

SOUTH PAGE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-38
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		40
Notes to Required Supplementary Information - Budgetary Reporting		41
Schedule of Funding Progress for the Retiree Health Plan		42
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	44
Combining Schedule of Revenues, Expenditures and Changes in Balances	2	45
Capital Project Accounts		
Combining Balance Sheet	3	46
Combining Schedule of Revenues, Expenditures and Changes in Balances	4	47
Fiduciary Fund, Private Purpose Trust		
Combining Balance Sheet	5	48
Combining Schedule of Revenues, Expenditures and Changes in Balances	6	49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	7	50
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	8	51
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		52-53
Schedule of Findings		54-58

**South Page Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2013 Election)</b>		
Ron Peterman	President	2015
Darin McClarnon	Vice President	2013
Kenny Jackson	Board Member	2013
Jackie Autry	Board Member	2015
Chris Drennen	Board Member	2015
<b>(After September 2013 Election)</b>		
Ron Peterman	President	2015
Chris Drennen	Vice President	2015
Jackie Autry	Board Member	2015
Darin McClarnon	Board Member	2017
Richard Perala	Board Member	2017
<b>School Officials</b>		
Gregg Cruickshank	Superintendent	2014
Sherry Ruzek	District Secretary	2014
Rick Franck	Attorney	2014

**SOUTH PAGE COMMUNITY SCHOOL DISTRICT**

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

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of the South Page Community School District:**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of South Page Community School District, College Springs, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of South Page Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 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 South Page 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 8 are presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2015 on our consideration of South Page Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering South Page Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2015  
Newton, Iowa

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,724,425 in fiscal 2013 to \$2,731,832 in fiscal 2014, while General Fund expenditures increased from \$2,692,240 in fiscal 2013 to \$2,718,601 in fiscal 2014. This resulted in an increase in the District's General Fund balance from \$255,937 at June 30, 2013 to a balance of \$269,168 at June 30, 2014, a 5.17% increase from the prior year.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of South Page Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report South Page Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which South Page 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.

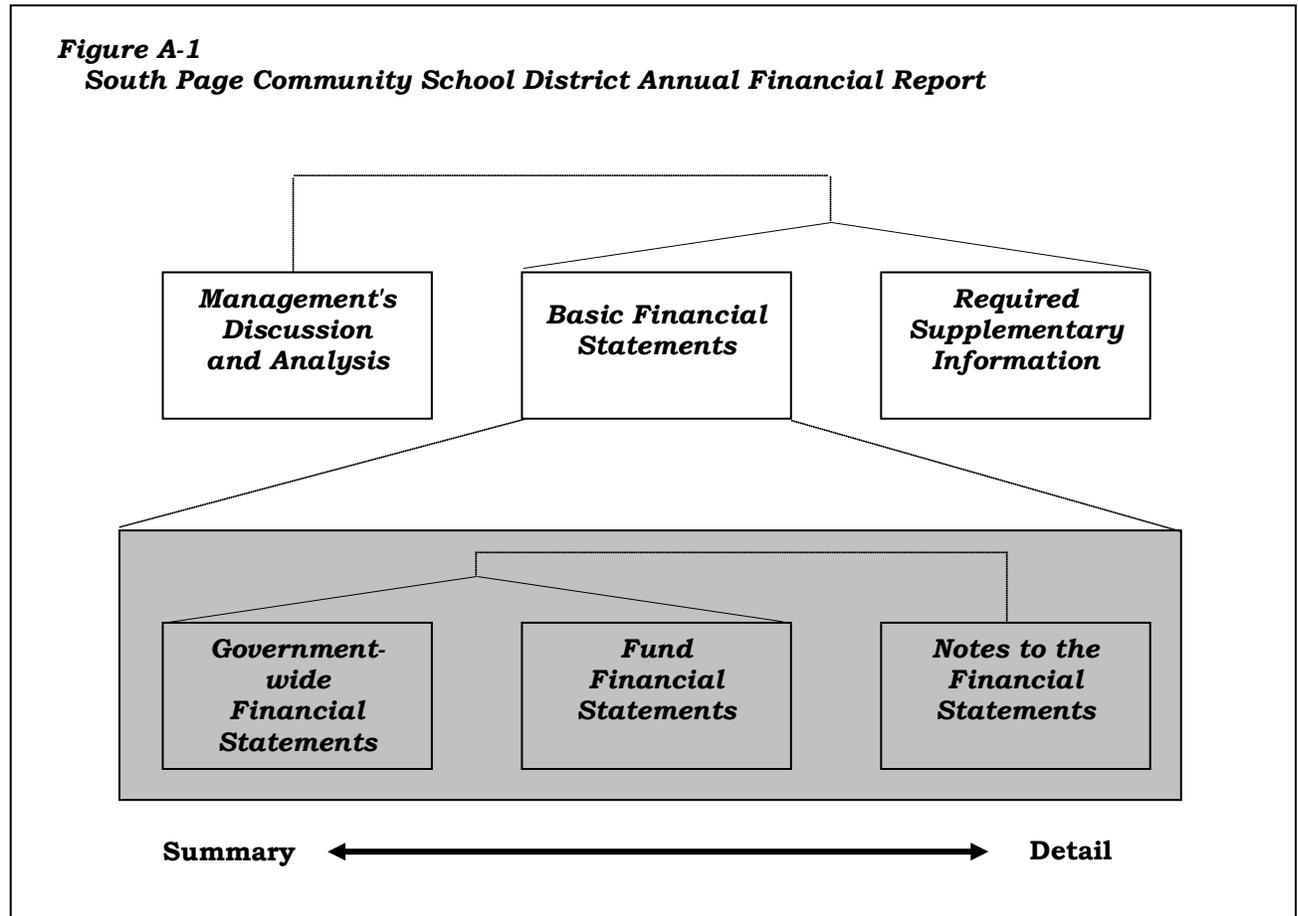


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Bradyville Little League 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 a trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust and Agency Funds.

- The Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These funds are funds through which the District administers and accounts for nurse donations to the Hockenberry Foundation.

