

TIPTON COMMUNITY SCHOOL DISTRICT  
TIPTON, IOWA

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

JUNE 30, 2014

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TIPTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2013 election)		
Duane Webb	President	2015
Bill Schwitzer	Vice President	2013
Diane Wallick	Board Member	2013
Brad Goetz	Board Member	2015
Nolan Ford	Board Member	2015
(After September 2013 election)		
Duane Webb	President	2015
Diane Wallick	Vice President	2017
Brad Goetz	Board Member	2015
Nolan Ford	Board Member	2015
Ray Vitense	Board Member	2017
<u>School Officials</u>		
Richard Grimoskas	Superintendent	2015
Jim Becker	District Secretary/Treasurer And Business Manager	2014
Brian Gruhn	Attorney	Indefinite

DOUGLAS T. HUNT, CPA  
DONALD D. KAIN  
CHUCK C. CONVERSE, CPA  
RUSSELL S. TERPSTRA, CPA  
MICHAEL G. STANLEY, CPA  
DEE A.A. HOKE, CPA

**HUNT & ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Tipton Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tipton Community School District, Tipton Iowa, 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 listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tipton 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*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 18 and 56 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tipton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the year ended June 30, 2007 (which are not presented herein) were audited by other auditors who disclaimed an opinion on the discretely presented component unit and expressed unmodified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. The financial statements for the two years ended June 30, 2006 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2014 on our consideration of Tipton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Tipton Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa  
October 3, 2014

*Hunt & Associates, P.C.*

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

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

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$8,240,031 in fiscal 2013 to \$8,598,280 in fiscal 2014, and General Fund expenditures increased from \$8,330,437 in fiscal 2013 to \$8,588,696 in fiscal 2014. The District's General Fund balance increased from \$1,551,321 in fiscal 2013 to \$1,562,252 in fiscal 2014, a .70% increase.
- The increase in General Fund revenue in fiscal year 2014 was attributable to an increase in State sources. The increase in expenditures was due primarily to the negotiated salary and benefits settlement. The increase in revenues was higher than the increase in expenditures which resulted in the increase of the general fund balance.
- The continued interest rate environment during the 2014 fiscal year resulted in interest earnings in the General Fund slightly decreasing from \$117 in fiscal 2013 to \$115 in fiscal 2014.

### **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 Position and a Statement of Activities. These provide information about the activities of Tipton 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 Tipton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Tipton 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.

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.

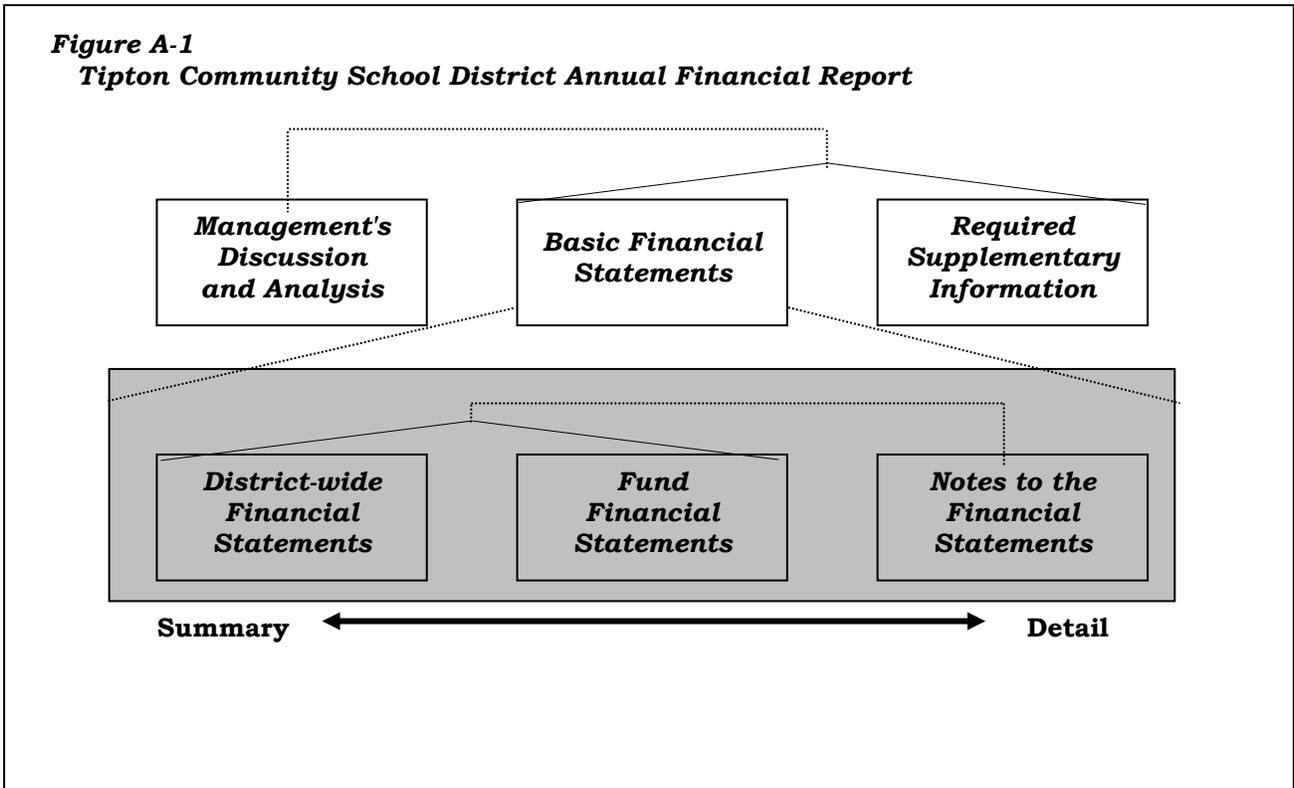


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: Food services Flexible benefits	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Position</li> <li>• Statement of revenues, expenses and changes in fund position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary position</li> <li>• Statement of changes in fiduciary position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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 Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

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

### Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and After School Program Fund. Internal service funds, (the other type of proprietary fund) report activities that provide supplies or services for other District programs or activities. The District currently has one internal service fund, the Flexible Benefits fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund 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 and Agency Funds.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
  - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

The required financial statements for fiduciary funds include a statement of fiduciary position and a statement of changes in fiduciary position.

Reconciliations 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 Position

	Governmental		Business-type		Total		Total Change
	Activities		Activities		School District		
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Current and other assets	\$8,982,007	\$ 9,421,371	\$48,538	\$ 26,960	\$9,030,545	\$ 9,448,331	-4.42%
Capital assets	<u>11,574,579</u>	<u>10,955,842</u>	<u>34,599</u>	<u>40,593</u>	<u>11,609,178</u>	<u>10,996,435</u>	5.57%
Total assets	<u>20,556,586</u>	<u>20,377,213</u>	<u>83,137</u>	<u>67,553</u>	<u>20,639,723</u>	<u>20,444,766</u>	.95%
Long-term obligations	6,513,000	7,260,000	-	-	6,513,000	7,260,000	-10.29%
Other liabilities	<u>1,140,851</u>	<u>1,433,542</u>	<u>33,835</u>	<u>34,775</u>	<u>1,174,686</u>	<u>1,468,317</u>	-20.00%
Total liabilities	<u>7,653,851</u>	<u>8,693,542</u>	<u>33,835</u>	<u>34,775</u>	<u>7,687,686</u>	<u>8,728,317</u>	-11.92%
Deferred Inflows of Resources	<u>3,203,000</u>	<u>2,970,000</u>	-	-	<u>3,203,000</u>	<u>2,970,000</u>	7.85%
Net position							
Net Investment in Capital							
Assets	5,479,579	4,705,720	34,599	40,593	5,514,178	4,746,313	16.18%
Restricted	2,870,011	2,662,133	-	-	2,870,011	2,662,133	7.81%
Unrestricted	<u>1,350,145</u>	<u>1,345,818</u>	<u>14,703</u>	<u>(7,815)</u>	<u>1,364,848</u>	<u>1,338,003</u>	2.01%
Total net position	<u>\$9,699,735</u>	<u>\$ 8,713,671</u>	<u>\$49,302</u>	<u>\$ 32,778</u>	<u>\$ 9,749,037</u>	<u>\$ 8,746,449</u>	11.46%

The District's combined net position increased by approximately 11.46%, or \$1,002,588, from the prior year. The largest portion of the District's net position is the net invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position 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 \$207,878, or approximately 7.81% from the prior year. The increase was primarily a result of funds restricted from capital projects in which the funds will be expensed on building projects in a future fiscal year.

