

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Collins-Maxwell Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2013 Election)</b>		
Lowell Crouse	President	2013
Mark Huntrods	Vice President	2015
Amy Van Maanen	Board Member	2015
Jeff Lindemoen	Board Member	2013
Bryce Caple	Board Member	2015
<b>(After September 2013 Election)</b>		
Lowell Crouse	President	2017
Mark Huntrods	Vice President	2015
Amy Van Maanen	Board Member	2015
Justin Boege	Board Member	2017
Bryce Caple	Board Member	2015
<b>School Officials</b>		
Jason Ellingson	Superintendent	2014
Bonnie Mitchell	District Secretary/Treasurer and Business Manager	2014
Ahlers & Cooney, P.C.	Attorney	2014

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

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

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of the Collins-Maxwell 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 Collins-Maxwell Community School District, Maxwell, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Collins-Maxwell 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.

**Members American Institute & Iowa Society of Certified Public Accountants**

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Collins-Maxwell 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 year ended June 30, 2013 (which is not presented herein) and expressed an unmodified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2015 on our consideration of Collins-Maxwell Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Collins-Maxwell Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2015  
Newton, Iowa

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

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

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$4,781,546 in fiscal 2013 to \$4,706,143 in fiscal 2014, while General Fund expenditures increased from \$4,958,402 in fiscal 2013 to \$5,164,765 in fiscal 2014. This resulted in a decrease in the District's General Fund balance from \$1,156,047 in fiscal 2013 to a balance of \$697,425 in fiscal 2014, a 39.67% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state and federal sources in fiscal 2014. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.
- The 2013-2014 school year brought with it many challenging opportunities and resulted in many successes. This was a year of great change for the district, so we continue to build from our strong foundation as we challenge ourselves to grow.
  - Construction was completed at the Collins-Maxwell Elementary in Collins, with \$2.2 million worth of remodeling and new construction. New construction consisted of a preschool, art room, administration offices with secured entryway, and commons. Remodeled areas included new spaces for the music room, Title 1 room, TAG room, guidance center, and AEA offices.
  - In May, Collins-Maxwell awarded diplomas to 28 seniors. Of those, 24 indicated they plan to attend some type of postsecondary institution to expand their learning and prepare for a career.
  - Those same seniors gave incredible portfolio presentations in December and April. For the third year, all portfolio presentations were electronic. The district congratulates the students for demonstrating their success with our Student Learning Goals.
  - The district successfully met all Adequate Yearly Progress goals in reading, mathematics, and science again for the school year, except for middle school math.
  - The district continued to receive strong financial and personal support from our various booster clubs. Our students were celebrated and supported in sports, fine arts, and other extra-curricular activities.
  - The ACT is the most common college entrance exam taken by our students. A score of 20 or higher on the ACT is considered to be an indicator of probable success in college. Of the 32 ACT-tested students in grades 9-12 during the 2013-2014 school year, 20 (or 62.5%) of them earned a score of 20 or more.
  - The district's Comprehensive School Improvement Plan (CSIP) was certified by the state. Professional development plans for the district, the buildings, and every teacher were aligned to the CSIP to ensure a clear and consistent focus on improvement in our goal areas. This year, the entire district teaching staff engaged in learning and using the Authentic Intellectual Work (AIW) framework.

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- The base salary of the teachers for the 2014-2015 school year was increased to \$28,880. Teachers were able to receive their year of experience increase as well as any lane advancements due to staff development or graduate course credits.
  - Special education costs continued to rise compared to previous years. The district continues to see an increase in the number of special education students with increasingly severe needs.
  - Select students from the FFA again attended the national convention in Louisville, KY in the fall.
  - District enrollment increased this year, temporarily stopping a downward trend for the district. Open enrollment out requests continue to outbalance open enrollment in requests. The district continues to review funding to support quality programs and services.
  - Health insurance rates continue to rise, forcing the district to carry a larger burden of the cost or reduce employee benefits. The district chose to maintain the same level of benefits and worked with its insurance management company to continue to partially self-fund its insurance plan.
  - The IMPACT Teen Club was once again offered to middle school students throughout the year. The district is thankful to Youth and Shelter Services for providing the supervising personnel and to the Story County Decat board for support a grant to fund the Teen Club. Participation in the C-M Teen Club allows our students to engage in worthwhile activities that support learning and positive social interaction.
  - Breakfast and lunch prices were increased by ten cents in the spring for the 2014-2015 school year to fund new changes to the food service program as mandated by the federal government.
  - The board approved its FY15 budget with a debt service levy of \$0.83 to pay down debt and allow more sales tax revenues to be used for current facility improvements. This is the final year of our debt service levy for previous improvements to both buildings. The income surtax for the instructional support program was dropped to one percent. Overall, the total levy rate remained the same.
  - The district received \$480,000 in state sales tax revenue, while spending \$350,000 toward debt and other small improvements in facilities and technology. The district plans to use the balance of sales tax revenue to support larger facility and technology improvements in the near future.

## **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Collins-Maxwell 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 Collins-Maxwell 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 Collins-Maxwell Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