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 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 to June 30, 2013.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 2,225,616	2,143,549	6,746	5,446	2,232,362	2,148,995	3.88%
Capital assets	1,284,885	1,389,454	13,511	13,608	1,298,396	1,403,062	-7.46%
Total assets	3,510,501	3,533,003	20,257	19,054	3,530,758	3,552,057	-0.60%
Long-term liabilities	164,231	79,620	5,417	4,993	169,648	84,613	100.50%
Other liabilities	291,198	336,406	7,708	6,568	298,906	342,974	-12.85%
Total liabilities	455,429	416,026	13,125	11,561	468,554	427,587	9.58%
Deferred inflows of resources	1,131,270	1,101,583	-	-	1,131,270	1,101,583	2.69%
Net position:							
Net investment in capital assets	1,284,885	1,389,454	13,511	13,608	1,298,396	1,403,062	-7.46%
Restricted	524,823	441,139	-	-	524,823	441,139	18.97%
Unrestricted	114,094	184,801	(6,379)	(6,115)	107,715	178,686	-39.72%
Total net position	\$ 1,923,802	2,015,394	7,132	7,493	1,930,934	2,022,887	-4.55%

The District's combined net position decreased by 4.55%, or \$91,953, from the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt category. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$83,684, or 18.97% from the prior year. The increase in restricted net position is primarily the result of the increases in the Management Levy and Capital Projects Fund balances.

Unrestricted net position - is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$70,971 or 39.72%. The decrease in unrestricted net position is primarily the result of the computer lease entered into during the year.

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

Figure A-4							
Changes in Net Position							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 249,635	201,492	31,234	30,951	280,869	232,443	20.83%
Operating grants, contributions and restricted interest	254,656	343,763	58,492	57,523	313,148	401,286	-21.96%
General revenues:							
Property tax	1,072,956	1,070,428	-	-	1,072,956	1,070,428	0.24%
Income surtax	128,079	109,011	-	-	128,079	109,011	17.49%
Statewide sales, services and use tax	189,365	182,772	-	-	189,365	182,772	3.61%
Unrestricted state grants	1,136,057	1,136,084	-	-	1,136,057	1,136,084	0.00%
Unrestricted investment earnings	393	344	-	-	393	344	14.24%
Other	8,148	50,817	1,596	867	9,744	51,684	-81.15%
Total revenues	3,039,289	3,094,711	91,322	89,341	3,130,611	3,184,052	-1.68%
Program expenses:							
Instruction	2,138,203	2,019,094	-	-	2,138,203	2,019,094	5.90%
Support services	823,523	833,253	-	-	823,523	833,253	-1.17%
Non-instructional programs	-	-	94,156	101,522	94,156	101,522	-7.26%
Other expenses	166,682	163,503	-	-	166,682	163,503	1.94%
Total expenses	3,128,408	3,015,850	94,156	101,522	3,222,564	3,117,372	3.37%
Excess(Deficiency) of revenues over(under) expenditures before transfers	(89,119)	78,861	(2,834)	(12,181)	(91,953)	66,680	-237.90%
Transfers	(2,473)	(5,340)	2,473	5,340	-	-	0.00%
Change in net position	(91,592)	73,521	(361)	(6,841)	(91,953)	66,680	-237.90%
Net position beginning of year	2,015,394	1,941,873	7,493	14,334	2,022,887	1,956,207	3.41%
Net position end of year	\$ 1,923,802	2,015,394	7,132	7,493	1,930,934	2,022,887	-4.55%

In fiscal year 2014, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants accounted for 83.13% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 98.25% of the revenues from business type activities.

The District's total revenues were approximately \$3.13 million of which approximately \$3.04 million was for governmental activities and approximately \$0.09 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 1.68% in revenues and a 3.37% increase in expenses. The increase in expenses was caused by increased expenses in the instruction, and other expenses functional areas during the year.

### Governmental Activities

Revenues for governmental activities were \$3,039,289 and expenses were \$3,128,408 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2014 as 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	\$ 2,138,203	2,019,094	5.90%	1,763,078	1,607,048	9.71%
Support services	823,523	833,253	-1.17%	789,077	791,069	-0.25%
Other expenses	166,682	163,503	1.94%	71,962	72,478	-0.71%
Totals	<u>\$ 3,128,408</u>	<u>3,015,850</u>	<u>3.73%</u>	<u>2,624,117</u>	<u>2,470,595</u>	<u>6.21%</u>

For the year ended June 30, 2014

- The cost financed by users of the District's programs was \$249,635.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$254,656.
- The net cost of governmental activities was financed with \$1,072,956 in property tax, \$128,079 in income surtax, \$189,365 in statewide sales, services and use tax, \$1,136,057 in unrestricted state grants, \$393 in unrestricted investment earnings and \$8,148 in other general revenues.

### Business type Activities

Revenues of the District's business type activities were \$91,322 and expenses were \$94,156. The District's business type activities include the School Nutrition Fund and the Bradyville Little League Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and capital contributions.

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## **INDIVIDUAL FUND ANALYSIS**

As previously noted, the South Page 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 a combined fund balance of \$700,361, above last year's ending fund balance of \$598,929. The primary reason for the increase in combined fund balance in fiscal 2014 is due to the increase in the fund balance of the Capital Projects accounts.

### **Governmental Fund Highlights**

- The District's General Fund balance increased from \$255,937 on June 30, 2013 to a balance of \$269,168 on June 30, 2014. The fluctuation in the District's General Fund financial position is the product of many factors. Decreases in local revenue and federal sources led to a decrease in revenues. Despite this decrease, revenues still exceeded expenditures during the year. Expenditures primarily increased due to increased expenditures in the support services function.
- The Capital Projects Fund balance increased from \$195,077 at June 30, 2013 to \$237,932 at June 30, 2014. The Statewide Sales, Services and Use Tax Fund balance increased from \$181,356 at June 30, 2013 to \$211,248 at June 30, 2014. The Physical Plant and Equipment Levy Fund balance increased from \$13,721 at June 30, 2013 to \$26,684 at June 30, 2014.

### **Proprietary Fund Highlights**

The Proprietary Funds' net position decreased from \$7,493 at June 30, 2013 to a balance of \$7,132 at June 30, 2014, representing a decrease of 4.82%. Revenues from these activities were comprised of charges for service, federal and state reimbursements, and capital contributions.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$71,734 more than budgeted revenues, a variance of 2.34%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction, non-instructional programs, and other expenditures functional areas and the budget was exceeded in total.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2014, the District had invested \$1,298,396, 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 decrease of 7.46% from the prior year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$147,767.

The original cost of the District's capital assets was \$4,669,975. Governmental funds account for \$4,577,672 with the remainder of \$92,303 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment decreased from \$153,090 at June 30, 2013, to \$107,086 at June 30, 2014, the decrease was the result of annual depreciation expense taken on the District's machinery and 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	\$ 52,000	52,000	-	-	52,000	52,000	0.00%
Buildings	1,028,756	1,066,461	-	-	1,028,756	1,066,461	-3.54%
Land improvements	110,554	131,511	-	-	110,554	131,511	-15.94%
Machinery and equipment	93,575	139,482	13,511	13,608	107,086	153,090	-30.05%
Total	\$ 1,284,885	1,389,454	13,511	13,608	1,298,396	1,403,062	-7.46%

### Long-Term Debt

At June 30, 2014, the District had \$169,648 in long-term indebtedness outstanding. This represents an increase of 100.50% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had \$79,106 payable on a computer lease at June 30, 2014.