Unrestricted net position – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$26,845, or approximately 2.0%. This increase in unrestricted net position was a result of an increase in state aid and an increase in business type activities due to meal sales during the year.

Figure A-4 shows the change in net position for the year ended June 30, 2014.

	Figure A-4 Change in Position						
	Governmental Activities		Business Type Activities		Total District		Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues							
Program revenues							
Charges for service and sales	\$ 1,104,245	\$ 1,118,519	\$ 320,244	\$ 273,567	\$ 1,424,489	\$ 1,392,086	2.33%
Operating grants and contributions	1,416,315	1,229,371	222,831	221,460	1,639,146	1,450,831	12.98%
Capital grants and contributions	31,667	-	-	-	31,667	-	n/a%
General revenues							
Property tax	3,305,545	3,226,713	-	-	3,305,545	3,226,713	2.44%
Income Surtax	534,049	436,092	-	-	534,049	436,092	22.46%
Local option sales and service tax	743,162	704,707	-	-	743,162	704,707	5.46%
Unrestricted state grants	3,753,946	3,510,964	-	-	3,753,946	3,510,964	6.92%
Unrestricted investment earnings	2,438	4,022	24	17	2,462	4,039	-39.04%
Other	<u>68,727</u>	<u>38,709</u>	<u>-</u>	<u>-</u>	<u>68,727</u>	<u>38,709</u>	77.55%
Total revenues	<u>10,960,094</u>	<u>10,269,097</u>	<u>543,099</u>	<u>495,044</u>	<u>11,503,193</u>	<u>10,764,141</u>	6.87%
Program expenses							
Governmental activities							
Instruction	6,251,771	5,932,740	-	-	6,251,771	5,932,740	5.38%
Support services	2,805,603	2,710,243	-	-	2,805,603	2,710,243	3.52%
Non-instructional programs	-	24,185	526,575	534,456	526,575	558,641	-5.74%
Other expenses	916,656	840,661	-	-	916,656	840,661	9.04%
Loss on Sale of Fixed Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	0%
Total expenses	<u>9,974,030</u>	<u>9,507,829</u>	<u>526,575</u>	<u>534,456</u>	<u>10,500,605</u>	<u>10,042,285</u>	4.56%
Excess (deficiency) before transfers	986,064	761,268	16,524	(39,412)	1,002,588	721,856	38.89%
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	0%
Change in net position	<u>\$ 986,064</u>	<u>\$ 761,268</u>	<u>16,524</u>	<u>\$ (39,412)</u>	<u>1,002,588</u>	<u>\$ 721,856</u>	38.89%

In fiscal 2014, property tax and unrestricted state grants account for 64.41% of the revenue from governmental activities while charges for services and sales and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were \$11,503,193 of which \$10,960,094 was for governmental activities and \$543,099 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.87% increase in revenues and a 4.56% increase in expenses. Property tax increased \$78,832. The increase in expenses comes in the instruction, support service, and other expense areas due to the negotiated salary and benefits settlement with certified and non-certified staff and an increase in teachers and support personnel.

## Governmental Activities

Revenues for governmental activities were \$10,960,094 and expenses were \$9,974,030.

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.

Figure A-5

	Total Cost of Services			Net Cost of Services		
			Change			Change
	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Instruction	\$ 6,251,771	\$ 5,932,740	5.38%	\$4,273,107	\$ 4,091,616	4.44%
Support services	2,805,603	2,710,243	3.52%	2,598,319	2,519,511	3.13%
Non-Instructional Programs	-	24,185	-100.00%	-	24,185	-100.00%
Other Expenses	<u>916,656</u>	<u>840,661</u>	9.04%	<u>550,377</u>	<u>524,627</u>	4.91%
Total expenses	<u>\$9,974,030</u>	<u>\$ 9,507,829</u>	4.90%	<u>\$ 7,421,803</u>	<u>\$ 7,159,939</u>	3.66%

- The cost financed by users of the District's programs was \$1,104,245.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,416,315.
- The net cost of governmental activities was financed with \$4,582,756 in property and other taxes and \$3,753,946 in unrestricted state and federal grants.

## Business Type Activities

Revenues for business type activities were \$543,099 representing a 9.71 percent increase over the prior year while expenses totaled \$526,575, a 1.47 percent decrease over the prior year. The District's business type activities include the School Nutrition Fund and After School Program. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2014, the District's revenue increased due to an increase in daily sales, ala carte sales, and federal sources. The expenses decreased due to a decrease in the number of hours worked in the nutrition area.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Tipton 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 \$4,229,816, which is below last year's ending fund balances of \$4,647,673. The primary reason for the decrease in combined fund balances in fiscal 2014 is due to the District's completion of the auditorium remodeling

project in which the bonds for the project received in December 2012 have now been totally spent.

### **Governmental Fund Highlights**

- The District's increase in the general fund financial position is the result of an increase in state funding for the 2013-14 school year. This increase offset personnel salary and benefit settlements and additional teacher and support staff hiring.
- The General Fund balance increased from \$1,551,321 to \$1,562,252. As stated earlier this increase is due to an increase in state funding.
- The Capital Projects Fund balance decreased from \$2,144,361 in fiscal 2013 to \$1,723,078 in fiscal 2014. Beginning with the 2011 fiscal year, the physical plant and equipment levy funds are included in the capital projects funds. The physical plant and equipment fund balance accounts for \$768,100 of the total capital project fund balance. The District received School Infrastructure Sales, Services and Use Tax Revenue Bonds in the amount of \$3,925,000 during the 2013 fiscal year. These funds were not fully expensed during the 2013 fiscal year, however, the funds were fully expensed during the 2014 fiscal year which accounts for the decrease in the Capital Project Fund balance.
- The Debt Service Fund balance decreased from \$421,813 in fiscal 2013 to \$358,264 in fiscal 2014. The District will pay off the elementary project bond issue on July 1, 2014 and holds a reserve for the auditorium and wrestling room bond issue. The auditorium and wrestling room bonds have a payment date of January 1 and July 1 each year.

### **Proprietary Fund Highlights**

The School Nutrition Fund and After School Program net position increased from \$32,778 at June 30, 2013 to \$49,302 at June 30, 2014, representing an increase of 50.41%. For fiscal 2014, the decrease in the number of hours worked in the nutrition area and the increase in nutrition sales offset the negotiated increase in salaries and benefits for fiscal year 2014 resulting in an increase in net position.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Tipton Community School District amended its annual budget one time to reflect additional expenditures associated with instruction expenses and total other expenses.

The District's revenues were \$364,353 more than budgeted revenues, a variance of approximately 3.29%. A large portion of this variance came from state sources where the district received more in the capital project fund from the one-cent sales tax and more in state funding than what was budgeted.

