

**CAL COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

Table of Contents

Board of Education and School District Officials	1	
Independent Auditor's Report	2-3	
Management's Discussion and Analysis (MD&A)	4-12	
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	13	
Statement of Activities.....	14	
Governmental Fund Financial Statements		
Balance Sheet.....	15	
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets ...	16	
Statement of Revenue, Expenditures and Changes in Fund Balances.....	17	
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	18	
Proprietary Fund Financial Statements		
Statement of Net Assets	19	
Statement of Revenue, Expenses and Changes in Fund Net Assets	20	
Statement of Cash Flows	21	
Notes to the Financial Statements	22-34	
Required Supplementary Information		
Schedule of Budgetary Comparison of Revenue, Expenditures and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Fund	35	
Schedule of Funding Progress for the Retiree Health Plan	36	
Supplementary Information		
Nonmajor Governmental Funds		
Combining Balance Sheet.....	37	
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances	38	
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	39	
Capital Projects Accounts		
Combining Balance Sheet.....	40	
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances	41	
Schedule of Revenue By Source and Expenditures By Function - All Governmental Funds	42	
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		43-44
Schedule of Findings	45-50	

Introductory Section

Board of Education and School District Officials

As of June 30, 2012

Name	Title	Term Expires
Before September, 2011 Election		
Board of Education		
Steve Muhlenbruch	President	2011
Shawn Elphic	Vice President (resigned September 10, 2011)	2013
Beth Eddy	Member	2011
Todd Mensing	Member	2013
Mitch Vanness	Member (appointed April, 2011)	2013
Officials		
Steven Lane	Superintendent	Indefinite
Amanda Rapp	Board Secretary/Superintendent Secretary (appointed August 19, 2011)	Indefinite
Beverly Stratmann	District Secretary	Indefinite
Marlys Pralle	District Treasurer	Indefinite
After September, 2011 Election		
Board of Education		
Steve Muhlenbruch	President	2015
Mitch Vanness	Vice President	2013
Beth Eddy	Member	2015
Austin Elling	Member	2013
Todd Mensing	Member	2013
Officials		
Steven Lane	Superintendent	Resigned June 30, 2012
Dwight Widen	Superintendent	Appointed July 1, 2012
Amanda Rapp	Board Secretary/Superintendent Secretary	Indefinite
Lisa Lewis	Business Manager (appointed December 1, 2011)	Indefinite
Beverly Stratmann	District Secretary	Retired November 30, 2011
Marlys Pralle	District Treasurer	Indefinite

Financial Section

Independent Auditor's Report

Board of Education
CAL Community School District
Latimer, Iowa

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 the CAL Community School District, Latimer, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

We were unable to satisfy ourselves as to the accuracy of the statements of net assets and balance sheet at June 30, 2011, and to the accuracy of the distribution by fund of the total fund balance at July 1, 2011. Additionally, the District did not have procedures in place to maintain records of its capital assets, including depreciation. Therefore, we were also unable to satisfy ourselves as to the accuracy of the capital asset and accumulated depreciation balances at July 1, 2011, in the District-wide statement of net assets. The amounts in these financial statements as of June 30, 2011 materially affect the determination of the changes in net assets and fund balances and cash flows for the year ended June 30, 2012. Because of the significance of the matters discussed above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the changes in net assets and fund balances and cash flows for the year ended June 30, 2012, and accordingly, we do not express an opinion on the statement of activities, statement of revenue, expenses and changes in fund balances and statement of cash flows for the year ended June 30, 2012.

In our opinion, except for the effects of any changes that may be required for capital assets, the statements of net assets and balance sheet present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the CAL Community School District at June 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated February 15, 2013 on our consideration of the CAL Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, the budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 4 through 12, 35 and 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CAL Community School District's basic financial statements. The financial statements for the eight years ended June 30, 2011 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the second paragraph of this report who expressed unqualified opinions on those financial statements. The supplementary information on pages 37 through 42, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Except for the matters disclosed in the third and fourth paragraphs of the report, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
February 15, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The CAL 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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- General Fund revenue increased from \$2,927,580 in fiscal 2011 to \$2,932,643 in fiscal 2012, and General Fund expenditures increased from \$3,008,609 in fiscal 2011 to \$3,280,081 in fiscal 2012. This resulted in a decrease in the General Fund balance from \$624,502 in fiscal 2011 to \$277,064 in fiscal 2012.
- The increase in General Fund expenditures of \$271,472 was due to increased salaries and benefit expense due to an increase in the number of staff.

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 assets and a statement of activities. These provide information about the activities of the CAL 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 the CAL Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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 and a 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 related to one another.

FIGURE A-1

**CAL COMMUNITY SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT**

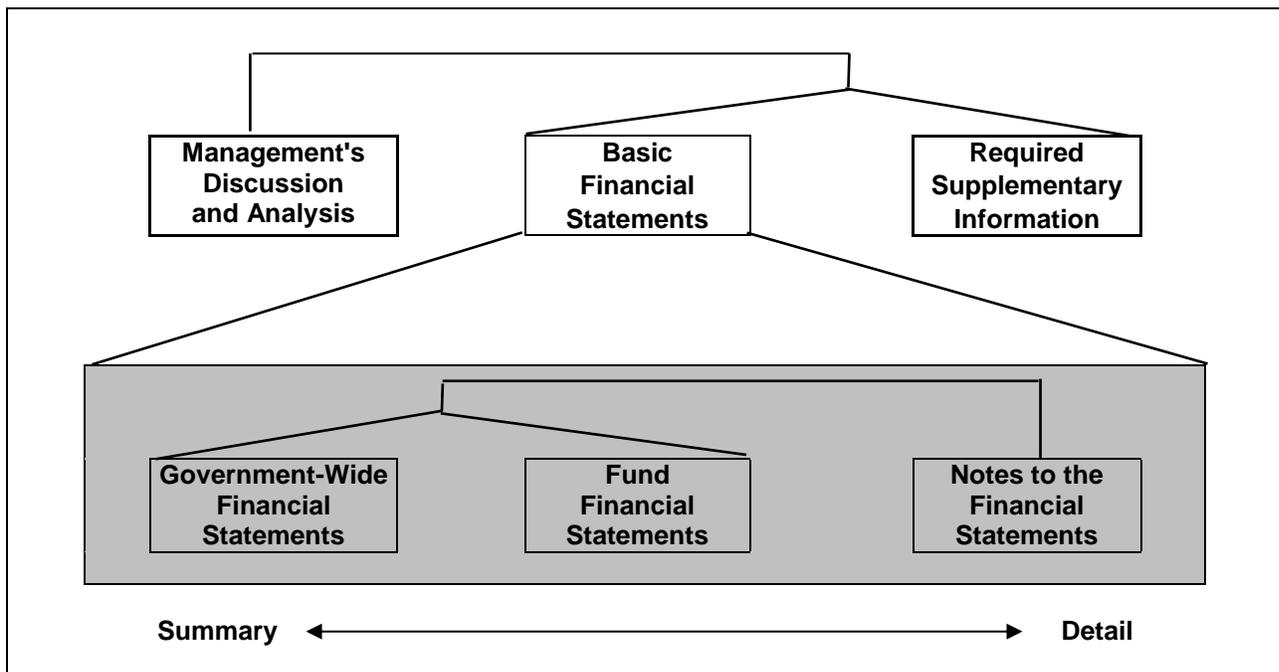


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-Wide and Fund Financial Statements			
		Fund Statements	
	Government-Wide Statements	Governmental Funds	Proprietary 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, such as food services
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statements of revenue, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenue, expenses and changes in fund net assets • Statement of cash flows
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
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue 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 revenue and expenses 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 assets includes all of the District's assets and liabilities and how they have changed. All of the current year's revenue and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional nonfinancial 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 School Nutrition Fund 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 or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for various student activity funds or to demonstrate it is properly using certain revenue, such as federal grants.

The District has two types of funds:

- **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 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, the Capital Projects Funds and the Debt Service Fund.