The District had \$1,157 payable on a dishwasher lease at June 30, 2014.

The District had a net OPEB liability payable of \$89,385 at June 30, 2014. Of this amount \$83,968 is attributable to the governmental activities and \$5,417 is attributable to business type activities of the District.

	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
Computer lease	\$ 79,106	-	-	-	79,106	-	100.00%
Dishwasher lease	1,157	2,225	-	-	1,157	2,225	-48.00%
Net OPEB liability	83,968	77,395	5,417	4,993	89,385	82,388	8.49%
Total	\$ 164,231	79,620	5,417	4,993	169,648	84,613	100.50%

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## **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:

- The District has experienced declining enrollment, which has been stabilizing in recent years.
- The District currently has a teacher retiring which will require the realignment of elementary teaching staff.
- The District will continue to maximize operational and teacher sharing agreements with surrounding Districts to generate supplementary weighting.
- The District will continue to explore opportunities to share sports and extracurricular activities with surrounding Districts to provide opportunities for students.

## **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 Sherri Ruzek, District Secretary, South Page Community School District's District Office, Box 98, College Springs, Iowa, 51637.

BASIC FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014

	Governmental Activities	Business type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 832,536	2,534	835,070
Receivables:			
Property tax:			
Delinquent	22,465	-	22,465
Succeeding year	1,131,270	-	1,131,270
Income surtax	104,235	-	104,235
Accounts	4,591	2,919	7,510
Due from other governments	126,713	-	126,713
Inventories	-	1,293	1,293
Prepaid expenses	3,806	-	3,806
Capital assets, net of accumulated depreciation	1,284,885	13,511	1,298,396
<b>Total assets</b>	<b>3,510,501</b>	<b>20,257</b>	<b>3,530,758</b>
<b>Liabilities</b>			
Accounts payable	59,821	110	59,931
Salaries and benefits payable	229,929	6,738	236,667
Accrued interest payable	1,448	-	1,448
Unearned revenue	-	860	860
Long-term liabilities:			
Portion due within one year:			
Dishwasher lease payable	1,157	-	1,157
Computer lease payable	39,053	-	39,053
Portion due after one year:			
Computer lease payable	40,053	-	40,053
Net OPEB liability	83,968	5,417	89,385
<b>Total liabilities</b>	<b>455,429</b>	<b>13,125</b>	<b>468,554</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	1,131,270	-	1,131,270
<b>Net position</b>			
Net investment in capital assets	1,284,885	13,511	1,298,396
Restricted for:			
Categorical funding	93,630	-	93,630
Management levy	123,828	-	123,828
Student activities	69,433	-	69,433
School infrastructure	211,248	-	211,248
Physical plant and equipment	26,684	-	26,684
Unrestricted	114,094	(6,379)	107,715
<b>Total net position</b>	<b>\$ 1,923,802</b>	<b>7,132</b>	<b>1,930,934</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE 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	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,331,825	137,082	66,484	(1,128,259)	-	(1,128,259)
Special	552,591	11,464	10,213	(530,914)	-	(530,914)
Other	253,787	67,549	82,333	(103,905)	-	(103,905)
	<u>2,138,203</u>	<u>216,095</u>	<u>159,030</u>	<u>(1,763,078)</u>	<u>-</u>	<u>(1,763,078)</u>
Support services:						
Student	50,370	-	-	(50,370)	-	(50,370)
Instructional staff	80,463	21,940	-	(58,523)	-	(58,523)
Administration	304,079	38	-	(304,041)	-	(304,041)
Operation and maintenance of plant	265,984	11,562	-	(254,422)	-	(254,422)
Transportation	122,627	-	906	(121,721)	-	(121,721)
	<u>823,523</u>	<u>33,540</u>	<u>906</u>	<u>(789,077)</u>	<u>-</u>	<u>(789,077)</u>
Long-term debt interest	1,448	-	-	(1,448)	-	(1,448)
Other expenses:						
AEA flowthrough	94,720	-	94,720	-	-	-
Depreciation(unallocated)*	70,514	-	-	(70,514)	-	(70,514)
	<u>165,234</u>	<u>-</u>	<u>94,720</u>	<u>(70,514)</u>	<u>-</u>	<u>(70,514)</u>
Total governmental activities	3,128,408	249,635	254,656	(2,624,117)	-	(2,624,117)
Business type activities:						
Non-instructional programs:						
Food service operations	91,557	29,416	58,492	-	(3,649)	(3,649)
Community service operations	2,599	1,818	-	-	(781)	(781)
Total business type activities	<u>94,156</u>	<u>31,234</u>	<u>58,492</u>	<u>-</u>	<u>(4,430)</u>	<u>(4,430)</u>
Total	<u>\$ 3,222,564</u>	<u>280,869</u>	<u>313,148</u>	<u>(2,624,117)</u>	<u>(4,430)</u>	<u>(2,628,547)</u>
<b>General Revenues and Transfers:</b>						
Property tax for:						
General purposes				\$ 1,043,572	-	1,043,572
Capital outlay				29,384	-	29,384
Income surtax				128,079	-	128,079
Statewide sales, service and use tax				189,365	-	189,365
Unrestricted state grants				1,136,057	-	1,136,057
Unrestricted investment earnings				393	-	393
Other				8,148	1,596	9,744
Transfers				(2,473)	2,473	-
Total general revenues and transfers				<u>2,532,525</u>	<u>4,069</u>	<u>2,536,594</u>
Change in net position				(91,592)	(361)	(91,953)
Net position beginning of year				<u>2,015,394</u>	<u>7,493</u>	<u>2,022,887</u>
Net position end of year				<u>\$ 1,923,802</u>	<u>7,132</u>	<u>1,930,934</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
<b>Assets</b>				
Cash and pooled investments	\$ 475,458	165,082	191,996	832,536
Receivables:				
Property tax:				
Delinquent	19,755	615	2,095	22,465
Succeeding year	1,050,701	30,569	50,000	1,131,270
Income surtax	104,235	-	-	104,235
Accounts	4,591	-	-	4,591
Due from other governments	54,211	72,502	-	126,713
Prepaid expenses	3,806	-	-	3,806
<b>Total assets</b>	<b>\$ 1,712,757</b>	<b>268,768</b>	<b>244,091</b>	<b>2,225,616</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 58,724	267	830	59,821
Salaries and benefits payable	229,929	-	-	229,929
Total liabilities	288,653	267	830	289,750
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,050,701	30,569	50,000	1,131,270
Income surtax	104,235	-	-	104,235
Total deferred inflows of resources	1,154,936	30,569	50,000	1,235,505
Fund balances:				
Nonspendable	3,806	-	-	3,806
Reserved for:				
Categorical funding	93,630	-	-	93,630
Management levy purposes	-	-	123,828	123,828
Student activities	-	-	69,433	69,433
School infrastructure	-	211,248	-	211,248
Physical plant and equipment	-	26,684	-	26,684
Unassigned	171,732	-	-	171,732
Total fund balances	269,168	237,932	193,261	700,361
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,712,757</b>	<b>268,768</b>	<b>244,091</b>	<b>2,225,616</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>	\$	700,361
 <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.		1,284,885
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal year and, therefore, is recognized as deferred inflows of resources in the governmental funds.		104,235
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(1,448)
Long-term liabilities, including computer lease payable, dishwasher lease payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(164,231)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>1,923,802</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
<b>Revenues:</b>				
<b>Local sources:</b>				
Local tax	\$ 1,073,961	29,384	100,086	1,203,431
Tuition	39,972	-	-	39,972
Other	148,818	9	70,524	219,351
State sources	1,288,479	189,365	-	1,477,844
Federal sources	101,087	-	-	101,087
<b>Total revenues</b>	<b>2,652,317</b>	<b>218,758</b>	<b>170,610</b>	<b>3,041,685</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	1,204,522	93	25,832	1,230,447
Special	522,906	-	-	522,906
Other	174,771	-	65,640	240,411
	<b>1,902,199</b>	<b>93</b>	<b>91,472</b>	<b>1,993,764</b>
<b>Support services:</b>				
Student	47,443	-	-	47,443
Instructional staff	30,374	45,694	-	76,068
Administration	287,135	-	266	287,401
Operation and maintenance of plant	212,857	13,586	27,898	254,341
Transportation	143,873	-	5,628	149,501
	<b>721,682</b>	<b>59,280</b>	<b>33,792</b>	<b>814,754</b>
Capital outlay	-	194,568	-	194,568
Long-term debt:				
Principal	-	-	1,068	1,068
Other expenditures:				
AEA flowthrough	94,720	-	-	94,720
<b>Total expenditures</b>	<b>2,718,601</b>	<b>253,941</b>	<b>126,332</b>	<b>3,098,874</b>
Excess(Deficiency) of revenues over(under) expenditures	(66,284)	(35,183)	44,278	(57,189)
<b>Other financing sources(uses):</b>				
Transfers in	-	-	1,068	1,068
Transfers out	-	(1,068)	-	(1,068)
Proceeds from lease	-	79,106	-	79,106
Insurance proceeds	50,086	-	-	50,086
Sale of Equipment	29,429	-	-	29,429
<b>Total other financing sources(uses)</b>	<b>79,515</b>	<b>78,038</b>	<b>1,068</b>	<b>158,621</b>
Change in fund balances	13,231	42,855	45,346	101,432
Fund balances beginning of year	255,937	195,077	147,915	598,929
Fund balances end of year	<b>\$ 269,168</b>	<b>237,932</b>	<b>193,261</b>	<b>700,361</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE 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)** \$ 101,432