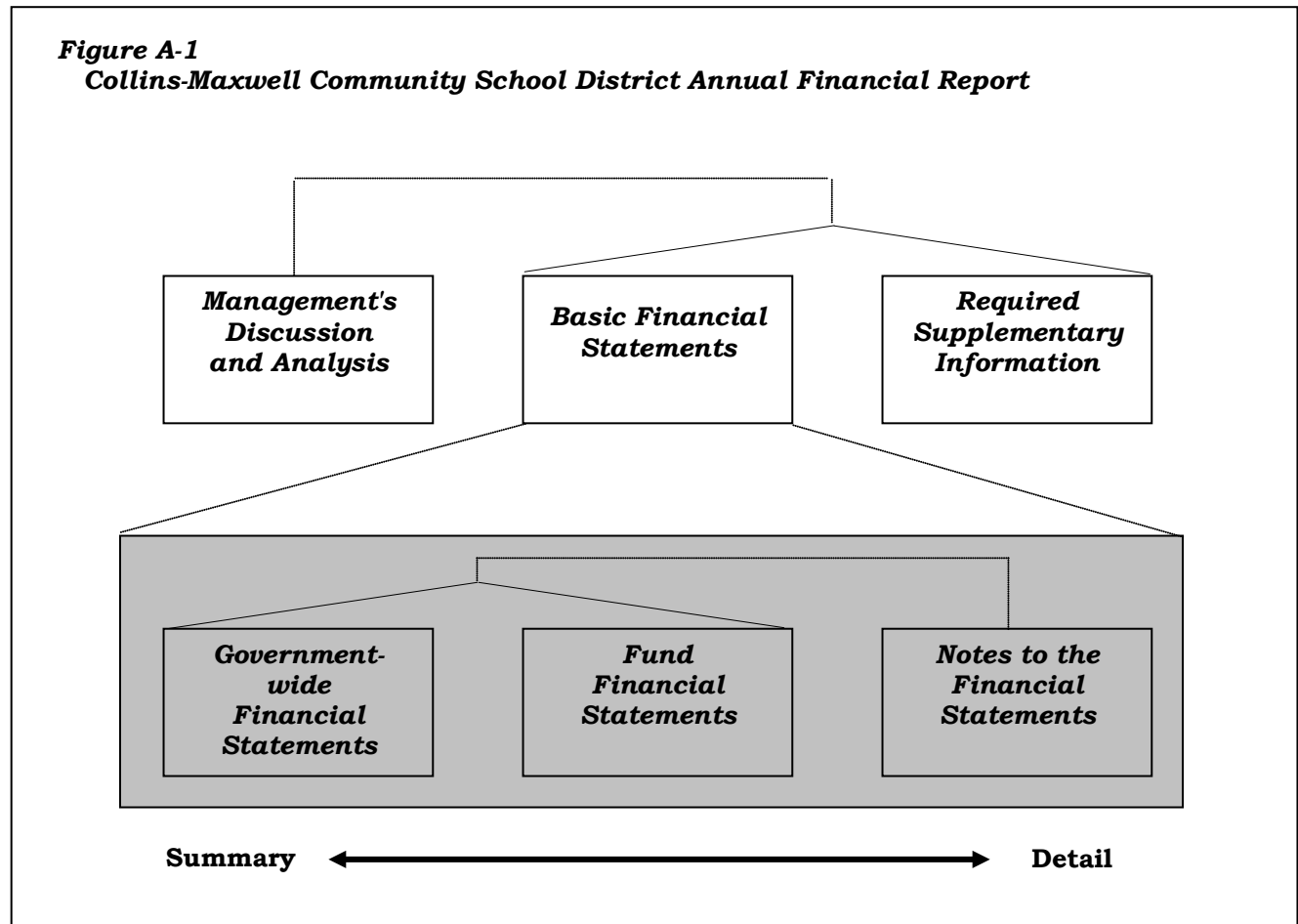


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3  
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 5,230,314	6,421,781	10,129	16,767	5,240,443	6,438,548	-18.61%
Capital assets	6,259,071	5,620,919	26,926	1,236	6,285,997	5,622,155	11.81%
Total assets	11,489,385	12,042,700	37,055	18,003	11,526,440	12,060,703	-4.43%
Long-term obligations	2,788,828	3,206,760	4,518	3,191	2,793,346	3,209,951	-12.98%
Other liabilities	287,077	363,880	4,578	11,616	291,655	375,496	-22.33%
Total liabilities	3,075,905	3,570,640	9,096	14,807	3,085,001	3,585,447	-13.96%
Deferred inflows of resources	2,098,344	2,063,403	-	-	2,098,344	2,063,403	1.69%
Net position:							
Net investment in capital assets	3,559,071	3,121,352	26,926	1,236	3,585,997	3,122,588	14.84%
Restricted	2,329,314	2,263,923	-	-	2,329,314	2,263,923	2.89%
Unrestricted	426,751	1,023,382	1,033	1,960	427,784	1,025,342	-58.28%
Total net position	\$ 6,315,136	6,408,657	27,959	3,196	6,343,095	6,411,853	-1.07%

The District's combined net position decreased by 1.07%, or \$68,758, over the prior year. The largest portion of the District's net position is the invested in capital assets, net of 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 \$65,391, or 2.89% over the prior year. The increase was a result of the increase in the Capital Projects: Physical Plant and Equipment Levy.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$597,558, or 58.28%. This decrease in unrestricted net position was primarily a result the District's decrease in the General fund balance.

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

Figure A-4  
Changes of Net Position

	Governmental Activities		Business Type Activities		Total		Total Change 2013-14
	2014	2013	2014	2013	2014	2013	
Revenues:							
Program revenues:							
Charges for services	\$ 277,098	331,051	129,308	114,779	406,406	445,830	-8.84%
Operating grants and contributions and restricted interest	396,929	439,073	104,519	107,559	501,448	546,632	-8.27%
General revenues:							
Property tax	2,071,612	1,991,874	-	-	2,071,612	1,991,874	4.00%
Income surtax	137,193	108,423	-	-	137,193	108,423	26.53%
Statewide sales, services and use tax	406,604	642,618	-	-	406,604	642,618	-36.73%
Unrestricted state grants	2,365,943	2,514,200	-	-	2,365,943	2,514,200	-5.90%
Unrestricted investment earnings	10,985	18,413	38	144	11,023	18,557	-40.60%
Other	22,326	26,356	447	-	22,773	26,356	-13.59%
Total revenues	5,688,690	6,072,008	234,312	222,482	5,923,002	6,294,490	-5.90%
Program expenses:							
Governmental activities:							
Instructional	3,903,681	3,735,175	-	-	3,903,681	3,735,175	4.51%
Support services	1,365,433	1,445,349	27,780	28,070	1,393,213	1,473,419	-5.44%
Non-instructional programs	-	-	255,401	226,169	255,401	226,169	12.92%
Other expenses	439,465	426,894	-	-	439,465	426,894	2.94%
Total expenses	5,708,579	5,607,418	283,181	254,239	5,991,760	5,861,657	2.22%
Excess(Deficiency) of revenues over(under) expenses	(19,889)	464,590	(48,869)	(31,757)	(68,758)	432,833	-115.89%
Transfers	(73,632)	-	73,632	-	-	-	0.00%
Change in net position	(93,521)	464,590	24,763	(31,757)	(68,758)	432,833	-115.89%
Beginning net position	6,408,657	5,944,067	3,196	34,953	6,411,853	5,979,020	7.24%
Ending net position	\$ 6,315,136	6,408,657	27,959	3,196	6,343,095	6,411,853	-1.07%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 87.57% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.79% of the revenue from business type activities.

The District's total revenues were approximately \$5.92 million of which \$5.69 million was for governmental activities and \$0.23 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.90% decrease in revenues and a 2.22% increase in expenses. The increase in expenses related to increase in the negotiated salary and benefits.

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## Governmental Activities

Revenues for governmental activities were \$5,688,690 and expenses were \$5,708,579.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 3,903,681	3,735,175	4.51%	3,414,309	3,146,272	8.52%
Support services	1,365,433	1,445,349	-5.53%	1,364,579	1,444,808	-5.55%
Other expenses	439,465	426,894	2.94%	255,664	246,214	3.84%
Totals	<u>\$ 5,708,579</u>	<u>5,607,418</u>	<u>1.80%</u>	<u>5,034,552</u>	<u>4,837,294</u>	<u>4.08%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$277,098.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$396,929.
- The net cost of governmental activities was financed with \$2,071,612 in property tax, \$137,193 in income surtax, \$406,604 in statewide sales, services and use tax, \$2,365,943 in unrestricted state grants, \$10,985 in unrestricted investment earnings, and \$22,326 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities were \$234,312 and expenses were \$283,181. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Collins-Maxwell Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,763,003, below last year's ending fund balances of \$3,918,071. The primary reason for the decrease in combined fund balances in fiscal 2014 is due to the decrease in the General Fund and Capital Projects Fund balance.

