

Sumner Community School District

**Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings**

June 30, 2014

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Independent Auditor's Report

To the Board of Education of
Sumner Community School District:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sumner Community School District, Sumner, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Sumner 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 that Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 37 through 39 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. I 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 my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sumner Community School District's basic financial statements. I 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 I through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my 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, I have also issued my report dated January 5, 2015 on my consideration of Sumner Community School District's internal control over financial reporting and on my 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 my 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 Sumner Community School District's internal control over financial reporting and compliance.


Keith Oltrogge
Certified Public Accountant

January 5, 2015

Sumner Community School District
Management's Discussion and Analysis
Year ended June 30, 2014

Sumner 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 decreased from \$6,312,492 in fiscal 2013 to \$6,044,015 in fiscal 2014, and General Fund expenditures decreased from \$6,391,948 in fiscal 2013 to \$6,003,427 in fiscal 2014. The District's General Fund balance increased from adjusted \$1,100,006 in fiscal year 2013 to \$1,155,085 in fiscal year 2014, a 5.0% increase.
- The District's solvency ratio has increased from 13.9% at June 30, 2013 to 14.4% at June 30, 2014. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

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 Sumner 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 Sumner Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide financial information about activities for which Sumner Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Supplementary Information provides detailed information about the non-major governmental funds.

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

Figure A-1
Sumner Community School District Annual Financial Report

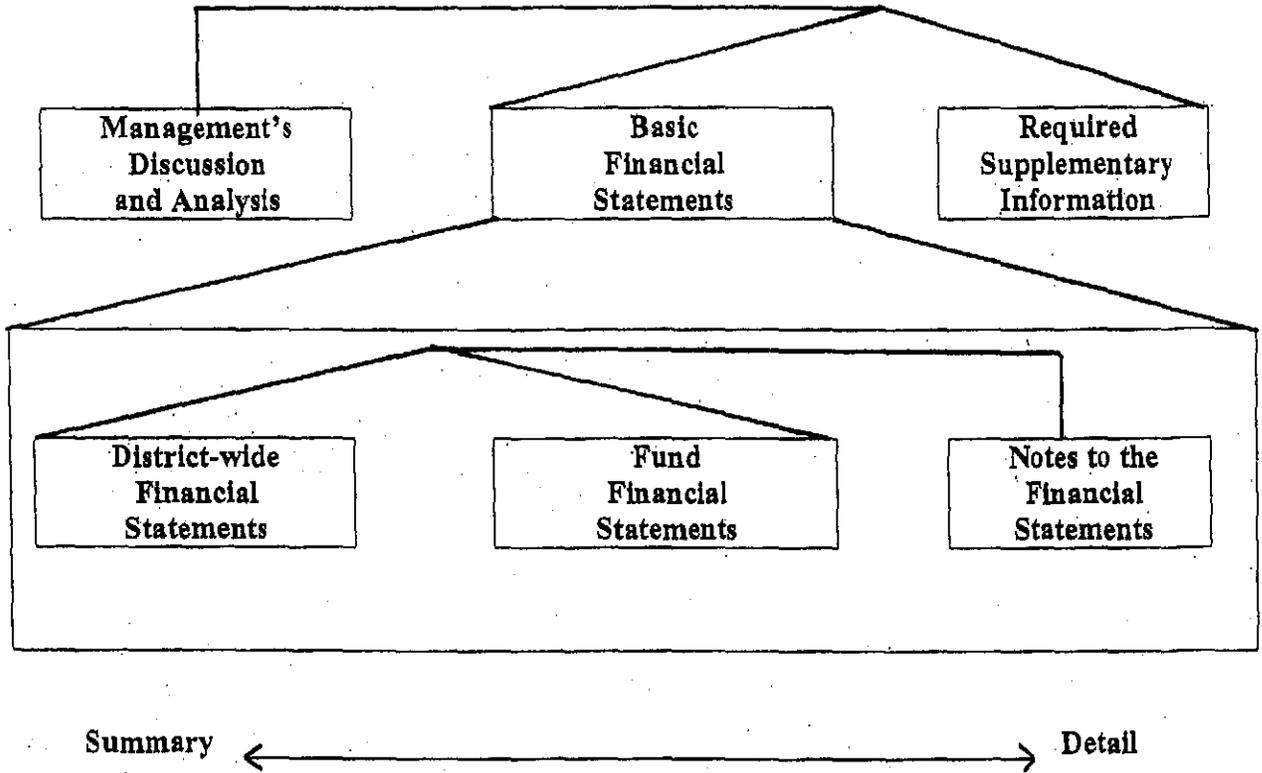


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2
Major Features of the Government-wide and Fund Financial Statements**

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position 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 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 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, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

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

- Private-Purpose Trust Funds – The District accounts for outside donations for scholarships for individual students in these funds.

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 includes a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

**Figure A-3
Condensed Statement of Net Position**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$3,289,507	\$6,357,743	\$53,920	\$42,894	\$3,343,427	\$6,400,637	-47.8%
Capital assets	5,702,738	5,624,190	36,216	41,258	5,738,954	5,665,448	1.3%
Total assets	\$8,992,245	\$11,981,933	\$90,136	\$84,152	\$9,082,381	\$12,066,085	-24.7%
Long-term liabilities	\$110,849	\$892,026	\$2,064	\$11,272	\$112,913	\$903,298	-87.5%
Other liabilities	4,168,419	4,391,812	-	-	4,168,419	4,391,812	-5.1%
Total liabilities	\$4,279,268	\$5,283,838	\$2,064	\$11,272	\$4,281,332	\$5,295,110	-19.2%
Deferred inflows of resources	\$-	\$2,356,383	\$-	\$-	\$-	\$2,356,383	-100%
Net position:							
Net investment in capital assets	\$1,734,536	\$1,424,190	\$36,216	\$41,258	\$1,770,752	\$1,465,448	20.8%
Restricted	2,017,933	1,912,421	-	-	2,017,933	1,912,421	5.5%
Unrestricted	960,508	1,005,101	51,856	31,622	1,012,364	1,036,723	-2.4%
Total net position	\$4,712,977	\$4,341,712	\$88,072	\$72,880	\$4,801,049	\$4,414,592	8.8%

The District's total net position increased by nearly 8.8%, or \$386,457, over the prior year. The largest portion of the District's net position is in the restricted net position.

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 by \$105,512 or 5.5%.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$24,359 or 2.4%.

