040	504,698	1.06%
Total	\$ 5,987,648	5,956,619	54,221	62,440	6,041,869	6,019,059	0.38%

Long-Term Debt

At June 30, 2014, the District had \$2,705,424 in total long-term debt outstanding. This represents a decrease of 12.19% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$1,270,000 at June 30, 2014.

The District had outstanding Revenue Bonds payable from the Capital Projects: Statewide Sales Services and Use Tax Fund of \$1,340,000 at June 30, 2014.

The District had total outstanding compensated absences, payable from the General Fund of \$12,923 at June 30, 2014.

The District had a net OPEB liability of \$77,576 in the governmental activities and \$4,925 in the business type activities.

	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 \$	1,270,000	1,535,000	-	-	1,270,000	1,535,000	-17.26%
Revenue Bonds	1,340,000	1,410,000	-	-	1,340,000	1,410,000	-4.96%
Termination Benefits	-	52,866	-	-	-	52,866	-100.00%
Compensated Absences	12,923	13,047	-	-	12,923	13,047	-0.95%
Net OPEB Liability	77,576	65,821	4,925	4,179	82,501	70,000	17.86%
Total	\$ 2,700,499	3,076,734	4,925	4,179	2,705,424	3,080,913	-12.19%

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 supplemental state aid over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Open enrollment is a process allowed under Iowa Code that allows parents or guardians residing in an Iowa school district to enroll their children into another Iowa school district. In the fiscal year ending June 30, 2014, the Southeast Warren Community School District had 119 students enrolled out of the district and 31 students enrolled into the district. The increase in the number of students open enrolled out of the district is negatively impacting the District's revenues.
- Plans are underway for a new daycare facility. Hopefully this will help draw in more children who continue to stay with the District when they become school age.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julie Wilson, District Business Manager, Southeast Warren Community School District, 16331 Tyler Street, Liberty Center, Iowa, 50145.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,335,590	59,164	2,394,754
Receivables:			
Property tax:			
Delinquent	43,642	-	43,642
Succeeding year	2,242,164	-	2,242,164
Income surtax	195,200	-	195,200
Accounts	19,257	480	19,737
Due from other funds	142,702	(142,702)	-
Due from other governments	399,865	664	400,529
Inventories	-	150,567	150,567
Capital assets, net of accumulated depreciation	5,987,648	54,221	6,041,869
TOTAL ASSETS	11,366,068	122,394	11,488,462
LIABILITIES			
Accounts payable	427,816	629	428,445
Salaries and benefits payable	620,747	34,390	655,137
Advances from grantors	846	-	846
Accrued interest payable	7,551	-	7,551
Unearned revenue	-	3,386	3,386
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	275,000	-	275,000
Revenue bonds payable	70,000	-	70,000
Compensated absences payable	12,923	-	12,923
Portion due after one year:			
General obligation bonds payable	995,000	-	995,000
Revenue bonds payable	1,270,000	-	1,270,000
Net OPEB liability	77,576	4,925	82,501
TOTAL LIABILITIES	3,757,459	43,330	3,800,789
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	2,242,164	-	2,242,164
NET POSITION			
Net investment in capital assets	3,377,648	54,221	3,431,869
Restricted for:			
Categorical funding	418,493	-	418,493
Debt service	161,241	-	161,241
School infrastructure	425,913	-	425,913
Physical plant and equipment	72,995	-	72,995
Management levy purposes	234,593	-	234,593
Student activities	67,955	-	67,955
Unrestricted	607,607	24,843	632,450
TOTAL NET POSITION	\$ 5,366,445	79,064	5,445,509