Total expenditures were \$183,417 less than the amended budget. Funds from the auditorium remodeling bonds were fully expensed during the 2014 fiscal year, which caused the District to be over budget in the other expenditure category. The other

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

**Capital Assets and Debt Administration**

**Capital Assets**

At June 30, 2014, the District had invested \$11,609,178, 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 approximately 5.57% 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 \$415,514.

The original cost of the District's capital assets was \$17,557,945. Governmental funds account for \$17,287,408, with the remainder of \$270,537 accounted for in the Proprietary, School Nutrition Fund.

The increase in original cost of capital assets during the 2014 fiscal year occurred due to the remodeling of the auditorium and the construction of the wrestling room. Equipment purchased throughout the year also contributed to the increase.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 43,300	\$ 43,300	\$ -	\$ -	\$ 43,300	\$ 43,300	0.00%
Construction in progress	-	3,051,342	-	-	-	3,051,342	-100.00%
Buildings and improvements	10,837,663	7,098,805	-	-	10,837,663	7,098,805	52.67%
Improvements other than buildings	169,828	170,354	-	-	169,828	170,354	-.31%
Furniture and equipment	<u>523,788</u>	<u>592,041</u>	<u>34,599</u>	<u>40,593</u>	<u>558,387</u>	<u>632,634</u>	-11.74%
Totals	<u>\$11,574,579</u>	<u>\$10,955,842</u>	<u>\$ 34,599</u>	<u>\$40,593</u>	<u>\$11,609,178</u>	<u>\$10,996,435</u>	5.57%

**Long-Term Debt**

At June 30, 2014, the District had \$6,513,000 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 10.29% 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.

Figure A-7  
Outstanding Long-term Obligations

	Total School District		Total Change
	2014	2013	2013-2014
General obligation bonds	\$ 2,265,000	\$ 2,645,000	-14.37%
Revenue bonds	3,830,000	4,225,000	-9.35%
Capital loan notes	-	-	0%
Capital leases	-	-	0%
Early retirement	168,000	192,000	-12.5%
Net OPEB Liability	250,000	198,000	26.26%
Total	\$ 6,513,000	\$ 7,260,000	-10.29%

### **Economic Factors Bearing on the District's Future**

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

- Tipton Community School District has experienced a stable enrollment in the past couple years. The District expects to hold stable over the next few years.
- The current economic outlook in the United States and the State of Iowa may have an adverse effect on the financial health of the district. The state has announced a supplemental state aid increase of 4% for the 2014-15 fiscal year. The supplemental state aid for 2014-15 is offset by increased salary and benefit packages offered within the district. The state has not issued any guidance for supplemental state aid for the 2015-16 fiscal year. Any possible increase in state supplemental aid will be offset by increased salary and benefit packages.
- The District approved the refunding of the middle school general obligation bond and the aquatic center general obligation bond into one general obligation school refunding bond. This bond will be paid over the next 10 years and is projected to save the District approximately \$203,000 over the life of the bond.
- The District approved an auditorium remodeling project and new wrestling room construction project in 2012. Revenue bonds were sold October 3, 2012 in the amount of \$3,925,000 at a true interest rate of 1.56% with a repayment schedule of 10 years. The repayment of these revenue bonds uses a significant portion of the one-cent sales tax funds available to the district.
- As stated earlier in this report, the general fund balance slightly increased during the 2014 fiscal year. This fund balance must be monitored and adjustments must be made if the District begins to expense more than the revenues received in this fund.

## **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 Jim Becker, District Secretary/Treasurer, Tipton Community School District, 400 East 6<sup>th</sup> Street, Tipton, Iowa 52772.

## Basic Financial Statements

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 4,727,328	\$ 26,346	\$ 4,753,674
Receivables:			
Property tax:			
Current year	37,635	-	37,635
Succeeding year	3,203,000	-	3,203,000
Income surtax	442,348	-	442,348
Accrued interest	218	-	218
Accounts	9,796	614	10,410
Due from other governments	561,682	-	561,682
Inventories	-	21,578	21,578
Capital assets, net of accumulated depreciation (note 4)	11,574,579	34,599	11,609,178
<b>Total assets</b>	<b>20,556,586</b>	<b>83,137</b>	<b>20,639,723</b>
<b>Liabilities</b>			
Accounts payable	122,629	-	122,629
Due to other governments	128,244	-	128,244
Salaries and benefits payable	833,220	33,835	867,055
Bond good faith deposit	22,750	-	22,750
Accrued interest payable	34,008	-	34,008
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	60,000	-	60,000
Bonds payable	685,000	-	685,000
Portion due after one year:			
Early retirement	108,000	-	108,000
Bonds payable	5,410,000	-	5,410,000
Net OPEB liability	250,000	-	250,000
<b>Total liabilities</b>	<b>7,653,851</b>	<b>33,835</b>	<b>7,687,686</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	3,203,000	-	3,203,000

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 5,479,579	\$ 34,599	\$ 5,514,178
Restricted for:			
Categorical funding	183,281	-	183,281
Debt service	743,643	-	743,643
Capital projects	535,591	-	535,591
Physical plant and equipment levy purposes	989,274	-	989,274
Management levy purposes	22,370	-	22,370
Student activities	174,500	-	174,500
Kindergarten enhancement	221,352	-	221,352
Unrestricted	<u>1,350,145</u>	<u>14,703</u>	<u>1,364,848</u>
Total net position	<u>\$ 9,699,735</u>	<u>\$ 49,302</u>	<u>\$ 9,749,037</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 6,251,771	\$ 1,099,468	\$ 879,196	\$ -
Support services:				
Student	147,164	-	190,975	-
Instructional staff	522,893	-	6,500	-
Administration	979,134	-	5,032	-
Operation and maintenance of plant	746,179	4,777	-	-
Transportation	410,233	-	-	-
	<u>2,805,603</u>	<u>4,777</u>	<u>202,507</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	101,664	-	-	31,667
Long-term debt interest and fiscal charges	173,763	-	-	-
AEA flowthrough	334,612	-	334,612	-
Depreciation (unallocated) *	306,617	-	-	-
	<u>916,656</u>	<u>-</u>	<u>334,612</u>	<u>31,667</u>
Total governmental activities	<u>9,974,030</u>	<u>1,104,245</u>	<u>1,416,315</u>	<u>31,667</u>

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (4,273,107)	\$ -	\$ (4,273,107)
43,811	-	43,811
(516,393)	-	(516,393)
(974,102)	-	(974,102)
(741,402)	-	(741,402)
(410,233)	-	(410,233)
(2,598,319)	-	(2,598,319)
(69,997)	-	(69,997)
(173,763)	-	(173,763)
-	-	-
(306,617)	-	(306,617)
(550,377)	-	(550,377)
(7,421,803)	-	(7,421,803)

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Instruction:				
After school program	\$ 10,902	\$ 18,595	\$ -	\$ -
Non-instructional programs:				
Food service operations	515,673	301,649	222,831	-
Total business-type activities	526,575	320,244	222,831	-
Total	\$ 10,500,605	\$ 1,424,489	\$ 1,639,146	\$ 31,667

General revenues:

Property tax levied for:  
    General purposes  
    Debt service  
    Capital outlay  
Income surtax  
Statewide sales, services and use tax  
Unrestricted state grants  
Unrestricted investment earnings  
Other

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

\* = This amount excludes the depreciation included  
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ -	\$ 7,693	\$ 7,693
-	8,807	8,807
-	16,500	16,500
(7,421,803)	16,500	(7,405,303)
\$ 2,618,742	\$ -	\$ 2,618,742
479,751	-	479,751
207,052	-	207,052
534,049	-	534,049
743,162	-	743,162
3,753,946	-	3,753,946
2,438	24	2,462
68,727	-	68,727
8,407,867	24	8,407,891
986,064	16,524	1,002,588
8,713,671	32,778	8,746,449
\$ 9,699,735	\$ 49,302	\$ 9,749,037

TIPTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 2,402,343	\$ 1,343,747	\$ 981,238	\$ 4,727,328
Receivables:				
Property tax:				
Current year	26,729	2,603	8,303	37,635
Succeeding year	2,418,000	172,000	613,000	3,203,000
Income surtax	221,174	221,174	-	442,348
Accrued interest	-	-	218	218
Accounts	1,532	7,604	660	9,796
Due from other governments	175,063	386,619	-	561,682
	<hr/>			
Total assets	<u>\$ 5,244,841</u>	<u>\$ 2,133,747</u>	<u>\$ 1,603,419</u>	<u>\$ 8,982,007</u>

TIPTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 84,757	\$ 17,495	\$ 20,377	\$ 122,629
Due to other governments	126,892	-	1,352	128,244
Salaries and benefits payable	831,766	-	1,454	833,220
Bond good faith deposit	-	-	22,750	22,750
Total liabilities	<u>1,043,415</u>	<u>17,495</u>	<u>45,933</u>	<u>1,106,843</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,418,000	172,000	613,000	3,203,000
Other	221,174	221,174	-	442,348
Total deferred inflows of resources	<u>2,639,174</u>	<u>393,174</u>	<u>613,000</u>	<u>3,645,348</u>
Fund balances:				
Restricted for:				
Categorical funding (note 10)	183,281	-	-	183,281
Revenue bonds	-	392,500	12,000	404,500
Revenue bonds sinking fund	-	-	316,888	316,888
Debt service	-	-	29,376	29,376
School infrastructure	-	562,478	-	562,478
Physical plant and equipment	-	768,100	-	768,100
Management levy purposes	-	-	190,370	190,370
Student activities	-	-	174,500	174,500
Kindergarten enhancement	-	-	221,352	221,352
Assigned for:				
Specific instructional services	16,844	-	-	16,844
Wellness	12,157	-	-	12,157
COBRA retiree insurance	1,404	-	-	1,404
Unassigned	1,348,566	-	-	1,348,566
Total fund balances	<u>1,562,252</u>	<u>1,723,078</u>	<u>944,486</u>	<u>4,229,816</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,244,841</u>	<u>\$ 2,133,747</u>	<u>\$ 1,603,419</u>	<u>\$ 8,982,007</u>

See notes to financial statements.

TIPTON 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	\$ 4,229,816
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	11,574,579
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	442,348
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(34,008)
Long-term liabilities, including early retirement, bonds payable, and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(6,513,000)</u>
Net position of governmental activities	<u>\$ 9,699,735</u>
See notes to financial statements.	

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2014

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,669,760	\$ 460,034	\$ 680,013	\$ 3,809,807
Tuition	592,260	-	-	592,260
Other	136,034	70,486	343,193	549,713
Intermediate sources	28,543	-	-	28,543
State sources	4,852,968	743,284	402	5,596,654
Federal sources	318,715	-	-	318,715
Total revenues	<u>8,598,280</u>	<u>1,273,804</u>	<u>1,023,608</u>	<u>10,895,692</u>
Expenditures:				
Current:				
Instruction	5,872,618	-	349,088	6,221,706
Support services:				
Student	146,136	-	-	146,136
Instructional staff	330,516	190,926	-	521,442
Administration	899,747	12,404	57,095	969,246
Operation and maintenance of plant	685,568	6,223	51,717	743,508
Transportation	319,499	1,508	29,881	350,888
	<u>2,381,466</u>	<u>211,061</u>	<u>138,693</u>	<u>2,731,220</u>
Other expenditures:				
Facilities acquisition	-	1,103,466	-	1,103,466
Long term debt:				
Principal	-	-	775,000	775,000
Interest and fiscal charges	-	-	184,107	184,107
AEA flowthrough	334,612	-	-	334,612
	<u>334,612</u>	<u>1,103,466</u>	<u>959,107</u>	<u>2,397,185</u>
Total expenditures	<u>8,588,696</u>	<u>1,314,527</u>	<u>1,446,888</u>	<u>11,350,111</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,584</u>	<u>(40,723)</u>	<u>(423,280)</u>	<u>(454,419)</u>

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Compensation for loss of capital assets	\$ 1,347	\$ 35,215	\$ -	\$ 36,562
Interfund transfers in (note 3)	-	20,000	435,775	455,775
Interfund transfers out (note 3)	-	(435,775)	(20,000)	(455,775)
Total other financing sources (uses)	<u>1,347</u>	<u>(380,560)</u>	<u>415,775</u>	<u>36,562</u>
Net change in fund balances	10,931	(421,283)	(7,505)	(417,857)
Fund balances beginning of year	<u>1,551,321</u>	<u>2,144,361</u>	<u>951,991</u>	<u>4,647,673</u>
Fund balances end of year	<u>\$ 1,562,252</u>	<u>\$ 1,723,078</u>	<u>\$ 944,486</u>	<u>\$ 4,229,816</u>

See notes to financial statements.

TIPTON 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 \$ (417,857)

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

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

Capital outlays	\$ 1,028,257	
Depreciation expense	<u>(409,520)</u>	618,737

Income surtax revenue not received until several months after the District's  
fiscal year end is not considered available revenue and is recognized as  
deferred inflows of resources in the governmental funds. 27,840

Repayment of long-term liabilities is an expenditure in the governmental  
funds, but it reduces long-term liabilities in the Statement of Net Position. 775,000

Interest on long-term debt in the Statement of Activities differs from the  
amount reported in the governmental funds because interest is recorded as  
an expenditure in the governmental funds when due. In the Statement of  
Activities, however, interest expense is recognized as the interest accrues,  
regardless of when it is due. 10,344

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:

Early retirement	24,000	
Net OPEB liability	<u>(52,000)</u>	<u>(28,000)</u>

Change in net position of governmental activities \$ 986,064

See notes to financial statements.

## TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS

June 30, 2014

	Enterprise			Internal
	School	After School	Total	Service
	Nutrition	Program		Flexible
				Benefits
<b>Assets</b>				
Cash and cash equivalents	\$ 18,651	\$ 7,695	\$ 26,346	\$ 1,974
Accounts receivable	614	-	614	-
Inventories	21,578	-	21,578	-
Capital assets, net of accumulated depreciation (note 4)	34,599	-	34,599	-
Total assets	<u>75,442</u>	<u>7,695</u>	<u>83,137</u>	<u>1,974</u>
<b>Liabilities</b>				
Salaries and benefits payable	<u>33,835</u>	<u>-</u>	<u>33,835</u>	<u>-</u>
<b>Fund Net Position</b>				
Net investment in capital assets	34,599	-	34,599	-
Unrestricted	<u>7,008</u>	<u>7,695</u>	<u>14,703</u>	<u>1,974</u>
Total fund net position	<u>\$ 41,607</u>	<u>\$ 7,695</u>	<u>\$ 49,302</u>	<u>\$ 1,974</u>

See notes to financial statements.

## TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2014

	School Nutrition	Enterprise After School Program	Total	Internal Service Flexible Benefits
Operating revenues:				
Local sources:				
Charges for services	\$ 301,649	\$ 18,595	\$ 320,244	\$ 51,600
Operating expenses:				
Instruction:				
Salaries	-	8,325	8,325	-
Benefits	-	2,533	2,533	-
Supplies	-	44	44	-
Non-instructional programs:				
Salaries	159,182	-	159,182	-
Benefits	80,005	-	80,005	-
Purchased services	3,612	-	3,612	-
Supplies	266,880	-	266,880	-
Depreciation	5,994	-	5,994	-
Other	-	-	-	51,673
Total operating expenses	<u>515,673</u>	<u>10,902</u>	<u>526,575</u>	<u>51,673</u>
Operating income (loss)	(214,024)	7,693	(206,331)	(73)
Non-operating revenues:				
Interest on investments	22	2	24	-
State sources	4,378	-	4,378	-
Federal sources	218,453	-	218,453	-
Total non-operating revenues	<u>222,853</u>	<u>2</u>	<u>222,855</u>	<u>-</u>
Change in fund net position	8,829	7,695	16,524	(73)
Fund net position beginning of year	<u>32,778</u>	<u>-</u>	<u>32,778</u>	<u>2,047</u>
Fund net position end of year	<u>\$ 41,607</u>	<u>\$ 7,695</u>	<u>\$ 49,302</u>	<u>\$ 1,974</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2014

	School Nutrition	Enterprise After School Program	Total	Internal Service Flexible Benefits
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 296,655	\$ -	\$ 296,655	\$ -
Cash received from miscellaneous operating activities	4,380	18,595	22,975	51,600
Cash payments to employees for services	(239,914)	(10,858)	(250,772)	-
Cash payments to suppliers for goods or services	(237,476)	(44)	(237,520)	(51,673)
Net cash provided by (used by) operating activities	<u>(176,355)</u>	<u>7,693</u>	<u>(168,662)</u>	<u>(73)</u>
Cash flows from non-capital financing activities:				
State grants received	4,378	-	4,378	-
Federal grants received	183,491	-	183,491	-
Net cash provided by non-capital financing activities	<u>187,869</u>	<u>-</u>	<u>187,869</u>	<u>-</u>
Cash flows from investing activities:				
Interest on investments	<u>22</u>	<u>2</u>	<u>24</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	11,536	7,695	19,231	(73)
Cash and cash equivalents beginning of year	<u>7,115</u>	<u>-</u>	<u>7,115</u>	<u>2,047</u>
Cash and cash equivalents end of year	<u>\$ 18,651</u>	<u>\$ 7,695</u>	<u>\$ 26,346</u>	<u>\$ 1,974</u>

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2014

	School Nutrition	Enterprise After School Program	Total	Internal Service Flexible Benefits
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ (214,024)	\$ 7,693	\$ (206,331)	\$ (73)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	5,994	-	5,994	-
Commodities used	34,962	-	34,962	-
(Increase) in accounts receivable	(614)	-	(614)	-
(Increase) in inventories	(1,733)	-	(1,733)	-
(Decrease) in accounts payable	(213)	-	(213)	-
(Decrease) in salaries and benefits payable	(727)	-	(727)	-
Net cash provided by (used by) operating activities	<u>\$ (176,355)</u>	<u>\$ 7,693</u>	<u>\$ (168,662)</u>	<u>\$ (73)</u>

Non-cash financing activities:

During the year ended June 30, 2014, the District received \$34,962 of federal commodities.

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 June 30, 2014

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Cash and pooled investments	\$ 242,391	\$ 10,401
Accrued interest receivable	159	-
Total assets	242,550	10,401
Liabilities:		
Other payables	-	10,401
Fiduciary Net Position:		
Restricted for scholarships	\$ 242,550	\$ -

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 Year Ended June 30, 2014

		<u>Private Purpose Trust</u>
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 1,800	
Interest	1,169	
Total additions		<u>2,969</u>
Deductions:		
Instruction:		
Scholarships awarded		<u>69,354</u>
Change in fiduciary net position		(66,385)
Fiduciary net position beginning of year		<u>308,935</u>
Fiduciary net position end of year	\$	<u><u>242,550</u></u>
See notes to financial statements.		

# TIPTON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### Note 1. Summary of Significant Accounting Policies

Tipton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Tipton, Iowa, and agricultural territory in Cedar County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

#### A. Reporting Entity

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

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

The District appoints the trustees of the Tipton School Foundation Inc. Board, which is considered a related organization.

#### B. Basis of Presentation

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

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt 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.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues 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 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 Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

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

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

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

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the 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 District 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, in that order.

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

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources 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 except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term 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 receivable is recognized in the governmental funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. 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.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% 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.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2014 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred inflows of resources on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

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.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

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. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of one year.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	4-12 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.

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.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District’s policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2014.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available.

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

Deferred inflows of resources in the Statement of Net Position consist of the 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 are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

During the year ended June 30, 2014, expenditures/expenses exceeded the amount budgeted in the other expenditures function.

Note 2. Cash 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 ensure 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.

TIPTON COMMUNITY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2014

Note 2. Cash and Pooled Investments (continued)

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 3,630,289

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor’s Financial Services.

Note 3. Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 435,775
Capital Projects	Debt Service	20,000
		\$ 455,775

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

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 43,300	\$ -	\$ -	\$ 43,300
Construction in progress	3,051,342	966,335	4,017,677	-
Total capital assets not being depreciated	<u>3,094,642</u>	<u>966,335</u>	<u>4,017,677</u>	<u>43,300</u>
Capital assets being depreciated:				
Buildings	11,139,600	4,017,677	-	15,157,277
Improvements other than buildings	514,480	15,208	-	529,688
Furniture and equipment	1,626,484	46,714	116,055	1,557,143
Total capital assets being depreciated	<u>13,280,564</u>	<u>4,079,599</u>	<u>116,055</u>	<u>17,244,108</u>
Less accumulated depreciation for:				
Buildings	4,040,795	278,819	-	4,319,614
Improvements other than buildings	344,126	15,734	-	359,860
Furniture and equipment	1,034,443	114,967	116,055	1,033,355
Total accumulated depreciation	<u>5,419,364</u>	<u>409,520</u>	<u>116,055</u>	<u>5,712,829</u>
Total capital assets being depreciated, net	<u>7,861,200</u>	<u>3,670,079</u>	<u>-</u>	<u>11,531,279</u>
Governmental activities capital assets, net	<u>\$ 10,955,842</u>	<u>\$ 4,636,414</u>	<u>\$ 4,017,677</u>	<u>\$ 11,574,579</u>
Business-type activities:				
Furniture and equipment	\$ 270,537	\$ -	\$ -	\$ 270,537
Less accumulated depreciation	229,944	5,994	-	235,938
Business-type activities capital assets, net	<u>\$ 40,593</u>	<u>\$ (5,994)</u>	<u>\$ -</u>	<u>\$ 34,599</u>

TIPTON COMMUNITY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2014

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction	\$ 13,267
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Support services:

Instructional staff	9,105
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Administration	14,454
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Operation and maintenance of plant	6,732
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Transportation	59,345
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	102,903
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Unallocated depreciation	306,617
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Total depreciation expense - governmental activities	\$ <u>409,520</u>
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Business-type activities:

Food service operations	\$ <u>5,994</u>
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TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 192,000	\$ 30,000	\$ 54,000	\$ 168,000	\$ 60,000
General obligation bonds	2,645,000	-	380,000	2,265,000	395,000
Revenue bonds	4,225,000	-	395,000	3,830,000	290,000
Net OPEB liability	198,000	52,000	-	250,000	-
Total	<u>\$ 7,260,000</u>	<u>\$ 82,000</u>	<u>\$ 829,000</u>	<u>\$ 6,513,000</u>	<u>\$ 745,000</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to \$30,000. Early retirement benefits will be paid annually over five years into a 403(b) account.