*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. Capital outlay expenditures exceeded depreciation expense in the current year as follows:

Capital outlay	\$ 40,628	
Depreciation expense	<u>(145,197)</u>	(104,569)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows:

Issued	(79,106)	
Repaid	<u>1,068</u>	(78,038)

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. (1,448)

Income surtax account receivable is not available to finance expenditures of the current year and is recognized as deferred inflows of resources in the governmental funds. (2,396)

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.  
 Other postemployment benefits (6,573)

**Change in net position of governmental activities(page 19)** \$ (91,592)

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014

	Enterprise Funds		
	Bradyville		
	School Nutrition	Little League	Total
<b>Assets</b>			
Current assets:			
Cash and pooled investments	\$ 462	2,072	2,534
Due from other governments	2,919	-	2,919
Inventories	1,293	-	1,293
<b>Total current assets</b>	<b>4,674</b>	<b>2,072</b>	<b>6,746</b>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	13,511	-	13,511
<b>Total assets</b>	<b>18,185</b>	<b>2,072</b>	<b>20,257</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	-	110	110
Salaries and benefits payable	6,738	-	6,738
Unearned revenue	860	-	860
<b>Total current liabilities</b>	<b>7,598</b>	<b>110</b>	<b>7,708</b>
Noncurrent liabilities:			
Net OPEB liability	5,417	-	5,417
<b>Total liabilities</b>	<b>13,015</b>	<b>110</b>	<b>13,125</b>
<b>Net position</b>			
Net investment in capital assets	13,511	-	13,511
Unrestricted	(8,341)	1,962	(6,379)
<b>Total net position</b>	<b>\$ 5,170</b>	<b>1,962</b>	<b>7,132</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise Funds		
	School Nutrition	Bradyville Little League	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 29,416	1,818	31,234
Miscellaneous	1,596	-	1,596
Total operating revenues	<u>31,012</u>	<u>1,818</u>	<u>32,830</u>
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	31,697	-	31,697
Benefits	5,188	-	5,188
Supplies	52,102	-	52,102
Depreciation	2,570	-	2,570
	<u>91,557</u>	<u>-</u>	<u>91,557</u>
Community Service operations:			
Supplies	-	2,599	2,599
Total operating expenses	<u>91,557</u>	<u>2,599</u>	<u>94,156</u>
Operating loss	<u>(60,545)</u>	<u>(781)</u>	<u>(61,326)</u>
Non-operating revenues:			
State sources	683	-	683
Federal sources	57,809	-	57,809
Total non-operating revenues	<u>58,492</u>	<u>-</u>	<u>58,492</u>
Change in net position before other financing sources:	(2,053)	(781)	(2,834)
Other financing sources:			
Capital contributions	2,473	-	2,473
Change in net position	420	(781)	(361)
Net position beginning of year	<u>4,750</u>	<u>2,743</u>	<u>7,493</u>
Net position end of year	<u>\$ 5,170</u>	<u>1,962</u>	<u>7,132</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise Funds		
	School Nutrition	Bradyville Little League	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 31,357	-	31,357
Cash received from miscellaneous	1,596	1,818	3,414
Cash payments to employees for services	(35,374)	-	(35,374)
Cash payments to suppliers for goods or services	(47,163)	(2,489)	(49,652)
Net cash used in operating activities	(49,584)	(671)	(50,255)
Cash flows from non-capital financing activities:			
State grants received	683	-	683
Federal grants received	49,006	-	49,006
Net cash provided by non-capital financing activities	49,689	-	49,689
Net increase(decrease) in cash and cash equivalents	105	(671)	(566)
Cash and cash equivalents beginning of year	357	2,743	3,100
Cash and cash equivalents end of year	\$ 462	2,072	2,534
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (60,545)	(781)	(61,326)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	5,884	-	5,884
Depreciation	2,570	-	2,570
Increase in inventories	(945)	-	(945)
Decrease in accounts receivable	1,998	-	1,998
Increase in accounts payable	-	110	110
Increase in salaries and benefits payable	1,087	-	1,087
Decrease in unearned revenue	(57)	-	(57)
Increase in OPEB liability	424	-	424
Net cash used in operating activities	\$ (49,584)	(671)	(50,679)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$5,884.