## Governmental Fund Highlights

- Overall, District revenues in the General Fund for fiscal 2014 decreased 1.58% or \$75,403, to \$4,706,143 compared to \$4,781,546 in fiscal 2013. The expenses increased by 4.16% or \$206,363, to \$5,164,765 compared to \$4,958,402 in fiscal 2013. The General Fund balance decreased \$458,622.
- The Management Levy Fund balance decreased from \$296,287 in fiscal 2013 to \$213,649 in fiscal 2014. This was due primarily to an increase in expenditures during fiscal 2014.

- The Capital Projects Fund balance decreased from \$2,091,761 in fiscal 2013 to \$1,474,145 in fiscal 2014. The decrease was due to the construction costs incurred during the year.

### Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$3,196 at June 30, 2013 to \$27,959 at June 30, 2014, representing an increase of 774.81%.

### BUDGETARY HIGHLIGHTS

Over the course of the year, Collins-Maxwell Community School District amended its budget one time by \$1,689,774.

The District's revenues were \$720,444 less than budgeted revenues, a variance of 10.85%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2014, the District had invested \$6,285,997, 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) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$377,835.

The original cost of the District's capital assets was \$11,877,304. Governmental funds account for \$11,784,132 with the remainder of \$93,172 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2014, compared to \$1,945,535 reported at June 30, 2013. This increase resulted from the continuing construction of the elementary addition.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 226,464	226,464	-	-	226,464	226,464	0.00%
Construction in progress	-	1,945,535	-	-	-	1,945,535	-100.00%
Buildings and improvements	5,515,909	2,948,794	-	-	5,515,909	2,948,794	87.06%
Land improvements	206,731	54,056	-	-	206,731	54,056	282.44%
Machinery and equipment	309,967	446,070	26,926	1,236	336,893	447,306	-24.68%
Total	\$ 6,259,071	5,620,919	26,926	1,236	6,285,997	5,622,155	11.81%

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## Long-Term Debt

At June 30, 2014, the District had \$2,793,346 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 12.98% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonded indebtedness of \$110,000 at June 30, 2014.

The District had total outstanding revenue bonded indebtedness of \$2,590,000 at June 30, 2014.

The District had total outstanding other postemployment benefits payable of \$93,346 at June 30, 2014.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
General obligation bonds	\$ 110,000	420,000	-	-	110,000	420,000	-73.81%
Revenue bonds	2,590,000	2,590,000	-	-	2,590,000	2,590,000	0.00%
Computer lease	-	134,032	-	-	-	134,032	-100.00%
Net OPEB liability	88,828	62,728	4,518	3,191	93,346	65,919	41.61%
Totals	\$ 2,788,828	3,206,760	4,518	3,191	2,793,346	3,209,951	-12.98%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Fluctuations in enrollment, with a negative trend for the past five years; increasing costs for salaries, benefits and instructional materials; state and federal legislation resulting in funding changes; and property valuations.

## 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 Bonnie Mitchell, Board Secretary/Business Manager, Collins-Maxwell Community School District, 400 Metcalf St., Maxwell, Iowa, 50161.



BASIC FINANCIAL STATEMENTS

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 2,855,074	9,349	2,864,423
Receivables:			
Property tax:			
Delinquent	22,016	-	22,016
Succeeding year	2,098,344	-	2,098,344
Income surtax	114,870	-	114,870
Due from other funds	5,000	(5,000)	-
Due from other governments	135,010	66	135,076
Inventories	-	5,714	5,714
Capital assets, net of accumulated depreciation	6,259,071	26,926	6,285,997
<b>TOTAL ASSETS</b>	<b>11,489,385</b>	<b>37,055</b>	<b>11,526,440</b>
<b>LIABILITIES</b>			
Accounts payable	254,097	-	254,097
Interest payable	32,980	-	32,980
Unearned revenue	-	4,578	4,578
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	110,000	-	110,000
Portion due after one year:			
Revenue bonds payable	2,590,000	-	2,590,000
Net OPEB liability	88,828	4,518	93,346
<b>TOTAL LIABILITIES</b>	<b>3,075,905</b>	<b>9,096</b>	<b>3,085,001</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	2,098,344	-	2,098,344
<b>NET POSITION</b>			
Net investment in capital assets	3,559,071	26,926	3,585,997
Restricted for:			
Categorical funding	296,716	-	296,716
Debt service	240,562	-	240,562
Management levy purposes	213,649	-	213,649
Student activities	104,242	-	104,242
School infrastructure	1,412,560	-	1,412,560
Physical plant and equipment	61,585	-	61,585
Unrestricted	426,751	1,033	427,784
<b>TOTAL NET POSITION</b>	<b>\$ 6,315,136</b>	<b>27,959</b>	<b>6,343,095</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,460,051	144,506	56,916	(2,258,629)	-	(2,258,629)
Special	747,759	38,651	21,438	(687,670)	-	(687,670)
Other	695,871	93,941	133,920	(468,010)	-	(468,010)
	3,903,681	277,098	212,274	(3,414,309)	-	(3,414,309)
Support services:						
Student	126,801	-	-	(126,801)	-	(126,801)
Instructional staff	183,898	-	-	(183,898)	-	(183,898)
Administration	502,439	-	-	(502,439)	-	(502,439)
Operation and maintenance of plant	361,898	-	-	(361,898)	-	(361,898)
Transportation	190,397	-	854	(189,543)	-	(189,543)
	1,365,433	-	854	(1,364,579)	-	(1,364,579)
Long-term debt interest	75,623	-	-	(75,623)	-	(75,623)
Other expenses:						
AEA flowthrough	183,801	-	183,801	-	-	-
Depreciation(unallocated)*	180,041	-	-	(180,041)	-	(180,041)
	363,842	-	183,801	(180,041)	-	(180,041)
Total governmental activities	5,708,579	277,098	396,929	(5,034,552)	-	(5,034,552)
Business type activities:						
Support services:						
Administration	25,195	-	-	-	(25,195)	(25,195)
Operation and maintenance of plant	2,585	-	-	-	(2,585)	(2,585)
Non-instructional programs:						
Nutrition services	255,401	129,308	104,519	-	(21,574)	(21,574)
	283,181	129,308	104,519	-	(49,354)	(49,354)
Total	\$ 5,991,760	406,406	501,448	(5,034,552)	(49,354)	(5,083,906)
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 1,602,928	-	1,602,928
Debt service				329,151	-	329,151
Capital outlay				139,533	-	139,533
Income surtax				137,193	-	137,193
Statewide sales, services and use tax				406,604	-	406,604
Unrestricted state grants				2,365,943	-	2,365,943
Unrestricted investment earnings				10,985	38	11,023
Other general revenues				22,326	447	22,773
Transfers				(73,632)	73,632	-
Total general revenues				4,941,031	74,117	5,015,148
Changes in net position				(93,521)	24,763	(68,758)
Net position beginning of year				6,408,657	3,196	6,411,853
Net position end of year				\$ 6,315,136	27,959	6,343,095