Figure A-4 shows the change 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 Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$799,727	\$1,309,000	\$153,300	\$147,255	\$953,027	\$1,456,255	-34.6%
Operating grants, contributions and restricted interest	953,991	834,969	134,165	119,728	1,088,156	954,697	14.0%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	2,357,360	2,249,218	-	-	2,357,360	2,249,218	4.8%
Income surtax	337,362	299,633	-	-	337,362	299,633	12.6%
Statewide sales, services and use tax	502,914	391,459	-	-	502,914	391,459	28.5%
Unrestricted state grants	2,332,360	2,379,164	-	-	2,332,360	2,379,164	-2.0%
Unrestricted investment earnings	18,064	19,254	238	295	18,302	19,549	-6.4%
Other	54,254	80,700	-	-	54,254	80,700	-32.8%
Total revenues	\$7,356,032	\$7,563,397	\$287,703	\$267,278	\$7,643,735	\$7,830,675	-2.4%
Program expenses:							
Governmental activities:							
Instruction	\$4,730,479	\$5,154,857	\$-	\$520	\$4,730,479	\$5,155,377	-8.2%
Support services	1,864,627	1,758,077	-	-	1,864,627	1,758,077	6.1%
Non-instructional programs	6,080	-	272,511	280,003	278,591	280,003	-0.5%
Other expenses	398,062	397,531	-	-	398,062	397,531	0.1%
Total expenses	\$6,999,248	\$7,310,465	\$272,511	\$280,523	\$7,271,759	\$7,590,988	-4.2%
Change in net position before other sources	\$356,784	\$252,932	\$15,192	-\$13,245	\$371,976	\$239,687	55.2%
Sale of assets	14,491	7,334	-	-	14,491	7,334	97.6%
Change in net position	\$371,275	\$260,266	\$15,192	-\$13,245	\$386,467	\$247,021	56.5%
Net position beginning of year	\$4,341,712	\$4,082,878	\$72,880	\$130,126	\$4,414,592	\$4,213,004	4.8%
Prior period adjustment	-10	-1,432	-	-44,001	-10	-45,433	100%
Adjusted net position beginning of year	\$4,341,702	\$4,081,446	\$72,880	\$86,125	\$4,414,582	\$4,167,571	5.9%
Net position end of year	\$4,712,977	\$4,341,712	\$88,072	\$72,880	\$4,801,049	\$4,414,562	8.8%

In fiscal year 2014, property tax and unrestricted state grants account for 63.8% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue.

The District's total revenues were approximately \$7.6 million, of which approximately \$7.3 million was for governmental activities and less than \$0.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.4% decrease in revenues and a 4.2% decrease in expenses. Property tax increased approximately \$108,412.

Governmental Activities

Revenues for governmental activities were \$7,356,032 and expenses were \$6,999,248 for the year ended June 30, 2014. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services		Change	Net Cost of Services		Change
	2014	2013	2013-2014	2014	2013	2013-2014
Instruction	\$4,730,479	\$5,154,857	-8.2%	\$3,070,032	\$3,146,979	-2.5%
Support services	1,864,627	1,758,077	6.1%	1,771,356	1,621,986	9.2%
Non-instructional programs	6,080	-	100%	6,080	-	100%
Other expenses	398,062	397,531	0.1%	398,062	397,531	0.1%
Totals	\$6,999,248	\$7,310,465	4.3%	\$5,245,530	\$5,166,496	1.5%

For the year ended June 30, 2014:

- The cost financed by users of the District’s programs was \$953,027.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,088,156.
- The net cost of governmental activities was financed with \$3,197,636 in property and other taxes and \$2,332,360 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$287,703 and expenses were \$272,511. The District’s business type activities include the School Nutrition Fund. Revenues of this activity were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Sumner 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 \$4,712,977, above last year’s adjusted ending fund balances of \$4,341,712.

Governmental Fund Highlights

- The General Fund balance increased from \$1,100,006 to \$1,155,085 due, in part, to the decrease in expenditures over the decrease in revenue.
- The Debt Service Fund balance decreased from \$791,657 at the end of the fiscal year 2013 to \$740,271 at the end of fiscal year 2014. The decrease was due to debt payments exceeding operating transfers.
- Capital Projects Fund balance increased from \$815,862 to \$891,552 due in part to revenues exceeding expenditures.

Proprietary Fund Highlights

- School Nutrition Fund net position increased from \$72,880 at June 30, 2013 to \$88,072 at June 30, 2014, representing an increase of approximately 20.8%.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$474,188 less than budgeted revenues, a variance of 5.9%. The most significant variance resulted from the District receiving less in local sources.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$5,738,954, 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 represents a net increase of 1.3% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$355,348.

The original cost of the District's capital assets was \$12,014,059. Governmental funds account for \$11,953,547, with the remainder of \$60,512 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$3,261	\$3,261	\$-	\$-	\$3,261	\$3,261	-
Construction in process	3,207	-	-	-	3,207	-	100%
Buildings	4,164,933	4,349,997	-	-	4,164,933	4,349,997	-4.3%
Improvements other than buildings	211,727	1,028,520	-	-	211,727	1,028,520	-79.4%
Furniture and equipment	1,319,610	242,412	36,216	41,258	1,355,826	283,670	378.0%
Totals	\$5,702,738	\$5,624,190	\$36,216	\$41,258	\$5,738,954	\$5,665,448	1.3%

Long-Term Debt

At June 30, 2014, the District had \$3,840,000 of total long-term debt outstanding. This represents a decrease of 8.6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issued to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$16.1 million.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-2014
General Obligation Capital Loan Note	\$1,240,000	\$1,430,000	-13.3%
Revenue Bonds	2,600,000	2,770,000	-6.1%
Totals	\$3,840,000	\$4,200,000	-8.6%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Funding to local school districts from federal and state agencies needs to be monitored closely, as possible decreases will result in less funding and may require budget adjustments in some areas in the future.
- Effective July 1, 2014 the Sumner Community School District legally combined with the Fredericksburg Community School District to form one single district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bev Weidemann, District Secretary and Business Manager, Sumner Community School District, 802 West 6th Street, P.O. Box 178, Sumner IA 50674-0178.

Basic Financial Statements

Sumner Community School District

Statement of Net Position

June 30, 2014

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 2,746,729	\$ 48,011	\$ 2,794,740
Receivables:			
Property tax:			
Delinquent	23,308	-	23,308
Income surtax	256,822	-	256,822
Accounts	45,280	440	45,720
Due from other governments	217,368	-	217,368
Inventories	-	5,469	5,469
Capital assets, net of accumulated depreciation	5,702,738	36,216	5,738,954
Total Assets	\$ 8,992,245	\$ 90,136	\$ 9,082,381
Liabilities			
Accounts payable	48,351	-	48,351
Accrued interest	62,498	-	62,498
Unearned revenue	-	2,064	2,064
Long-term liabilities:			
Portion due within one year:			
General obligation capital note	195,000	-	195,000
Revenue bonds	170,000	-	170,000
Early retirement	66,144	-	66,144
Capital lease	63,295	-	63,295
Portion due after one year:			
General obligation capital note	1,045,000	-	1,045,000
Revenue bonds	2,430,000	-	2,430,000
Early retirement	100,578	-	100,578
Capital lease	64,907	-	64,907
OPEB	33,495	-	33,495
Total Liabilities	\$ 4,279,268	\$ 2,064	\$ 4,281,332
Net Position			
Net investment in capital assets	\$ 1,734,536	\$ 36,216	\$ 1,770,752
Restricted for:			
Categorical funding	289,774	-	289,774
Capital projects	673,293	-	673,293
Physical plant and equipment	218,259	-	218,259
Student activities	96,336	-	96,336
Debt service	406,756	-	406,756
Debt service - sinking	333,515	-	333,515
Unrestricted	960,508	51,856	1,012,364
Total Net Position	\$ 4,712,977	\$ 88,072	\$ 4,801,049

See notes to financial statements.