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,712,625	183,477	53,286	-	(2,475,862)	-	(2,475,862)
Special	967,393	55,790	28,705	-	(882,898)	-	(882,898)
Other	871,687	179,040	180,438	-	(512,209)	-	(512,209)
	<u>4,551,705</u>	<u>418,307</u>	<u>262,429</u>	<u>-</u>	<u>(3,870,969)</u>	<u>-</u>	<u>(3,870,969)</u>
Support services:							
Student	143,172	-	-	-	(143,172)	-	(143,172)
Instructional staff	231,172	-	-	-	(231,172)	-	(231,172)
Administration	537,733	35,000	-	-	(502,733)	-	(502,733)
Operation and maintenance of plant	617,865	-	-	30,617	(587,248)	-	(587,248)
Transportation	386,456	2,436	-	-	(384,020)	-	(384,020)
	<u>1,916,398</u>	<u>37,436</u>	<u>-</u>	<u>30,617</u>	<u>(1,848,345)</u>	<u>-</u>	<u>(1,848,345)</u>
Non-instructional programs:							
Food service operations	6,062	-	-	-	(6,062)	-	(6,062)
Other enterprise operations	3,388	2,448	-	-	(940)	-	(940)
	<u>9,450</u>	<u>2,448</u>	<u>-</u>	<u>-</u>	<u>(7,002)</u>	<u>-</u>	<u>(7,002)</u>
Long-term debt interest	107,764	-	-	-	(107,764)	-	(107,764)
Other expenses:							
AEA flowthrough	212,810	-	212,810	-	-	-	-
Depreciation(unallocated)*	177,108	-	-	-	(177,108)	-	(177,108)
	<u>389,918</u>	<u>-</u>	<u>212,810</u>	<u>-</u>	<u>(177,108)</u>	<u>-</u>	<u>(177,108)</u>
Total governmental activities	<u>6,975,235</u>	<u>458,191</u>	<u>475,239</u>	<u>30,617</u>	<u>(6,011,188)</u>	<u>-</u>	<u>(6,011,188)</u>
Business type activities:							
Support services:							
Administration	1,660	-	-	-	-	(1,660)	(1,660)
Operation and maintenance of plant	8,806	-	-	-	-	(8,806)	(8,806)
	<u>10,466</u>	<u>-</u>	<u>-</u>	<u>30,617</u>	<u>-</u>	<u>(10,466)</u>	<u>(10,466)</u>
Non-instructional programs:							
Food service operations	267,982	139,146	119,236	-	-	(9,600)	(9,600)
Day care operations	78,904	68,568	4,403	-	-	(5,933)	(5,933)
	<u>346,886</u>	<u>207,714</u>	<u>123,639</u>	<u>-</u>	<u>-</u>	<u>(15,533)</u>	<u>(15,533)</u>
Total business type activities	<u>357,352</u>	<u>207,714</u>	<u>123,639</u>	<u>-</u>	<u>-</u>	<u>(25,999)</u>	<u>(25,999)</u>
Total	<u>\$ 7,332,587</u>	<u>665,905</u>	<u>598,878</u>	<u>30,617</u>	<u>(6,011,188)</u>	<u>(25,999)</u>	<u>(6,037,187)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,830,431	-	1,830,431
Capital outlay					43,931	-	43,931
Debt service					319,246	-	319,246
Income surtax					215,691	-	215,691
Statewide sales, services and use tax					482,354	-	482,354
Unrestricted state grants					3,185,713	-	3,185,713
Unrestricted investment earnings					3,877	23	3,900
Other					31,337	814	32,151
Total general revenues					<u>6,112,580</u>	<u>837</u>	<u>6,113,417</u>
Change in net position					101,392	(25,162)	76,230
Net position beginning of year					<u>5,265,053</u>	<u>104,226</u>	<u>5,369,279</u>
Net position end of year					<u>\$ 5,366,445</u>	<u>79,064</u>	<u>5,445,509</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 1,593,968	307,033	134,081	300,508	2,335,590
Receivables:					
Property tax:					
Delinquent	33,773	874	6,351	2,644	43,642
Succeeding year	1,697,692	43,666	320,806	180,000	2,242,164
Income surtax	195,200	-	-	-	195,200
Accounts	14,409	-	-	4,848	19,257
Due from other funds	142,702	-	-	-	142,702
Due from other governments	77,048	322,817	-	-	399,865
TOTAL ASSETS	\$ 3,754,792	674,390	461,238	488,000	5,378,420
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	318,908	5,816	97,640	5,452	427,816
Salaries and benefits payable	620,747	-	-	-	620,747
Advances from grantors	846	-	-	-	846
Total liabilities	940,501	5,816	97,640	5,452	1,049,409
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,697,692	43,666	320,806	180,000	2,242,164
Income surtax	195,200	-	-	-	195,200
Total deferred inflows of resources	1,892,892	43,666	320,806	180,000	2,437,364
Fund balances:					
Restricted for:					
Categorical funding	418,493	-	-	-	418,493
Debt service	-	126,000	42,792	-	168,792
School infrastructure	-	425,913	-	-	425,913
Physical plant and equipment	-	72,995	-	-	72,995
Management levy purposes	-	-	-	234,593	234,593
Student activities	-	-	-	67,955	67,955
Unassigned	502,906	-	-	-	502,906
Total fund balances	921,399	624,908	42,792	302,548	1,891,647
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,754,792	674,390	461,238	488,000	5,378,420