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

- *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 fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District's enterprise fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenue, expenses and changes in net assets and a statement of cash flows.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

**FIGURE A-3
CONDENSED STATEMENT OF NET ASSETS**

	Governmental Activities June 30,		Business-Type Activities June 30,		Total School District June 30,		Percentage Change 2011-2012
	2012	2011 (Restated)	2012	2011	2012	2011 (Restated)	
Current and other assets	\$ 3,261,622	\$ 3,790,188	\$ 38,033	\$ 43,947	\$ 3,299,655	\$ 3,834,135	(13.9)
Capital assets	3,203,466	2,799,263	17,068	14,731	3,220,534	2,813,994	14.4
Total Assets	<u>6,465,088</u>	<u>6,589,451</u>	<u>55,101</u>	<u>58,678</u>	<u>6,520,189</u>	<u>6,648,129</u>	<u>(1.9)</u>
Long-term liabilities	1,709,078	1,783,999	—	—	1,709,078	1,783,999	(4.2)
Other liabilities	1,925,108	1,480,157	6,278	431	1,931,386	1,480,588	30.4
Total Liabilities	<u>3,634,186</u>	<u>3,264,156</u>	<u>6,278</u>	<u>431</u>	<u>3,640,464</u>	<u>3,264,587</u>	<u>11.5</u>
Net Assets							
Invested in capital assets, net of related debt	1,963,466	1,398,912	17,068	14,731	1,980,534	1,413,643	40.1
Restricted	873,966	1,620,136	—	—	873,966	1,620,136	(46.1)
Unrestricted	(6,530)	306,247	31,755	43,516	25,225	349,763	(92.8)
Total Net Assets	<u>\$ 2,830,902</u>	<u>\$ 3,325,295</u>	<u>\$ 48,823</u>	<u>\$ 58,247</u>	<u>\$ 2,879,725</u>	<u>\$ 3,383,542</u>	<u>(14.9)</u>

The District's combined net assets decreased 14.9%, or approximately \$504,000, over the prior year. The largest portion of the District's net assets are 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 resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's total restricted net assets decreased by approximately \$746,000, or 46.1%, over the prior period. The decrease was primarily a result of expenditures of sales tax monies that were collected in the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by approximately \$325,000, or 92.8%. The decrease was due to General Fund expenses exceeding revenue and an increase in OPEB liability.

Figure A-4 shows a summary of the District's changes in net assets for the year ended June 30, 2012 as compared to the year ended June 30, 2011.

**FIGURE A-4
CHANGES IN NET ASSETS**

	Governmental Activities June 30,		Business-Type Activities June 30,		Total School District June 30,		Percentage Change 2011-2012
	2012	2011 (Restated)	2012	2011	2012	2011 (Restated)	
Revenue							
Program Revenue							
Charges for service and sales	\$ 242,629	\$ 99,985	\$ 61,585	\$ 58,102	\$ 304,214	\$ 158,087	92.4
Operating grants, contributions and restricted interest	478,245	808,828	98,640	93,308	576,885	902,136	(36.1)
General Revenue							
Property tax	1,441,072	1,363,553	—	—	1,441,072	1,363,553	5.7
Income surtax	107,224	124,135	—	—	107,224	124,135	(13.6)
Statewide sales, services and use tax	204,192	220,135	—	—	204,192	220,135	(7.2)
Unrestricted state grants	1,082,833	979,293	—	—	1,082,833	979,293	10.6
Unrestricted investment earnings	14,272	26,863	—	—	14,272	26,863	(46.9)
Other	52,346	29,291	—	—	52,346	29,291	(78.7)
Total Revenue	<u>3,622,813</u>	<u>3,652,083</u>	<u>160,225</u>	<u>151,410</u>	<u>3,783,038</u>	<u>3,803,493</u>	<u>(0.5)</u>
Expenses							
Instruction	2,591,553	2,347,864	—	—	2,591,553	2,347,864	10.4
Support services	1,153,407	814,707	—	—	1,153,407	814,707	41.6
Noninstructional programs	—	—	169,649	161,744	169,649	161,744	4.9
Other expenditures	372,246	332,722	—	—	372,246	332,722	11.9
Total Expenses	<u>4,117,206</u>	<u>3,495,293</u>	<u>169,649</u>	<u>161,744</u>	<u>4,286,855</u>	<u>3,657,037</u>	<u>17.2</u>
Increase (Decrease) in Net Assets	<u>\$ (494,393)</u>	<u>\$ 156,790</u>	<u>\$ (9,424)</u>	<u>\$ (10,334)</u>	<u>\$ (503,817)</u>	<u>\$ 146,456</u>	<u>(444.0)</u>

In fiscal year 2012, property tax and unrestricted state grants accounted for 69.7% of the governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100% of business-type activities revenue.

As shown in Figure A-4, the District as a whole experienced a 0.5% decrease in revenue and a 17.2% increase in expenses. The increase in expense is related to increases in salaries and benefits and in repairs and maintenance.

Governmental Activities

Revenue for governmental activities was \$3,622,813 and expenses were \$4,117,206 for the year ended June 30, 2012. The decrease in net assets was primarily due to the increase in expense for salaries and benefits. The District also had increased expenditures for repairs and maintenance of facilities due to several small projects.

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, 2012 compared to the year ended June 30, 2011.

**FIGURE A-5
TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES**

	Total Cost of Services			Net Cost of Services		
	2012	2011 (Restated)	Percentage Change 2011-2012	2012	2011 (Restated)	Percentage Change 2011-2012
Instruction	\$ 2,591,553	\$ 2,347,864	10.4	\$ 2,012,441	\$ 1,608,767	25.1
Support services	1,153,407	814,707	41.6	1,124,815	782,685	43.7
Other expenses	372,246	332,722	11.9	259,076	195,028	32.8
Total	<u>\$ 4,117,206</u>	<u>\$ 3,495,293</u>	<u>17.8</u>	<u>\$ 3,396,332</u>	<u>\$ 2,586,480</u>	<u>31.3</u>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$242,629.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$478,245.
- The net cost of governmental activities was financed with \$1,752,488 in property tax and other taxes and \$1,082,833 in unrestricted state grants.

Business-Type Activities

Revenue for business-type activities during the year ended June 30, 2012 was \$160,225, representing a 5.8% increase over the prior year, while expenses totaled \$169,649, a 4.9% increase over the prior year. The District's business-type activities include the School Nutrition Fund. Revenue from these activities was comprised of charges for service, federal and state reimbursements and investment income.

The increase in revenue was due to increases in the number of meals served which also increased expenses for meal supplies.

INDIVIDUAL FUND ANALYSIS

As previously noted, the CAL 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 balances of \$1,231,384 compared to last year's ending fund balances of \$2,079,889. The primary reason for the decrease in combined fund balances in fiscal 2012 is due to an increase in wages and benefits, the completion of the HVAC project and some smaller projects and repairs.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the result of many factors; however, the primary factor was the increase in salaries and benefits.
- The General Fund reported a decrease in its fund balance of \$347,438 to \$277,064 at the end of fiscal year 2012 due to an increase in salaries and benefits.
- The Management Levy Fund reported an increase from \$203,985 to \$245,171 at the end of fiscal year 2012 due to an increase in the tax levy and fewer early retirements than expected.
- The Capital Projects Fund balances decreased from \$1,165,321 to \$407,568 at the end of fiscal year 2012 due to the completion of the HVAC project and other repairs.

Proprietary Fund Highlights

The School Nutrition Fund balance decreased from \$58,247 at June 30, 2011 to \$48,823 at June 30, 2012. The decrease is due in part to no change in lunch prices in the current year and increased food costs.

BUDGETARY HIGHLIGHTS

Over the course of the year, the CAL Community School District did not amend its budget.

The District's total revenue was \$132,737 more than total budgeted revenue, while expenditures were \$783,068 under budget.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$3,220,534, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of \$406,540 from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$229,580.