Sumner Community School District

Statement of Activities

Year Ended June 30, 2014

	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 3,077,234	\$ 224,228	\$ 859,672	\$ -
Special instruction	661,498	201,675	25,289	-
Other instruction	991,747	283,375	66,208	-
	<u>\$ 4,730,479</u>	<u>\$ 709,278</u>	<u>\$ 951,169</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 126,845	\$ 14,021	\$ 2,822	\$ -
Instructional staff services	79,036	-	-	-
Administration services	640,960	65,991	-	-
Operation and maintenance of plant services	654,745	4,019	-	-
Transportation services	363,041	6,418	-	-
	<u>\$ 1,864,627</u>	<u>\$ 90,449</u>	<u>\$ 2,822</u>	<u>\$ -</u>
Non-Instructional	<u>\$ 6,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 14,288	\$ -	\$ -	\$ -
Long-term debt interest	152,740	-	-	-
AEA flow-through	231,034	-	-	-
	<u>\$ 398,062</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 6,999,248</u>	<u>\$ 799,727</u>	<u>\$ 953,991</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 272,511	\$ 153,300	\$ 134,165	\$ -
Total	<u>\$ 7,271,759</u>	<u>\$ 953,027</u>	<u>\$ 1,088,156</u>	<u>\$ -</u>

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ -1,993,334	\$ -	\$ -1,993,334
-434,534	-	-434,534
-642,164	-	-642,164
<u>\$ -3,070,032</u>	<u>\$ -</u>	<u>\$ -3,070,032</u>
\$ -110,002	\$ -	\$ -110,002
-79,036	-	-79,036
-574,969	-	-574,969
-650,726	-	-650,726
-356,623	-	-356,623
<u>\$ -1,771,356</u>	<u>\$ -</u>	<u>\$ -1,771,356</u>
<u>\$ -6,080</u>	<u>\$</u>	<u>\$ -6,080</u>
\$ -14,288	\$ -	\$ -14,288
-152,740	-	-152,740
-231,034	-	-231,034
<u>\$ -398,062</u>	<u>\$ -</u>	<u>\$ -398,062</u>
<u>\$ -5,245,530</u>	<u>\$ -</u>	<u>\$ -5,245,530</u>
<u>\$ -</u>	<u>\$ 14,954</u>	<u>\$ 14,954</u>
<u>\$ -5,245,530</u>	<u>\$ 14,954</u>	<u>\$ -5,230,576</u>

Sumner Community School District

Statement of Activities

Year Ended June 30, 2014

	<u>Program Revenues</u>		
	Operating	Capital	
	Grants,	Grants,	
	Contributions	Contributions	
	and	and	
	Restricted	Restricted	
	Interest	Interest	
<u>Expenses</u>	<u>Charges</u>		
	<u>for</u>		
	<u>Services</u>		

General Revenues:

Property Tax Levied For:
 General purposes
 Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total General Revenues

Change in net position before other sources

Other Sources:

 Sale of assets

Change in net position

Net position beginning of year

Prior period adjustment

Adjusted net position, beginning of year

Net Position End of Year

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ 2,031,207	\$ -	\$ 2,031,207
326,153	-	326,153
337,362	-	337,362
502,914	-	502,914
2,332,360	-	2,332,360
18,064	238	18,302
54,254	-	54,254
<hr/>		
\$ 5,602,314	\$ 238	\$ 5,602,552
<hr/>		
\$ 356,784	\$ 15,192	\$ 371,976
14,491	-	14,491
<hr/>		
\$ 371,275	\$ 15,192	\$ 386,467
<hr/>		
\$ 4,341,712	\$ 72,880	\$ 4,414,592
-10	-	-10
<hr/>		
\$ 4,341,702	\$ 72,880	\$ 4,414,582
<hr/>		
\$ 4,712,977	\$ 88,072	\$ 4,801,049
<hr/>		

Sumner Community School District

Balance Sheet
Governmental Funds

June 30, 2014

Assets	General	Capital Projects	Debt Service	Non-Major	Total
Cash and Pooled Investments	\$ 1,117,276	\$ 693,581	\$ 740,271	\$ 195,601	\$ 2,746,729
Receivables:					
Property Tax:					
Delinquent	18,297	3,231	-	1,780	23,308
Income surtax	256,822	-	-	-	256,822
Accounts	45,235	-	-	45	45,280
Due from other governments	22,337	195,031	-	-	217,368
Total Assets	\$ 1,459,967	\$ 891,843	\$ 740,271	\$ 197,426	\$ 3,289,507
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 48,060	\$ 291	\$ -	\$ -	\$ 48,351
Total Liabilities	\$ 48,060	\$ 291	\$ -	\$ -	\$ 48,351
Deferred inflows of resources:					
Unavailable revenues:					
Other	\$ 256,822	\$ -	\$ -	\$ -	\$ 256,822
Total deferred inflows of resources	\$ 256,822	\$ -	\$ -	\$ -	\$ 256,822
Fund Balances:					
Restricted for:					
Categorical funding	\$ 289,774	\$ -	\$ -	\$ -	\$ 289,774
Debt service - sinking	-	-	333,515	-	333,515
Debt service	-	-	406,756	-	406,756
Management levy purposes	-	-	-	101,090	101,090
Student activities	-	-	-	96,336	96,336
School infrastructure	-	673,293	-	-	673,293
Physical plant and equipment	-	218,259	-	-	218,259
Unassigned	865,311	-	-	-	865,311
Total Fund Balances	\$ 1,155,085	\$ 891,552	\$ 740,271	\$ 197,426	\$ 2,984,334
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,459,967	\$ 891,843	\$ 740,271	\$ 197,426	\$ 3,289,507

See notes to financial statements.

Sumner Community School District

Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Position

June 30, 2014

Total fund balances of governmental funds (page 16)	\$ 2,984,334
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	5,702,738
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	256,822
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	-62,498
Long-term liabilities, including bonds and notes payable and early retirement, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>-4,168,419</u>
Net position of governmental activities (page 13)	<u>\$ 4,712,977</u>

See notes to financial statements.