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

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Management Levy	Capital Projects	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 712,200	213,649	1,554,152	375,073	2,855,074
Receivables:					
Property tax:					
Delinquent	17,069	-	1,486	3,461	22,016
Succeeding year	1,495,940	350,000	137,888	114,516	2,098,344
Income surtax	114,870	-	-	-	114,870
Due from other funds	5,000	-	-	-	5,000
Due from other governments	69,393	-	65,617	-	135,010
<b>TOTAL ASSETS</b>	<b>\$ 2,414,472</b>	<b>563,649</b>	<b>1,759,143</b>	<b>493,050</b>	<b>5,230,314</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 106,237	-	147,110	750	254,097
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,495,940	350,000	137,888	114,516	2,098,344
Income surtax	114,870	-	-	-	114,870
Total deferred inflows of resources	1,610,810	350,000	137,888	114,516	2,213,214
Fund balances:					
Restricted for:					
Categorical funding	296,716	-	-	-	296,716
Debt service	-	-	-	273,542	273,542
Management levy purposes	-	213,649	-	-	213,649
Student activities	-	-	-	104,242	104,242
School infrastructure	-	-	1,412,560	-	1,412,560
Physical plant and equipment	-	-	61,585	-	61,585
Unassigned	400,709	-	-	-	400,709
Total fund balances	697,425	213,649	1,474,145	377,784	2,763,003
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,414,472</b>	<b>563,649</b>	<b>1,759,143</b>	<b>493,050</b>	<b>5,230,314</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds (page 20)</b>	\$	2,763,003
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		6,259,071
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(32,980)
Other long-term assets are not available to pay current year expendiutres and, therefore, are recognized as deferred inflows of resources in the governmental funds.		114,870
Long-term liabilities, including bonds payable and other post employment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(2,788,828)</u>
<b>Net position of governmental activities (page 18)</b>	<b>\$</b>	<b><u><u>6,315,136</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,737,207	-	139,533	329,151	2,205,891
Tuition	160,719	-	-	-	160,719
Other	46,054	5,341	5,462	94,204	151,061
State sources	2,636,662	-	406,675	167	3,043,504
Federal sources	124,601	-	-	-	124,601
Total revenues	<u>4,705,243</u>	<u>5,341</u>	<u>551,670</u>	<u>423,522</u>	<u>5,685,776</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,292,295	33,087	-	-	2,325,382
Special	743,897	-	-	-	743,897
Other	592,078	-	-	100,428	692,506
	<u>3,628,270</u>	<u>33,087</u>	<u>-</u>	<u>100,428</u>	<u>3,761,785</u>
Support services:					
Student	126,801	-	-	-	126,801
Instructional staff	182,297	-	1,601	-	183,898
Administration	490,300	-	-	-	490,300
Operation and maintenance of plant	383,793	43,354	-	-	427,147
Transportation	169,503	11,538	12,500	-	193,541
	<u>1,352,694</u>	<u>54,892</u>	<u>14,101</u>	<u>-</u>	<u>1,421,687</u>
Capital outlay	-	-	952,267	-	952,267
Long-term debt:					
Principal	-	-	-	444,032	444,032
Interest and fiscal charges	-	-	-	78,172	78,172
	<u>-</u>	<u>-</u>	<u>-</u>	<u>522,204</u>	<u>522,204</u>
Other expenditures:					
AEA flowthrough	183,801	-	-	-	183,801
Total expenditures	<u>5,164,765</u>	<u>87,979</u>	<u>966,368</u>	<u>622,632</u>	<u>6,841,744</u>
Deficiency of revenues under expenditures	(459,522)	(82,638)	(414,698)	(199,110)	(1,155,968)
Other financing sources(uses):					
Transfer in	-	-	-	202,918	202,918
Transfer out	-	-	(202,918)	-	(202,918)
Sale of equipment	900	-	-	-	900
Total other financing sources(uses)	<u>900</u>	<u>-</u>	<u>(202,918)</u>	<u>202,918</u>	<u>900</u>
Change in fund balances	(458,622)	(82,638)	(617,616)	3,808	(1,155,068)
Fund balances beginning of year	<u>1,156,047</u>	<u>296,287</u>	<u>2,091,761</u>	<u>373,976</u>	<u>3,918,071</u>
Fund balances end of year	<u>\$ 697,425</u>	<u>213,649</u>	<u>1,474,145</u>	<u>377,784</u>	<u>2,763,003</u>

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2014

**Change in fund balances - total governmental funds (page 22)** \$ (1,155,068)

*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 year are as follows:

Capital outlays	\$ 968,045	
Depreciation expense	<u>(329,893)</u>	638,152

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

Current year repayments are as follows:

Repaid		444,032
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

2,549

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

2,914

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

Other postemployment benefits		<u>(26,100)</u>
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**Change in net position of governmental activities (page 19)** \$ (93,521)

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2014

	School Nutrition
<b>ASSETS</b>	
Current assets:	
Cash and pooled investments	\$ 9,349
Due from other governments	66
Inventories	5,714
Total current assets	15,129
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	26,926
<b>TOTAL ASSETS</b>	<b>42,055</b>
<b>LIABILITIES</b>	
Current liabilities:	
Due to other funds	5,000
Unearned revenue	4,578
Total current liabilities	9,578
Long-term liabilities:	
Net OPEB liability	4,518
<b>TOTAL LIABILITIES</b>	<b>14,096</b>
<b>NET POSITION</b>	
Invested in capital assets	26,926
Unrestricted	1,033
<b>TOTAL NET POSITION</b>	<b>\$ 27,959</b>

SEE NOTES TO FINANCIAL STATEMENTS.



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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 129,308
Miscellaneous	447
	129,755
OPERATING EXPENSES:	
Support services:	
Administration:	
Benefits	25,195
Operation and maintenance of plant:	
Supplies	2,585
Total support services	27,780
Non-instructional programs:	
Salaries	82,300
Benefits	13,438
Services	55
Supplies	111,666
Depreciation	47,942
	255,401
TOTAL OPERATING EXPENSES	283,181
OPERATING LOSS	(153,426)
NON-OPERATING REVENUES:	
State sources	1,849
Federal sources	102,670
Interest on investments	38
TOTAL NON-OPERATING REVENUES	104,557
Change in net position before capital contributions	(48,869)
Capital contributions	73,632
Change in net position	24,763
Net position beginning of year	3,196
Net position end of year	\$ 27,959

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
YEAR ENDED JUNE 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 129,704
Cash received from miscellaneous sources	447
Cash payments to employees for services	(119,606)
Cash payments to suppliers for goods or services	(92,191)
Net cash used in operating activities	(81,646)
Cash flows from non-capital financing activities:	
Repayment to General Fund	(2,500)
State grants received	1,849
Federal grants received	83,714
Net cash provided by non-capital financing activities	83,063
Cash flows from investing activities:	
Interest on investments	38
Net increase in cash and cash equivalents	1,455
Cash and cash equivalents at beginning of year	7,894
Cash and cash equivalents at end of year	\$ 9,349
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (153,426)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	18,956
Depreciation	47,942
Decrease in inventories	3,159
Increase in accounts receivable	66
Increase in unearned revenue	462
Increase in other postemployment benefits	1,327
Net cash used in operating activities	\$ (81,514)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$18,956.