At June 30, 2014, the District has obligations to ten participants with a total liability of \$168,000. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$54,000. Early retirement is recorded as a long-term liability of the Governmental Activities in the government-wide financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds

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

Year Ending June 30,	General Obligation Bonds Issue dated January 5, 2005			
	Interest Rates	Principal	Interest	Total
2015	3.55 %	\$ 115,000	\$ 55,847	\$ 170,847
2016	3.65	120,000	51,765	171,765
2017	3.80	125,000	47,385	172,385
2018	3.90	130,000	42,635	172,635
2019	4.00	135,000	37,565	172,565
2020-2024	4.00-4.25	770,000	100,770	870,770
		<u>\$ 1,395,000</u>	<u>\$ 335,967</u>	<u>\$ 1,730,967</u>

Year Ending June 30,	General Obligation Bonds Refunding Issue dated March 15, 2005			
	Interest Rates	Principal	Interest	Total
2015	3.30 %	\$ 280,000	\$ 29,600	\$ 309,600
2016	3.40	290,000	20,360	310,360
2017	3.50	300,000	10,500	310,500
		<u>\$ 870,000</u>	<u>\$ 60,460</u>	<u>\$ 930,460</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2015	\$ 395,000	\$ 85,447	\$ 480,447
2016	410,000	72,125	482,125
2017	425,000	57,885	482,885
2018	130,000	42,635	172,635
2019	135,000	37,565	172,565
2020-2024	770,000	100,770	870,770
	<u>\$ 2,265,000</u>	<u>\$ 396,427</u>	<u>\$ 2,661,427</u>

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2014 local option (statewide) sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Revenue Bonds Issue dated June 1, 2006			
	Interest Rates	Principal	Interest	Total
2015	4.00 %	\$ 100,000	\$ 2,000	\$ 102,000

Year Ending June 30,	Revenue Bonds Issue dated December 1, 2012			
	Interest Rates	Principal	Interest	Total
2015	1.00 %	\$ 190,000	\$ 48,825	\$ 238,825
2016	1.00	425,000	45,750	470,750
2017	1.00	430,000	41,475	471,475
2018	1.05	435,000	37,041	472,041
2019	1.25	435,000	32,039	467,039
2020-2023	1.35-1.85	1,815,000	62,913	1,877,913
		\$ 3,730,000	\$ 268,043	\$ 3,998,043

Year Ending June 30,	Total		
	Principal	Interest	Total
2015	\$ 290,000	\$ 50,825	\$ 340,825
2016	425,000	45,750	470,750
2017	430,000	41,475	471,475
2018	435,000	37,041	472,041
2019	435,000	32,039	467,039
2020-2023	1,815,000	62,913	1,877,913
	\$ 3,830,000	\$ 270,043	\$ 4,100,043

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

The District pledged future local option (statewide) sales, services and use tax revenues to repay the \$1,400,000 and \$3,925,000 bonds issued in June 2006 and December 2012, respectively. The bonds were issued for the purpose of financing a portion of the costs of an elementary school upgrade, auditorium renovations, and wrestling room additions. The bonds are payable solely from the proceeds of the local option (statewide) sales, services and use tax revenues received by the District and are payable through 2022. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 45 to 65 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$4,100,043. For the current year, \$395,000 of principal and \$65,060 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$743,162.

The resolutions providing for the issuance of the local option (statewide) sales, services and use tax revenue bonds includes the following provisions:

- (a) For the June 2006 issue, monthly deposits were required to be made to the Reserve Fund until the maximum reserve requirement of 10% of stated principal amount was met. \$392,500 of the proceeds from the December 2012 issuance were deposited to the Reserve Fund. The Reserve Fund is to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Fund.
- (b) All proceeds from the local option (statewide) sales, services and use tax shall be placed in the Revenue Fund.
- (c) Monies in the Revenue Fund shall be disbursed to make monthly deposits into a Sinking Fund to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- (d) All monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 113 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is 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 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.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Other Postemployment Benefits (OPEB) (continued)

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 that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$	62,000
Interest on net OPEB obligation		5,000
Adjustment to annual required contribution		<u>(13,000)</u>
Annual OPEB cost		54,000
Contributions made		<u>(2,000)</u>
Increase in net OPEB obligation		52,000
Net OPEB obligation beginning of year		<u>198,000</u>
 Net OPEB obligation end of year	 \$	 <u><u>250,000</u></u>

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

For the year ended June 30, 2014, the District contributed \$2,000 to the medical plan.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2012	\$ 58,300	5.8%	\$ 147,000
2013	54,000	5.6%	198,000
2014	54,000	3.7%	250,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$395,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$395,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,361,000, and the ratio of the UAAL to covered payroll was 7.4%. As of June 30, 2014, there were no trust fund assets.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Other Postemployment Benefits (OPEB) (continued)

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, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$471,476, \$434,901, and \$391,069, respectively, equal to the required contributions for each year.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 8. Risk Management

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

Note 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 \$334,612 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

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

Program	Amount
Four year old preschool state aid	\$ 51,829
Beginning teacher mentoring and induction	1,906
Teacher salary supplement	40,403
Successful progression for early readers	15,968
Professional development for model core curriculum	33,956
Professional development	34,576
Teacher leadership grants	4,643
Total	\$ 183,281

Note 11. Subsequent Event

On July 29, 2014, the District issued \$2,295,000 of general obligation refunding bonds. Proceeds from the issuance will be used to refund the outstanding general obligation bonds dated January 5, 2005 and March 15, 2005. The refunding bonds will be paid over ten years with interest rates from 1.5% to 2.2%.

Note 12. 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.

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Required Supplementary Information

TIPTON COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year Ended June 30, 2014

	Governmental Funds - Actual	Proprietary Funds - Enterprise- Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 4,951,780	\$ 320,268	\$ 5,272,048	\$ 5,786,741	\$ 5,786,741	\$ (514,693)
Intermediate sources	28,543	-	28,543	30,000	30,000	(1,457)
State sources	5,596,654	4,378	5,601,032	4,894,987	4,894,987	706,045
Federal sources	318,715	218,453	537,168	362,710	362,710	174,458
<b>Total revenues</b>	<b>10,895,692</b>	<b>543,099</b>	<b>11,438,791</b>	<b>11,074,438</b>	<b>11,074,438</b>	<b>364,353</b>
<b>EXPENDITURES/EXPENSES:</b>						
Instruction	6,221,706	10,902	6,232,608	6,143,318	6,293,318	60,710
Support services	2,731,220	-	2,731,220	2,940,612	2,940,612	209,392
Non-instructional programs	-	515,673	515,673	569,000	569,000	53,327
Other expenditures	2,397,185	-	2,397,185	2,257,173	2,257,173	(140,012)
<b>Total expenditures/expenses</b>	<b>11,350,111</b>	<b>526,575</b>	<b>11,876,686</b>	<b>11,910,103</b>	<b>12,060,103</b>	<b>183,417</b>
Excess (deficiency) of revenues over (under) expenditures/ expenses	(454,419)	16,524	(437,895)	(835,665)	(985,665)	547,770
Other financing sources, net	36,562	-	36,562	-	-	36,562
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(417,857)	16,524	(401,333)	(835,665)	(985,665)	584,332
Balance beginning of year	4,647,673	32,778	4,680,451	3,291,488	3,291,488	1,388,963
Balance end of year	<u>\$ 4,229,816</u>	<u>\$ 49,302</u>	<u>\$ 4,279,118</u>	<u>\$ 2,455,823</u>	<u>\$ 2,305,823</u>	<u>\$ 1,973,295</u>

See accompanying independent auditor's report.

TIPTON 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 internal service, 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/expenses known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures/expenses by \$150,000.

During the year ended June 30, 2014, expenditures/expenses in the other expenditures function exceeded the amount budgeted.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

Required Supplementary Information  
Year Ended June 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( ( b-a)/c )
2010	July 1, 2009	\$ -	\$ 382	\$ 382	0.0%	\$ 4,747	8.1%
2011	July 1, 2009	-	365	365	0.0%	4,910	7.4%
2012	July 1, 2009	-	365	365	0.0%	4,905	7.4%
2013	July 1, 2012	-	407	407	0.0%	5,077	8.0%
2014	July 1, 2012	-	395	395	0.0%	5,361	7.4%

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

See accompanying independent auditor's report.