During the year ended June 30, 2014, the Nutrition Fund received contributed capital of \$2,473 from the Capital Projects: Sales, Services and Use Tax Fund

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	Private Purpose Trust	Agency
	Scholarship	
Assets		
Cash and pooled investments	\$ 3,516	1,238
Liabilities		
Due to other groups	-	1,238
Net position		
Restricted for scholarships	3,516	-
Total net position	\$ 3,516	-

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Contributions	\$ <u>650</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>1,800</u>
Change in net position	(1,150)
Net position beginning of year	<u>4,666</u>
Net position end of year	<u>\$ <u>3,516</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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

The South Page Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of College Springs, Iowa and the predominate agricultural territory in Page County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

For financial reporting purposes, South Page 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 South Page 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 Page County Assessors' Conference Board.

**B. Basis of Presentation**

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

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

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

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

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

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

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

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.

The District reports the following non-major proprietary funds:

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

The Enterprise: Bradyville Little League Fund. The Bradyville Little League fund is used to account for the Bradyville Little League operations.

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

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

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 such operations.

### **C. Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

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

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

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

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which 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, equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide statement of net position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Furniture 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.

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 property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Nonspendable - Amounts which cannot be spent because they are not expected to be converted to cash. These items include inventory items.

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

Unassigned - All amounts not included in other spendable classifications.

## **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the instruction, non-instructional programs, and other expenditures functional areas. District expenditures also exceeded the total certified budgeted expenditures.

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

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

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

At June 30, 2014 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$511,196 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard & Poor's Financial Services.

**(3) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Physical Plant and Equipment Levy	<u>\$ 1,068</u>

The transfer from Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was for the annual principal and interest payment on the District's dishwasher lease indebtedness.

**(4) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 52,000	-	-	52,000
Total capital assets not being depreciated	<u>52,000</u>	<u>-</u>	<u>-</u>	<u>52,000</u>
Capital assets being depreciated:				
Buildings	2,668,775	11,852	-	2,680,627
Land improvements	419,149	-	-	419,149
Furniture and equipment	1,397,120	28,776	-	1,425,896
Total capital assets being depreciated	<u>4,485,044</u>	<u>40,628</u>	<u>-</u>	<u>4,525,672</u>
Less accumulated depreciation for:				
Buildings	1,602,314	49,557	-	1,651,871
Land improvements	287,638	20,957	-	308,595
Furniture and equipment	1,257,638	74,683	-	1,332,321
Total accumulated depreciation	<u>3,147,590</u>	<u>145,197</u>	<u>-</u>	<u>3,292,787</u>
Total capital assets being depreciated, net	<u>1,337,454</u>	<u>(104,569)</u>	<u>-</u>	<u>1,232,885</u>
Governmental activities capital assets, net	<u>\$ 1,389,454</u>	<u>(104,569)</u>	<u>-</u>	<u>1,284,885</u>
<b>Business type activities:</b>				
Furniture and equipment	\$ 89,830	2,473	-	92,303
Less accumulated depreciation	76,222	2,570	-	78,792
Business type activities capital assets, net	<u>\$ 13,608</u>	<u>(97)</u>	<u>-</u>	<u>13,511</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 54,957
Support services:	
Operation and maintenance of plant	3,026
Transportation	16,700
	<u>74,683</u>
Unallocated depreciation	<u>70,514</u>
Total governmental activities depreciation expense	<u>\$ 145,197</u>
Business type activities:	
Food service operations	<u>\$ 2,570</u>

### (5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental Activities:</b>					
Computer lease	\$ -	79,106	-	79,106	39,053
Dishwasher lease	2,225	-	1,068	1,157	1,157
Net OPEB liability	77,395	6,573	-	83,968	-
Total	<u>\$ 79,620</u>	<u>85,679</u>	<u>1,068</u>	<u>164,231</u>	<u>40,210</u>
<b>Business Type Activities:</b>					
Net OPEB liability	<u>\$ 4,993</u>	<u>424</u>	<u>-</u>	<u>5,417</u>	<u>-</u>

#### Computer Lease

On October 12, 2013, the District entered into a lease for the purchase of computers. Details of the District's computer lease at June 30, 2014 are as follows:

Year Ending June 30,	Lease dated October 12, 2013			
	Interest Rate	Principal	Interest	Total
2015	2.56 %	\$ 39,053	2,025	41,078
2016	2.56	40,053	1,025	41,078
Total		<u>\$ 79,106</u>	<u>3,050</u>	<u>82,156</u>

#### Dishwasher Lease

On September 8, 2010, the District entered into a 60 month lease agreement for a dishwasher, with monthly payments of \$89. As of June 30, 2014, 13 months remained on the lease agreement.

**(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District’s contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$109,275, \$107,483, and \$97,661, respectively, equal to the required contributions for each year.

**(7) Other Postemployment Benefits**

Plan Description - The District operates a single-employer health plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 22 active and 0 retired members in the plan. Retired 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. Retirees under age 65 pay the same premium for the medical and prescription drug 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	\$	9,285
Interest on net OPEB obligation		2,060
Adjustment to annual required contribution		(4,348)
Annual OPEB cost		<u>6,997</u>
Contributions made		<u>-</u>
Increase in net OPEB obligation		6,997
Net OPEB obligation beginning of year		<u>82,388</u>
Net OPEB obligation end of year	\$	<u><u>89,385</u></u>

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

For the year ended June 30, 2014, the District contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% 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	\$ 43,304	43.88%	\$ 75,458
2013	6,930	0.00%	82,388
2014	6,997	0.00%	89,385

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 \$75,982, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$75,982. The covered payroll (annual payroll of active employees covered by the plan) was \$1,014,017, and the ratio of the UAAL to covered payroll was 7.49%. 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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2012 actuarial valuation date, the Entry Age Actuarial Cost Method was used. The actuarial assumption includes a 2.5% discount rate based on the District's funding policy. The health cost trend rate is 6% per year.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Risk Management**

South Page 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.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$94,720 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.

