

EXIRA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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**Exira 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>		
Tom Benton	President	2013
Bart Peppers	Vice President	2013
Lisa Burmeister	Board Member	2015
Terri Harris	Board Member	2015
Ryan Wilson	Board Member	2015
<b>(After September 2013 Election)</b>		
Tom Benton	President	2014
Terri Harris	Vice President	2014
Lisa Burmeister	Board Member	2014
Bart Peppers	Board Member	2014
Ryan Wilson	Board Member	2014
<b>School Officials</b>		
Dean Schnoes	Superintendent	2014
Marie Larson	Business Manager	2014
Tami Jacobsen	District Secretary/Treasurer	2014
Rick Frank & Joe Rasmussen	Attorney	2014

**Exira 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 Exira 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 Exira Community School District, Exira, 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 Exira Community School District as of June 30, 2014 and the respective changes in financial position and, when 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 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 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 Exira Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, 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 6, 2015 on our consideration so Exira 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, 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 Exira Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 6, 2015  
Newton, Iowa

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

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

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$3,355,476 during fiscal year 2013 to \$3,366,084 during fiscal year 2014, while General Fund expenditures increased from \$2,811,803 in fiscal year 2013 to \$2,883,227, in fiscal year 2014. This resulted in an increase in the District's General Fund balance from \$727,402 at June 30, 2013 to \$1,210,259 at June 30, 2014, a 66.38% increase from the prior year.
- The increase in General Fund revenues was attributable primarily to the increase in tuition source revenues in fiscal year 2014. The increase in expenditures was attributable to the increase in salaries and benefits paid to District employees due to sharing agreements with Elk Horn-Kimballton Community School District.

### **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 Exira 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 Exira 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 Exira Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

**Figure A-1**  
**Exira Community School District Annual Financial Report**

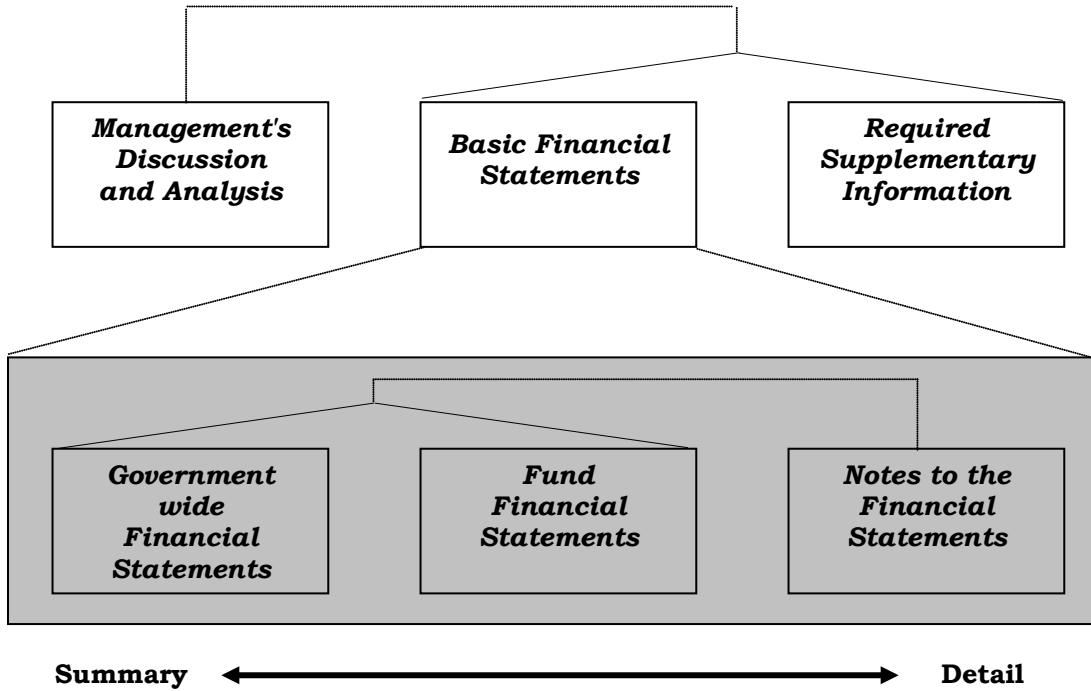




Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the 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 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	\$ 2,493,081	3,671,160	46,789	35,557	2,539,870	3,706,717	-31.48%
Capital assets	1,927,530	2,045,224	26,057	10,251	1,953,587	2,055,475	-4.96%
Total assets	4,420,611	5,716,384	72,846	45,808	4,493,457	5,762,192	-22.02%
Long-term liabilities	1,448,149	1,454,780	-	-	1,448,149	1,454,780	-0.46%
Other liabilities	332,205	424,701	1,591	1,635	333,796	426,336	-21.71%
Total liabilities	1,780,354	1,879,481	1,591	1,635	1,781,945	1,881,116	-5.27%
Deferred inflows of resources	-	1,490,863	-	-	-	1,490,863	-100.00%
Net position:							
Net investment in capital assets	626,129	755,224	26,057	10,251	652,186	765,475	-14.80%
Restricted	978,366	1,043,884	-	-	978,366	1,043,884	-6.28%
Unrestricted	1,035,762	546,932	45,198	33,922	1,080,960	580,854	86.10%
Total net position	\$ 2,640,257	2,346,040	71,255	44,173	2,711,512	2,390,213	13.44%

The District’s combined net position increased by 13.44, or \$321,299, from the prior year. A large portion of the District’s net position is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position decreased by \$65,518, or 6.28% from the prior year. This decrease was primarily due to the decrease in fund balance in the Capital Projects accounts.

Unrestricted net position are 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 increased by \$500,106, or 86.10%. This increase was primarily due to the increase in the fund balance of the General Fund.