During the year ended June 30, 2014 the District received capital contributions valued at \$73,632 from the Capital Projects: Statewide Sales, Services and Use Tax.

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2014

	<u>Private Purpose Trust</u>	<u>Scholarship Fund</u>
<b>ASSETS</b>		
Cash and pooled investments	\$ 433,910	
Land		2,044,624
<b>TOTAL ASSETS</b>		<u>2,478,534</u>
<b>LIABILITIES</b>		
		<u>-</u>
<b>NET POSITION</b>		
Restricted for scholarships	\$ 2,478,534	

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust Scholarship Fund
Additions:	
Local sources:	
Rent	\$ 107,849
Interest income	1,008
Total additions	<u>108,857</u>
Deductions:	
Instruction:	
Scholarships awarded	45,325
Support services:	
Farm maintenance costs	7,596
Total deductions	<u>52,921</u>
Change in net position before other financing sources	55,936
Other financing uses:	
Unrealized loss on land	<u>(195,104)</u>
Change in net position	(139,168)
Net position beginning of year	<u>2,617,702</u>
Net position end of year	<u>\$ 2,478,534</u>

SEE NOTES TO FINANCIAL STATEMENTS.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**Note 1. Summary of Significant Accounting Policies**

The Collins-Maxwell 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 cities of Collins and Maxwell, Iowa, and the agricultural territory in Jasper, Marshall, Polk and Story Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

For financial reporting purposes, Collins-Maxwell Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Collins-Maxwell Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

**B. Basis of Presentation**

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Management Levy Fund is utilized for the payment of insurance, unemployment and termination benefits.

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 also reports the following nonmajor proprietary funds:

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is a nonmajor fund 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 which require income earned to be used to benefit individuals through scholarship awards.

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

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

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

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

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

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

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

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

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

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

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

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

Property Taxes - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

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

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

Inventories - The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

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

Asset Class	Amount
Land	\$ 1,000
Buildings and improvements	10,000
Improvements other than buildings	10,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,200

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

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2014, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2014.

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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of unspent federal grant proceeds, 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 consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.



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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

**E. Budgeting and Budgetary Control**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the non-instructional programs functional area.

**Note 2. Deposits and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. As of June 30, 2014, the District had no investments.

**Note 3. Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nutrition Fund	\$ 5,000

The Nutrition Fund is repaying the General Fund for money borrowed for salaries and benefits not repaid before year end.

**Note 4. Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 202,918

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

**Note 5. Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 226,464	-	-	226,464
Construction in progress	1,945,535	790,396	2,735,931	-
Total capital assets not being depreciated	<u>2,171,999</u>	<u>790,396</u>	<u>2,735,931</u>	<u>226,464</u>
Capital assets being depreciated:				
Buildings and improvements	5,684,827	2,735,931	-	8,420,758
Land improvements	315,711	163,900	-	479,611
Machinery and equipment	2,643,550	13,749	-	2,657,299
Total capital assets being depreciated	<u>8,644,088</u>	<u>2,913,580</u>	<u>-</u>	<u>11,557,668</u>
Less accumulated depreciation for:				
Buildings and improvements	2,736,033	168,816	-	2,904,849
Land improvements	261,655	11,225	-	272,880
Machinery and equipment	2,197,480	149,852	-	2,347,332
Total accumulated depreciation	<u>5,195,168</u>	<u>329,893</u>	<u>-</u>	<u>5,525,061</u>
Total capital assets being depreciated, net	<u>3,448,920</u>	<u>2,583,687</u>	<u>-</u>	<u>6,032,607</u>
Governmental activities capital assets, net	<u>\$ 5,620,919</u>	<u>3,374,083</u>	<u>2,735,931</u>	<u>6,259,071</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 19,540	73,632	-	93,172
Less accumulated depreciation	18,304	47,942	-	66,246
Business type activities capital assets, net	<u>\$ 1,236</u>	<u>25,690</u>	<u>-</u>	<u>26,926</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 113,680
Other	3,365

Support services:

Administration	12,139
Operation and maintenance of plant	11,312
Transportation	9,356
	<u>149,852</u>

Unallocated depreciation 180,041

Total governmental activities depreciation expense \$ 329,893

Business Type activities:

Food services \$ 47,942

**Note 6. Long-Term Debt**

All Long-Term Debt listed is related to governmental activities. A summary of changes in long-term debt for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 420,000	-	310,000	110,000	110,000
Revenue Bonds	2,590,000	-	-	2,590,000	-
Computer Lease	134,032	-	134,032	-	-
Net OPEB Liability	62,728	26,100	-	88,828	-
Total	<u>\$ 3,206,760</u>	<u>26,100</u>	<u>444,032</u>	<u>2,788,828</u>	<u>110,000</u>
<b>Business type Activities:</b>					
Net OPEB Liability	\$ 3,191	1,327	-	4,518	-

**General Obligation Bonds Payable**

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

Year Ending June 30,	Bond Issue of May 1, 2003			
	Interest Rate	Principal	Interest	Total
2015	3.65 %	\$ 110,000	4,015	114,015

**Revenue Bonds Payable**

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

Year Ending June 30,	Bond Issue of June 28, 2012			
	Interest Rate	Principal	Interest	Total
2015	1.00 %	\$ -	64,623	64,623
2016	1.00	140,000	63,923	203,923
2017	1.25	140,000	62,348	202,348
2018	1.50	145,000	60,385	205,385
2019	1.75	145,000	58,029	203,029
2020-2024	2.00-2.70	785,000	240,717	1,025,717
2025-2029	2.85-3.15	900,000	124,976	1,024,976
2030	3.20-3.25	335,000	7,670	342,670
Total		<u>\$ 2,590,000</u>	<u>682,671</u>	<u>3,272,671</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,590,000 bonds issued June 28, 2012. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 16 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$3,272,671. For the current year, \$64,623 in interest was paid on the bonds and total statewide sales and services tax revenues were \$406,604.

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

- a) \$208,760 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account.
- b) All proceeds from the statewide sales, services, and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

**Note 7. 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 55 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 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.