**(10) Categorical Funding**

The District’s ending restricted balances for categorical funding at June 30, 2014 are comprised of the following programs:

<u>Program</u>	<u>Amount</u>
At-risk supplementaly weighting	\$ 8,722
Dropout and dropout prevention programs	19,789
Teacher salary supplement	27,472
Professional development	21,230
Market factor incentives	2,019
Successful progression for early readers	8,587
Teacher leadership grants	5,811
Total	<u>\$ 93,630</u>

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

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

	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ 171,732
Prepaid expenses	3,806
Income surtax	104,235
Accrued interest payable	(1,448)
Computer lease payable	(79,106)
Dishwasher lease payable	(1,157)
Net OPEB liability	(83,968)
Net position (Exhibit A)	<u>\$ 114,094</u>

**(12) Budget Overexpenditure**

During the year ended June 30, 2014, the District’s expenditures in the instruction, non-instruction, and other expenditures functions exceeded the amounts budgeted. District expenditures also exceeded the total certified budgeted expenditures.

**(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.

**(14) Deficit Unrestricted Net Position**

At June 30, 2014 the District has a deficit unrestricted net position of \$8,431 in the School Nutrition Fund and the business type activities had a deficit unrestricted net position of \$6,379.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Funds Actual		Original	Final	
Revenues:						
Local sources	\$ 1,462,754	32,830	1,495,584	1,618,979	1,618,979	(123,395)
State sources	1,477,844	683	1,478,527	1,242,294	1,242,294	236,233
Federal sources	101,087	57,809	158,896	200,000	200,000	(41,104)
Total revenues	<u>3,041,685</u>	<u>91,322</u>	<u>3,133,007</u>	<u>3,061,273</u>	<u>3,061,273</u>	<u>71,734</u>
Expenditures/Expenses:						
Instruction	1,993,764	-	1,993,764	1,775,000	1,775,000	(218,764)
Support services	814,754	-	814,754	866,000	866,000	51,246
Non-instructional programs	-	94,156	94,156	89,000	89,000	(5,156)
Other expenditures	290,356	-	290,356	244,593	244,593	(45,763)
Total expenditures/expenses	<u>3,098,874</u>	<u>94,156</u>	<u>3,193,030</u>	<u>2,974,593</u>	<u>2,974,593</u>	<u>(218,437)</u>
Excess(Deficiency) of revenues over(under) expenditures	(57,189)	(2,834)	(60,023)	86,680	86,680	(146,703)
Other financing sources, net	<u>158,621</u>	<u>2,473</u>	<u>161,094</u>	<u>5,000</u>	<u>5,000</u>	<u>156,094</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	101,432	(361)	101,071	91,680	91,680	9,391
Balances beginning of year	<u>598,929</u>	<u>7,493</u>	<u>606,422</u>	<u>639,899</u>	<u>639,899</u>	<u>(33,477)</u>
Balances end of year	<u>\$ 700,361</u>	<u>7,132</u>	<u>707,493</u>	<u>731,579</u>	<u>731,579</u>	<u>(24,086)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

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

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

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

During the year ended June 30, 2014, expenditures in the instruction, non-instructional programs, and other expenditures functions exceeded the amounts budgeted. District expenditures also exceeded the total certified budgeted expenditures.

SOUTH PAGE 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	\$ -	\$ 256,000	\$ 256,000	0.00%	\$ 865,640	29.57%
2011	July 1, 2009	-	256,000	256,000	0.00%	1,270,361	20.15%
2012	July 1, 2009	-	256,000	256,000	0.00%	916,228	27.94%
2013	July 1, 2012	-	78,271	78,271	0.00%	921,459	8.49%
2014	July 1, 2012	-	75,982	75,982	0.00%	1,014,017	7.49%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 121,995	70,001	191,996
Receivables:			
Property tax:			
Delinquent	2,095	-	2,095
Succeeding year	50,000	-	50,000
<b>Total assets</b>	<b>\$ 174,090</b>	<b>70,001</b>	<b>244,091</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 262	568	830
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	50,000	-	50,000
Fund balances:			
Restricted for:			
Management levy purposes	123,828	-	123,828
Student activities	-	69,433	69,433
Total fund balances	123,828	69,433	193,261
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 174,090</b>	<b>70,001</b>	<b>244,091</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue				Total
	Management Levy	Student Activity	Total Special Revenue	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 100,086	-	100,086	-	100,086
Other	2,851	67,673	70,524	-	70,524
Total revenues	<u>102,937</u>	<u>67,673</u>	<u>170,610</u>	<u>-</u>	<u>170,610</u>
Expenditures:					
Current:					
Instruction:					
Regular	25,832	-	25,832	-	25,832
Other	-	65,640	65,640	-	65,640
Support services:					
Administration services	266	-	266	-	266
Operation and maintenance of plant	27,898	-	27,898	-	27,898
Transportation	5,628	-	5,628	-	5,628
Long-term debt:					
Principal	-	-	-	1,068	1,068
Total expenditures	<u>59,624</u>	<u>65,640</u>	<u>125,264</u>	<u>1,068</u>	<u>126,332</u>
Excess(Deficiency) of revenues over(under) expenditures	43,313	2,033	45,346	(1,068)	44,278
Other financing sources:					
Transfer in	-	-	-	1,068	1,068
Change in fund balances	43,313	2,033	45,346	-	45,346
Fund balances beginning of year	<u>80,515</u>	<u>67,400</u>	<u>147,915</u>	<u>-</u>	<u>147,915</u>
Fund balances end of year	<u>\$ 123,828</u>	<u>69,433</u>	<u>193,261</u>	<u>-</u>	<u>193,261</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 138,746	26,336	165,082
Receivables:			
Property tax:			
Delinquent	-	615	615
Succeeding year	-	30,569	30,569
Due from other governments	72,502	-	72,502
<b>Total assets</b>	<b>\$ 211,248</b>	<b>57,520</b>	<b>268,768</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	267	267
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	30,569	30,569
Fund balances:			
Restricted for:			
School infrastructure	211,248	-	211,248
Physical plant and equipment	-	26,684	26,684
Total fund balances	211,248	26,684	237,932
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 211,248</b>	<b>57,520</b>	<b>268,768</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	29,384	29,384
Other	8	1	9
State sources	189,365	-	189,365
Total revenues	<u>189,373</u>	<u>29,385</u>	<u>218,758</u>
Expenditures:			
Current:			
Instruction:			
Regular	93	-	93
Support services:			
Instructional staff	45,694	-	45,694
Operation and maintenance of plant	10,897	2,689	13,586
Capital outlay	181,903	12,665	194,568
Total expenditures	<u>238,587</u>	<u>15,354</u>	<u>253,941</u>
Excess(Deficiency) of revenues over(under) expenditures	(49,214)	14,031	(35,183)
Other financing sources(uses):			
Transfer out	-	(1,068)	(1,068)
Proceeds from lease	79,106	-	79,106
Total other financing sources(uses)	<u>79,106</u>	<u>(1,068)</u>	<u>78,038</u>
Change in fund balances	29,892	12,963	42,855
Fund balances beginning of year	<u>181,356</u>	<u>13,721</u>	<u>195,077</u>
Fund balances end of year	<u>\$ 211,248</u>	<u>26,684</u>	<u>237,932</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST  
 JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund				
	Ron Warren Scholarship	Student Council	Joy Jones Scholarship	Corner Conference Scholarship	Total
Assets					
Cash and pooled investments	\$ 538	300	500	2,178	3,516
Liabilities	-	-	-	-	-
Net position					
Restricted for scholarships	\$ 538	300	500	2,178	3,516