**FIGURE A-6
CAPITAL ASSETS, NET OF DEPRECIATION**

	Governmental Activities June 30,		Business-Type Activities June 30,		Total School District June 30,		Percentage Change 2011-2012
	2012	2011	2012	2011	2012	2011	
Land	\$ 10,100	\$ 10,100	\$ —	\$ —	\$ 10,100	\$ 10,100	0.0
Buildings	2,764,847	2,320,348	—	—	2,764,847	2,320,348	19.2
Site improvements	27,590	24,149	—	—	27,590	24,149	14.2
Equipment and furniture	400,929	444,666	17,068	14,731	417,997	459,397	(9.0)
Total	\$ 3,203,466	\$ 2,799,263	\$ 17,068	\$ 14,731	\$ 3,220,534	\$ 2,813,994	14.4

Long-Term Debt

At June 30, 2012, the District had \$1,240,000 in total long-term debt outstanding. This represents no change from the prior year, as the revenue bonds were issued in the prior year, with no payments due until the fiscal year ending June 30, 2013. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of A assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximate \$5.8 million.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Adequate allowable growth will be necessary to maintain the District's current educational program. The District has been experiencing declining or leveling enrollment, which affects future state funding.
- The District is seeing increases in special education costs, health insurance costs and an increase in diversity and demographics in the area served. Additionally, the transportation costs are higher than the state average.
- The statewide sales, service and use tax is being used for debt reduction which results in property tax relief for the District's taxpayers.
- Several of the unfunded mandates, such as No Child Left Behind, Student Achievement and Teacher Quality Act and reduction in state aid for juvenile homes is stretching the limits of not only the financial health of the District, but also its human resources.

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 Lisa Lewis or Amanda Rapp, CAL Community School District, 1441 Gull Avenue, Latimer, IA 50452.

Basic Financial Statements

Statement of Net Assets

As of June 30, 2012

	Governmental Activities	Business- Type Activities	Total
Assets			
Cash and pooled investments.....	\$ 1,628,441	\$ 35,630	\$ 1,664,071
Receivables			
Property Tax			
Delinquent.....	10,575	—	10,575
Succeeding year	1,395,248	—	1,395,248
Accounts.....	3,046	—	3,046
Due from other governments	224,312	—	224,312
Inventories.....	—	2,403	2,403
Capital assets, net of accumulated depreciation	<u>3,203,466</u>	<u>17,068</u>	<u>3,220,534</u>
Total Assets	<u>\$ 6,465,088</u>	<u>\$ 55,101</u>	<u>\$ 6,520,189</u>
Liabilities			
Accounts payable.....	\$ 207,929	\$ 4,071	\$ 212,000
Salaries and benefits payable	287,133	2,207	289,340
Accrued interest	15,585	—	15,585
Deferred Revenue			
Succeeding year property taxes.....	1,395,248	—	1,395,248
Other.....	19,213	—	19,213
Long-Term Liabilities			
Portion Due or Payable Within One Year			
Revenue bond.....	75,000	—	75,000
Capital leases	86,534	—	86,534
Early retirement.....	32,988	—	32,988
Portion Due or Payable After One Year			
Revenue bond.....	1,165,000	—	1,165,000
Early retirement.....	6,364	—	6,364
Net OPEB liability	<u>343,192</u>	<u>—</u>	<u>343,192</u>
Total Liabilities	<u>3,634,186</u>	<u>6,278</u>	<u>3,640,464</u>
Net Assets			
Invested in capital assets, net of related debt.....	1,963,466	17,068	1,980,534
Restricted for			
Categorical funding	20,579	—	20,579
Debt service.....	199,030	—	199,030
Management levy purposes	205,819	—	205,819
School infrastructure	153,864	—	153,864
Student activities	87,416	—	87,416
Property, plant and equipment	207,258	—	207,258
Unassigned	<u>(6,530)</u>	<u>31,755</u>	<u>25,225</u>
Total Net Assets	<u>2,830,902</u>	<u>48,823</u>	<u>2,879,725</u>
Total Liabilities and Net Assets	<u>\$ 6,465,088</u>	<u>\$ 55,101</u>	<u>\$ 6,520,189</u>

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenue		Net (Expenses), Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities						
Instruction						
Regular	\$ 1,703,290	\$ 90,977	\$ 299,708	\$ (1,312,605)	\$ —	\$ (1,312,605)
Special	626,073	43,760	23,740	(558,573)	—	(558,573)
Other	262,190	107,221	13,706	(141,263)	—	(141,263)
Total Instruction	<u>2,591,553</u>	<u>241,958</u>	<u>337,154</u>	<u>(2,012,441)</u>	<u>—</u>	<u>(2,012,441)</u>
Support Services						
Student	1,047	—	—	(1,047)	—	(1,047)
Instructional staff	167,211	—	—	(167,211)	—	(167,211)
Administration	356,796	—	—	(356,796)	—	(356,796)
Operation and maintenance of plant	423,315	—	25,000	(398,315)	—	(398,315)
Transportation	205,038	671	2,921	(201,446)	—	(201,446)
Total Support Services	<u>1,153,407</u>	<u>671</u>	<u>27,921</u>	<u>(1,124,815)</u>	<u>—</u>	<u>(1,124,815)</u>
Other Expenditures						
Long-term debt interest	31,170	—	—	(31,170)	—	(31,170)
AEA flow through	113,170	—	113,170	—	—	—
Depreciation/amortization (unallocated)	227,906	—	—	(227,906)	—	(227,906)
Total Other Expenditures	<u>372,246</u>	<u>—</u>	<u>113,170</u>	<u>(259,076)</u>	<u>—</u>	<u>(259,076)</u>
Total Governmental Activities	<u>4,117,206</u>	<u>242,629</u>	<u>478,245</u>	<u>(3,396,332)</u>	<u>—</u>	<u>(3,396,332)</u>
Business-Type Activities						
Noninstructional Programs						
Food service operations	<u>169,649</u>	<u>61,585</u>	<u>98,640</u>	<u>—</u>	<u>(9,424)</u>	<u>(9,424)</u>
Total	<u>\$ 4,286,855</u>	<u>\$ 304,214</u>	<u>\$ 576,885</u>	<u>(3,396,332)</u>	<u>(9,424)</u>	<u>(3,405,756)</u>
General Revenue						
Property Taxes Levied for						
General purposes				1,318,778	—	1,318,778
Capital outlay				122,294	—	122,294
Income surtax				107,224	—	107,224
Statewide sales, services and use tax				204,192	—	204,192
Unrestricted state grants				1,082,833	—	1,082,833
Unrestricted investment earnings				14,272	—	14,272
Gain on sale of capital assets				920	—	920
Other				51,426	—	51,426
Total General Revenue				<u>2,901,939</u>	<u>—</u>	<u>2,901,939</u>
Change in Net Assets				(494,393)	(9,424)	(503,817)
Net Assets - Beginning of Year, as Restated (Note 12)				<u>3,325,295</u>	<u>58,247</u>	<u>3,383,542</u>
Net Assets - End of Year				<u>\$ 2,830,902</u>	<u>\$ 48,823</u>	<u>\$ 2,879,725</u>

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

As of June 30, 2012

	General	Special Revenue Management Levy	Capital Projects	Nonmajor Govern- mental	Total Govern- mental
Assets					
Cash and pooled investments.....	\$ 727,164	\$ 244,180	\$ 354,975	\$ 302,122	\$ 1,628,441
Receivables					
Property Taxes					
Delinquent.....	8,688	991	896	—	10,575
Succeeding year	1,131,712	142,500	121,036	—	1,395,248
Due from other governments.....	134,527	—	89,785	—	224,312
Other.....	—	—	2,000	1,046	3,046
Total Assets.....	<u>\$ 2,002,091</u>	<u>\$ 387,671</u>	<u>\$ 568,692</u>	<u>\$ 303,168</u>	<u>\$ 3,261,622</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable.....	\$ 206,792	—	—	1,137	207,929
Salaries and benefits payable.....	287,133	—	—	—	287,133
Deferred Revenue					
Succeeding year property taxes.....	1,131,712	142,500	121,036	—	1,395,248
Other.....	99,390	—	40,088	—	139,478
Total Liabilities.....	<u>1,725,027</u>	<u>142,500</u>	<u>161,124</u>	<u>1,137</u>	<u>2,029,788</u>
Fund Balances					
Restricted for					
Categorical funding	20,579	—	—	—	20,579
Management levy purposes	—	245,171	—	—	245,171
School infrastructure	—	—	240,398	—	240,398
Physical plant and equipment	—	—	167,170	—	167,170
Debt service.....	—	—	—	214,615	214,615
Student activity	—	—	—	87,416	87,416
Unassigned	256,485	—	—	—	256,485
Total Fund Balances.....	<u>277,064</u>	<u>245,171</u>	<u>407,568</u>	<u>302,031</u>	<u>1,231,834</u>
Total Liabilities and Fund Balances.....	<u>\$ 2,002,091</u>	<u>\$ 387,671</u>	<u>\$ 568,692</u>	<u>\$ 303,168</u>	<u>\$ 3,261,622</u>

See accompanying notes to the financial statements.