Supplementary Information

## TIPTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2014

	Special Revenue				Total
	Management Levy	Student Activity	District Support Trust	Debt Service	
<b>Assets</b>					
Cash and pooled investments	\$ 189,451	\$ 184,562	\$ 221,243	\$ 385,982	\$ 981,238
Receivables:					
Property tax:					
Current year	2,271	-	-	6,032	8,303
Succeeding year	180,000	-	-	433,000	613,000
Accrued interest	-	109	109	-	218
Accounts	-	660	-	-	660
Total assets	<u>\$ 371,722</u>	<u>\$ 185,331</u>	<u>\$ 221,352</u>	<u>\$ 825,014</u>	<u>\$ 1,603,419</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ 9,377	\$ -	\$ 11,000	\$ 20,377
Due to other governments	1,352	-	-	-	1,352
Salaries and benefits payable	-	1,454	-	-	1,454
Bond good faith deposit	-	-	-	22,750	22,750
Total liabilities	<u>1,352</u>	<u>10,831</u>	<u>-</u>	<u>33,750</u>	<u>45,933</u>
<b>Deferred inflows of resources:</b>					
Unavailable revenues:					
Succeeding year property tax	180,000	-	-	433,000	613,000
<b>Fund balances:</b>					
Revenue bonds	-	-	-	12,000	12,000
Revenue bonds sinking fund	-	-	-	316,888	316,888
Debt service	-	-	-	29,376	29,376
Management levy purposes	190,370	-	-	-	190,370
Student activities	-	174,500	-	-	174,500
Kindergarten enhancement	-	-	221,352	-	221,352
Total fund balances	<u>190,370</u>	<u>174,500</u>	<u>221,352</u>	<u>358,264</u>	<u>944,486</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 371,722</u>	<u>\$ 185,331</u>	<u>\$ 221,352</u>	<u>\$ 825,014</u>	<u>\$ 1,603,419</u>

See accompanying independent auditor's report.

## TIPTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2014

	Special Revenue				Total
	Management Levy	Student Activity	District Support Trust	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 200,546	\$ -	\$ -	\$ 479,467	\$ 680,013
Other	4,917	337,127	1,117	32	343,193
State sources	118	-	-	284	402
Total revenues	<u>205,581</u>	<u>337,127</u>	<u>1,117</u>	<u>479,783</u>	<u>1,023,608</u>
Expenditures:					
Current:					
Instruction	48,000	297,748	3,340	-	349,088
Support services:					
Administration	57,095	-	-	-	57,095
Operation and maintenance of plant	51,530	187	-	-	51,717
Transportation	9,052	20,829	-	-	29,881
Other expenditures:					
Long term debt:					
Principal	-	-	-	775,000	775,000
Interest and fiscal charges	-	-	-	184,107	184,107
Total expenditures	<u>165,677</u>	<u>318,764</u>	<u>3,340</u>	<u>959,107</u>	<u>1,446,888</u>
Excess (deficiency) of revenues over (under) expenditures	39,904	18,363	(2,223)	(479,324)	(423,280)
Other financing sources (uses):					
Interfund transfers in	-	-	-	435,775	435,775
Interfund transfers out	-	-	-	(20,000)	(20,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>415,775</u>	<u>415,775</u>
Net change in fund balances	39,904	18,363	(2,223)	(63,549)	(7,505)
Fund balances beginning of year	<u>150,466</u>	<u>156,137</u>	<u>223,575</u>	<u>421,813</u>	<u>951,991</u>
Fund balances end of year	<u>\$ 190,370</u>	<u>\$ 174,500</u>	<u>\$ 221,352</u>	<u>\$ 358,264</u>	<u>\$ 944,486</u>

See accompanying independent auditor's report.

## TIPTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
CAPITAL PROJECTS ACCOUNTS  
June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 568,359	\$ 775,388	\$ 1,343,747
Receivables:			
Property tax:			
Current year	-	2,603	2,603
Succeeding year	-	172,000	172,000
Income surtax	-	221,174	221,174
Accounts	-	7,604	7,604
Due from other governments	386,619	-	386,619
 Total assets	 \$ 954,978	 \$ 1,178,769	 \$ 2,133,747
 <b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 17,495	\$ 17,495
 <b>Deferred inflows of resources:</b>			
Unavailable revenues:			
Succeeding year property tax	-	172,000	172,000
Other	-	221,174	221,174
	-	393,174	393,174
 <b>Fund balances:</b>			
Restricted for:			
Revenue bonds	392,500	-	392,500
School infrastructure	562,478	-	562,478
Physical plant and equipment	-	768,100	768,100
Total fund balances	954,978	768,100	1,723,078
 Total liabilities, deferred inflows of resources and fund balances	 \$ 954,978	 \$ 1,178,769	 \$ 2,133,747

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 Year Ended June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 460,034	\$ 460,034
Other	57,000	13,486	70,486
State sources	743,162	122	743,284
Total revenues	<u>800,162</u>	<u>473,642</u>	<u>1,273,804</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	-	190,926	190,926
Administration	-	12,404	12,404
Operation and maintenance of plant	-	6,223	6,223
Transportation	-	1,508	1,508
Other expenditures:			
Facilities acquisition	954,764	148,702	1,103,466
Total expenditures	<u>954,764</u>	<u>359,763</u>	<u>1,314,527</u>
Excess (deficiency) of revenues over (under) expenditures	(154,602)	113,879	(40,723)
Other financing sources (uses):			
Compensation for loss of capital assets	25,000	10,215	35,215
Interfund transfers in	20,000	-	20,000
Interfund transfers out	(435,775)	-	(435,775)
Total other financing sources (uses)	<u>(390,775)</u>	<u>10,215</u>	<u>(380,560)</u>
Net change in fund balances	(545,377)	124,094	(421,283)
Fund balances beginning of year	<u>1,500,355</u>	<u>644,006</u>	<u>2,144,361</u>
Fund balances end of year	<u>\$ 954,978</u>	<u>\$ 768,100</u>	<u>\$ 1,723,078</u>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama Club	\$ 1,811	\$ 5,232	\$ 4,867	\$ 2,176
Forensics	9,739	4,962	4,637	10,064
Choir	-	4,388	3,996	392
Instrumental Music	4,664	3,192	2,434	5,422
Middle School Music	1,698	3,856	4,528	1,026
High School Band Color Guard	44	-	-	44
High School Athletics	12,073	66,667	67,076	11,664
Cross Country Special	1,470	2,153	2,078	1,545
Golf Special	944	2,763	3,218	489
Boys Basketball Special	4,905	10,934	12,055	3,784
Football Special	1,063	25,236	21,005	5,294
Baseball Special	1,203	8,279	5,885	3,597
Boys Track Special	2,740	3,192	2,956	2,976
Wrestling Special	2,848	6,227	7,583	1,492
Girls Basketball Special	7,971	11,948	16,444	3,475
Volleyball Special	4,402	10,169	9,071	5,500
Softball Special	2,200	703	609	2,294
Girls Track Special	183	-	-	183
Athletic Strength & Conditioning	3,433	6,171	5,248	4,356
Girls Swimming Special	-	5,008	4,912	96
Academic Decathlon	-	1,712	1,712	-
Art Club	244	217	231	230
Thespians	410	1,383	1,054	739
Honor Society	-	481	467	14
Football Cheerleaders	5,355	5,511	5,557	5,309
Basketball Cheerleaders	420	-	-	420
Wrestling Cheerleaders	1,772	822	1,198	1,396
High School Student Council	2,950	5,253	1,851	6,352
FFA	5,944	29,155	28,541	6,558
FCCLA	762	7,795	7,459	1,098
Yearbook	-	14,235	11,113	3,122
Spanish	266	3,000	2,947	319
Elementary Grade Fund	12,207	9,715	9,270	12,652
Invention Convention	119	-	-	119
Middle School Yearbook	-	1,976	1,976	-
Middle School Activity Fund	3,368	21,281	13,929	10,720
Middle School Athletics	1,297	15,805	13,284	3,818
MDT Fund	598	1,169	832	935
Middle School Lifeskills	213	83	206	90
Jump Rope for Heart	667	-	-	667