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$	1,891,647
 <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.		5,987,648
Accrued interest payable in the long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(7,551)
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period and, therefore, are recognized as deferred inflows of resources in the governmental funds.		195,200
Long-term liabilities, including bonds payable, other postemployment benefits payable and compensated absences payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(2,700,499)</u>
Net position of governmental activities(page 18)	\$	<u>5,366,445</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,918,835	43,931	319,246	132,928	2,414,940
Tuition	209,650	-	-	-	209,650
Other	102,798	30,631	2,511	200,177	336,117
State sources	3,517,840	482,382	209	87	4,000,518
Federal sources	121,043	-	-	-	121,043
TOTAL REVENUES	5,870,166	556,944	321,966	333,192	7,082,268
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,645,286	44,143	-	67,342	2,756,771
Special	964,766	-	-	-	964,766
Other	684,167	-	-	183,408	867,575
	4,294,219	44,143	-	250,750	4,589,112
Support services:					
Student	142,747	-	-	-	142,747
Instructional staff	144,103	86,650	-	-	230,753
Administration	518,066	-	2,000	11,871	531,937
Operation and maintenance of plant	483,557	27,096	-	38,934	549,587
Transportation	249,462	145,591	-	24,268	419,321
	1,537,935	259,337	2,000	75,073	1,874,345
Non-instructional programs:					
Food service operations	-	-	-	6,062	6,062
Other enterprise operations	-	-	-	3,388	3,388
	-	-	-	9,450	9,450
Capital outlay	-	255,579	-	-	255,579
Long-term debt:					
Principal	-	-	335,000	-	335,000
Interest and fiscal charges	-	-	109,199	-	109,199
	-	-	444,199	-	444,199
Other expenditures:					
AEA flowthrough	212,810	-	-	-	212,810
TOTAL EXPENDITURES	6,044,964	559,059	446,199	335,273	7,385,495
Excess(Deficiency) of revenues over(under) expenditures	(174,798)	(2,115)	(124,233)	(2,081)	(303,227)
Other financing sources(uses):					
Sale of equipment	1,561	-	-	-	1,561
Transfer in	-	-	126,780	-	126,780
Transfer out	-	(126,780)	-	-	(126,780)
Total other financing sources(uses)	1,561	(126,780)	126,780	-	1,561
Change in fund balances	(173,237)	(128,895)	2,547	(2,081)	(301,666)
Fund balance beginning of year	1,094,636	753,803	40,245	304,629	2,193,313
Fund balance end of year	\$ 921,399	624,908	42,792	302,548	1,891,647

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHEAST WARREN 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) \$ (301,666)

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

Capital outlay 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 amount of capital outlay and depreciation expense in the year are as follows:

Capital outlay	\$ 375,150	
Depreciation expense	<u>(344,121)</u>	31,029

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. 335,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,435

Income surtax account receivable that is not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (5,641)

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

Termination benefits	52,866	
Compensated absences	124	
Other postemployment benefits	<u>(11,755)</u>	<u>41,235</u>

Change in net position of governmental activities(page 19) \$ 101,392

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	School Nutrition	Day Care	Student Construction	Total
ASSETS				
Current assets:				
Cash and pooled investments	\$ 43,870	15,291	3	59,164
Accounts receivable	480	-	-	480
Due from other governments	-	664	-	664
Inventories	7,787	-	142,780	150,567
Total current assets	<u>52,137</u>	<u>15,955</u>	<u>142,783</u>	<u>210,875</u>
Non-current assets:				
Capital assets, net of accumulated depreciation	53,182	1,039	-	54,221
TOTAL ASSETS	<u>105,319</u>	<u>16,994</u>	<u>142,783</u>	<u>265,096</u>
LIABILITIES				
Current liabilities:				
Due to other funds	-	-	142,702	142,702
Accounts payable	103	526	-	629
Salaries and benefits payable	27,292	7,098	-	34,390
Unearned revenues	3,386	-	-	3,386
Total current liabilities	<u>30,781</u>	<u>7,624</u>	<u>142,702</u>	<u>181,107</u>
Non-current liabilities:				
Net OPEB liability	4,925	-	-	4,925
TOTAL LIABILITIES	<u>35,706</u>	<u>7,624</u>	<u>142,702</u>	<u>186,032</u>
NET POSITION				
Net investment in capital assets	53,182	1,039	-	54,221
Unrestricted	16,431	8,331	81	24,843
TOTAL NET POSITION	<u>\$ 69,613</u>	<u>9,370</u>	<u>81</u>	<u>79,064</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition	Day Care	Student Construction	Total
OPERATING REVENUE:				
Local sources:				
Charges for service	\$ 139,146	68,568	-	207,714
Miscellaneous	814	-	-	814
TOTAL OPERATING REVENUES	139,960	68,568	-	208,528
OPERATING EXPENSES:				
Support services:				
Administration:				
Services	46	-	-	46
Supplies	177	-	-	177
Other	1,415	22	-	1,437
	1,638	22	-	1,660
Operation and maintenance of plant:				
Services	1,296	4,230	-	5,526
Supplies	-	3,280	-	3,280
	1,296	7,510	-	8,806
Total support services	2,934	7,532	-	10,466
Non-instructional programs:				
Food service operations:				
Salaries	82,730	-	-	82,730
Benefits	33,385	-	-	33,385
Services	78	-	-	78
Supplies	141,752	-	-	141,752
Other	200	-	-	200
Depreciation	9,837	-	-	9,837
	267,982	-	-	267,982
Other enterprise operations:				
Salaries	-	57,596	-	57,596
Benefits	-	10,244	-	10,244
Supplies	-	10,742	-	10,742
Depreciation	-	322	-	322
	-	78,904	-	78,904
Total non-instructional programs	267,982	78,904	-	346,886
TOTAL OPERATING EXPENSES	270,916	86,436	-	357,352
OPERATING LOSS	(130,956)	(17,868)	-	(148,824)
NON-OPERATING REVENUES:				
State sources	2,227	-	-	2,227
Federal sources	117,009	4,403	-	121,412
Interest income	1	21	1	23
TOTAL NON-OPERATING REVENUES	119,237	4,424	1	123,662
Change in net position	(11,719)	(13,444)	1	(25,162)
Net position beginning of year	81,332	22,814	80	104,226
Net position end of year	\$ 69,613	9,370	81	79,064