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets

As of June 30, 2012

Total Fund Balances for Governmental Funds (Page 15).... **\$ 1,231,834**

***Amounts reported for governmental activities in the
statement of net assets are different because:***

Income surtax receivable at June 30, 2012 is not available to pay current year expenditures and, therefore, is deferred in the governmental funds 120,265

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds..... 3,203,466

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..... (15,585)

Long-term liabilities, including bonds payable, other post-employment benefits, capital leases and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Bonds payable	\$ (1,240,000)	
Other post-employment benefits.....	(343,192)	
Capital leases.....	(86,534)	
Early retirement.....	<u>(39,352)</u>	<u>(1,709,078)</u>

Net Assets of Governmental Activities (Page 13) **\$ 2,830,902**

Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2012

	General	Special Revenue Management Levy	Capital Projects	Nonmajor Govern- mental	Total Govern- mental
Revenue					
Local Sources					
Local tax	\$ 1,264,326	\$ 135,027	\$ 366,172	\$ —	\$ 1,765,525
Tuition	107,970	—	—	—	107,970
Other	37,384	39,661	21,693	115,654	214,392
State sources	1,461,559	—	—	—	1,461,559
Federal sources	61,404	—	25,000	—	86,404
Total Revenue	<u>2,932,643</u>	<u>174,688</u>	<u>412,865</u>	<u>115,654</u>	<u>3,635,850</u>
Expenditures					
Instruction					
Regular	1,578,216	33,922	39,221	—	1,651,359
Special	601,647	—	—	—	601,647
Other	147,871	—	—	114,319	262,190
Total Instruction	<u>2,327,734</u>	<u>33,922</u>	<u>39,221</u>	<u>114,319</u>	<u>2,515,196</u>
Support Services					
Student	1,047	—	—	—	1,047
Instructional staff	162,179	—	—	—	162,179
Administration	331,348	—	—	—	331,348
Operation and maintenance of plant	168,887	83,538	—	—	252,425
Transportation	175,716	16,042	8,134	—	199,892
Total Support Services	<u>839,177</u>	<u>99,580</u>	<u>8,134</u>	<u>—</u>	<u>946,891</u>
Facilities acquisition and construction					
	—	—	874,880	—	874,880
Long-Term Debt					
Interest and fiscal charges	—	—	—	33,768	33,768
AEA flowthrough	113,170	—	—	—	113,170
Total Other Expenditures	<u>113,170</u>	<u>—</u>	<u>874,880</u>	<u>33,768</u>	<u>1,021,818</u>
Total Expenditures	<u>3,280,081</u>	<u>133,502</u>	<u>922,235</u>	<u>148,087</u>	<u>4,483,905</u>
Revenue Over (Under) Expenditures	<u>(347,438)</u>	<u>41,186</u>	<u>(509,370)</u>	<u>(32,433)</u>	<u>(848,055)</u>
Other Financing Sources (Uses)					
Operating transfers in	—	—	—	248,383	248,383
Operating transfers out	—	—	(248,383)	—	(248,383)
Total Other Financing Sources (Uses)	<u>—</u>	<u>—</u>	<u>(248,383)</u>	<u>248,383</u>	<u>—</u>
Net Change in Fund Balances	<u>(347,438)</u>	<u>41,186</u>	<u>(757,753)</u>	<u>215,950</u>	<u>(848,055)</u>
Fund Balances - Beginning of Year, as Restated (Note 12)	624,502	203,985	1,165,321	86,081	2,079,889
Fund Balances - End of Year	<u>\$ 277,064</u>	<u>\$ 245,171</u>	<u>\$ 407,568</u>	<u>\$ 302,031</u>	<u>\$ 1,231,834</u>

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities —————

Year Ended June 30, 2012

Change in Fund Balances - Total Governmental Funds (Page 17) \$ (848,055)

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

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

Capital outlays.....	\$ 632,109	
Depreciation expense.....	<u>(227,906)</u>	404,203

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenue and are deferred in the governmental funds. (13,037)

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

Other post-employment benefits.....	\$ (103,214)	
Early retirement.....	(10,705)	
Interest on long-term debt	<u>2,598</u>	(111,321)

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 assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Current year issues exceeded repayments, as follows:

Repaid		<u>73,817</u>
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Change in Net Assets of Governmental Activities (Page 14) \$ (494,393)

Statement of Net Assets - Proprietary Fund

Year Ended June 30, 2012

	Nonmajor Enterprise Fund School Nutrition
Assets	
Cash and cash equivalents.....	\$ 35,630
Inventories.....	2,403
Capital assets, net of accumulated depreciation.....	<u>17,068</u>
Total Assets	<u>\$ 55,101</u>
 Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 4,071
Salaries and benefits payable.....	<u>2,207</u>
Total Liabilities	<u>6,278</u>
 Net Assets	
Invested in capital assets, net of related debt	17,068
Unrestricted.....	<u>31,755</u>
Total Net Assets	<u>48,823</u>
 Total Liabilities and Net Assets	 <u>\$ 55,101</u>

Statement of Revenue, Expenses and Changes in Fund Net Assets - Proprietary Fund

Year Ended June 30, 2012

	Nonmajor Enterprise Fund School Nutrition
Operating Revenue	
Local Sources	
Charges for service	<u>\$ 61,585</u>
Operating Expenses	
Noninstructional Programs	
Food Service Operations	
Salaries and benefits	67,845
Purchased services	100,130
Depreciation	<u>1,674</u>
Total Operating Expenses	<u>169,649</u>
Loss From Operations	<u>(108,064)</u>
Nonoperating Revenue	
State sources	1,594
Federal sources	<u>97,046</u>
Total Nonoperating Revenue	<u>98,640</u>
Change in Net Assets	(9,424)
Net Assets - Beginning of Year	<u>58,247</u>
Net Assets - End of Year	<u>\$ 48,823</u>

Statement of Cash Flows - Proprietary Fund

Year Ended June 30, 2012

	<u>Nonmajor Enterprise Fund School Nutrition</u>
Cash Flows From Operating Activities	
Cash received from sale of lunches and breakfasts.....	\$ 61,585
Cash payments to employees for services	(65,638)
Cash payments to suppliers for goods and services	<u>(90,704)</u>
Net Cash Used in Operating Activities.....	<u>(94,757)</u>
Cash Flows Provided by Noncapital Financing Activities	
State grants received.....	1,594
Federal grants received.....	<u>90,570</u>
Net Cash Provided by Noncapital Financing Activities	<u>92,164</u>
Cash Flows From Capital Financing Activities	
Acquisition of capital assets.....	<u>(4,011)</u>
Net Decrease in Cash and Cash Equivalents	(6,604)
Cash and Cash Equivalents at Beginning of Year	<u>42,234</u>
Cash and Cash Equivalents at End of Year	<u>\$ 35,630</u>
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities	
Operating income (loss)	\$ (108,064)
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Used in Operating Activities	
Commodities used	6,476
Depreciation.....	1,674
Increase in inventory.....	(690)
Increase in accounts payable.....	3,640
Increase in salaries and benefits payable	<u>2,207</u>
Net Cash Used in Operating Activities.....	<u>\$ (94,757)</u>

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2012, the District received \$6,476 of federal commodities.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The CAL Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through twelve. The geographic area served includes the Cities of Coulter, Alexander and Latimer, Iowa, and the agricultural area in Franklin and Wright Counties. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

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

Reporting Entity

For financial reporting purposes, the CAL 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.