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

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 618,659	530,717	45,220	44,228	663,879	574,945	15.47%
Operating grants, contributions and restricted interest	244,459	249,527	55,211	55,604	299,670	305,131	-1.79%
General revenues:							
Property tax	1,513,698	1,617,411	-	-	1,513,698	1,617,411	-6.41%
Income surtax	137,362	142,460	-	-	137,362	142,460	-3.58%
Statewide sales, services and use tax	196,078	197,268	-	-	196,078	197,268	-0.60%
Unrestricted state grants	1,065,465	996,560	-	-	1,065,465	996,560	6.91%
Unrestricted investment earnings	2,350	2,303	20	27	2,370	2,330	1.72%
Other	53,305	36,865	1,051	-	54,356	36,865	-47.45%
Total revenues	<u>3,831,376</u>	<u>3,773,111</u>	<u>101,502</u>	<u>99,859</u>	<u>3,932,878</u>	<u>3,872,970</u>	<u>1.55%</u>
Program expenses:							
Instructional	2,444,379	2,230,471	-	-	2,444,379	2,230,471	9.59%
Support services	724,481	678,932	-	-	724,481	678,932	6.71%
Non-instructional programs	-	-	87,709	92,122	87,709	92,122	-4.79%
Other expenses	355,010	227,324	-	-	355,010	227,324	56.17%
Total expenses	<u>3,523,870</u>	<u>3,136,727</u>	<u>87,709</u>	<u>92,122</u>	<u>3,611,579</u>	<u>3,228,849</u>	<u>11.85%</u>
Excess of revenues over expenses	307,506	636,384	13,793	7,737	321,299	644,121	-50.12%
Transfers	(13,289)	-	13,289	-	-	-	0.00%
Change in net position	294,217	636,384	27,082	7,737	321,299	644,121	-50.12%
Net position beginning of year	<u>2,346,040</u>	<u>1,709,656</u>	<u>44,173</u>	<u>36,436</u>	<u>2,390,213</u>	<u>1,746,092</u>	<u>36.89%</u>
Net position end of year	<u>\$ 2,640,257</u>	<u>2,346,040</u>	<u>71,255</u>	<u>44,173</u>	<u>2,711,512</u>	<u>2,390,213</u>	<u>13.44%</u>

Property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 76.02% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest account for 98.94% of the revenue from business type activities.

The District's total revenues were \$3,932,878 for the year ended June 30, 2014. \$3,831,376 was for governmental activities and \$101,502 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.55% increase in revenues and an 11.85% increase in expenses. The increase in revenues was due to increases in charges for service and state source revenues, the District received during fiscal year 2014. The increase in expenses is related to increases salaries and benefits paid to District employees due to a sharing agreement with Elk Horn-Kimballton Community School District.

### Governmental Activities

Revenues for governmental activities were \$3,831,376 and expenses were \$3,523,870 for the year ended June 30, 2014.

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

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 2,444,379	2,230,471	9.59%	1,728,703	1,589,952	8.73%
Support services	724,481	678,932	6.71%	672,197	631,466	6.45%
Other expenses	355,010	227,324	56.17%	259,852	135,065	92.39%
Totals	\$ 3,523,870	3,136,727	12.34%	2,660,752	2,356,483	12.91%

For the year ended June 30, 2014:

- The costs financed by users of the District’s programs were \$618,659.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$244,459.
- The net cost of governmental activities was financed with \$1,513,698 in property tax, \$137,362 in income surtax, \$196,078 in statewide sales, services and use tax, \$1,065,465 in unrestricted state grants, \$2,350 in unrestricted investment income and \$53,305 in other general revenues.

### Business type Activities

Revenues of the District’s business type activities for the year ended June 30, 2014, were \$101,502 and expenses were \$87,709. 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, investment income and other general revenues.

### INDIVIDUAL FUND ANALYSIS

As previously noted, the Exira 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 \$2,070,769, above last year’s ending fund balance of \$1,667,103. The primary reason for the increase in combined fund balance in fiscal year 2014 is due to the increase in the fund balance of the General Fund.

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## **Governmental Fund Highlights**

- The District's General Fund balance increased from \$727,402 at June 30, 2013 to \$1,210,259 at June 30, 2014. The District's General Fund financial position is the product of many factors. Increased revenues from tuition and state sources during the year outpaced increases in instruction and support service expenditures which resulted in the District's General Fund balance increasing by \$482,857.
- The Capital Projects Fund balance decreased from a balance of \$651,599 at June 30, 2013 to \$549,004 at June 30, 2014. This was partially a result of the increases in capital outlay expenditures during the year due to the demolition of the old Exira Elementary.

## **Proprietary Fund Highlights**

- The Proprietary Fund net position increased from \$44,173 at June 30, 2013 to \$71,255 at June 30, 2014, representing an increase of 61.31%. The primary reason for this increase in fund balance is an increase in capital contributions received from the Capital Projects: Statewide Sales, Services and Use Tax which purchased a portion of the new walk-in freezer.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$52,794 more than budgeted revenues, a variance of 1.36%. The most significant variance resulted from the District receiving more in state source revenues than originally anticipated.

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

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2014, the District had invested \$1,953,587, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 4.96% from last year. Additional detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$263,709.

The original cost of the District's capital assets was \$3,788,830. Governmental funds account for \$3,721,217 with the remainder of \$67,613 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$83,573 at June 30, 2013, compared to \$177,820, reported at June 30, 2014. This increase was primarily due to a new bus and suburban purchased during the year which was capitalized as part of the District's capital asset listing.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 19,493	19,493	-	-	19,493	19,493	0.00%
Buildings	1,726,437	1,931,795	-	-	1,726,437	1,931,795	-10.63%
Land improvements	29,837	20,614	-	-	29,837	20,614	44.74%
Machinery and equipment	151,763	73,322	26,057	10,251	177,820	83,573	112.77%
Total	\$ 1,927,530	2,045,224	26,057	10,251	1,953,587	2,055,475	-4.96%

### Long-Term Debt

At June 30, 2014, the District had \$1,448,149 in other long-term debt outstanding. This represents a decrease of 0.46% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-14
Revenue bonds	\$ 1,230,000	1,290,000	-4.65%
Bus lease	71,401	-	100.00%
Computer lease	-	56,900	-100.00%
Termination benefits	-	5,880	-100.00%
Net OPEB liability	146,748	102,000	43.87%
Total	\$ 1,448,149	1,454,780	-0.46%

The District had outstanding revenue bond indebtedness payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$1,230,000 at June 30, 2014.