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition	Day Care	Student Construction	Total
Cash flows from operating activities:				
Cash received from operating activities*	\$ 138,426	68,568	-	206,994
Cash received from miscellaneous operating activities	814	-	-	814
Cash payments to employees for services	(116,728)	(65,913)	-	(182,641)
Cash payments to suppliers for goods or services	(126,110)	(18,250)	(22,674)	(167,034)
Net cash used by operating activities	(103,598)	(15,595)	(22,674)	(141,867)
Cash flows from non-capital financing activities:				
Borrowings from General Fund	-	-	18,702	18,702
State grants received	2,227	-	-	2,227
Federal grants received	97,525	4,177	-	101,702
Net cash provided by non-capital financing activities	99,752	4,177	18,702	122,631
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(1,940)	-	-	(1,940)
Cash flows from investing activities:				
Interest on investments	1	21	1	23
Net decrease in cash and cash equivalents	(5,785)	(11,397)	(3,971)	(21,153)
Cash and cash equivalents at beginning of year	49,655	26,688	3,974	80,317
Cash and cash equivalents at end of year	\$ 43,870	15,291	3	59,164
Reconciliation of operating loss to net cash used by operating activities:				
Operating loss	\$ (130,956)	(17,868)	-	(148,824)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Commodities used	19,484	-	-	19,484
Depreciation	9,837	322	-	10,159
Decrease(Increase) in inventories	37	-	(19,951)	(19,914)
Increase in accounts receivable	(158)	-	-	(158)
Increase(Decrease) in accounts payable	(667)	24	(2,723)	(3,366)
Increase(Decrease) in salaries and benefits payable	(1,359)	1,927	-	568
Decrease in unearned revenue	(562)	-	-	(562)
Increase in other postemployment benefits	746	-	-	746
Net cash used by operating activities	\$ (103,598)	(15,595)	(22,674)	(141,867)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

* Cash received from operating activities is comprised of cash received from the sale of lunches and breakfasts in the School Nutrition Fund and fees charged by the District to users of the District provided daycare program.

During the year ended June 30, 2014, the District received Federal commodities valued at \$19,484.

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2014

	<u>Agency</u>
ASSETS	
Cash and pooled investments	\$ 7,605
Accounts receivable	3,456
TOTAL ASSETS	<u>\$ 11,061</u>
LIABILITIES	
Accounts payable	\$ 1,392
Due to other groups	9,669
TOTAL LIABILITIES	<u>\$ 11,061</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

The Southeast Warren 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 predominately agricultural territory in Warren and Lucas counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Southeast Warren 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 Southeast Warren 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 Warren and Lucas Counties 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 support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The Debt Service Fund is used utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District reports the following nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund, the Day Care Fund and the Student Construction Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for childcare services provided by the District to employees and other families in the community. The Student Construction Fund is used to account for the costs associated with the building trades class projects.

The District reports the following fiduciary fund:

The District's fiduciary fund is the Agency Fund. The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary 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 his purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

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

When an expenditure is incurred in governmental funds which can be paid 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 funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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

Asset Class	Estimated Useful Lives (In Years)
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 annual contracts corresponding to the current school year, which is 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.

Due to Other Governments - Due to other governments represents amounts due to the State of Iowa, local educational agencies, and other governments.

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily 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.

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. Budgeting and Budgetary Control

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

Note 2. Cash and Pooled Investments

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

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

At June 30, 2014 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,797,270 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.

Note 3. Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 126,780</u>

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

Note 4. 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
General	Enterprise: Student Construction	<u>\$ 142,702</u>

The Enterprise: Student Construction Fund is repaying the General Fund for cash borrowed to fund the construction of the project house by students of the buildings and trades class.