Excluded Component Unit

The CAL Foundation (an Iowa nonprofit corporation) is a legally separate entity from the District. The Foundation is governed by its own board. The Foundation was formed for the direct benefit of the District. Economic resources received by the Foundation are used for the direct benefit of the District and, therefore, the District's constituents. The Foundation has a December 31 fiscal year end and does not prepare financial statements; therefore, audited financial statements are not available. Management has elected to exclude the transactions of the Foundation from the District's financial statements as they are not material.

Jointly Governed Organizations

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

Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and the statement of activities report information on all 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 revenue, are reported separately for business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (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 revenue are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The *General Fund* is the general operating fund of the District. All general tax revenue 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 *Management Levy Fund* is a special revenue fund utilized for the payment of insurance, unemployment and early retirement benefits.

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

The District's only proprietary fund is the School Nutrition Fund which is used to account for the food service operations of the District and is presented as nonmajor.

Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days after year end.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Property tax, intergovernmental revenue (shared revenue, 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 revenue. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenue.

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise fund includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue 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.

Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents

The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and nonnegotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term capital 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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Property Taxes Receivable

Property taxes in the governmental funds are accounted for using the modified accrual basis of accounting.

Property taxes receivable are 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 taxes receivable represent unpaid taxes for the current and prior years. The succeeding year property taxes receivable represent 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 taxes 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 becomes due and collectible in September and March of the fiscal year with a 1-1/2% monthly penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

Due From Other Governments

Due from other governments represents amounts due from the State of Iowa and grants and reimbursements from other governments.

Inventories

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

Capital Assets

Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost 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. No intangible assets were noted that exceeded the threshold amount.

Land.....	\$ 500
Buildings	500
Improvements other than buildings	500
Intangible assets	500
Furniture and Equipment	
School Nutrition Fund equipment	500
Other furniture and equipment.....	500

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Depreciation is computed using the straight-line method of depreciation over the following estimated useful lives:

Buildings	50 Years
Improvements other than buildings	20 - 50 Years
Intangible assets	5 - 10 Years
Furniture and equipment	5 - 15 Years

Salaries and Benefits Payable

Payroll and related expenditures for teachers and staff with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue

Although certain revenue is measurable, it is not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property taxes receivable and other receivables not collected within 60 days after year end.

Deferred revenue on the statement of net assets includes succeeding year property taxes receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences

District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability was deemed to be immaterial at June 30, 2012.

Long-Term Obligations

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 assets.

Fund Equity

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

Unassigned - All amounts not included in other spendable classifications.

Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

Classification Changes

Certain items in the 2012 financial statements have been reclassified to conform with the current year presentation. These reclassifications had no net effects on the financial statements.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2012 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio of \$984. The investments are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer From	Amount
Debt Service	Capital Projects	\$ 248,383

Transfers usually move revenue from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Notes to the Financial Statements

(4) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land.....	\$ 10,100	\$ —	\$ —	\$ 10,100
Capital Assets Being Depreciated				
Buildings	3,563,545	556,416	—	4,119,961
Site improvements	239,384	6,000	—	245,384
Furniture and equipment	1,608,803	69,693	16,300	1,662,196
Total Capital Assets				
Being Depreciated.....	5,411,732	632,109	16,300	6,027,541
Less Accumulated Depreciation for				
Buildings	1,243,197	111,917	—	1,355,114
Site improvements	215,235	2,559	—	217,794
Furniture and equipment	1,164,137	113,430	16,300	1,261,267
Total Accumulated				
Depreciation.....	2,622,569	227,906	16,300	2,834,175
Total Capital Assets Being				
Depreciated, Net	2,789,163	404,203	—	3,193,366
Governmental Activities				
Capital Assets, Net.....	\$ 2,799,263	\$ 404,203	\$ —	\$ 3,203,466
Business-Type Activities				
Furniture and equipment	\$ 42,774	\$ 4,011	\$ —	\$ 46,785
Less accumulated depreciation	28,043	1,674	—	29,717
Business-Type Activities				
Capital Assets, Net.....	\$ 14,731	\$ 2,337	\$ —	\$ 17,068

Depreciation expense was charged as follows:

Governmental Activities	
Unallocated depreciation.....	\$ 227,906
Business-Type Activities	
Food Service Operations.....	\$ 1,674

Notes to the Financial Statements

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
Governmental Activities					
Net OPEB liability	\$ 239,978	\$ 143,316	\$ 40,102	\$ 343,192	\$ —
Capital lease purchase agreements	160,351	—	73,817	86,534	86,534
Early retirement	28,647	39,440	28,735	39,352	32,988
Revenue bonds	1,240,000	—	—	1,240,000	75,000
Total	<u>\$ 1,668,976</u>	<u>\$ 182,756</u>	<u>\$ 142,654</u>	<u>\$ 1,709,078</u>	<u>\$ 194,522</u>

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bonds Issued December, 2010			
	Interest Rates	Principal	Interest	Total
2013	1.20%	\$ 75,000	\$ 30,720	\$ 105,720
2014	1.40	100,000	29,570	129,570
2015	1.60	100,000	28,070	128,070
2016	1.80	110,000	26,280	136,280
2017	2.10	110,000	24,135	134,135
2018-2022	2.50 - 3.40	610,000	72,993	682,993
2023	3.50	135,000	2,362	137,362
		<u>\$ 1,240,000</u>	<u>\$ 214,130</u>	<u>\$ 1,454,130</u>

The District has pledged future statewide sales, services and use tax revenue to repay the \$1,240,000 of bonds issued in December, 2010. The bonds were issued to finance a portion of the costs of remodeling. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 75% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$1,454,130. For the current year, no principal was paid and interest of \$33,768 was paid on the bonds and total statewide sales, services and use tax revenue was \$204,192.

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

- (a) \$124,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- (b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.

Notes to the Financial Statements

(5) Long-Term Liabilities

- (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.

The District was in compliance with all of the revenue bond provisions for the year ended June 30, 2012.

Lease Agreements

In July, 2010, the District entered into a capital lease purchase agreement for school buses that requires three annual payments of \$8,133. The first and second payments were made in 2011 and 2012 with one remaining payment that will be paid on July 22, 2013. The interest rate is 3.88%.

In March, 2010, the District entered into a capital lease purchase agreement for laptop computers totaling \$313,600 with interest at 0% and payable over four years beginning in March, 2010. Annual payments of \$78,400 are made from proceeds of the statewide sales, services and use tax.

In April, 2011, the District entered into a 60-month lease for copiers that requires monthly payments of \$1,023 starting in June, 2011.

The District paid \$86,096 of principal and interest under all lease agreements during the year ended June 30, 2012.

The following is a schedule of future minimum lease payments under the agreements in effect at June 30, 2012:

Year Ending June 30,	Buses	Computers	Copiers	Total
2013	\$ 8,133	\$ 78,400	\$ 12,279	\$ 98,812
2014	—	—	12,279	12,279
2015	—	—	12,279	12,279
2016	—	—	12,279	12,279
2017	—	—	11,255	11,255
Total Minimum Lease Payments	<u>\$ 8,133</u>	<u>\$ 78,400</u>	<u>\$ 60,371</u>	<u>\$ 146,904</u>

(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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$142,557, \$116,550 and \$115,016, respectively, equal to the required contributions for each year.

Notes to the Financial Statements

(7) Other Postemployment Benefits (OPEB)

Plan Description

The District operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 53 active and 4 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy rate 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 costs 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 June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 156,700
Interest on net OPEB obligation.....	5,800
Adjustment to annual required contribution.....	(12,553)
Adjustment to prior year obligation	<u>(6,633)</u>
Annual OPEB Cost	143,314
Contributions made	<u>(40,100)</u>
Increase in Net OPEB Obligation	103,214
Net OPEB Obligation - Beginning of Year.....	<u>239,978</u>
Net OPEB Obligation - End of Year	<u>\$ 343,192</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 plan's actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$40,100 to the medical plan. Plan members eligible for benefits contributed \$54,600 or 18.1% of the premiums cost.