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION  
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST  
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund					
	Ron Warren Scholarship	Student Council	Booster Club	Joy Jones Scholarship	Corner Conference Scholarship	Total
Additions:						
Local sources:						
Contributions	\$ -	300	100	-	250	650
Deductions:						
Instruction:						
Regular:						
Scholarships awarded	950	-	100	-	750	1,800
Change in net position	(950)	300	-	-	(500)	(1,150)
Net position beginning of year	1,488	-	-	500	2,678	4,666
Net position end of year	\$ 538	300	-	500	2,178	3,516

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH PAGE 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	Intrafund Transfers	Balance End of Year
Drama	\$ 461	631	964	-	128
Vocal	5	-	-	-	5
Athletics	2,388	15,099	11,250	-	6,237
Weightlifting Club	2,083	287	449	-	1,921
Girls Softball Club	318	-	-	-	318
Elementary Carnival	8,747	6,531	3,817	-	11,461
Class of 2013	1,138	-	792	(346)	-
Class of 2014	1,790	1,119	4,129	1,220	-
Class of 2015	423	4,067	3,528	3,214	4,176
Class of 2016	265	140	-	-	405
Class of 2017	137	477	179	-	435
Class of 2018	121	50	12	-	159
Class of 2019	-	25	12	-	13
Yearbook	11	3,278	1,566	-	1,723
Corner Conference	1,381	-	250	-	1,131
National Honor Society	1,407	601	482	-	1,526
Concession Stand	2,974	9,190	5,439	(4,088)	2,637
Cheerleaders	595	2,843	2,110	-	1,328
Drill Team	2,293	2,728	3,680	-	1,341
Student Council	201	615	450	-	366
FCCLA	185	-	-	-	185
BPA	869	4,792	5,118	-	543
FFA	15,756	7,348	8,568	-	14,536
MS Student Council	2,064	3,333	4,724	-	673
Spanish Club	329	-	-	-	329
Booster Club	19,927	4,395	7,923	-	16,399
Music Booster Club	1,500	-	198	-	1,302
Activity interest	32	124	-	-	156
<b>Total</b>	<b>\$ 67,400</b>	<b>67,673</b>	<b>65,640</b>	<b>-</b>	<b>69,433</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**SOUTH PAGE COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE LAST TEN YEARS**

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 1,203,431	1,364,953	1,558,072	1,280,190	1,191,552	1,214,460	1,073,491	1,122,128	1,053,799	1,167,875
Tuition	39,972	51,055	110,191	84,420	61,577	57,010	56,415	66,354	65,691	65,477
Other	219,351	206,651	98,949	117,242	124,293	150,121	124,501	164,487	171,058	139,346
Intermediate sources	-	-	-	-	-	-	-	85,000	3,797	-
State sources	1,477,844	1,285,716	1,226,980	1,293,489	1,024,714	1,269,665	1,348,724	1,198,545	1,191,256	1,253,081
Federal sources	101,087	189,168	129,498	252,144	355,308	147,298	146,570	183,652	137,597	129,141
<b>Total</b>	<b>\$ 3,041,685</b>	<b>3,097,543</b>	<b>3,123,690</b>	<b>3,027,485</b>	<b>2,757,444</b>	<b>2,838,554</b>	<b>2,749,701</b>	<b>2,820,166</b>	<b>2,623,198</b>	<b>2,754,920</b>
Expenditures:										
Instruction:										
Regular	\$ 1,230,447	1,219,492	1,094,785	1,054,141	1,119,005	1,121,478	1,201,674	1,067,806	1,092,910	1,047,608
Special	522,906	560,558	566,593	494,007	497,362	359,356	390,752	475,750	358,508	319,517
Other	240,411	207,974	209,970	287,082	304,895	285,572	247,985	190,477	322,403	330,026
Support services:										
Student	47,443	64,663	36,495	39,647	77,316	44,213	16,800	7,716	3,615	4,178
Instructional staff	76,068	62,079	49,218	25,787	32,743	39,499	89,522	136,776	69,140	52,201
Administration	287,401	267,941	252,920	277,594	315,668	331,525	306,779	410,434	334,274	318,601
Operation and maintenance of plant	254,341	221,916	245,575	235,358	275,301	286,422	270,375	267,555	244,677	257,790
Transportation	149,501	150,396	194,585	117,055	195,407	125,611	114,221	138,947	111,292	156,367
Capital outlay	194,568	137,640	140,073	101,449	285,792	64,835	91,740	76,661	165,545	161,259
Long-term debt:										
Principal	1,068	58,901	58,901	58,900	150,019	40,000	35,000	35,000	35,000	30,000
Interest	-	-	-	-	1,175	4,400	5,660	6,719	7,579	9,393
Other expenditures:										
AEA flow-through	94,720	91,025	90,297	105,573	103,857	97,571	94,850	91,837	90,274	92,612
<b>Total</b>	<b>\$ 3,098,874</b>	<b>3,042,585</b>	<b>2,939,412</b>	<b>2,796,593</b>	<b>3,358,540</b>	<b>2,800,482</b>	<b>2,865,358</b>	<b>2,905,678</b>	<b>2,835,217</b>	<b>2,779,552</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

**To the Board of Education of the South Page Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of South Page Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered South Page Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Page Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of South Page 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 a material weakness.