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 30,174	-	-	30,174
Capital assets being depreciated:				
Buildings	7,594,056	34,224	-	7,628,280
Improvements other than buildings	382,742	160,352	-	543,094
Machinery and equipment	1,790,821	180,574	147,163	1,824,232
Total capital assets being depreciated	<u>9,767,619</u>	<u>375,150</u>	<u>147,163</u>	<u>9,995,606</u>
Less accumulated depreciation for:				
Buildings	2,362,623	150,863	-	2,513,486
Improvements other than buildings	129,988	26,245	-	156,233
Machinery and equipment	1,348,563	167,013	147,163	1,368,413
Total accumulated depreciation	<u>3,841,174</u>	<u>344,121</u>	<u>147,163</u>	<u>4,038,132</u>
Total capital assets being depreciated, net	<u>5,926,445</u>	<u>31,029</u>	<u>-</u>	<u>5,957,474</u>
Governmental activities capital assets, net	<u>\$ 5,956,619</u>	<u>31,029</u>	<u>-</u>	<u>5,987,648</u>
Business type activities:				
Machinery and equipment	\$ 235,696	1,940	1,330	236,306
Less accumulated depreciation	173,256	10,159	1,330	182,085
Business type activities capital assets, net	<u>\$ 62,440</u>	<u>(8,219)</u>	<u>-</u>	<u>54,221</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:			
Regular		\$	3,681
Other			19,435
Support services:			
Administration			4,600
Operation and maintenance of plant			24,600
Transportation			114,697
			<u>167,013</u>
Unallocated depreciation			<u>177,108</u>
Total governmental activities depreciation expense		\$	<u>344,121</u>

Business type activities:

Food services operations		\$	9,837
Day care operations			322
Total business type activities depreciation expense		\$	<u>10,159</u>

Note 6. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 1,535,000	-	265,000	1,270,000	275,000
Revenue Bonds	1,410,000	-	70,000	1,340,000	70,000
Termination Benefits	52,866	-	52,866	-	-
Compensated Absences	13,047	12,923	13,047	12,923	12,923
Net OPEB Liability	65,821	11,755	-	77,576	-
Total	<u>\$ 3,076,734</u>	<u>24,678</u>	<u>400,913</u>	<u>2,700,499</u>	<u>357,923</u>
Business Type Activities:					
Net OPEB Liability	\$ 4,179	746	-	4,925	-

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of May 27, 2009			
	Interest Rates	Principal	Interest	Total
2015	3.25	% \$ 275,000	45,306	320,306
2016	3.38	280,000	36,025	316,025
2017	3.50	295,000	26,225	321,225
2018	3.70	300,000	15,900	315,900
2019	4.00	120,000	4,800	124,800
Total		<u>\$ 1,270,000</u>	<u>128,256</u>	<u>1,398,256</u>

Revenue Bonds

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

Year Ending June 30,	Bond Issue of April 1, 2011			
	Interest Rates	Principal	Interest	Total
2015	2.25	% \$ 70,000	53,705	123,705
2016	2.25	70,000	52,130	122,130
2017	2.75	75,000	50,205	125,205
2018	3.00	75,000	47,955	122,955
2019	3.00	80,000	45,705	125,705
2020-2024	3.20-4.00	435,000	184,245	619,245
2025-2029	4.50-5.00	535,000	81,250	616,250
Total		\$ 1,340,000	515,195	1,855,195

The District has pledged future statewide sales, services and use tax revenues to repay \$1,500,000 of bonds issued in April 2011. The bonds were issued for the purpose of financing future school infrastructure projects in the District. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 26 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,855,195. For the current year, \$70,000 in principal and \$55,280 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$482,354.

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

- a) \$126,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) The District will make monthly transfers from the Capital Projects: Statewide Sales, Services and Use Tax Fund to a revenue account held by the bonding agent in the District’s name.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Termination Benefits

The District offered a voluntary early retirement plan to its certified employees during fiscal year 2013. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to fifty percent of the employee’s base salary. Early retirement benefits paid during the year ended June 30, 2014 totaled \$52,866.

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual 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 \$309,461, \$286,924, and \$258,010, respectively, equal to the required contributions for each year.

Note 8. Other Postemployment Benefits

Plan Description - The District operates a single-employer health benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. There are 91 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark Blue Cross Blue Shield and dental benefits are provided by Delta Dental. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits 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 and unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Districts 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	\$	61,000
Interest on net OPEB obligation		3,150
Adjustment to annual required contribution		(2,649)
Annual OPEB cost		<u>61,501</u>
Contributions made		<u>(49,000)</u>
Increase in net OPEB obligation		12,501
Net OPEB obligation beginning of year		<u>70,000</u>
Net OPEB obligation end of year	\$	<u><u>82,501</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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 \$49,000 to the medical plan. Plan members eligible for benefits contributed \$51,000, or 51.00% of the premium costs.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 47,976	63.95%	\$ 52,613
2013	61,387	71.68%	70,000
2014	61,501	79.67%	82,501

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 \$555,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$555,000. The covered payroll (annual payroll of active employees covered by the plan) was \$2,271,148, and the ratio of the UAAL to covered payroll was 24.44%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2012 actuarial valuation date, the Alternative Measurement Method, a simplified version of the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.50% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

The projected claim costs of the medical and dental plan for retirees under age 65 are illustrated per month in the following table.