The District had outstanding bus lease indebtedness payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$71,401 at June 30, 2014.

The District had a net OPEB liability of \$146,748 as of June 30, 2014.

### 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:

- On March 13, 2013, the Exira and Elk Horn-Kimballton Community School Districts held a public hearing regarding consolidation of the two districts. On June 25, 2013, residents voted and passed a resolution to merge the two school districts. The Exira and Elk Horn-Kimballton Community School Districts will be officially consolidated as of July 1, 2014 forming Exira-Elk Horn-Kimballton Community School District.

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## **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 Marie Larson, District Business Manager/Board Secretary, Exira-Elk Horn-Kimballton Community School District, 4114 Madison St, Elk Horn, IA 51531.



BASIC FINANCIAL STATEMENTS

EXIRA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:	\$ 2,206,378	44,973	2,251,351
Receivables:			
Property tax:			
Delinquent	23,678	-	23,678
Income surtax	114,559	-	114,559
Accounts	9,773	-	9,773
Due from other governments	138,693	-	138,693
Inventories	-	1,816	1,816
Capital assets, net of accumulated depreciation	1,927,530	26,057	1,953,587
<b>TOTAL ASSETS</b>	<b>4,420,611</b>	<b>72,846</b>	<b>4,493,457</b>
<b>LIABILITIES</b>			
Accounts payable	289,641	6	289,647
Advances from grantors	18,112	-	18,112
Accrued interest payable	24,452	-	24,452
Unearned revenue	-	1,585	1,585
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	70,000	-	70,000
Bus lease payable	10,779	-	10,779
Portion due after one year:			
Revenue bonds payable	1,160,000	-	1,160,000
Bus lease payable	60,622	-	60,622
Net OPEB liability	146,748	-	146,748
<b>TOTAL LIABILITIES</b>	<b>1,780,354</b>	<b>1,591</b>	<b>1,781,945</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>			
Net investment in capital assets	626,129	26,057	652,186
Restricted for:			
Categorical funding	142,252	-	142,252
School infrastructure	318,154	-	318,154
Physical plant and equipment	230,850	-	230,850
Management levy purposes	81,354	-	81,354
Student activities	15,140	-	15,140
Debt service	190,616	-	190,616
Unrestricted	1,035,762	45,198	1,080,960
<b>TOTAL NET POSITION</b>	<b>\$ 2,640,257</b>	<b>71,255</b>	<b>2,711,512</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,670,583	429,327	18,770	(1,222,486)	-	(1,222,486)
Special	464,670	131,338	33,433	(299,899)	-	(299,899)
Other	309,126	17,656	85,152	(206,318)	-	(206,318)
	<u>2,444,379</u>	<u>578,321</u>	<u>137,355</u>	<u>(1,728,703)</u>	<u>-</u>	<u>(1,728,703)</u>
Support services:						
Student	3,247	-	-	(3,247)	-	(3,247)
Instructional staff	64,810	7,311	11,946	(45,553)	-	(45,553)
Administration	296,160	33,027	-	(263,133)	-	(263,133)
Operation and maintenance of plant	250,622	-	-	(250,622)	-	(250,622)
Transportation	109,642	-	-	(109,642)	-	(109,642)
	<u>724,481</u>	<u>40,338</u>	<u>11,946</u>	<u>(672,197)</u>	<u>-</u>	<u>(672,197)</u>
Long-term debt interest	50,506	-	-	(50,506)	-	(50,506)
Other expenses:						
AEA flowthrough	95,158	-	95,158	-	-	-
Depreciation(unallocated)*	209,346	-	-	(209,346)	-	(209,346)
	<u>304,504</u>	<u>-</u>	<u>95,158</u>	<u>(209,346)</u>	<u>-</u>	<u>(209,346)</u>
Total governmental activities	3,523,870	618,659	244,459	(2,660,752)	-	(2,660,752)
Business type activities:						
Non-instructional programs:						
Food service operations	87,709	45,220	55,211	-	12,722	12,722
Total	<u>\$ 3,611,579</u>	<u>663,879</u>	<u>299,670</u>	<u>(2,660,752)</u>	<u>12,722</u>	<u>(2,648,030)</u>
<b>General Revenues and Transfers:</b>						
Property tax levied for:						
General purposes				\$ 1,336,155	-	1,336,155
Capital outlay				177,543	-	177,543
Income surtax				137,362	-	137,362
Statewide sales, services and use tax				196,078	-	196,078
Unrestricted state grants				1,065,465	-	1,065,465
Unrestricted investment earnings				2,350	20	2,370
Other				53,305	1,051	54,356
Transfers				(13,289)	13,289	-
Total general revenues and transfers				<u>2,954,969</u>	<u>14,360</u>	<u>2,969,329</u>
Change in net position				294,217	27,082	321,299
Net position beginning of year				<u>2,346,040</u>	<u>44,173</u>	<u>2,390,213</u>
Net position end of year				<u>\$ 2,640,257</u>	<u>71,255</u>	<u>2,711,512</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,298,183	597,880	310,315	2,206,378
Receivables:				
Property tax:				
Delinquent	19,710	2,777	1,191	23,678
Income surtax	114,559	-	-	114,559
Accounts	9,773	-	-	9,773
Due from other governments	59,996	78,697	-	138,693
<b>TOTAL ASSETS</b>	<b>\$ 1,502,221</b>	<b>679,354</b>	<b>311,506</b>	<b>2,493,081</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 159,291	130,350	-	289,641
Advances from grantors	18,112	-	-	18,112
Total liabilities	177,403	130,350	-	307,753
Deferred inflows of resources:				
Unavailable revenue:				
Income surtax	114,559	-	-	114,559
Fund balances:				
Restricted for:				
Categorical funding	142,252	-	-	142,252
School infrastructure	-	318,154	-	318,154
Physical plant and equipment	-	230,850	-	230,850
Management levy purposes	-	-	81,354	81,354
Student activities	-	-	15,140	15,140
Debt service	-	-	215,068	215,068
Unassigned:				
General	1,068,007	-	-	1,068,007
Student activities	-	-	(56)	(56)
Total fund balances	1,210,259	549,004	311,506	2,070,769
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,502,221</b>	<b>679,354</b>	<b>311,506</b>	<b>2,493,081</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA 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>	\$	2,070,769
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,927,530
Accounts receivable income surtax, are not yet available to finance expenditures of the current year and, therefore, is reported as deferred inflows of resources in the governmental funds.		114,559
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.		(24,452)
Long-term liabilities, including bonds payable, bus lease 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>(1,448,149)</u>
<b>Net position of governmental activities (page 18)</b>	<b>\$</b>	<b><u><u>2,640,257</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,399,506	177,543	76,149	1,653,198
Tuition	564,290	-	-	564,290
Other	91,209	16	20,493	111,718
State sources	1,201,249	196,078	-	1,397,327
Federal sources	106,981	-	-	106,981
<b>TOTAL REVENUES</b>	<b>3,363,235</b>	<b>373,637</b>	<b>96,642</b>	<b>3,833,514</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	1,497,722	-	5,880	1,503,602
Special	420,126	-	-	420,126
Other	257,246	-	20,695	277,941
	<b>2,175,094</b>	<b>-</b>	<b>26,575</b>	<b>2,201,669</b>
Support services:				
Student	2,976	-	-	2,976
Instructional staff	53,898	5,420	-	59,318
Administration	265,475	1,000	-	266,475
Operation and maintenance of plant	184,667	-	46,386	231,053
Transportation	105,959	83,886	7,990	197,835
	<b>612,975</b>	<b>90,306</b>	<b>54,376</b>	<b>757,657</b>
Capital outlay	-	278,456	-	278,456
Long-term debt:				
Principal	-	-	129,385	129,385
Interest and fiscal charges	-	-	54,258	54,258
	<b>-</b>	<b>-</b>	<b>183,643</b>	<b>183,643</b>
Other expenditures:				
AEA Flowthrough	95,158	-	-	95,158
<b>TOTAL EXPENDITURES</b>	<b>2,883,227</b>	<b>368,762</b>	<b>264,594</b>	<b>3,516,583</b>
Excess(Deficiency) of revenues over(under) expenditures	480,008	4,875	(167,952)	316,931
Other financing sources(uses):				
Transfer in	-	-	191,356	191,356
Transfer out	-	(191,356)	-	(191,356)
Proceeds from bus lease	-	83,886	-	83,886
Sale of equipment	2,849	-	-	2,849
<b>Total other financing sources(uses)</b>	<b>2,849</b>	<b>(107,470)</b>	<b>191,356</b>	<b>86,735</b>
Change in fund balances	482,857	(102,595)	23,404	403,666
Fund balances beginning of year	727,402	651,599	288,102	1,667,103
Fund balances end of year	<b>\$ 1,210,259</b>	<b>549,004</b>	<b>311,506</b>	<b>2,070,769</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA 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)** \$ 403,666