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	\$ 33,606
Interest on net OPEB obligation	1,648
Adjustment to annual required contribution	<u>(4,977)</u>
Annual OPEB cost	30,277
Contributions made	<u>(2,850)</u>
Increase in net OPEB obligation	27,427
Net OPEB obligation beginning of year	<u>65,919</u>
Net OPEB obligation end of year	<u><u>\$ 93,346</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.

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

Year Ended Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 19,190	24.1 %	\$ 40,489
2013	30,994	18.0	65,919
2014	30,277	9.4	93,346

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 \$214,289, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$214,289. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,038,563, and the ratio of the UAAL to covered payroll was 7.1%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, 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 frozen 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 6.0%.

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

Projected claim costs of the medical plan are is \$674 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **Note 8. Pension and Retirement Benefits**

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

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$282,359, \$267,190, and \$247,590 respectively, equal to the required contributions for each year.

**Note 9. Risk Management**

The District is a member in the Iowa School Employees Benefits Association(ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection for dental. District contributions to ISEBA for the year ended June 30, 2014 were \$22,577.

Collins-Maxwell Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

**Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$183,801 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 11. Categorical Funding**

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

<u>Program</u>	<u>Amount</u>
At-risk supplemental weighting	\$ 12,365
Home School Assistance Program	9,455
Dropout and dropout prevention	121,110
Beginning teacher mentoring and induction	547
Teacher salary supplement	6,667
Educator quality, professional development	42,618
Educator quality, model core curriculum	29,005
Four-year-old preschool	34,458
Successful progression for early readers	15,508
Teacher development academies	12,011
Competency based instruction program	7,218
Teacher leadership grants	5,754
Total restricted for categorical funding	<u>\$ 296,716</u>

**Note 12. Fiduciary Fund, Private Purpose Trust Land Value**

The land balance in the Fiduciary Fund, Private Purpose Trust Fund is found using the 2014 Iowa Land Values for Story County (obtained from the Iowa State University Extension and Outreach) and the Story County assessed value for the Maxwell Post Office. The land value for fiscal year 2014 is as follows:

	<u>2014 Iowa Land Value</u>	<u>Tillable Acres</u>	<u>Total</u>
Land	\$9,628	208	\$2,002,624
Post office (assessed value)			42,000
Total Land Value			<u>\$2,044,624</u>

**Note 13. Detailed Reconciliation of Governmental Fund Balances to Net Position**

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

	Net Investment for Capital Assets	Debt Service	Unassigned/ Restricted Balances
Fund Balance (Exhibit C)	\$ -	273,542	400,709
Capital assets	6,259,071	-	-
General obligation bond capitalized indebtedness	(110,000)	-	-
Revenue bond capitalized indebtedness	(2,590,000)	-	-
Revenue bond proceeds not expended	-	-	-
Income surtax	-	-	114,870
Accrued interest payable	-	(32,980)	-
Net OPEB liability	-	-	(88,828)
Net position (Exhibit A)	\$ 3,559,071	240,562	426,751

**Note 14. Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2014, expenditures in the other expenditures function exceeded the amounts budgeted.

**Note. 15. 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.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT



REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Types		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 2,517,671	129,793	2,647,464	3,401,169	3,401,169	(753,705)
State sources	3,043,504	1,849	3,045,353	2,921,363	2,921,363	123,990
Federal sources	124,601	102,670	227,271	318,000	318,000	(90,729)
Total revenues	<u>5,685,776</u>	<u>234,312</u>	<u>5,920,088</u>	<u>6,640,532</u>	<u>6,640,532</u>	<u>(720,444)</u>
<b>Expenditures/expenses:</b>						
Instruction	3,761,785	-	3,761,785	4,410,000	4,410,000	648,215
Support services	1,421,687	27,780	1,449,467	1,606,400	2,250,000	800,533
Non-instructional programs	-	255,401	255,401	240,000	240,000	(15,401)
Other expenditures/expenses	1,658,272	-	1,658,272	1,153,826	2,200,000	541,728
Total expenditures/expenses	<u>6,841,744</u>	<u>283,181</u>	<u>7,124,925</u>	<u>7,410,226</u>	<u>9,100,000</u>	<u>1,975,075</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(1,155,968)	(48,869)	(1,204,837)	(769,694)	(2,459,468)	1,254,631
Other financing sources, net	900	73,632	74,532	2,000	2,000	72,532
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(1,155,068)	24,763	(1,130,305)	(767,694)	(2,457,468)	1,327,163
Balance beginning of year	3,918,071	3,196	3,921,267	3,338,972	3,338,972	582,295
Balance end of year	<u>\$ 2,763,003</u>	<u>27,959</u>	<u>2,790,962</u>	<u>2,571,278</u>	<u>881,504</u>	<u>1,909,458</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLLINS-MAXWELL 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 Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as function, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides 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 by \$1,689,774.

During the year ended June 30, 2014, expenditures in the non-instructional programs functional area exceeded the amounts budgeted.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION

For 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)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 162,000	162,000	0.0%	\$ 3,039,000	5.3%
2011	July 1, 2009	-	159,000	159,000	0.0%	2,988,000	5.3%
2012	July 1, 2009	-	152,000	152,000	0.0%	3,118,000	4.9%
2013	July 1, 2012	-	220,298	220,298	0.0%	3,170,720	6.9%
2014	July 1, 2012	-	214,289	214,289	0.0%	3,038,563	7.1%

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

OTHER SUPPLEMENTARY INFORMATION

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

	<u>Special Revenue</u>		
	Student Activity	Debt Service	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 104,242	270,831	375,073
Receivables:			
Property tax:			
Delinquent	-	3,461	3,461
Succeeding year	-	114,516	114,516
<b>TOTAL ASSETS</b>	<b>\$ 104,242</b>	<b>388,808</b>	<b>493,050</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	750	750
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	114,516	114,516
Fund balances:			
Restricted for:			
Debt service	-	273,542	273,542
Student activities	104,242	-	104,242
Total fund balances	104,242	273,542	377,784
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 104,242</b>	<b>388,058</b>	<b>493,050</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2014