100	200	500	750	1,000
\$ 978	\$ 950	\$ 893	\$ 839	\$ 796

The salary increase rate was assumed to be 3.50% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Risk Management

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

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$212,810 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

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

<u>Programs</u>	<u>Amount</u>
Home school assistance	\$ 1,800
At-risk supplemental weighting	65,574
Talented and gifted	50,834
Returning dropouts and dropout prevention programs	50,579
Teacher salary supplement	13,327
Early intervention	46,499
Four-year-old preschool	136,199
Successful progression for early readers	13,485
Professional development for model core curriculum	29,052
Professional development	4,101
Teacher leadership grants	7,043
Total	<u>\$ 418,493</u>

Note 12. 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)	\$ -	168,792	502,906
Capital assets, net of accumulated depreciation	5,987,648	-	-
General obligation bond capitalized indebtedness	(1,270,000)	-	-
Revenue bond capitalized indebtedness	(1,340,000)	-	-
Accrued interest payable	-	(7,551)	-
Income surtax receivable	-	-	195,200
Net OPEB liability	-	-	(77,576)
Compensated absences	-	-	(12,923)
Net position (Exhibit A)	<u>\$ 3,377,648</u>	<u>161,241</u>	<u>607,607</u>

Note 13. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year 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.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,960,707	208,551	3,169,258	3,668,304	3,668,304	(499,046)
State sources	4,000,518	2,227	4,002,745	3,765,761	3,765,761	236,984
Federal sources	121,043	121,412	242,455	287,600	287,600	(45,145)
Total revenues	<u>7,082,268</u>	<u>332,190</u>	<u>7,414,458</u>	<u>7,721,665</u>	<u>7,721,665</u>	<u>(307,207)</u>
Expenditures/Expenses:						
Instruction	4,589,112	-	4,589,112	5,001,500	5,001,500	412,388
Support services	1,874,345	10,466	1,884,811	2,259,300	2,259,300	374,489
Non-instructional programs	9,450	346,886	356,336	550,365	550,365	194,029
Other expenditures	912,588	-	912,588	1,334,857	1,334,857	422,269
Total expenditures/expenses	<u>7,385,495</u>	<u>357,352</u>	<u>7,742,847</u>	<u>9,146,022</u>	<u>9,146,022</u>	<u>1,403,175</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(303,227)	(25,162)	(328,389)	(1,424,357)	(1,424,357)	1,095,968
Other financing sources, net	<u>1,561</u>	<u>-</u>	<u>1,561</u>	<u>4,000</u>	<u>4,000</u>	<u>(2,439)</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(301,666)	(25,162)	(326,828)	(1,420,357)	(1,420,357)	1,093,529
Balance beginning of year	<u>2,193,313</u>	<u>104,226</u>	<u>2,297,539</u>	<u>2,191,587</u>	<u>2,191,587</u>	<u>105,952</u>
Balance end of year	<u>\$ 1,891,647</u>	<u>79,064</u>	<u>1,970,711</u>	<u>771,230</u>	<u>771,230</u>	<u>1,199,481</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

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	\$ -	\$ 430,673	\$ 430,673	0.00%	\$ 2,933,775	14.68%
2011	July 1, 2009	-	430,673	430,673	0.00%	2,952,877	14.58%
2012	July 1, 2009	-	430,673	430,673	0.00%	3,197,155	13.47%
2013	July 1, 2012	-	555,000	555,000	0.00%	2,159,477	25.70%
2014	July 1, 2012	-	555,000	555,000	0.00%	2,271,148	24.44%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 231,949	68,559	300,508
Receivables:			
Property tax:			
Delinquent	2,644	-	2,644
Succeeding year	180,000	-	180,000
Accounts	-	4,848	4,848
TOTAL ASSETS	\$ 414,593	73,407	488,000
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	5,452	5,452
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	180,000	-	180,000
Fund balances:			
Restricted for:			
Management levy purposes	234,593	-	234,593
Student activities	-	67,955	67,955
Total fund balances	234,593	67,955	302,548
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 414,593	73,407	488,000

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Management Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 132,928	-	132,928
Other	3,652	196,525	200,177
State sources	87	-	87
TOTAL REVENUES	136,667	196,525	333,192
EXPENDITURES:			
Current:			
Instruction:			
Regular	67,342	-	67,342
Other	-	183,408	183,408
Support services:			
Administration	11,871	-	11,871
Operation and maintenance of plant	38,934	-	38,934
Transportation	24,268	-	24,268
Non-instructional programs:			
Food service operations	6,062	-	6,062
Other enterprise operations	3,388	-	3,388
TOTAL EXPENDITURES	151,865	183,408	335,273
Change in fund balances	(15,198)	13,117	(2,081)
Fund balances beginning of year	249,791	54,838	304,629
Fund balances end of year	\$ 234,593	67,955	302,548