*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 outlay, depreciation expense and loss on disposal in the year are as follows:

Capital outlay	\$ 146,631	
Depreciation expense	(260,421)	
Loss on disposal	<u>(3,904)</u>	(117,694)

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

Issued	(83,886)	
Repaid	<u>129,385</u>	45,499

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.

3,752

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

(2,138)

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.

Termination benefits	5,880	
Other postemployment benefits	<u>(44,748)</u>	<u>(38,868)</u>

**Change in net position of governmental activities (page 19)** \$ 294,217

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2014

		Enterprise, School Nutrition
<b>ASSETS</b>		
Cash and pooled investments	\$	44,973
Inventories		1,816
Capital assets, net of accumulated depreciation		26,057
<b>TOTAL ASSETS</b>		<b>72,846</b>
 <b>LIABILITIES</b>		
Accounts payable		6
Unearned revenue		1,585
<b>TOTAL LIABILITIES</b>		<b>1,591</b>
 <b>NET POSITION</b>		
Net investment in capital assets		26,057
Unrestricted		45,198
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b>71,255</b>

SEE NOTES TO FINANCIAL STATEMENTS.



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

	Enterprise, School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 45,220
Miscellaneous	1,051
TOTAL OPERATING REVENUES	46,271
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	27,775
Benefits	4,473
Supplies	51,353
Other	300
Depreciation	3,288
TOTAL OPERATING EXPENSES	87,189
OPERATING LOSS	(40,918)
NON-OPERATING REVENUES(EXPENSES):	
Loss on disposal of assets	(520)
State sources	938
Federal sources	54,273
Interest on investments	20
TOTAL NON-OPERATING REVENUES(EXPENSES)	54,711
Change in net position before capital contributions	13,793
Capital contributions	13,289
Change in net position	27,082
Net position beginning of year	44,173
Net position end of year	\$ 71,255

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2014

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 45,170
Cash received from miscellaneous	1,051
Cash payments to employees for services	(32,248)
Cash payments to suppliers for goods or services	(46,127)
Net cash used in operating activities	(32,154)
Cash flows from non-capital financing activities:	
State grants received	938
Federal grants received	48,057
Net cash provided by non-capital financing activities	48,995
Cash flows from capital and related financing activities:	
Purchase of capital assets	(6,325)
Cash flows from investing activities:	
Interest on investments	20
Net increase in cash and cash equivalents	10,536
Cash and cash equivalents beginning of year	34,437
Cash and cash equivalents end of year	\$ 44,973
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (40,918)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	6,216
Depreciation	3,288
Increase in inventories	(696)
Increase in accounts payable	6
Decrease in unearned revenue	(50)
Net cash used in operating activities	\$ (32,154)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$6,216.