Sumner Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2014

	General	Capital Projects	Debt Service	Non-Major	Total
Revenues:					
Local Sources:					
Local tax	\$ 2,184,725	\$ 829,067	\$ -	\$ 180,144	\$ 3,193,936
Tuition	389,252	-	-	-	389,252
Other	183,941	4,654	1,734	292,464	482,793
Intermediate sources	-	-	-	-	-
State sources	3,141,070	164	-	90	3,141,324
Federal sources	145,027	-	-	-	145,027
Total Revenues	\$ 6,044,015	\$ 833,885	\$ 1,734	\$ 472,698	\$ 7,352,332
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,722,330	\$ 237,228	\$ -	\$ 84,245	\$ 3,043,803
Special instruction	654,939	-	-	-	654,939
Other instruction	696,688	-	-	286,303	982,991
	\$ 4,073,957	\$ 237,228	\$ -	\$ 370,548	\$ 4,681,733
Support Services:					
Student services	\$ 126,845	\$ -	\$ -	\$ -	\$ 126,845
Instructional staff services	77,772	-	-	-	77,772
Administration services	617,110	4,167	3,500	3,655	628,432
Operation and maintenance of plant services	582,638	16,170	-	61,195	660,003
Transportation services	294,071	139,774	-	19,075	452,920
	\$ 1,698,436	\$ 160,111	\$ 3,500	\$ 83,925	\$ 1,945,972
Other Expenditures:					
Facilities acquisition	\$ -	\$ 24,782	\$ -	\$ -	\$ 24,782
Long-Term Debt:					
Principal	-	-	426,570	-	426,570
Interest and fees	-	-	153,896	-	153,896
AEA flow-through	231,034	-	-	-	231,034
	\$ 231,034	\$ 24,782	\$ 580,466	\$ -	\$ 836,282
Total Expenditures	\$ 6,003,427	\$ 422,121	\$ 583,966	\$ 454,473	\$ 7,463,987
Excess (deficiency) of revenues over (under) expenditures	\$ 40,588	\$ 411,764	\$ -582,232	\$ 18,225	\$ -111,655
Other Financing Sources (Uses):					
Proceeds from capital lease	\$ -	\$ 194,772	\$ -	\$ -	\$ 194,772
Operating transfers in	-	-	530,846	-	530,846
Operating transfers out	-	-530,846	-	-	-530,846
Sale of assets	14,491	-	-	-	14,491
Total Other Financing Sources (Uses)	\$ 14,491	\$ -336,074	\$ 530,846	\$ -	\$ 209,263
Net change in fund balances	\$ 55,079	\$ 75,690	\$ -51,386	\$ 18,225	\$ 97,608
Fund balances beginning of year	\$ 1,100,016	\$ 815,862	\$ 791,657	\$ 179,201	\$ 2,886,736
Prior period adjustment	-10	-	-	-	-10
Adjusted fund balances, beginning of year	\$ 1,100,006	\$ 815,862	\$ 791,657	\$ 179,201	\$ 2,886,726
Fund Balances End of Year	\$ 1,155,085	\$ 891,552	\$ 740,271	\$ 197,426	\$ 2,984,334

Sumner 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

Net change in fund balances – total governmental funds (page 18) \$ 97,608

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these 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:

Expenditures for capital assets	\$ 453,891	
Depreciation expense	-355,348	
Loss on disposal of assets	<u>-19,995</u>	78,548

Income surtax revenue not received until several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 3,700

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 liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issuances, as

Repaid	\$ 426,570	
Issuance	<u>-194,772</u>	231,798

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,156

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

Other postemployment benefits	\$ 25,090	
Early retirement	<u>-66,625</u>	-41,535

Change in Net Position of Governmental Activities (page 15) \$ 371,275

Sumner Community School District

Statement of Net Position
Proprietary Funds

June 30, 2014

	<u>School Nutrition Fund</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 48,011
Accounts receivable	440
Inventories	5,469
Total Current Assets	<u>\$ 53,920</u>
Non-Current Assets:	
Capital assets, net of accumulated depreciation	\$ 36,216
Total Assets	<u>\$ 90,136</u>
Liabilities	
Current Liabilities:	
Unearned revenue	\$ 2,064
Total Current Liabilities	<u>\$ 2,064</u>
Total Liabilities	<u>\$ 2,064</u>
Net Position	
Net Investment in capital assets	\$ 36,216
Unrestricted	<u>51,856</u>
Total Net Position	<u>\$ 88,072</u>

See notes to financial statements.

Sumner Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund

Year Ended June 30, 2014

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 153,300
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 91,649
Benefits	13,887
Purchased services	1,294
Supplies	160,448
Depreciation	5,043
Other	190
Total operating expenses	<u>\$ 272,511</u>
Operating loss	<u>\$ -119,211</u>
Non-operating revenues:	
State sources	\$ 2,529
Federal sources	131,636
Interest income	238
Total non-operating revenues	<u>\$ 134,403</u>
Change in net position	\$ 15,192
Net position beginning of year	<u>72,880</u>
Net Position End of Year	<u>\$ 88,072</u>

See notes to financial statements.

Sumner Community School District

**Statement of Cash Flows
Proprietary Fund**

Year Ended June 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 153,144
Cash paid to employees for services	-113,457
Cash paid to suppliers for goods or services	-134,177
Net cash used by operating activities	\$ -94,490
Cash flows from non-capital financing activities:	
State grants received	\$ 2,529
Federal grants received	104,932
Net cash provided by non-capital financing activities	\$ 107,461
Cash flows from investing activities:	
Interest on investments	\$ 238
Net increase in cash and cash equivalents	\$ 13,209
Cash and cash equivalents beginning of year	34,802
Cash and Cash Equivalents End of Year	\$ 48,011
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -119,211
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	26,704
Depreciation	5,043
Decrease in inventories	1,050
Decrease in accounts receivable	1,133
(Decrease) in unearned revenue	-1,288
(Decrease) in accrued salaries and benefits	-7,921
Net Cash Used by Operating Activities	\$ -94,490

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$26,704 of federal commodities.

Sumner Community School District
Statement of Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2014

	Private Purpose Trust
	Scholarships
Assets	
Cash, cash equivalents and pooled investments	\$ 435,498
Accrued interest receivable	196
	\$ 435,694
Liabilities	
Net position	\$ 435,694
Reserved for scholarships	\$ 435,694

See notes to financial statements.

Sumner Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year Ended June 30, 2014

	Private Purpose Trust
	Scholarships
Additions:	
Local sources:	
Gifts and contributions	\$ 4,650
Interest income	843
Other income	47,099
Total additions	\$ 52,592
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	\$ 23,950
Change in net position	\$ 28,642
Net position beginning of year	407,052
Net Position End of Year	\$ 435,694

See notes to financial statements.

Sumner Community School District

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

Sumner Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. 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 Sumner, Iowa and portions of the predominately agricultural territories in Chickasaw, Fayette and Bremer Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

Effective July 1, 2004, the Sumner Community School District and the Fredericksburg Community School District entered into a whole grade sharing agreement. In February 2014, residents of both districts voted to merge the districts, effective July 1, 2014.

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, Sumner 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. Sumner Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's 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 non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest 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 non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 expenditures, including instructional, support and other costs.

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

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

The District reports the following major proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the 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 are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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 and Fund Equity

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.

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, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is 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 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, furniture and equipment, 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

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

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

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

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represents 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 receivable not collected within sixty days after year-end.

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

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

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

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

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.

(2) **Cash, Cash Equivalents and Pooled Investments**

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

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

(3) **Inter-fund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects – Statewide Sales, Services and Use Tax	\$ 300,465
Debt Service	Capital Projects – Physical Plant and Equipment Levy	230,381
		<u>\$ 530,846</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) **Capital Assets**

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

	Balance Beginning Of Year	Increases	Decreases	Re- classified	Balance End Of Year
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 3,261	\$ -	\$ -	\$ -	\$ 3,261
Construction in process	-	3,207	-	-	3,207
Total capital assets not being depreciated	\$ 3,261	\$ 3,207	\$ -	\$ -	\$ 6,468
Capital assets being depreciated:					
Buildings	\$ 6,835,568	\$ 2,442	\$ 25,000	\$ -59,863	\$ 6,753,147
Improvements other than buildings	1,143,120	7,287	-	-903,018	247,389
Furniture and equipment	3,627,164	440,955	84,457	962,881	4,946,543
Total capital assets being depreciated	\$ 11,605,852	\$ 450,684	\$ 109,457	\$ -	\$ 11,947,079
Less accumulated depreciation for:					
Buildings	\$ 2,485,571	\$ 125,351	\$ 22,708	\$ -	\$ 2,588,214
Improvements other than buildings	114,600	16,087	-	-95,025	35,662
Furniture and equipment	3,384,752	213,910	66,754	95,025	3,626,933
Total accumulated depreciation	\$ 5,984,923	\$ 355,348	\$ 89,462	\$ -	\$ 6,250,809
Total capital assets being depreciated, net	\$ 5,620,929	\$ 95,336	\$ 19,995	\$ -	\$ 5,696,270
Governmental Activities Capital Assets, Net	\$ 5,624,190	\$ 98,543	\$ 19,995	\$ -	\$ 5,702,738