	<u>Special Revenue</u>		
	Student Activity	Debt Service	Total
REVENUES:			
Local sources:			
Local tax	-	329,151	329,151
Other	\$ 94,180	24	94,204
State sources	-	167	167
Total revenues	<u>94,180</u>	<u>329,342</u>	<u>423,522</u>
EXPENDITURES:			
Current:			
Instruction:			
Other	100,428	-	100,428
Long-term Debt:			
Principal	-	444,032	444,032
Interest and fiscal charges	-	78,172	78,172
Total expenditures	<u>100,428</u>	<u>522,204</u>	<u>622,632</u>
Deficiency of revenues under expenditures	(6,248)	(192,862)	(199,110)
OTHER FINANCING SOURCES:			
Transfer in	-	202,918	202,918
Change in fund balances	(6,248)	10,056	3,808
Fund balances beginning of year	<u>110,490</u>	<u>263,486</u>	<u>373,976</u>
Fund balances end of year	<u>\$ 104,242</u>	<u>273,542</u>	<u>377,784</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,494,053	60,099	1,554,152
Receivables:			
Property tax:			
Delinquent	-	1,486	1,486
Succeeding year	-	137,888	137,888
Due from other governments	65,617	-	65,617
<b>TOTAL ASSETS</b>	<b>\$ 1,559,670</b>	<b>199,473</b>	<b>1,759,143</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 147,110	-	147,110
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	137,888	137,888
Fund balances:			
Restricted for:			
School infrastructure	1,412,560	-	1,412,560
Physical plant and equipment levy	-	61,585	61,585
Total fund balances	1,412,560	61,585	1,474,145
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,559,670</b>	<b>199,473</b>	<b>1,759,143</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUNDS  
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	139,533	139,533
Other	4,370	1,092	5,462
State sources	406,604	71	406,675
Total revenues	410,974	140,696	551,670
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	-	1,601	1,601
Transportation	-	12,500	12,500
Capital outlay	887,463	64,804	952,267
Total expenditures	887,463	78,905	966,368
Excess(Deficiency)of revenues over(under) expenditures	(476,489)	61,791	(414,698)
Other financing uses:			
Transfer out	(202,918)	-	(202,918)
Change in fund balances	(679,407)	61,791	(617,616)
Fund balance beginning of year	2,091,967	(206)	2,091,761
Fund balance end of year	\$ 1,412,560	61,585	1,474,145

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Elementary Music	\$ -	28	187	159	-
Vocal Music	434	2,779	2,816	-	397
Instrumental Music	325	848	929	-	244
Music	919	-	-	-	919
Music Boosters	2,112	89	-	-	2,201
CM Athletics	-	1,304	1,356	52	-
CMB Athletics	17,883	32,024	37,028	-	12,879
JH Track	39	-	-	-	39
Golf	190	-	-	-	190
Boys Basketball	119	-	-	-	119
Wrestling	1,761	-	-	-	1,761
Youth Wrestling	116	-	-	-	116
Girls Basketball	2	-	-	-	2
Soccer	1,411	-	-	-	1,411
Softball	310	-	-	-	310
Girls Track	45	-	-	-	45
FFA	10,680	16,787	14,680	-	12,787
Greenhouse	26,070	-	-	-	26,070
Class of 2012	58	-	-	(58)	-
Class of 2013	836	-	-	(836)	-
Class of 2014	726	66	279	(513)	-
Class of 2015	500	6,413	6,013	-	900
Class of 2016	500	-	217	-	283
Class of 2017	-	-	(217)	500	717
Class of 2018	-	-	-	500	500
Dance Team	2,832	6,759	7,122	-	2,469
National Honor Society	100	305	255	-	150
HS Academic	1,156	-	-	-	1,156
HS Student Council	39	2,660	1,981	-	718
Staff scholarship	-	120	-	-	120
Powerlifting	537	-	-	-	537
MS Student Council	6,654	5,835	6,678	-	5,811
JH Softball	170	-	-	-	170
CHAMPS	1,084	202	258	-	1,028
Robotics	2,180	3,378	2,420	-	3,138
Yearbook	5,295	5,570	4,098	-	6,767
Cheerleader	-	191	191	-	-
Book Fair	200	1,746	3,089	1,143	-
Dance Marathon	-	3,191	3,141	-	50
Shop	64	-	-	-	64
Elementary	5,161	1,205	3,274	-	3,092
Raiders	12,775	2,070	4,361	342	10,826
JH Basketball	580	-	-	-	580
JH Volleyball	3,198	-	-	-	3,198
JH Cheerleading	244	-	-	-	244
Courtyard	1,093	100	(1)	-	1,194
Baseball	7	-	-	-	7
Preschool	777	200	-	-	977
Spirit club	-	71	15	-	56
Interest	1,308	239	258	(1,289)	-
TOTAL	\$ 110,490	94,180	100,428	-	104,242

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 PRIVATE-PURPOSE TRUST FUND, SCHOLARSHIP ACCOUNTS  
 JUNE 30, 2014

	Private Purpose Trust - Scholarship				
	Atwood Trust	Lions Club	Brethren	Robinson Educational Opportunity Fund	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 25,025	5,972	4,470	398,443	433,910
Land	-	-	-	2,044,624	2,044,624
<b>TOTAL ASSETS</b>	<b>25,025</b>	<b>5,972</b>	<b>4,470</b>	<b>2,443,067</b>	<b>2,478,534</b>
<b>LIABILITIES</b>					
	-	-	-	-	-
<b>NET POSITION</b>					
Restricted for scholarships	\$ 25,025	5,972	4,470	2,443,067	2,478,534

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN PRIVATE-PURPOSE TRUST FUND,  
 SCHOLARSHIP ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust - Scholarship				
	Atwood Trust	Lions Club	Brethren	Robinson Educational Opportunity Fund	Total
Additions:					
Local sources:					
Rent	\$ -	-	-	107,849	107,849
Interest income	609	10	5	384	1,008
Total additions	609	10	5	108,233	108,857
Deductions:					
Instruction:					
Scholarships awarded	500	-	-	44,825	45,325
Support services:					
Farm maintenance costs	-	-	-	7,596	7,596
Total deductions	500	-	-	52,421	52,921
Excess of revenues over expenditures	109	10	5	55,812	55,936
OTHER FINANCING USES:					
Unrealized loss on land	-	-	-	(195,104)	(195,104)
Change in net position	109	10	5	(139,292)	(139,168)
Net position beginning of year	24,916	5,962	4,465	2,582,359	2,617,702
Net position end of year	\$ 25,025	5,972	4,470	2,443,067	2,478,534