During the year ended June 30, 2014, the District received capital contributions of \$13,289 from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2014

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 381,277
<b>LIABILITIES</b>	<u>-</u>
<b>NET POSITION</b>	
Restricted for scholarships	<u>\$ 381,277</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	<u>\$ 5,714</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>5,598</u>
Change in net position	116
Net position beginning of year	<u>381,161</u>
Net position end of year	<u><u>\$ 381,277</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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

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

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

**A. Reporting Entity**

For financial reporting purposes, Exira 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 Exira 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 Guthrie, Audubon and Cass Counties Assessors' Conference Board.

**B. Basis of Presentation**

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following non-major proprietary fund:

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

The District also reports a fiduciary fund which focus on net position and changes in net position. The District's fiduciary fund is the Private Purpose Trust Fund.

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

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

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

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investments in non-negotiable certificates of deposit which are stated at cost.

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

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

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

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

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

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

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

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

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

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

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



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

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

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. Budgets and Budgetary Accounting

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

(2) **Cash and Pooled Investments**

The District's deposits 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. At June 30, 2014 the District had no investments.

(3) **Interfund Transfers**

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

Transfer to	Transfer from	Amount
	Capital Projects: Statewide Sales, Services and Use Tax	\$ 131,782
Debt Service		
	Capital Projects: Physical Plant and Equipment Levy	59,574
Debt Service		
Total		\$ 191,356

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

The Capital Projects: Physical Plant and Equipment Levy transfer to Debt Service was needed for principal payments on the District's computer lease indebtedness.

**(4) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 19,493	-	-	19,493
Total capital assets not being depreciated	<u>19,493</u>	<u>-</u>	<u>-</u>	<u>19,493</u>
Capital assets being depreciated:				
Buildings	3,039,484	1,830	148,000	2,893,314
Land improvements	30,612	11,381	-	41,993
Machinery and equipment	787,501	133,420	154,504	766,417
Total capital assets being depreciated	<u>3,857,597</u>	<u>146,631</u>	<u>302,504</u>	<u>3,701,724</u>
Less accumulated depreciation for:				
Buildings	1,107,689	207,188	148,000	1,166,877
Land improvements	9,998	2,158	-	12,156
Machinery and equipment	714,179	51,075	150,600	614,654
Total accumulated depreciation	<u>1,831,866</u>	<u>260,421</u>	<u>298,600</u>	<u>1,793,687</u>
Total capital assets being depreciated, net	<u>2,025,731</u>	<u>(113,790)</u>	<u>3,904</u>	<u>1,908,037</u>
Governmental activities capital assets, net	<u>\$ 2,045,224</u>	<u>(113,790)</u>	<u>3,904</u>	<u>1,927,530</u>
Business type activities:				
Machinery and equipment	\$ 51,426	19,614	3,427	67,613
Less accumulated depreciation	41,175	3,288	2,907	41,556
Business type activities capital assets, net	<u>\$ 10,251</u>	<u>16,326</u>	<u>520</u>	<u>26,057</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 11,403
Other	300
Support services:	
Operation and maintenance of plant	3,097
Transportation	<u>36,275</u>
	51,075
Unallocated depreciation	<u>209,346</u>
Total governmental activities depreciation expense	<u>\$ 260,421</u>
Business type activities:	
Food service operations	<u>\$ 3,288</u>

**(5) Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue bonds	\$ 1,290,000	-	60,000	1,230,000	70,000
Bus lease	-	83,886	12,485	71,401	10,779
Computer lease	56,900	-	56,900	-	-
Termination benefits	5,880	-	5,880	-	-
Net OPEB liability	102,000	44,748	-	146,748	-
Total	\$ 1,454,780	128,634	135,265	1,448,149	80,779

Revenue Bonds

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

Year Ending June 30,	Bond issue of September 30, 2009				
	Interest Rates		Principal	Interest	Total
2015	3.25	% \$	70,000	47,971	117,971
2016	3.25		70,000	45,696	115,696
2017	3.25		70,000	43,421	113,421
2018	3.63		70,000	41,146	111,146
2019	3.63		70,000	38,740	108,740
2020-2024	4.00-4.30		355,000	153,437	508,437
2025-2029	4.30-4.63		390,000	75,654	465,654
2030	4.63		135,000	4,394	139,394
Total			\$ 1,230,000	450,459	1,680,459

The District has pledged future statewide sales, services and use tax revenues to repay \$1,450,000 of bonds dated September 30, 2009. The bonds were issued for the purpose of school infrastructure. 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 60 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,680,459. For the current year, \$60,000 in principal and \$50,084 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$196,078.

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

- a) \$119,109 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.

- b) All proceeds from the statewide sales and services 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.

Bus Lease

Details of the District's December 20, 2013 bus lease indebtedness payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund is as follows:

Year Ending June 30,	Bus lease dated December 20, 2013				
	Interest Rates		Principal	Interest	Total
2015	2.39	% \$	10,779	1,706	12,485
2016	2.39		11,036	1,449	12,485
2017	2.39		49,586	1,185	50,771
Total			\$ 71,401	4,340	75,741

Termination Benefits

The District did not offer a voluntary early retirement plan to its employees during fiscal year 2014. However, the District offered a voluntary early retirement plan in fiscal years 2011 and 2012 to its certified employees. Eligible employees must have been at least age fifty-five and must have completed fifteen years of continuous service to the District at time of retirement. Employees must have complete an application which was approved by the Board of Education.