Notes to the Financial Statements

(7) Other Postemployment Benefits (OPEB)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 135,684	4.3%	\$ 129,812
June 30, 2011	139,269	21.1	239,978
June 30, 2012	143,314	28.0	343,192

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date for the period of July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1,052,700, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,052,700. The covered payroll (annual payroll of active employees covered by the plan) was \$1,813,500 and the ratio of the UAAL to covered payroll was 58%. As of June 30, 2012, 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 healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the notes to the 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, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2009 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are \$559 per month for single coverage and \$1,717 for family coverage. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Early Retirement Plan

In 2010, the District instituted an early retirement program for employees who are eligible for IPERS retirement but not eligible for Medicare/Medicaid benefits. The program consists of two parts. Part one is a cash benefit where the retiring employee receives a cash payout equal to 40% of their last current contract plus \$85/day of accumulated sick leave up to a maximum of 90 days. This cash benefit option is contingent on whether the Board of Education annually implements the policy and is paid in two annual installments. Part two of the program is continuation of the District's group health and major medical single premium insurance coverage. Retiring employees will be provided 4% for each year of salaried employment in the District up to a maximum of 80% toward the cost of single coverage. Retirees will be required to pay the balance.

At June 30, 2012, the District had obligations to two participants with a total liability of \$39,352. Retirement expenditures paid during the year ended June 30, 2012 totaled \$28,735.

(9) Risk Management

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

(10) Area Education Agency Support

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 \$113,170 for the year ended June 30, 2012, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Subsequent Events

Management has evaluated subsequent events through February 15, 2013, the date which the financial statements were available to be issued.

Notes to the Financial Statements

(12) Prior Period Adjustments

During the year ended June 30, 2012, management determined that revenue received in the current year should have been reported in the prior period. As a result, a prior period adjustment has been made to increase the General Fund fund balance by \$33,963 and the Capital Projects Fund fund balance by \$42,523 as of June 30, 2011, respectively.

Additionally, during the year ended June 30, 2012, management determined that current year expenses included payments that should have been expenses in the prior period. As a result, a prior period adjustment has been made to decrease the Capital Projects Fund fund balance as of June 30, 2011 by \$75,586.

Management also determined during the year ended June 30 2012 that the prior year accounts receivable was not properly reported due to an amount from a prior period. As a result, a prior period adjustment has been made to decrease the Capital Projects Fund fund balance as of June 30, 2011 by \$2,155.

Lastly, management determined during the year ended June 30, 2012 that prior year early retirement benefits in the District-wide statement of net assets were overstated by \$115,023.

These prior period adjustments increased the District-wide net assets as of June 30, 2011 by \$113,768. There was no effect on any other fund balances, nor any effect on the changes in net assets or fund balances for the year ended June 30, 2012.

	General Fund	Capital Projects - Statewide Sales, Services and Use Tax	Capital Projects - Physical Plant and Equipment Levy	Governmental Activities
Balances - June 30, 2011, as previously reported.....	\$ 590,539	\$ 944,504	\$ 256,035	\$ 3,211,527
Changes in prior period revenue....	33,963	42,523	—	76,486
Change in prior period expenditures	—	(75,586)	—	(75,586)
Change in prior period accounts receivable	—	—	(2,155)	(2,155)
Change in prior period early retirement.....	—	—	—	115,023
Balances - June 30, 2011, as Restated.....	<u>\$ 624,502</u>	<u>\$ 911,441</u>	<u>\$ 253,880</u>	<u>\$ 3,325,295</u>

Required Supplementary Information

Schedule of Budgetary Comparison of Revenue, Expenditures and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Fund

Year Ended June 30, 2012

	Actual			Budgeted Amount Final	Over (Under) Budget
	Governmental Fund Types	Proprietary Fund Type	Total		
Revenue					
Local sources	\$ 2,087,887	\$ 61,585	\$ 2,149,472	\$ 2,045,968	\$ 103,504
State sources	1,461,559	1,594	1,463,153	1,473,867	(10,714)
Federal sources	86,404	97,046	183,450	143,503	39,947
Total Revenue.....	<u>3,635,850</u>	<u>160,225</u>	<u>3,796,075</u>	<u>3,663,338</u>	<u>132,737</u>
Expenditures/Expenses					
Instruction.....	2,515,196	—	2,515,196	2,955,000	(439,804)
Support services	946,891	—	946,891	993,300	(46,409)
Noninstructional programs	—	169,649	169,649	180,000	(10,351)
Other expenditures.....	1,021,818	—	1,021,818	1,308,322	(286,504)
Total Expenditures/Expenses	<u>4,483,905</u>	<u>169,649</u>	<u>4,653,554</u>	<u>5,436,622</u>	<u>(783,068)</u>
Revenue Over (Under) Expenditures/Expenses.....	(848,055)	(9,424)	(857,479)	(1,773,284)	915,805
Balance - Beginning of Year	2,079,889	58,247	2,138,136	7,623,158	(5,485,022)
Balance - End of Year	<u>\$ 1,231,834</u>	<u>\$ 48,823</u>	<u>\$ 1,280,657</u>	<u>\$ 5,849,874</u>	<u>\$ (4,569,217)</u>

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

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

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

During the year ended June 30, 2012, the District did not exceed amounts budgeted.

Schedule of Funding Progress for the Retiree Health Plan ---

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	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	7-1-09	—	\$ 1,115,300	\$ 1,115,300	0%	\$ 1,785,000	62.5%
2011	7-1-09	—	1,131,000	1,131,000	0	1,795,000	63.0
2012	7-1-09	—	1,052,700	1,052,700	0	1,813,500	58.0

See Note 5 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2012

	<u>Special Revenue Student Activity</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and pooled investments	\$ 87,507	\$ 214,615	\$ 302,122
Receivables			
Other.....	<u>1,046</u>	<u>—</u>	<u>1,046</u>
Total Assets	<u>\$ 88,553</u>	<u>\$ 214,615</u>	<u>\$ 303,168</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts payable	<u>\$ 1,137</u>	<u>\$ —</u>	<u>\$ 1,137</u>
 Fund Balances			
Restricted for			
Student activity.....	87,416	—	87,416
Debt service	<u>—</u>	<u>214,615</u>	<u>214,615</u>
Total Fund Balances.....	<u>87,416</u>	<u>214,615</u>	<u>302,031</u>
Total Liabilities and Fund Balances	<u>\$ 88,553</u>	<u>\$ 214,615</u>	<u>\$ 303,168</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2012

	<u>Special Revenue Student Activity</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
Revenue			
Local Sources			
Other.....	<u>\$ 115,654</u>	<u>\$ —</u>	<u>\$ 115,654</u>
Expenditures			
Instruction			
Other.....	114,319	—	114,319
Other Expenditures			
Long-Term Debt			
Interest	<u>—</u>	<u>33,768</u>	<u>33,768</u>
Total Expenditures.....	<u>114,319</u>	<u>33,768</u>	<u>148,087</u>
Revenue Over (Under) Expenditures	1,335	(33,768)	(32,433)
Other Financing Sources			
Operating transfer in.....	<u>—</u>	<u>248,383</u>	<u>248,383</u>
Net Change in Fund Balances	1,335	214,615	215,950
Fund Balances - Beginning of Year	<u>86,081</u>	<u>—</u>	<u>86,081</u>
Fund Balances - End of Year	<u>\$ 87,416</u>	<u>\$ 214,615</u>	<u>\$ 302,031</u>