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 63,087	\$ -	\$ 2,575	\$ 60,512
Less accumulated depreciation	21,829	5,043	2,576	24,296
Business Type Activities Capital Assets, Net	\$ 41,258	\$ 5,043	\$ -1	\$ 36,216

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 228,832
Other	60,706
Special	6,559
Support services:	
Administration	3,682
Operation and maintenance of plant	858
Transportation	48,631
Non-instructional	6,080

Total Depreciation Expense – Governmental Activities \$ 355,348

Business Type Activities:

Food service operations \$ 5,043

(5) Long-term Liabilities

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

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General Obligation Capital Loan Note	\$ 1,430,000	\$ -	\$ 190,000	\$ 1,240,000	\$ 195,000
Revenue bond	2,770,000	-	170,000	2,600,000	170,000
Early retirement	191,812	35,282	60,372	166,722	66,144
Capital lease	-	194,772	66,570	128,202	63,295
OPEB	-	33,495	-	33,495	-
Total	<u>\$ 4,391,812</u>	<u>\$ 263,549</u>	<u>\$ 486,942</u>	<u>\$ 4,168,419</u>	<u>\$ 494,439</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Employees must complete an application, which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2014 totaled \$60,372. The cost of early retirement payments expected to be liquidated currently are recorded as a liability in the Special Revenue, Management Levy Fund. A liability has been recorded in the Governmental Activities Long-Term Liability section representing the District's commitment to fund non-current early retirement, which consist of health insurance premiums at various current rates of \$175.00 to \$527.02 per month for a total of \$166,722 at June 30, 2014.

General Obligation Capital Loan Note

Details of the District's June 30, 2014 General Obligation Capital Loan Note indebtedness is as follows:

Year Ending June 30,	Issued May 1, 2012			
	Interest Rate	Principal	Interest	Total
2015	2.0%	\$195,000	\$36,081	\$231,081
2016	3.0%	195,000	32,181	227,181
2017	3.0%	200,000	26,331	226,331
2018	3.0%	210,000	20,331	230,331
2019	3.125%	215,000	14,031	229,031
2020	3.25%	225,000	7,313	232,313
Total		<u>\$1,240,000</u>	<u>\$136,268</u>	<u>\$1,376,268</u>

Capital Lease

The District entered into a capital lease for computers on July 7, 2013 for \$194,772.18 with a 2.9% interest rate and annual payments of \$66,787 for the next three years. Details are as follows:

Year Ending June 30,	Issued July 7, 2013			
	Interest Rate	Principal	Interest	Total
2015	2.9%	\$63,295	\$3,492	\$66,787
2016	2.9%	64,907	1,880	66,787
Total		<u>\$128,202</u>	<u>\$5,372</u>	<u>\$133,574</u>

Revenue Bonds

Details of the District's June 30, 2014 Statewide Sales, Services and Use Tax Revenue bonded indebtedness are as follows:

Series 2008

Year Ending June 30,	Bond Issue of December 19, 2008			
	Interest Rate	Principal	Interest	Total
2015	3.95%	\$170,000	\$71,175	\$241,175
2016	4.00%	175,000	64,318	239,318
2017	4.05%	180,000	57,172	237,172
2018	4.10%	190,000	49,633	239,633
2019	4.15%	195,000	41,691	236,691
2020	4.20%	205,000	33,340	238,340
2021	4.25%	215,000	24,466	239,466
2022	4.30%	225,000	15,060	240,060
2023	4.35%	235,000	5,111	240,111
Total		\$1,790,000	\$361,966	\$2,151,966

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,750,000 bonds issued in December 2008. The bonds were issued for the purpose of financing a portion of the costs of a school addition and remodel. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 70 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,151,966. For the current year, \$170,000 of principal and \$77,847 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$502,915.

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

- a) \$258,338 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Revenue Bonds

Series 2010 A & B

Year Ending June 30,	Bond Issue of August 3, 2010			
	Interest Rate	Principal	Interest	Total
2015	4.20%	\$-	\$36,168	\$36,168
2016	4.20%	-	36,167	36,167
2017	4.20%	-	36,168	36,168
2018	4.20%	-	36,167	36,167
2019	4.20%	-	36,168	36,168
2020	4.20%	-	36,167	36,167
2021	4.20%	-	36,168	36,168
2022	4.20%	-	36,167	36,167
2023	4.20%	-	36,168	36,168
2024	4.20%	105,000	33,963	138,963
2025	4.25%	105,000	29,526	134,526
2026	4.30%	110,000	24,930	134,930
2027	4.45%	115,000	20,006	135,006
2028	4.55%	120,000	11,718	131,718
2029	4.65%	125,000	9,081	134,081
2030	4.75%	130,000	3,087	133,087
Total		\$810,000	\$457,819	\$1,267,819

The District has pledged future statewide sales, services and use tax revenues to repay the \$810,000 bonds issued in August 2010. The bonds were issued for the purpose of financing a portion of the costs to construct, furnish and equip an athletic facility addition. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 25 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,267,819. For the current year, no principal and \$36,167 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$502,915.

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

- a) \$81,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax revenue shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purposes.

(6) **Other Postemployment Benefits (OPEB)**

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for employees; retirees and their spouses. There are 49 active and 14 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$	133,867	
Interest on net OPEB obligation		-828	
Adjustment to annual required contribution		10,442	
Annual OPEB cost	\$	143,481	
Contributions made		76,856	
Increase in net OPEB obligation	\$	66,625	
Net OPEB obligation beginning of year		-33,130	*
Net OPEB obligation end of year	\$	33,495	

*Negative means prepaid (asset)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. 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 \$490,856 to the medical plan. Plan members eligible for benefits contributed \$69,283, or 12.4% 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 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$69,188	1.49%	-\$33,982
June 30, 2011	\$68,946	1.58%	-\$40,057
June 30, 2012	\$69,294	1.37%	-\$25,409
June 30, 2013	\$134,511	59.6%	-\$33,130
June 30, 2014	\$133,867	57.4%	\$33,495

Funded Status and Funding Progress – As of July 1, 2012, the most recent valuation date for the period July 1, 2013 thru June 30, 2014, the actuarial accrued liability was \$536,518, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$536,518. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,872,332 and the ratio of the UAAL to covered payroll was 13.8%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$593.43 per month for retirees less than age 65 and \$150 to \$250 per month for retirees who have attained age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered payroll for the years ended June 30, 2014, 2013 and 2012. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$350,619, \$285,067, and \$229,489, respectively, equal to the required contributions for each year.

(8) Risk Management

Sumner 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 \$231,034 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 reserved fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Teacher Salary Supplement	\$ 24,251
Core Curriculum	18,203
Professional Development	8,118
Dropout Prevention	9,028
Voluntary Preschool	208,021
Early Literature	15,027
Teacher Leadership	7,126
Total	<u>\$ 289,774</u>

(11) Subsequent Events

The District has evaluated subsequent events through January 5, 2015 which is the date that the financial statements were available to be issued.