The early retirement benefit paid to these retirees was \$115 per unused sick day, not to exceed a total benefit of \$12,000. Early retirement benefits were paid out in two equal installments beginning in December of the fiscal year following retirement. The second installment was paid in December thereafter.

At June 30, 2014 the District had no outstanding obligations to early retirees. Actual early retirement expenditures for the year ended June 30, 2014 were \$5,880.

**(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$109,738, \$94,268 and \$97,773 respectively, equal to the required contributions for each year.

**(7) Risk Management**

The Exira Community School District is a member in the Iowa School Employees Benefits Association, fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. 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 in the following categories: health, dental, vision, prescription drugs and long-term disability.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2013 was \$242,127.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

Exira 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.

**(8) 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 \$95,158 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.

**(9) 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 35 active and 2 retired members in the plan. 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	\$	72,000
Interest on net OPEB obligation		4,590
Adjustment to annual required contribution		(3,842)
Annual OPEB cost		<u>72,748</u>
Contributions made		<u>(28,000)</u>
Increase in net OPEB obligation		44,748
Net OPEB obligation beginning of year		102,000
Net OPEB obligation end of year	\$	<u><u>146,748</u></u>

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

For the year ended June 30, 2014, the District contributed \$28,000 to the medical plan. Plan members receiving benefits contributed \$29,000 or 50.9% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 27,364	65.8%	\$ 48,550
2013	72,450	26.2%	102,000
2014	72,748	38.5%	146,748

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 \$292,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$292,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$988,248, and the ratio of the UAAL to covered payroll was 29.5%. 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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the alternative measurement actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by .5% each year until reaching the 5% ultimate trend rate.

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

Projected claim costs of the medical plan are for the \$535 per month for retirees who have attained age 60. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(10) Categorical Funding**

The District’s restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 58,531
At-risk supplemental weighting programs	1,491
Returning dropouts and dropout prevention programs	19,904
Teachers salary supplement	10,926
Beginning administrator mentoring and induction	1,500
Successful progression for early readers	11,360
Professional development for the model core curriculum	14,146
Professional development	18,569
Teacher leadership grants	5,825
Total	\$ 142,252

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

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

	Net investment in Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	215,068	1,068,007
Capital assets, net of accumulated depreciation	1,927,530	-	-
Revenue bond capitalized indebtedness	(1,230,000)	-	-
Bus lease capitalized indebtedness	(71,401)	-	-
Income Surtax	-	-	114,559
Accrued interest payable	-	(24,452)	-
Deficit student activity accounts	-	-	(56)
Net OPEB liability	-	-	(146,748)
Net position (Exhibit A)	\$ 626,129	190,616	1,035,762

**(12) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2014, the expenditures in the non-instructional programs and the other expenditures functional areas exceeded the amounts certified.

**(13) Deficit Accounts/Unassigned Fund Balance**

The Student Activity Fund had one deficit account in with an unassigned fund balance of \$56 at June 30, 2014.

**(14) Prospective Accounting Change**

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

**(15) District Consolidation**

On March 13, 2013, the Exira and Elk Horn-Kimballton Community School Districts held a public hearing regarding consolidation of the two districts. On June 25, 2013, residents voted and passed a resolution to merge the two District's. The Exira and Elk Horn-Kimballton Community School Districts will be officially consolidated as of July 1, 2014 forming Exira-Elk Horn-Kimballton Community School District.



REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 2,329,206	46,291	2,375,497	2,570,860	2,570,860	(195,363)
State sources	1,397,327	938	1,398,265	1,161,224	1,161,224	237,041
Federal sources	106,981	54,273	161,254	150,138	150,138	11,116
Total revenues	<u>3,833,514</u>	<u>101,502</u>	<u>3,935,016</u>	<u>3,882,222</u>	<u>3,882,222</u>	<u>52,794</u>
Expenditures/expenses:						
Instruction	2,201,669	-	2,201,669	2,282,702	2,282,702	81,033
Support services	757,657	-	757,657	779,849	779,849	22,192
Non-instructional programs	-	87,709	87,709	78,286	78,286	(9,423)
Other expenditures	557,257	-	557,257	511,063	511,063	(46,194)
Total expenditures/expenses	<u>3,516,583</u>	<u>87,709</u>	<u>3,604,292</u>	<u>3,651,900</u>	<u>3,651,900</u>	<u>47,608</u>
Excess of revenues over expenditures/expenses	316,931	13,793	330,724	230,322	230,322	100,402
Other financing sources(uses), net	86,735	13,289	100,024	-	-	100,024
Excess of revenues and other financing sources over expenditures/expenses	403,666	27,082	430,748	230,322	230,322	200,426
Balances beginning of year	<u>1,667,103</u>	<u>44,173</u>	<u>1,711,276</u>	<u>1,289,945</u>	<u>1,289,945</u>	<u>421,331</u>
Balances end of year	<u>\$ 2,070,769</u>	<u>71,255</u>	<u>2,142,024</u>	<u>1,520,267</u>	<u>1,520,267</u>	<u>621,757</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

During the year ended June 30, 2014, the expenditures in the non-instruction programs and other expenditures functional areas exceeded the certified budget.