Schedule of Changes in Special Revenue Fund, Student Activity Accounts —

Year Ended June 30, 2012

	Balance - Beginning of Year	Revenue and Transfers	Expenditures and Transfers	Balance - End of Year
Drama	\$ —	\$ 594	\$ 450	\$ 144
Vocal Music	—	1,438	1,438	—
Instrumental Music	—	568	568	—
Cross Country	—	549	549	—
Golf	—	440	440	—
Boys Basketball	—	4,534	4,351	183
Football	—	5,715	5,447	268
Baseball	—	3,018	2,956	62
Boys Track	—	1,431	1,431	—
Wrestling	—	212	212	—
Girls Basketball	—	5,834	5,548	286
Volleyball	(150)	1,966	1,816	—
Softball	—	2,016	2,016	—
Girls Track	—	2,057	2,057	—
Annual	—	4,454	4,454	—
Activity Passes	—	2,075	2,075	—
FFA	14,253	21,372	20,763	14,862
Cheerleaders	—	844	844	—
National Honor Society	—	85	85	—
District Football	518	—	518	—
Washington DC Trip	2,444	30,365	32,809	—
Spanish Club	150	4,150	1,903	2,397
Student Council	2,493	2,744	4,129	1,108
Class of 2011	342	684	1,026	—
Class of 2012	1,929	180	1,986	123
Class of 2013	1,493	1,338	2,831	—
Class of 2014	1,674	650	190	2,134
Class of 2015	1,542	—	—	1,542
Class of 2016	960	1,180	670	1,470
Class of 2017	—	806	459	347
High School Activity	—	1,477	1,477	—
Elementary Activity	2,886	2,315	3,738	1,463
MS Activities	414	1,090	1,163	341
Instrument Rental	—	730	497	233
Greenhouse	—	3,859	161	3,698
Concessions	1,999	9,035	10,034	1,000
Interest	51,258	1,745	193	52,810
Music Resale	—	1,058	1,058	—
Manufacturing Resale	1,306	268	147	1,427
Book Fund	570	5,254	5,306	518
Miscellaneous	—	1,000	—	1,000
	<u>\$ 86,081</u>	<u>\$ 129,130</u>	<u>\$ 127,795</u>	<u>\$ 87,416</u>

Combining Balance Sheet - Capital Projects Accounts

As of June 30, 2012

	<u>Capital Projects</u>		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Assets			
Cash and pooled investments	\$ 190,701	\$ 164,274	\$ 354,975
Receivables			
Property Taxes			
Delinquent	—	896	896
Succeeding year	—	121,036	121,036
Other.....	—	2,000	2,000
Due from other governments.....	<u>49,697</u>	<u>40,088</u>	<u>89,785</u>
Total Assets	<u>\$ 240,398</u>	<u>\$ 328,294</u>	<u>\$ 568,692</u>
Liabilities and Fund Balances			
Liabilities			
Deferred Revenue			
Succeeding year property taxes.....	\$ —	\$ 121,036	\$ 121,036
Other.....	<u>—</u>	<u>40,088</u>	<u>40,088</u>
Total Liabilities	<u>—</u>	<u>161,124</u>	<u>161,124</u>
Fund Balances			
Restricted for			
School infrastructure	240,398	—	240,398
Physical plant and equipment	<u>—</u>	<u>167,170</u>	<u>167,170</u>
Total Fund Balances.....	<u>240,398</u>	<u>167,170</u>	<u>407,568</u>
Total Liabilities and Fund Balances	<u>\$ 240,398</u>	<u>\$ 328,294</u>	<u>\$ 568,692</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Capital Projects Accounts

Year Ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenue			
Local Sources			
Local tax	\$ 204,192	\$ 161,980	\$ 366,172
Other.....	16,938	4,755	21,693
Federal sources.....	—	25,000	25,000
Total Revenue	221,130	191,735	412,865
Expenditures			
Instruction			
Regular	—	39,221	39,221
Support Services			
Transportation.....	—	8,134	8,134
Other Expenditures			
Facilities acquisition and construction	643,790	231,090	874,880
Total Expenditures	643,790	278,445	922,235
Revenue Under Expenditures	(422,660)	(86,710)	(509,370)
Other Financing Uses			
Operating transfers out.....	(248,383)	—	(248,383)
Net Change in Fund Balances	(671,043)	(86,710)	(757,753)
Fund Balances - Beginning of Year, as Restated (Note 12).....	911,441	253,880	1,165,321
Fund Balances - End of Year	\$ 240,398	\$ 167,170	\$ 407,568

**Schedule of Revenue By Source and Expenditures By Function -
All Governmental Funds**

For the Last Nine Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenue									
Local Sources									
Local option.....	\$ 1,765,525	\$ 1,659,832	\$ 1,578,844	\$ 1,565,066	\$ 1,424,486	\$ 1,466,995	\$ 1,407,383	\$ 1,465,673	\$ 1,297,920
Tuition.....	107,970	98,996	90,711	119,910	219,712	224,027	228,663	112,982	70,577
Other.....	214,392	229,015	211,931	137,568	259,318	239,255	262,003	258,763	214,290
State sources.....	1,461,559	1,378,813	1,158,283	1,376,902	1,391,844	1,145,976	985,164	1,029,496	1,013,090
Federal sources.....	<u>86,404</u>	<u>195,179</u>	<u>307,179</u>	<u>153,737</u>	<u>96,379</u>	<u>298,219</u>	<u>96,766</u>	<u>163,195</u>	<u>164,823</u>
Total	<u>\$ 3,635,850</u>	<u>\$ 3,561,835</u>	<u>\$ 3,346,948</u>	<u>\$ 3,353,183</u>	<u>\$ 3,391,739</u>	<u>\$ 3,374,472</u>	<u>\$ 2,979,979</u>	<u>\$ 3,030,109</u>	<u>\$ 2,760,700</u>
Expenditures									
Instruction.....	\$ 2,515,196	\$ 2,389,024	\$ 2,378,765	\$ 2,175,182	\$ 2,142,828	\$ 2,079,515	\$ 1,972,150	\$ 1,794,257	\$ 1,756,581
Support Services									
Student.....	1,047	1,408	3,218	692	2,214	1,637	10,827	30,383	37,406
Instructional staff.....	162,179	76,134	66,954	93,136	112,243	109,281	80,510	132,444	131,181
Administration.....	331,348	299,008	262,378	260,840	249,906	256,407	251,455	234,129	235,909
Operations and maintenance of plant.....	252,425	271,267	213,080	243,953	262,851	285,521	276,391	342,120	222,317
Transportation.....	199,892	234,704	179,920	156,471	181,306	130,680	131,514	121,570	198,388
Central support.....	—	—	—	—	—	—	—	—	1,112
Noninstructional programs - food service operations.....	—	—	—	—	—	—	—	15,949	16,132
Other Expenditures									
Facilities acquisition.....	874,880	725,512	310,757	225,946	89,103	407,193	336,595	13,641	48,284
Long-Term Debt									
Principal.....	—	—	—	—	84,835	70,165	—	—	—
Interest and other charges.....	33,768	—	—	—	3,427	7,335	—	—	—
AEA flowthrough.....	<u>113,170</u>	<u>123,963</u>	<u>123,551</u>	<u>103,615</u>	<u>101,928</u>	<u>82,702</u>	<u>82,702</u>	<u>83,366</u>	<u>85,778</u>
Total	<u>\$ 4,483,905</u>	<u>\$ 4,121,020</u>	<u>\$ 3,538,623</u>	<u>\$ 3,259,835</u>	<u>\$ 3,230,641</u>	<u>\$ 3,430,436</u>	<u>\$ 3,142,144</u>	<u>\$ 2,767,859</u>	<u>\$ 2,733,088</u>

HOGAN ♦ HANSEN

A Professional Corporation

Certified Public Accountants and Consultants

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

Board of Education
CAL Community School District
Latimer, Iowa

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 the CAL Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated February 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the CAL Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the CAL Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the CAL Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CAL Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a 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 deficiencies in internal control described in Part I of the accompanying schedule of findings as items 12-I-R-1, 12-I-R-2, 12-I-R-3, 12-I-R-4, 12-I-R-5 and 12-I-R-6 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying schedule of findings as items 12-I-R-7 and 12-I-R-8 to be significant deficiencies.

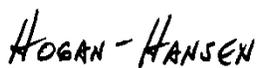
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CAL 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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we also noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying schedule of findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 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.