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Middle School Student Council	\$ 436	\$ 2,397	\$ 2,802	\$ 31
Gifted and Talented	199	-	-	199
Elementary TAG	321	-	-	321
FTC	99	1,375	1,292	182
Class of 2014	1,795	141	166	1,770
Class of 2015	816	20,030	17,715	3,131
Class of 2016	220	414	258	376
Tigerette Dance Squad	3,444	7,992	6,405	5,031
Special Projects	1,123	2,299	868	2,554
Activity Tickets	139	803	258	684
Transportation	47,562	1,003	8,771	39,794
Total	<u>\$ 156,137</u>	<u>\$ 337,127</u>	<u>\$ 318,764</u>	<u>\$ 174,500</u>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2014

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 9,719	\$ 11,694	\$ 11,012	\$ 10,401
Accounts receivable	7	(7)	-	-
Total assets	<u>\$ 9,726</u>	<u>\$ 11,687</u>	<u>\$ 11,012</u>	<u>\$ 10,401</u>
Liabilities				
Other payables	<u>\$ 9,726</u>	<u>\$ 11,687</u>	<u>\$ 11,012</u>	<u>\$ 10,401</u>

See accompanying independent auditor's report.

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TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2014	2013	2012	2011
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 3,809,807	\$ 4,371,900	\$ 4,193,395	\$ 4,162,007
Tuition	592,260	622,032	584,187	513,656
Other	549,713	501,284	524,621	510,049
Intermediate sources	28,543	31,386	28,308	30,383
State sources	5,596,654	4,451,157	4,437,195	4,069,375
Federal sources	318,715	291,132	379,570	515,262
Total revenues	<u>\$ 10,895,692</u>	<u>\$ 10,268,891</u>	<u>\$ 10,147,276</u>	<u>\$ 9,800,732</u>
<b>Expenditures:</b>				
Instruction	\$ 6,221,706	\$ 5,956,047	\$ 5,734,474	\$ 5,475,655
Support services:				
Student	146,136	144,966	224,743	245,884
Instructional staff	521,442	509,435	454,992	469,406
Administration	969,246	946,683	788,818	841,808
Operation and maintenance of plant	743,508	694,056	716,419	689,259
Transportation	350,888	430,421	306,730	341,048
Non-instructional programs	-	24,185	-	18,462
Other expenditures:				
Facilities acquisition	1,103,466	3,013,011	831,003	245,942
Long-term debt:				
Principal	775,000	560,000	540,000	515,000
Interest and fiscal charges	184,107	157,273	148,032	166,203
AEA flowthrough	334,612	316,034	313,380	331,593
Total expenditures	<u>\$ 11,350,111</u>	<u>\$ 12,752,111</u>	<u>\$ 10,058,591</u>	<u>\$ 9,340,260</u>

See accompanying independent auditor's report.

	2010	2009	2008	2007	2006	2005
\$	3,818,350	\$ 3,721,436	\$ 3,705,645	\$ 3,499,396	\$ 3,347,746	\$ 3,141,934
	454,684	432,158	564,210	557,699	575,238	418,697
	345,053	396,192	515,771	455,001	505,022	345,796
	30,629	23,409	28,510	33,830	-	-
	3,623,567	4,081,829	3,963,555	3,492,687	3,418,405	3,282,078
	750,321	275,527	147,642	177,607	186,231	215,590
\$	<u>9,022,604</u>	<u>8,930,551</u>	<u>8,925,333</u>	<u>8,216,220</u>	<u>8,032,642</u>	<u>7,404,095</u>
\$	5,175,067	\$ 4,985,836	\$ 4,740,671	\$ 4,541,923	\$ 4,260,694	\$ 4,329,539
	230,682	234,799	224,472	208,885	198,545	186,142
	375,483	379,133	357,069	306,552	399,113	438,747
	801,923	770,167	750,366	698,086	712,732	668,015
	686,938	656,989	612,096	609,347	571,910	562,547
	305,485	318,296	313,045	216,528	207,774	156,664
	37,999	61,259	46,322	-	-	39,178
	197,003	546,262	194,041	1,113,924	981,799	2,468,005
	505,000	480,000	600,732	466,512	3,053,645	268,645
	183,405	199,558	220,324	195,487	402,845	263,245
	328,048	287,197	273,614	247,228	237,619	231,345
\$	<u>8,827,033</u>	<u>8,919,496</u>	<u>8,332,752</u>	<u>8,604,472</u>	<u>11,026,676</u>	<u>9,612,072</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
Tipton Community School District:

We have audited in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tipton Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 3, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in Part I of the accompanying Schedule of Findings, that we consider to be significant deficiencies.

Compliance

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

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

Tipton Community School District's Responses to Findings

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

Purpose of this Report

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

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

Oskaloosa, Iowa  
October 3, 2014

*Hunt + Associates, P.C.*

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the same individual performs the following duties: recording and processing cash receipts and bank deposits, recording disbursements and preparing and distributing checks, and preparing bank reconciliations in the various funds.

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

Response – We will review our procedures and implement changes to improve controls as we deem necessary.

Conclusion – Response accepted.

I-B-14 Purchase Orders – The District currently uses purchase orders in the purchasing process. However, we noted six purchase orders out of forty tested that were completed after the goods had been ordered.

Recommendation – The advantage of using a purchase order system is that approval of the items being purchased is noted prior to ordering the items. Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and any necessary changes made so that all disbursements are approved by the appropriate administrators before ordering of supplies takes place.

Response – We will comply with this recommendation. We are currently working on educating all individuals involved as to the importance of the purchase order system.

Conclusion – Response accepted.

I-C-14 Gate Admissions – The athletic event and plays gate admissions and change box were not reconciled with prenumbered tickets.

Recommendation – The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of prenumbered tickets and the reconciling of the admissions and change box to the number of tickets issued.

Response – We will review our current procedures regarding gate admissions and consider implementing the recommended reconciliations.

Conclusion – Response accepted.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part II: Other Findings Related to Statutory Reporting:

II-A-14 Certified Budget – Expenditures/expenses for the year ended June 30, 2014, exceeded the amount budgeted in the other expenditures function.

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

Response – We will amend our budget in sufficient amounts before expenditures exceed the budget in the future.

Conclusion – Response accepted.

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

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

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

Name, Title and Business Connection	Transaction Description	Amount
Brad Goetz, Board Member Father is owner of Family Foods	Supplies	\$18,174
Brad Goetz, Board Member Mother is a Teacher	Salary	\$61,435

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

II-E-14 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that 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 Iowa 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.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

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

- II-J-14 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-14 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- II-L-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$	1,500,355
Revenues/transfers in:			
Interest	\$	129	
Other local revenues		81,871	
Statewide sales, services and use tax		743,162	
Transfers from other funds:			
Debt service fund		<u>20,000</u>	845,162
Expenditures/transfers out:			
School infrastructure construction		938,939	
Equipment		3,300	
Other		12,525	
Transfers to other funds:			
Debt Service Fund		<u>435,775</u>	<u>1,390,539</u>
Ending balance		\$	<u><u>954,978</u></u>

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