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 identified no deficiencies that we consider to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether South Page Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could

have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

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

### **South Page Community School District's Responses to Findings**

South Page Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. South Page Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of South Page Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2015  
Newton, Iowa

SOUTH PAGE 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.

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

Response - The District will review internal controls in place and investigate available alternatives and implement a solution.

Conclusion - Response accepted.

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

II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the amounts budgeted in the instruction, non-instruction, and other expenditures functional areas. District expenditures also exceeded the total certified budgeted expenditures.

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

Response - Expenses are being monitored to avoid exceeding the budgeted amounts.

Conclusion - Response accepted.

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. We did note instances of travel expenses that do not appear to be appropriate, more specific examples are as follows:

**Mileage:** We noted during the year that the District was reimbursing mileage for a shared teacher for commutes from home to the shared District. This does not appear to be in compliance with IRS Publication 463. If the sharing arrangement is expected to be in place for more than 1 year, the alternate workplace does not qualify as a temporary workplace and therefore, is not an allowable exclusion.

Recommendation - Reimbursements for commuting from home to work would appear to be taxable compensation. If the employee was to depart the South Page CSD building and drive to the shared district, that portion of the commute would be reimbursable for the distance from South Page to the alternate workplace under IRS Publication 463. The District should review its reimbursement procedures to ensure compliance with the IRS guidelines.

Response - Reimbursements will not be allowed in this circumstance.

Conclusion - Response accepted.

**Mileage Documentation:** We noted during our audit instances of an employee being reimbursed for mileage with no supporting documentation. This does not allow for review and approval of the expenses being reimbursed.

Recommendation - The District should review the policies and procedures in place to ensure that adequate documentation is retained to support reimbursements.

Response - Reimbursements will not be allowed in this circumstance.

Conclusion - Response accepted.

**Mileage Reimbursement Rates:** We noted during our audit the District is reimbursing employee mileage at the rate of \$0.31 per mile. Board Policy number 401.7 states "Pre-approved expenses for transportation within three-hundred miles of the school district administrative office shall be by automobile. If a school district vehicle is not available, the employee will be reimbursed \$0.33 per mile."

Recommendation - The District should review its policies and procedures to ensure compliance with the Board policy.

Response - The employee rates have been changed to comply with policy.

Conclusion - Response accepted.

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

Name, Title and Business Connection	Transaction Description	Amount
Denise Hoskins, Teacher	Catering for District	\$30

In accordance with Chapter 301.28 of the Code of Iowa, the above transaction with the District employee does not appear to represent a conflict of interest.

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

II-F-14 Board Minutes - We noted no transactions requiring Board approval have not been approved by the Board. We did note instances of the board minutes not being published within two weeks following the adjournment of the meeting as required by Section 279.35 of the Code of Iowa.

Recommendation - The District should review procedures to ensure compliance with Section 279.35 of the Code of Iowa.

Response - The Board Secretary will submit all minutes timely.

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 - The following variances regarding supplementary weighting certified to the Iowa Department of Education were noted:

**Course Adjustments:** The number certified to the Iowa Department of Education was overstated by 0.078 students for the fall of 2013 count date.

**Operational Sharing Adjustments:** We noted an operation sharing adjustment for the superintendent of +8.0 which was not certified by the District for the fall of 2013.

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

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf 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 used to supplant rather than supplement other funds.

II-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions 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 following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit:

Beginning Balance		\$	181,356
Revenues:			
Sales tax revenues	\$	189,365	
Lease proceeds		79,106	
Other local revenues		8	268,479
			<u>449,835</u>
Expenditures/transfers out:			
School infrastructure construction	\$	56,621	
Equipment		165,598	
Other		16,368	238,587
			<u>238,587</u>
Ending Balance		\$	<u>211,248</u>

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

II-M-14 Student Activity Fund - During our audit issues arose about the properness of certain receipts and expenditures collected/paid from the Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. More specific examples of these instances of questioned items and recommendations are as follows:

**Scholarship Awards:** We noted that scholarships were paid from the Booster Club and the Corner Conference accounts in the Student Activity Fund.

Recommendation - Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds and subsequent expenditures for giving scholarships to students should be placed in Private Purpose Trust Fund.

Response - Scholarships will be paid out of the correct fund, the Private Purpose Trust Fund, in the future.

Conclusion - Response accepted.

II-N-14 Daycare - We noted during our audit that an individual operates Little Rebels Daycare on the District's premises. The Daycare pays one dollar per month for rental of a portion of the District's building. One dollar for rent appears inappropriate considering utilities and janitorial costs to the District would be more than one dollar per month.

Recommendation - The District should charge a fair rent for the space provided for the Daycare.

Response - The District provides a needed service to the students and community. While \$1.00 per month may not be considered appropriate payment for rent, the service being provided is of high value to the school. At this time, the Administration and Board will continue as is.

Conclusion - Response acknowledged, the District should charge a fair rent for the space provided for the Daycare.

II-O-14 Contracts - We noted during our audit that the Board President was not signing Activity Fund officiating contracts. We also noted that the computer lease dated October 12, 2013 was signed by the Superintendent. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District needs to have the Board President sign all contracts the District enters into to be in compliance with Chapter 291.1. of the Code of Iowa.

Response - The Board President will sign all contracts.

Conclusion - Response accepted.

II-P-14 Employee Purchases - We noted during our audit that District was allowing District employees to place orders from a District vendor, the District would then pay the vendor and the employees would reimburse the District. This practice allows the employee to have the District pay for the shipping and depending upon purchases would enable the employee to avoid payment of sales tax.

Recommendation - The District should review its policies and procedures involving ordering of supplies. If employees wish to purchase from District vendors, a better alternative would be to have the employee contact the vendor and set up a separate account for the purchase and payment of orders.

Response - This is no longer allowed.

Conclusion - Response accepted.

II-Q-14 Financial Condition - We noted during our audit that the Enterprise, School Nutrition Fund had a deficit unrestricted net position of \$8,341 at June 30, 2014 and a total deficit unrestricted net position of \$6,379 in the business type activities.

Recommendation - The District needs to review program costs compared to sales, labor costs of staff, balances of individual student accounts and possible issues with internal controls and reporting in the School Nutrition Fund. The District should consider raising meal prices to bring the Nutrition Fund back to a level of self-sustainability.

Response - The program has made great strides in revenue. The District reduced the deficit unrestricted position by \$517 compared to the prior year.

Conclusion - Response accepted.