Effective July 1, 2014, the Sumner Community School District legally combined with the Fredericksburg Community School District creating a single entity.

(12) Related Party Activity

The District had transactions totaling \$578 with District officials or employees.

(13) Commitments

The District has a \$26,600 commitment to removal for asbestos at the middle school gym before demolition.

(14) Prospective Accounting Change

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

Required Supplementary Information

Sumner Community School District

**Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund**

Required Supplementary Information

Year Ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 4,065,981	\$ 153,538
Intermediate sources	-	-
State sources	3,141,324	2,529
Federal sources	145,027	131,636
Total Receipts	<u>\$ 7,352,332</u>	<u>\$ 287,703</u>
Disbursements:		
Instruction	\$ 4,681,733	\$ -
Support services	1,945,972	-
Non-instructional programs	-	272,511
Other expenditures	836,282	-
Total Disbursements	<u>\$ 7,463,987</u>	<u>\$ 272,511</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -111,655	\$ 15,192
Other financing sources, net	209,263	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>\$ 97,608</u>	<u>\$ 15,192</u>
Balances beginning of year	\$ 2,886,936	\$ 72,880
Prior period adjustment	-10	-
Adjusted balances beginning of year	<u>\$ 2,886,926</u>	<u>\$ 72,880</u>
Balances End of Year	<u>\$ 2,984,534</u>	<u>\$ 88,072</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts	Budgeted To Actual Variance
\$	4,219,519	\$ 4,838,668	\$ -619,149
	-	4,500	-4,500
	3,143,853	3,026,055	117,798
	276,663	245,000	31,663
\$	7,640,035	\$ 8,114,223	\$ -474,188
\$	4,681,733	\$ 6,120,000	\$ 1,438,267
	1,945,972	2,314,800	368,828
	272,511	325,000	52,489
	836,282	1,105,497	269,215
\$	7,736,498	\$ 9,865,297	\$ 2,128,799
\$	-96,463	\$ -1,751,074	\$ 1,654,611
	209,263	-	209,263
\$	112,800	\$ -1,751,074	\$ 1,863,874
\$	2,959,816	\$ 2,782,182	\$ 177,634
	-10	-	10
\$	2,959,806	\$ 2,782,182	\$ 177,624
\$	3,072,606	\$ 1,031,108	\$ 2,041,498

Sumner 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 comparisons for the General Fund and each major Special Revenue Fund.

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

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

Sumner Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

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	June 1, 2009	-	\$868	\$868	0.0%	\$2,493	34.8%
2011	June 1, 2009	-	\$772	\$772	0.0%	\$2,313	33.4%
2012	June 1, 2009	-	\$672	\$672	0.0%	\$2,543	27.4%
2013	June 1, 2012	-	\$656	\$656	0.0%	\$1,830	35.8%
2014	June 1, 2012	-	\$537	\$537	0.0%	\$3,872	13.8%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Sumner Community School District

Combining Balance Sheet
Non-Major Governmental Funds

June 30, 2014

	Special Revenue		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 99,265	\$ 96,336	\$ 195,601
Receivables:			
Property Tax:			
Delinquent	1,780	-	1,780
Accounts	45	-	45
Total Assets	\$ 101,090	\$ 96,336	\$ 197,426
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Total Liabilities	\$ -	\$ -	\$ -
Fund Balances:			
Restricted for:			
Management levy purposes	\$ 101,090	\$ -	\$ 101,090
Student activities	-	96,336	96,336
Total Fund Balances	\$ 101,090	\$ 96,336	\$ 197,426
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 101,090	\$ 96,336	\$ 197,426

See accompanying independent auditor's report.

Sumner Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds

Year Ended June 30, 2014

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local Sources:			
Local tax	\$ 180,144	\$ -	\$ 180,144
Other	4,213	288,251	292,464
State sources	90	-	90
Total Revenues	<u>\$ 184,447</u>	<u>\$ 288,251</u>	<u>\$ 472,698</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 84,245	\$ -	\$ 84,245
Other instruction	-	286,303	286,303
Support Services:			
Administrative	3,655	-	3,655
Operation & maintenance of plant services	61,195	-	61,195
Transportation services	19,075	-	19,075
Total Expenditures	<u>\$ 168,170</u>	<u>\$ 286,303</u>	<u>\$ 454,473</u>
Net change in fund balance	\$ 16,277	\$ 1,948	\$ 18,225
Fund balances beginning of year	84,813	94,388	179,201
Fund Balances End of Year	<u>\$ 101,090</u>	<u>\$ 96,336</u>	<u>\$ 197,426</u>

Sumner Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Assets			
Cash and pooled investments	\$ 478,262	\$ 215,319	\$ 693,581
Receivables:			
Property Tax:			
Delinquent	-	3,231	3,231
Due from other governments	195,031	-	195,031
Total Assets	\$ 673,293	\$ 218,550	\$ 891,843
Liabilities, deferred inflows of resources, and fund balances			
Liabilities:			
Accounts payable	\$ -	\$ 291	\$ 291
Total Liabilities	\$ -	\$ 291	\$ 291
Fund Balances:			
Restricted for:			
School infrastructure	\$ 673,293	\$ -	\$ 673,293
Physical plant and equipment	-	218,259	218,259
Total fund balances	\$ 673,293	\$ 218,259	\$ 891,552
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 673,293	\$ 218,550	\$ 891,843

Sumner Community School District

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts**

Year Ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local Sources:			
Local tax	\$ 502,914	\$ 326,153	\$ 829,067
Other	3,019	1,635	4,654
State sources	-	164	164
Total Revenues	<u>\$ 505,933</u>	<u>\$ 327,952</u>	<u>\$ 833,885</u>
Expenditures:			
Instruction:			
Regular instruction	\$ 210,104	\$ 27,124	\$ 237,228
Support Services:			
Administration services	1,000	3,167	4,167
Operation and maintenance of plant services	11,592	4,578	16,170
Transportation services	139,774	-	139,774
Other Expenditures:			
Facilities acquisition	7,066	17,716	24,782
Total Expenditures	<u>\$ 369,536</u>	<u>\$ 52,585</u>	<u>\$ 422,121</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 136,397</u>	<u>\$ 275,367</u>	<u>\$ 411,764</u>
Other Financing Sources (Uses):			
Proceeds from capital lease	\$ 194,772	\$ -	\$ 194,772
Operating transfers (out)	-300,465	-230,381	-530,846
Total other financing sources (uses)	<u>\$ -105,693</u>	<u>\$ -230,381</u>	<u>\$ -336,074</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 30,704</u>	<u>\$ 44,986</u>	<u>\$ 75,690</u>
Fund balances beginning of year	<u>642,589</u>	<u>173,273</u>	<u>815,862</u>
Fund Balances End of Year	<u>\$ 673,293</u>	<u>\$ 218,259</u>	<u>\$ 891,552</u>

See accompanying independent auditor's report.