EXIRA 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)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 196,000	\$ 196,000	0.0%	\$ 1,677,432	11.7%
2011	July 1, 2009	-	196,000	196,000	0.0%	1,373,842	14.3%
2012	July 1, 2009	-	196,000	196,000	0.0%	1,096,026	17.9%
2013	July 1, 2012	-	292,000	292,000	0.0%	892,686	32.7%
2014	July 1, 2012	-	292,000	292,000	0.0%	998,248	29.5%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

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

	Special Revenue				Total
	Management Levy	Student Activity	Total Special Revenue	Debt Service	
<b>ASSETS</b>					
Cash and pooled investments	\$ 80,163	15,084	95,247	215,068	310,315
Receivables:					
Property tax:					
Delinquent	1,191	-	1,191	-	1,191
<b>TOTAL ASSETS</b>	<b>\$ 81,354</b>	<b>15,084</b>	<b>96,438</b>	<b>215,068</b>	<b>311,506</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities	-	-	-	-	-
Deferred inflows of resources	-	-	-	-	-
Fund balances:					
Restricted for:					
Management levy purposes	81,354	-	81,354	-	81,354
Student activities	-	15,140	15,140	-	15,140
Debt service	-	-	-	215,068	215,068
Unassigned	-	(56)	(56)	-	(56)
Total fund balances	81,354	15,084	96,438	215,068	311,506
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 81,354</b>	<b>15,084</b>	<b>96,438</b>	<b>215,068</b>	<b>311,506</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue				Total
	Management Levy	Student Activity	Total Special Revenue	Debt Service	
REVENUES:					
Local sources:					
Local tax	\$ 76,149	-	76,149	-	76,149
Other	7,790	10,681	18,471	2,022	20,493
TOTAL REVENUES	83,939	10,681	94,620	2,022	96,642
EXPENDITURES:					
Current:					
Instruction:					
Regular	5,880	-	5,880	-	5,880
Other	-	20,695	20,695	-	20,695
Support services:					
Operation and maintenance of plant	45,636	750	46,386	-	46,386
Transportation	7,990	-	7,990	-	7,990
Long-term debt:					
Principal	-	-	-	129,385	129,385
Interest and fiscal charges	-	-	-	54,258	54,258
TOTAL EXPENDITURES	59,506	21,445	80,951	183,643	264,594
Excess(Deficiency) of revenues over(under) expenditures	24,433	(10,764)	13,669	(181,621)	(167,952)
Other financing sources:					
Transfer in	-	-	-	191,356	191,356
Change in fund balances	24,433	(10,764)	13,669	9,735	23,404
Fund balances beginning of year	56,921	25,848	82,769	205,333	288,102
Fund balances end of year	\$ 81,354	15,084	96,438	215,068	311,506

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 369,807	228,073	597,880
Receivables:			
Property tax:			
Delinquent	-	2,777	2,777
Due from other governments	78,697	-	78,697
<b>TOTAL ASSETS</b>	<b>\$ 448,504</b>	<b>230,850</b>	<b>679,354</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 130,350	-	130,350
Deferred inflows of resources	-	-	-
Fund balances:			
Restricted for:			
School infrastructure	318,154	-	318,154
Physical plant and equipment	-	230,850	230,850
Total fund balances	318,154	230,850	549,004
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 448,504</b>	<b>230,850</b>	<b>679,354</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



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

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ -	177,543	177,543
Other	16	-	16
State sources	196,078	-	196,078
Total revenues	196,094	177,543	373,637
<b>EXPENDITURES:</b>			
Current:			
Support services:			
Instructional staff	-	5,420	5,420
Administration	1,000	-	1,000
Transportation	83,886	-	83,886
Capital outlay	261,808	16,648	278,456
Total expenditures	346,694	22,068	368,762
Excess(Deficiency) of revenues over (under) expenditures	(150,600)	155,475	4,875
Other financing source(uses):			
Transfer out	(131,782)	(59,574)	(191,356)
Proceeds from bus lease	83,886	-	83,886
Total other financing sources(uses)	(47,896)	(59,574)	(107,470)
Change in fund balances	(198,496)	95,901	(102,595)
Fund balances beginning of year	516,650	134,949	651,599
Fund balances end of year	\$ 318,154	230,850	549,004

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EXIRA 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	Intra Fund Transfers	Balance End of Year
Art	\$ 140	-	140	-	-
Athletics	16,793	9,997	11,209	(794)	14,787
Leadership Club	7,687	673	9,154	794	-
Student Council	207	-	-	-	207
Pals	158	-	158	-	-
Faces	399	-	399	-	-
JH TAG	146	-	-	-	146
Band	150	-	150	-	-
Class of 2015	5	-	5	-	-
Class of 2017	230	-	230	-	-
Interest	(67)	11	-	-	(56)
<b>Total</b>	<b>\$ 25,848</b>	<b>10,681</b>	<b>21,445</b>	<b>-</b>	<b>15,084</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EXIRA COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund			
	Hansen Scholarship	Sorensen Scholarship	Kommers Scholarship	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 260,911	118,981	1,385	381,277
<b>LIABILITIES</b>	-	-	-	-
<b>NET POSITION</b>				
Restricted for scholarships	\$ 260,911	118,981	1,385	381,277

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EXIRA COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund			
	Hansen Scholarship	Sorensen Scholarship	Kommes Scholarship	Total
Additions:				
Local sources:				
Interest income	\$ 5,291	420	3	5,714
Deductions:				
Instruction:				
Regular:				
Scholarships awarded	2,476	2,622	500	5,598
Change in net position	2,815	(2,202)	(497)	116
Net position beginning of year	258,096	121,183	1,882	381,161
Net position end of year	\$ 260,911	118,981	1,385	381,277