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE LAST TEN YEARS**

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues:</b>										
<b>Local sources:</b>										
Local tax	\$ 2,205,891	2,749,382	2,450,354	2,477,413	2,242,840	2,155,623	1,978,105	1,968,465	1,822,223	1,886,379
Tuition	160,719	196,717	153,201	180,529	71,472	85,995	94,385	126,671	215,461	147,557
Other	151,061	179,800	191,832	196,617	240,666	303,053	267,687	295,368	224,408	197,490
State sources	3,043,504	2,772,444	2,751,290	2,696,237	2,336,628	2,794,560	2,796,247	2,581,360	2,538,211	2,410,086
Federal sources	124,601	180,132	257,918	284,496	346,984	142,795	133,000	110,827	145,682	89,737
<b>Total</b>	<b>\$ 5,685,776</b>	<b>6,078,475</b>	<b>5,804,595</b>	<b>5,835,292</b>	<b>5,238,590</b>	<b>5,482,026</b>	<b>5,269,424</b>	<b>5,082,691</b>	<b>4,945,985</b>	<b>4,731,249</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular	\$ 2,325,382	2,357,926	2,365,727	2,199,167	2,262,998	2,226,835	2,046,725	1,969,826	1,767,991	1,767,847
Special	743,897	612,430	635,255	639,065	520,093	559,536	572,074	600,798	533,982	539,195
Other	692,506	674,525	624,465	606,460	604,287	617,340	517,461	474,137	492,066	425,521
<b>Support services:</b>										
Student	126,801	115,929	96,302	98,739	106,269	89,363	89,818	79,943	50,864	74,809
Instructional staff	183,898	143,024	88,761	138,990	156,750	158,726	155,090	154,064	174,582	271,000
Administration	490,300	499,758	458,190	465,729	456,563	509,566	483,980	473,002	464,577	433,544
Operation and maintenance of plant	427,147	378,472	360,995	345,871	337,045	345,842	345,604	318,243	347,620	387,612
Transportation	193,541	195,486	187,649	179,150	154,753	159,315	165,695	160,463	248,149	133,490
<b>Other expenditures:</b>										
Capital outlays	952,267	2,044,566	923,019	185,387	75,970	55,931	154,683	141,004	89,446	10,562
<b>Long-term debt:</b>										
Principal	444,032	494,876	295,000	285,000	280,000	275,000	260,000	255,000	195,000	185,000
Interest and other charges	78,172	73,734	37,623	47,312	56,412	65,350	73,150	80,800	140,483	149,657
AEA flow-through	183,801	180,680	180,069	200,245	198,258	182,969	172,246	162,388	154,124	148,384
<b>Total</b>	<b>\$ 6,841,744</b>	<b>7,771,406</b>	<b>6,253,055</b>	<b>5,391,115</b>	<b>5,209,398</b>	<b>5,245,773</b>	<b>5,036,526</b>	<b>4,869,668</b>	<b>4,658,884</b>	<b>4,526,621</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

**To the Board of Education of the Collins-Maxwell Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Collins-Maxwell Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 19, 2015.

**Internal Control Over Financial Reporting**

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

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

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

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

## **Compliance and Other Matters**

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

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

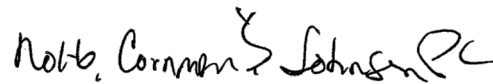
## **Collins-Maxwell Community School District's Responses to Findings**

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

## **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2015  
Newton, Iowa

COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

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

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

Response - The District will review its policies and practices to determine if greater segregation of duties can be accomplished.

Conclusion - Response accepted.

I-B-14 Gate Receipts - We noted that the District does not use pre-numbered tickets for all events that require an admission.

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

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.



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

Response - The business office, in conjunction with the Board, will review and revise policies and institute practices that provide greater internal controls for cash handling at all activity events.

Conclusion - Response accepted.

I-C-14 Student Activity Fund-Fundraisers - We noted during our audit that the District maintains fundraisers in the Student Activity Fund, however they are not approved by the Board. We recommend that all fundraisers be approved by Board.

Recommendation - Districts should have policies and/or procedures in place to address fund-raising activity including:

- a. The Board or its designee should approve all District-sponsored fundraising activity.
- b. The Board may also adopt a policy to require Board approval of all fundraising activity including fundraising activities of affiliated organizations such as Booster Clubs and the PTO.
- c. Boards should establish procedures for fund-raising activity for District sponsored fund-raisers as well as fund-raisers sponsored by outside groups and organizations to help ensure consistency and accountability over fund-raising activities.

- d. The Board should determine the extent, if any, of administrative support to be provided for District-sponsored and affiliated organization fundraising activity including the cost and/or expense associated with staff time used in collecting payments; preparing, printing and/or assembling mailings; postage; etc.
- e. Fund-raising activity should be clearly designated as District-sponsored and/or sponsored by an outside group or affiliated organization to clearly establish responsibility and accountability.
- f. If District-sponsored, the District should account for the fund-raising activity.

Response - The board will approve all fundraisers, in accordance with Board policies. Further, it will review and revise if necessary, current procedures for fundraising.

Conclusion - Response accepted.

II-D-14 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The business office will review and revise policies and institute practices that will meet the Department of Labor requirements.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the amended certified budget amounts in the non-instructional program functional area.

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

Response - The District will amend the budget in accordance with the Iowa Code before they are allowed to exceed the budget.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - We noted during our audit that the District purchased prizes for students for being the top sellers during fundraisers and as contest prizes. Giving prizes to students do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from purchasing prizes for students. The District should review the purchasing procedures it has in place and make necessary adjustments to ensure that all purchases meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Response - The District will review the purchasing policies and make the necessary adjustments.

Conclusion - Response accepted.

- II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-14 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the 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.
- II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$	2,091,967
Revenues:			
Sales tax revenues	\$	406,604	
Other local revenue		4,370	410,974
			<u>2,502,941</u>
Expenditures/transfers out:			
School infrastructure	\$	699,253	
Equipment		22,149	
Other		166,061	
Transfers to other funds:			
Debt service fund		202,918	1,090,381
			<u>1,090,381</u>
Ending balance		\$	<u><u>1,412,560</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.

II-M-14 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. However, we noted expenditures which do not appear to be related to cocurricular or extracurricular activities.

**Questionable Account:** We noted a Courtyard and Preschool account in the Student Activity Fund. The revenues and expenditures related to the Courtyard and Preschool accounts appear to be for instructional items and therefore, would be more appropriately handled in the General Fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The revenues and expenditures in the Courtyard and Preschool accounts appear to be more instructional in nature and would be more appropriate in the General Fund.

Response - The District has reviewed the propriety of the revenues and expenditures that are approved in the Student Activity Fund and will be deposited to the General Fund.

Conclusion - Response accepted.

**Target Donations:** We also noted during our audit that Target donations were being receipted to the Student Activity Fund. According to Dillon's Rule, revenues are all posted to General Fund unless specifically identified as allowable. Since commissions and donations are not identified they should be put in the General Fund.

Recommendation - The District should receipt donations from Target into the General Fund.

Response - The District has reviewed the propriety of the revenues and expenditures that are approved in the Student Activity Fund and will be deposited to the General Fund.

Conclusion - Response accepted.

II-N-14 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the in the prior year and still on the current year balance sheets. As of June 30, 2014, the District has a loan between the Nutrition Fund and the General Fund that have not been repaid.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2009, interfund loans on the District's year end financial statements must be repaid to their respective funds on or before October 1<sup>st</sup> of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue external loans to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should issue external debt to repay the interfund loans to be in compliance with the declaratory order issued by the Iowa Department of Education to the Auditor of State and Iowa Code Chapter 74.

Response - The District will review the policies and practices to be in compliance.

Conclusion - Response accepted.

II-O-14 Contracts - We noted during our audit that the District's tech coordinator signed a phone contract entered into by the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

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

Response - The Board President will sign all contracts entered into by the District.

Conclusion - Response accepted.