Sumner Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues And Inter-fund Transfers	Expenditures	Intra- fund Transfers	Balance End of Year
Annual	\$ 10,255	\$ 17,764	\$ 14,614	\$ -	\$ 13,405
Senior High Athletics	5,145	103,678	103,760	1,222	6,285
Wellness	529	-	120	-	409
Drama and Speech	534	972	1,455	-	51
Class of 2015	1,342	5,968	4,320	-	2,990
Class of 2012	1,567	-	1,567	-	-
Class of 2013	200	-	-	-	200
Class of 2014	2,242	410	2,424	-	228
Class of 2016	545	2,098	550	-	2,093
Class of 2017	-	300	46	-	254
Durant D.O.O.R.S.	22,738	36,902	27,588	-	32,052
Durant Activities	18,208	4,965	23,266	155	62
Future Farmers of America	8,251	39,803	41,807	-	6,247
Future Homemakers of America –					
Senior High	2,393	11,521	10,707	-	3,207
General	1,189	7,680	7,128	-	1,741
Instrumental Music	600	13,286	13,743	-	143
Senior High Activities	1,315	1,351	1,217	-1,223	226
Get a Grip	903	3,645	1,686	-	2,862
National Honor Society	20	770	686	-	104
RIF	698	-	-	-	698
Spanish Fundraising	2,253	-	322	-	1,931
Student Senate-Senior High	99	14,250	9,611	-	4,738
Vocal Music	13,362	21,888	19,686	-154	15,410
District FFA	-	1,000	-	-	1,000
Total	\$ 94,388	\$ 288,251	\$ 286,303	\$ -	\$ 96,336

See accompanying independent auditor's report.

Sumner Community School District

Combining Balance Sheet
Private Purpose Trusts
Scholarships

June 30, 2014

	Sandra Trout Scholarship	Vay Hurmency Scholarship	Michael Buhr Scholarship
Assets			
Cash	\$ -	\$ 9,374	\$ 26,200
Investments	359,527	-	-
Accrued interest receivable	-	-	114
Total Assets	\$ 359,527	\$ 9,374	\$ 26,314
Liabilities and Fund Balances			
Reserved for scholarship	\$ 359,527	\$ 9,374	\$ 26,314
Total Liabilities and Fund Balances	\$ 359,527	\$ 9,374	\$ 26,314

See accompanying independent auditor's report.

Boehm-Kooper Scholarship	Schult Scholarship	Other Scholarship	Total
\$ 1,353	\$ 36,993	\$ 2,051	\$ 75,971
-	-	-	359,527
-	82	-	196
<u>\$ 1,353</u>	<u>\$ 37,075</u>	<u>\$ 2,051</u>	<u>\$ 435,694</u>
\$ 1,353	\$ 37,075	\$ 2,051	\$ 435,694
<u>\$ 1,353</u>	<u>\$ 37,075</u>	<u>\$ 2,051</u>	<u>\$ 435,694</u>

Sumner Community School District

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Private Purpose Trusts
Scholarships**

Year Ended June 30, 2014

	Sandra Trout Scholarship		Vay Hurmeny Scholarship		Michael Buhr Scholarship
Revenues:					
Local Sources:					
Interest on investments	\$ -		\$ 63		\$ 603
Contributions/Other	47,099		-		-
Total Revenues	<u>\$ 47,099</u>		<u>\$ 63</u>		<u>\$ 603</u>
Expenditures:					
Instruction:					
Regular Instruction:					
Scholarships	\$ 20,050		\$ 50		\$ 700
Total Expenditures	<u>\$ 20,050</u>		<u>\$ 50</u>		<u>\$ 700</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 27,049		\$ 13		\$ -97
Fund balances beginning of year	<u>332,478</u>		<u>9,361</u>		<u>26,411</u>
Fund Balances End of Year	<u>\$ 359,527</u>		<u>\$ 9,374</u>		<u>\$ 26,314</u>

See accompanying independent auditor's report.

Boehm-Kooper Scholarship	Schult Scholarship	Other Scholarship	Total
\$ 11	\$ 165	\$ 1	\$ 843
-	-	4,650	51,749
<u>\$ 11</u>	<u>\$ 165</u>	<u>\$ 4,651</u>	<u>\$ 52,592</u>
\$ 100	\$ 200	\$ 2,850	\$ 23,950
<u>\$ 100</u>	<u>\$ 200</u>	<u>\$ 2,850</u>	<u>\$ 23,950</u>
\$ -89	\$ -35	\$ 1,801	\$ 28,642
1,442	37,110	250	407,052
<u>\$ 1,353</u>	<u>\$ 37,075</u>	<u>\$ 2,051</u>	<u>\$ 435,694</u>

Sumner Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis			
	2014	2013	2012	2011
Revenues:				
Local Sources:				
Local tax	\$ 3,193,936	\$ 2,929,585	\$ 3,137,231	\$ 2,983,099
Tuition	389,252	858,376	865,676	681,366
Other	482,793	550,587	585,536	620,435
Intermediate sources	-	-	-	-
State sources	3,141,324	3,066,646	3,024,875	2,688,831
Federal sources	145,027	147,487	256,074	316,863
Total	\$ 7,352,332	\$ 7,552,681	\$ 7,869,392	\$ 7,290,594
Expenditures:				
Instruction:				
Regular instruction	\$ 3,043,803	\$ 3,366,642	\$ 3,173,489	\$ 3,055,917
Special instruction	654,939	647,248	935,793	659,291
Other instruction	982,991	951,303	972,412	967,567
Support services:				
Student services	126,845	130,031	122,710	136,975
Instructional staff services	77,772	61,151	71,513	78,868
Administrative services	628,432	604,684	606,132	679,955
Operation and maintenance of plant services	660,003	609,784	590,293	542,998
Transportation services	452,920	340,884	302,033	345,898
Community services	-	-	-	-
Non instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	24,782	269,266	759,384	2,642,477
Long-term debt:				
Principal	426,570	350,000	355,232	345,232
Interest and other charges	153,896	167,587	177,370	165,515
AEA flow-through	231,034	216,186	222,306	241,797
Total	\$ 7,463,987	\$ 7,714,766	\$ 8,288,667	\$ 9,862,490

See accompanying independent auditor's report.

Modified Accrual Basis

2010	2009	2008	2007	2006	2005
\$ 2,567,818	\$ 2,608,950	\$ 2,426,054	\$ 2,413,845	\$ 2,164,041	\$ 1,930,846
561,519	573,371	613,436	696,324	634,134	880,670
599,158	590,621	678,405	679,375	640,375	677,495
-	-	-	-	-	-
2,444,149	2,814,059	2,745,951	2,579,016	2,568,348	2,487,815
494,092	216,216	195,733	144,293	157,338	158,224
<u>\$ 6,666,736</u>	<u>\$ 6,803,217</u>	<u>\$ 6,659,579</u>	<u>\$ 6,512,853</u>	<u>\$ 6,164,236</u>	<u>\$ 6,135,050</u>

\$ 3,129,733	\$ 3,119,882	\$ 3,198,040	\$ 3,121,780	\$ 3,127,274	\$ 2,951,053
641,284	656,765	622,677	636,844	532,899	540,067
872,316	746,301	692,401	689,225	683,425	787,337
139,473	117,200	91,393	72,475	104,834	93,681
42,673	66,299	64,397	97,984	78,312	89,416
754,957	568,158	694,268	481,305	479,332	491,477
566,754	621,286	574,069	569,804	536,358	603,205
324,464	316,809	258,990	235,251	273,653	204,611
18	13	7	-	-	-
-	8,847	-	-	-	-
183,703	866,721	666,854	106,046	126,178	41,006
147,575	180,150	5,150	5,150	5,150	35,150
102,362	117,866	-	-	-	2,100
241,181	206,541	203,395	191,362	187,237	186,960
<u>\$ 7,146,493</u>	<u>\$ 7,592,838</u>	<u>\$ 7,071,641</u>	<u>\$ 6,207,226</u>	<u>\$ 6,134,652</u>	<u>\$ 6,026,063</u>

**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**

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
Sumner Community School District:

I have audited 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sumner 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 my report thereon dated January 5, 2015.