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues:</b>										
<b>Local sources:</b>										
Local tax	\$ 1,653,198	1,943,513	2,054,755	1,888,289	1,696,276	1,406,221	1,285,459	1,340,675	1,226,960	1,213,463
Tuition	564,290	444,314	504,953	5,852	28,835	40,531	57,519	82,465	82,801	50,198
Other	111,718	126,959	166,367	205,918	209,295	139,673	200,339	166,746	136,159	187,492
State sources	1,397,327	1,114,692	1,256,013	1,239,194	1,156,372	1,545,708	1,621,046	1,375,450	1,383,015	1,381,716
Federal sources	106,981	130,007	95,717	192,942	290,899	133,491	116,129	141,076	156,475	104,680
<b>Total</b>	<b>\$ 3,833,514</b>	<b>3,759,485</b>	<b>4,077,805</b>	<b>3,532,195</b>	<b>3,381,677</b>	<b>3,265,624</b>	<b>3,280,492</b>	<b>3,106,412</b>	<b>2,985,410</b>	<b>2,937,549</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular	\$ 1,503,602	1,501,345	1,694,654	1,242,762	1,378,272	1,484,015	1,481,617	1,311,369	1,377,586	1,364,905
Special	420,126	419,629	390,059	369,028	232,407	386,566	332,071	316,938	260,313	274,345
Other	277,941	274,376	258,949	242,902	334,338	323,855	319,683	309,460	294,968	139,941
<b>Support services:</b>										
Student	2,976	2,701	63,322	69,045	65,024	92,401	85,598	79,930	76,484	67,789
Instructional staff	59,318	45,841	67,828	362,519	109,928	106,717	101,009	116,746	103,906	96,062
Administration	266,475	278,993	361,303	347,471	402,385	341,719	372,074	334,110	311,712	295,432
Operation and maintenance of plant	231,053	218,986	170,215	270,971	271,475	262,427	308,008	308,785	283,948	247,495
Transportation	197,835	95,972	110,672	114,736	111,480	119,285	138,609	93,507	88,585	88,432
Non-instructional programs	-	-	-	-	-	-	-	-	-	122
Capital outlay	278,456	33,225	1,262,455	378,944	302,713	189,278	188,677	91,734	87,299	151,776
<b>Long-term debt:</b>										
Principal	129,385	114,345	101,906	109,575	-	-	145,000	60,000	60,000	30,000
Interest	54,258	58,763	61,490	71,167	-	-	943	6,725	8,480	9,630
<b>Other expenditures:</b>										
AEA flow-through	95,158	92,259	93,721	107,676	107,475	103,200	101,287	97,203	95,304	93,982
<b>Total</b>	<b>\$ 3,516,583</b>	<b>3,136,435</b>	<b>4,636,574</b>	<b>3,686,796</b>	<b>3,315,497</b>	<b>3,409,463</b>	<b>3,574,576</b>	<b>3,126,507</b>	<b>3,048,585</b>	<b>2,859,911</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 Exira Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Exira 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 6, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Exira Community School District's internal control over financial reporting to determine the auditing 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 Exira Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Exira 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, there can be no assurance all deficiencies, significant material weaknesses or deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiencies in internal control we consider to be a material weakness and a significant deficiency.

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 in internal control 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 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 deficiency described in Part I of the accompanying Schedule of Findings as item I-B-14 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Exira 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 that are described in Part II of the accompanying Schedule of Findings.

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

### **Exira Community School District's Responses to Findings**

Exira Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Exira 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 of 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 Exira 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 6, 2015  
Newton, Iowa

EXIRA 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 the internal control structure 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* - bank reconciliations, cash receipts and the disbursement function, handles petty cash, replenishing petty cash and custody.
- 2) *Investments* - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) *Inventories* - purchasing, handling, counting and maintaining inventory records.
- 4) *Capital Assets* - purchasing, recording and reconciling.
- 5) *Long-term debt* - maintaining long-term debt records and control of the cash function, payments and reconciliations.
- 6) *Receipts* - recording, depositing, posting and reconciling.
- 7) *Disbursements* - voucher preparation, purchasing, recording and reconciliations.
- 8) *Payroll* - approval of and recording employees added or deleted from the payroll system, approval and recording sick and vacation leave, approval of and payment of payroll taxes, write checks, sign checks and post payroll to the general ledger.
- 9) *Financial reporting* - preparing, reconciling and approving.
- 10) *Computer systems* - performing all general accounting functions and controlling all data input and output.
- 11) *Journal entries* - approval and posting.

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

Response - The District will review the control procedures and obtain the maximum internal controls possible with our limited number of employees.

Conclusion - Response accepted.



I-B-14 Title I Reporting - We noted during our audit that Title I reports submitted to the Iowa Department of Education were not reconciled to actual expenses reported in the District's general ledger.

Recommendation - The District needs to reconcile Title I reports submitted to the Iowa Department of Education to actual expenses reported in the District's general ledger. Once this reconciliation is completed, the District should amend the Title I budget to match revenues to actual general ledger expenditures.

Response - The District will follow the recommendation to notify the Title I office to reconcile and amend the budget and will be sure to comply with the requirements in the future.

Conclusion - Response accepted.

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

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

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 keep a closer watch on expenditures throughout the year and especially towards the budget adjustment time to be able to make the needed changes in a timely manner.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - We noted no expenditures that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Tom Benton, Board President Assistant Football Coach	Purchased Services	\$2,120

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with the Board President does not appear to represent a conflict of interest.

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

II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- II-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified annual reports (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 516,650
Revenues:		
Sales tax revenues	\$ 196,078	
Other local revenues	16	
Bus lease proceeds	83,886	
	<u>83,886</u>	<u>279,980</u>
		796,630
Expenditures/transfers out:		
School infrastructure construction	\$ 130,350	
Equipment	136,204	
Other	80,140	
Transfers to other funds:		
Debt service fund	131,782	
	<u>131,782</u>	<u>478,476</u>
Ending balance		<u><u>\$ 318,154</u></u>

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

- II-M-14 Financial Condition - The Student Activity Fund had one account with a deficit unassigned balance of \$56 as of June 30, 2014.

Recommendation - The District should monitor the account and investigate alternatives to eliminate the deficit balance.

Response - The District will resolve this deficit balance and keep a closer watch on this account in the future.

Conclusion - Response accepted.

II-N-14 District Contracts - We noted during our audit that the Superintendent signed the District's bus lease agreement in fiscal year 2014. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contract 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 - All future contracts will be signed by the Board President at the time of approval.

Conclusion - Response accepted.