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 234,912	72,121	307,033
Receivables:			
Property tax:			
Delinquent	-	874	874
Succeeding year	-	43,666	43,666
Due from other governments	322,817	-	322,817
TOTAL ASSETS	\$ 557,729	116,661	674,390
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	5,816	-	5,816
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	43,666	43,666
Fund balances:			
Restricted for:			
Debt service	126,000	-	126,000
School infrastructure	425,913	-	425,913
Physical plant and equipment	-	72,995	72,995
Total fund balances	551,913	72,995	624,908
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 557,729	116,661	674,390

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE 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	\$ -	43,931	43,931
Other	30,628	3	30,631
State sources	482,354	28	482,382
TOTAL REVENUES	512,982	43,962	556,944
EXPENDITURES:			
Current:			
Instruction:			
Regular	44,143	-	44,143
Support services:			
Instructional staff	86,650	-	86,650
Operation and maintenance of plant	23,865	3,231	27,096
Transportation	145,591	-	145,591
Other expenditures:			
Capital outlay	215,299	40,280	255,579
TOTAL EXPENDITURES	515,548	43,511	559,059
Excess(Deficiency) of revenues over(under) expenditures	(2,566)	451	(2,115)
Other financing uses:			
Transfer out	(126,780)	-	(126,780)
Change in fund balances	(129,346)	451	(128,895)
Fund balances beginning of year	681,259	72,544	753,803
Fund balances end of year	\$ 551,913	72,995	624,908

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
JR High Sports Fundraiser	\$ 1,942	3,139	5,060	21
Drama	1,148	3,906	2,580	2,474
Speech	-	1,486	851	635
Vocal Music	2	2,314	2,179	137
Vocal Trip	835	21,519	21,931	423
Instrumental Music	-	6,221	5,221	1,000
Band Trip-HS	378	-	8	370
Band Trip-JH	132	-	24	108
Colorguard	73	-	-	73
History Trip	-	856	-	856
Spanish Trip	-	44	-	44
Cheerleaders	-	2,321	2,231	90
JH Cheerleading	583	-	583	-
Dance Team	4,779	5,012	5,398	4,393
JR High Dance	879	-	-	879
Athletic Gates	-	24,513	24,513	-
Tournaments	513	574	1,087	-
Uniforms	5,937	6,300	7,009	5,228
Basketball-Boys	3,088	-	1,289	1,799
Basketball-Girls	480	221	41	660
Volleyball	-	4,247	3,613	634
Weightlifting	1,201	-	1,201	-
Track	107	1,329	1,317	119
Cross Country	1,501	937	1,485	953
Golf	98	-	-	98
Football	3,363	15,820	6,669	12,514
Baseball	-	2,695	2,695	-
Wrestling	1,840	9,169	8,264	2,745
Softball	-	1,313	929	384
Class of 2011	1,140	-	1,140	-
Class of 2012	1,414	-	1,414	-
Class of 2013	647	-	647	-
Class of 2014	319	2,375	2,694	-
Class of 2015	1	3,914	3,067	848
Class of 2016	2,603	43	-	2,646
Class of 2017	-	58	-	58
Class of 2018	40	-	-	40
Academic Bowl	-	29	29	-
Science Club	100	-	100	-
FBLA	358	1,579	1,493	444
FFA	5,245	41,828	29,349	17,724
FFA Trap	100	6,760	5,130	1,730
FCCLA	99	1,209	555	753
Nat. Honor Society	77	620	542	155
Spanish Club	85	-	10	75
Yearbook	-	9,488	9,488	-
SH Student Council	607	5,189	4,881	915
Angel Treet	1,412	626	612	1,426
JH Student Council	54	-	-	54
ELP Trips	804	-	-	804
JR-SR High Activities	1,220	42	1,262	-
High School Fundraiser	4,705	7,120	11,800	25
Rock Stars	537	111	-	648
Elem Yearbook	2,116	1,219	1,325	2,010
Primary Center	755	-	732	23
Intermed. Center	1,122	140	700	562
Intermed. Band	399	-	21	378
Utility	-	100	100	-
Interest Income	-	139	139	-
Total	\$ 54,838	196,525	183,408	67,955

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 4,549	81,558	78,502	7,605
Accounts receivable	3,908	3,606	4,058	3,456
TOTAL ASSETS	\$ 8,457	85,164	82,560	11,061
LIABILITIES				
Accounts payable	\$ 4,762	1,392	4,762	1,392
Due to other groups	3,695	83,772	77,798	9,669
TOTAL LIABILITIES	\$ 8,457	85,164	82,560	11,061