Internal Control Over Financial Reporting

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

My 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, I identified deficiencies in internal control I consider to be material weaknesses.

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 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. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-14 thru I-D-14 to be material weaknesses.

A significant deficiency is a deficiency or 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be significant deficiencies, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sumner Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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.

Sumner Community School District's Responses to the Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results 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.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Sumner Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.


Keith Oltrogge
Certified Public Accountant

January 5, 2015

Summer 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 reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Supporting Documentation – I noted one instance of a check being written to a vendor without an invoice or supporting documentation.

Recommendation – The District should review their procedures to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or support documentation other than the invoice.

Response – The District will review its procedures to ensure invoices are provided for all payments.

Conclusion – Response acknowledged.

I-B-14 Supporting Documentation for Meal Money – I noted during my audit instances of students receiving meal money during District sponsored trips. However, there was no documentation as to who received funds and/or the amount of funds received.

Recommendation – The District should document who receives cash when going on trips. The District should have a list of who received the cash and the amount. The student should sign off upon receiving cash for a trip. The District should review the procedures in place and implement controls to ensure documentation is gathered to support the check written for cash needed for the trip.

Response and Corrective Action Plan – The District will document who is receiving cash by having the students sign that they have received the money.

Conclusion – Response acknowledged.

I-C-14 School Nutrition Fund Accounts – I noted the Enterprise, School Nutrition Fund revenue and expenses classifications as required by the Iowa Department of Education were not accurately recorded in the general ledger. The District records student meal deposits as student lunch revenue and then allocates the breakfast, adult and ala carte revenues at year end. The District records food costs in one account and then allocates them at year end.

Recommendation – The District should record meal deposits in an unearned revenue liability account. On a monthly basis, the District should recognize the amount of meals served as revenue and record these in their applicable meal revenue category to ensure more accurate revenue classifications. The District should record expenses for food in the correct accounts as the purchases are made.

Response – We are implementing changes in procedures for fiscal year 2015 which will correct this problem.

Conclusion – Response accepted.

Sumner Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Findings Related to the Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES:

I-D-14 Disbursement Approval – For 18 of 45 general fund and 7 of 7 nutrition fund disbursements tested there was no evidence to document the date the Superintendent approved the expenditures.

Recommendation – The District should ensure all expenditures are properly approved. The District should maintain documentation of the Superintendent’s approval of claims for payment, such as the Superintendent’s initials and date of approval.

Response – We will ensure all expenditures are properly approved and maintained documentation of the approval.

Conclusion – Response acknowledged.

Sumner Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II - Other Findings Related to Statutory Reporting:

II-A-14 Certified Budget – Disbursements for the year ended June 30, 2014 did not exceed the certified budget amounts.

II-B-14 Questionable Expenditures – Certain disbursements were noted I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
Employee	Meal during bus inspection	\$16
Bud & Blossom	Funeral flowers	65
Sam’s Club	Snacks for officials	85
Employee	Pizza – Get A Grip	160
Employee	Coaches meals	39
		<u>\$365</u>

Recommendation – The District should review Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1) for the allowability of expenditures from the Student Activity Fund. When the District purchases items as retirement gifts and food for teacher appreciation, these purchases would be more appropriate from the General Fund as long as public purpose is documented and the items are de minimis according to Internal Revenue Service Publication 15-B. Additionally, the Board of Directors should approve the purchase of such items prior to the expenditure and document the public purpose derived.

Gift cards are not appropriate district purchases since Iowa Code Section 279.29 requires districts to “audit and allow” all bills and the gift card does not provide the Board with the ability to perform the required function of approval of the final purchase. Also, some of the gift cards are for restaurants or establishments which may have items which are not an allowable purchase with public funds. Without knowing the ultimate purchase, we do not believe that the District can comply with Chapter 279.29.

Response – Beginning in fiscal 2015, the Student Activity Fund will not make any purchases for retirement gifts, teacher appreciation supplies or other items that are not appropriate.

Conclusion – Response acknowledged.

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

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

<u>Name, Title & Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Melissa Boess - Employee, Owner Countryside Creations	Supplies	\$200
Diane Bolts – Employee	Supplies	228
Sarah Buhman – Employee	Supplies	150
		<u>\$578</u>

In accordance with an Attorney General’s opinion dated November 9, 1976, the above transactions do not appear to represent conflicts of interest.

Sumner Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II - Other Findings Related to Statutory Reporting (continued):

- 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 the coverage is adequate for current operations.
- II-F-14 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-14 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 Deposits and Investments – 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 were noted.
- II-J-14 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.
- II-K-14 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

Sumner Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II - Other Findings Related to Statutory Reporting (continued):

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 District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	642,589
Revenues/transfers in:			
Sales tax revenues	\$	364,233	
Other local revenues		3,019	
School infrastructure supplemental amount		138,681	
Proceeds from capital lease		194,772	700,705
			<u>\$ 1,343,294</u>
Expenditures/transfers out:			
School infrastructure	\$	7,066	
Equipment		361,470	
Other		1,000	
Transfers to other funds:			
Debt service fund		300,465	670,001
			<u>\$ 673,293</u>

For the year ended June 30, 2014, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.3634	\$ 502,915
Physical plant and equipment levy	0.5432	261,457
Public educational and recreational levy	-	-

II-M-14 Student Activity Fund – Account balance for previously graduated classes.

Recommendations – The District should transfer previously graduated class funds to other activities.

Response – We will reallocate these activities.

Conclusion – Response accepted.

Sumner Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II - Other Findings Related to Statutory Reporting (continued):

II-N-14 Sales Tax – Sales tax was paid by the District on two disbursements tested.

Recommendation – Supporting documentation should be reviewed carefully before disbursements are made.

Response – We will review all invoices for sales tax before payments are made.

Conclusion – Response acknowledged.

II-O-14 Enterprise Fund, School Nutrition – I noted in my testing of revenues for the Enterprise Fund, School Nutrition that the District records all meal sales and related revenues into one general ledger account for sale of student lunches. The matching expenses were also just recorded in one food purchase account.

Recommendation – The Iowa Department of Education requires any school district operating as a school authority to utilize the uniform chart of accounts in Iowa to record and track meal revenues and expenses. The District should record all meal account deposits to an unearned revenue account, then periodically allocate the earned portion of meal deposits to the proper accounts, including student lunches, student breakfasts, ala carte and adult lunches and breakfasts. Matching expenses also need to be recorded. This would allow the District to better track meal revenues and expenses and protect the underlying assets. It would also bring the District into compliance with Iowa Department of Education guidelines.

Response – We will properly adjust our revenue and expense recognition and coding in the School Nutrition Fund to comply with the Iowa Department of Education requirements.

Conclusion – Response accepted.