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN 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	\$ 2,414,940	2,573,312	2,818,392	2,777,759	2,580,083	2,405,131	2,254,898	2,292,590	2,216,414	2,184,579
Tuition	209,650	246,995	182,272	189,092	240,287	212,240	179,254	188,992	196,436	192,380
Other	336,117	302,142	316,224	221,961	270,382	335,985	265,637	313,790	296,544	232,777
Intermediate sources	-	-	-	-	-	-	2,833	3,406	-	-
State sources	4,000,518	3,495,832	3,207,963	3,196,556	2,758,557	3,319,237	3,270,365	2,983,104	2,814,914	2,724,681
Federal sources	121,043	140,856	254,789	256,143	498,933	135,322	140,719	129,633	163,051	163,066
Total	<u>\$ 7,082,268</u>	<u>6,759,137</u>	<u>6,779,640</u>	<u>6,641,511</u>	<u>6,348,242</u>	<u>6,407,915</u>	<u>6,113,706</u>	<u>5,911,515</u>	<u>5,687,359</u>	<u>5,497,483</u>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 2,756,771	2,436,310	2,306,815	2,290,466	2,192,182	2,241,793	2,295,864	2,063,809	1,914,385	1,824,019
Special	964,766	937,839	912,690	865,689	898,350	938,870	906,039	953,522	900,548	811,582
Other	867,575	837,804	792,329	812,953	691,771	577,490	592,087	548,885	578,639	523,212
Support services:										
Student	142,747	135,055	112,036	109,422	165,429	141,964	167,076	146,860	149,252	146,397
Instructional staff	230,753	165,060	109,535	119,983	136,850	195,754	191,217	211,074	166,824	169,643
Administration	531,937	554,843	555,394	518,382	513,316	521,191	519,584	507,387	509,590	461,651
Operation and maintenance of plant	549,587	477,813	425,290	477,478	411,757	435,655	446,675	442,698	458,116	404,320
Transportation	419,321	446,960	289,281	352,040	395,598	371,303	421,353	261,682	289,579	191,592
Non-instructional programs:										
Food service operations	6,062	3,962	3,254	3,159	3,013	-	-	-	-	-
Other enterprise operations	3,388	2,449	2,272	2,621	4,700	-	-	-	-	-
Capital outlay	255,579	253,479	1,444,654	425,386	94,249	127,396	371,858	93,361	85,882	184,592
Long-term debt:										
Principal	335,000	320,000	270,000	240,000	240,000	195,000	190,000	180,000	213,705	160,000
Interest and fiscal charges	109,199	118,786	143,519	77,969	79,574	133,868	134,115	143,115	158,693	159,615
Other expenditures:										
AEA flow-through	212,810	199,903	199,534	222,470	218,424	202,817	195,233	184,399	171,073	167,064
Total	<u>\$ 7,385,495</u>	<u>6,890,263</u>	<u>7,566,603</u>	<u>6,518,018</u>	<u>6,045,213</u>	<u>6,083,101</u>	<u>6,431,101</u>	<u>5,736,792</u>	<u>5,596,286</u>	<u>5,203,687</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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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 Southeast Warren 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 Southeast Warren 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 24, 2015.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast Warren 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.

Southeast Warren Community School District's Responses to Findings

Southeast Warren Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Southeast Warren 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 Southeast Warren 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 24, 2015
Newton, Iowa

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

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

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

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

Response - We will continue to review our procedures and implement additional controls when possible.

Conclusion - Response accepted.

I-B-14 Gate Admissions - It was noted that the District does not use pre-numbered tickets for all events that requires an admission.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

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

Response - We will review our procedures and implement procedures for handling cash for all activity events, including athletic events.

Conclusion - Response accepted.

I-C-14 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches.

Response - In the future non-certified staff coaches will be required to complete time sheets.

Conclusion - Response accepted.

I-D-14 Scholarship Awards - We noted during our audit that scholarship checks were being written from the FFA account in the Student Activity Fund.

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

Response - In the future any scholarship awards will be handled in the Private Purpose Trust Fund.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

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

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

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

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

Name, Title and Business Connection	Transaction Description	Amount
Tina Schneider, Teacher Spouse performed concrete work	Services	\$129,809

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouses of employees do 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. However, we noted the District did not name depositories and the maximum amount that may be kept on deposit in each depository in the Board minutes per section 12C.2 of the Code of Iowa.

Recommendation - The District should name all depositories and the maximum amounts to be held for each depository in the Board Minutes to comply with Iowa Code section 12C.2.

Response - In the future the name of all depositories and the maximum amounts to be held for each depository will be included in the Board Minutes.

Conclusion - Response accepted.

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

II-H-14 Supplementary Weighting - We noted an operational sharing adjustment of 8.0 for a shared superintendent.

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 behalf of the District to resolve this matter.

Conclusion - Response accepted.

II-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-14 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$ 681,259
Revenues:		
Sales tax revenues	\$ 482,354	
Other local revenues	30,628	512,982
		<u>1,194,241</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 215,299	
Equipment	300,249	
Transfers to other funds:		
Debt service fund	126,780	642,328
		<u>642,328</u>
Ending balance		<u>\$ 551,913</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.