The CAL Community School District's responses to findings identified in our audit are described in the accompanying schedule of findings. While we have expressed our conclusions on the District's responses, we did not audit the CAL Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the CAL Community School District and other parties to whom the CAL Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



HOGAN - HANSEN

Mason City, Iowa
February 15, 2013

Schedule of Findings

Year Ended June 30, 2012

Part I: Findings Related to the Financial Statements

12-I-R-1 Segregation of Duties

Finding - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The limited number of accounting personnel employed by the District makes it difficult to achieve adequate control procedures through segregation of duties. The concentration of closely related duties and responsibilities, such as recording and preparing cash receipts, preparing and recording checks and preparation of journals and general financial information for posting makes it difficult to establish an adequate system of automatic internal checks on accounting record accuracy and reliability. We noted that for part of the year, bank reconciliations were not prepared timely, not all accounts were reconciled and bank reconciliations were prepared by the same person who records cash receipts and disbursements and prepares journal entries. We also noted an instance where student activity cash receipts were not deposited or recorded on a timely basis and two instances of checks not properly approved by the Board.

Auditor's Recommendation - We realize that with a limited number of accounting employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances. We recommend that all bank accounts be timely reconciled and that bank reconciliations and adjusting journal entries be reviewed by another employee or Board member. In addition, management should review procedures to ensure prompt deposit and recording of cash receipts and Board approval of all checks written.

District's Response - We are in the process of reviewing internal controls, including the above items. We will implement additional controls where possible.

Auditor's Conclusion - Response accepted.

12-I-R-2 Financial Statement Preparation

Finding - The District does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with generally accepted accounting principles. As is inherent in many organizations of this size, the District has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully apply accrual basis accounting principles in preparing the financial statements and the related disclosures.

Auditor's Recommendation - The District should obtain additional knowledge through reading relevant accounting literature and attending local professional education courses.

District's Response - The District will consider obtaining additional knowledge where cost effective but will continue to rely on its audit firm for assistance with drafting the financial statements and disclosures.

Auditor's Conclusion - Response accepted.

Schedule of Findings

Year Ended June 30, 2012

12-I-R-3 Certified Annual Report

Finding - The Certified Annual Report (CAR) was filed with the Department of Education timely, but we noted numerous differences between the amounts reported and the general ledger. Additionally the CAR did not include all the reserve and sinking funds held for revenue bonds.

Auditor's Recommendation - Procedures should be established to make sure the CAR is reconciled with accounting records and reviewed by a member of management prior to being filed.

District's Response - We establish procedures to reconcile the report with accounting records and to report all funds.

Auditor's Conclusion - Response accepted.

12-I-R-4 Capital Assets

Finding - The District's Board policy is to capitalize assets costing \$500 or more with a useful life greater than one year. The policy also requires an annual inventory of the assets. We noted that the listing of assets had not been updated since 2007 and did not include depreciation information such as useful life, current depreciation amounts or accumulated depreciation amounts.

Auditor's Recommendation - We recommend that management review the current Board policy for capital assets to determine its reasonableness and needed changes, then establish appropriate procedures to comply with the District's policy. We also recommend that the District review and update asset records to ensure all assets acquired since 2007 with the capitalization criteria are properly included on a depreciation schedule. The depreciation schedule should include accumulated depreciation at beginning of the year, current depreciation and accumulated depreciation at end of the year.

District's Response - We will review policy and establish appropriate procedures to comply with policy and to maintain the appropriate asset records.

Auditor's Conclusion - Response accepted.

12-I-R-5 Transfers

Finding - During our audit, we noted that the amount of transfers between the Capital Projects, Statewide Sales, Service and Use Tax Fund and the Debt Service Fund were greater than the amount approved by the Board.

Auditor's Recommendation - We recommend that procedures be established to properly approve all transfers between funds.

District's Response - We will review our procedures to ensure that all future transfers between funds are properly approved.

Auditor's Conclusion - Response accepted.

Schedule of Findings

Year Ended June 30, 2012

12-I-R-6 Financial Records

Finding - During our audit, we noted that debt reserve and debt sinking cash accounts were not recorded in the District's general ledger.

Auditor's Recommendation - We recommend that procedures be established to properly report all cash accounts in the District's financial records.

District's Response - We will review our procedures to ensure that all cash accounts are properly recorded.

Auditor's Conclusion - Response accepted.

12-I-R-7 Nutrition Program

Finding - During our audit, we noted one instance where the District incorrectly reported adult meals served for reimbursement under the Child Nutrition Program, resulting in an overpayment.

Auditor's Recommendation - We recommend that meal reimbursement reports be reviewed by another employee for accuracy. Additionally, the District should contact the State to determine how to resolve the overpayment.

District's Response - We will review our procedures to ensure that all claim reports are properly filed and contact the State to resolve the difference.

Auditor's Conclusion - Response accepted.

12-I-R-8 Supporting Documentation

Finding - During the audit, we noted invoices for two expenditures and a title for a vehicle could not be located. We also noted one expenditure reimbursement to an employee which did not have proper supporting documentation.

Auditor's Recommendation - We recommend reviewing procedures to ensure all documentation supporting the District's transactions is properly maintained. Additionally, the District needs to locate or obtain a new title for the vehicle.

District's Response - The District will review our procedures to ensure all such documentation is obtained and properly filed.

Auditor's Conclusion - Response accepted

Schedule of Findings

Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting

12-II-A Certified Budget - Expenditures for the year ended June 30, 2012 did not exceed the certified budget amounts.

12-II-B Questionable Expenditures - We noted no expenditures which did not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

12-II-D Business Transactions - No business transactions between the District and District officials or employees were noted.

12-II-E 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.

12-II-F Board Minutes

Finding - The minutes of the Board of Education proceedings were not published within 15 days as required by Chapter 279.35 of the Code of Iowa in the meetings that we tested. No transactions were noted that we believe should have been approved in the Board minutes but were not; however, we did note that expenditures for two months and transfers between funds were not documented in the minutes.

Auditor's Recommendation - The minutes should be published within 15 days of the Board meeting and include a list of all expenditures and transfers approved by the Board.

District's Response - We will do this.

Auditor's Conclusion - Response accepted.

12-II-G Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

12-II-H Supplementary Weighting

Finding - Based on testing of supplemental weighting, it appeared the District under reported students enrolled in dual credit classes.

Auditor's Recommendation - The District should review procedures for counting students enrolled in dual credit classes.

District's Response - We will review our procedures regarding supplementary weighting.

Auditor's Conclusion - Response accepted.

Schedule of Findings

Year Ended June 30, 2012

12-II-I Deposits and Investments

Finding - While the District has approved a depository resolution, that resolution did not include the maximum dollar amounts that could be held at the approved financial institutions as required by the Code of Iowa.

Auditor's Recommendation - The District should adopt a new depository resolution which establishes and ensures the official depositories have adequate coverage.

District's Response - We have already adopted a new depository resolution which establishes maximum amounts.

Auditor's Conclusion - Response accepted.

12-II-J Certified Annual Report - The Certified Annual Report (CAR) was certified timely to the Iowa Department of Education; however, we noted errors in the report as explained in finding 12-I-R-3.

12-II-K Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

12-IV-L Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education.

Beginning balance, as restated (Note 12).....		\$ 911,441
Revenue/Transfers In		
Sales tax revenue	\$ 204,192	
Other local revenue	<u>16,938</u>	221,130
Expenditures/Transfers Out		
School infrastructure construction	\$ 566,140	
Capital lease payments.....	77,650	
Transfers to Other Funds		
Debt Service	<u>248,383</u>	<u>892,173</u>
Ending Balance		<u>\$ 240,398</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

12-IV-M Revenue Bonds - The District was in compliance with reserve account and sinking account requirements.

Schedule of Findings

Year Ended June 30, 2012

12-IV-N Unclaimed Property

Finding - Iowa Code Chapter 556 defines abandoned property as payroll checks outstanding more than one year and other checks greater than \$50 that have been outstanding over three years. In accordance with Chapter 556.11, abandoned property should be reported and filed annually before November 1 for the fiscal year ending on the preceding June 30. At June 30, 2012, the District had three checks that should have been reported and remitted to the Treasurer of Iowa.

Auditor's Recommendation - The District should annually review outstanding checks and report abandonment of property to comply with Iowa Code Chapter 556.

District's Response - We will properly follow Iowa escheat laws.

Auditor's Conclusion - Response accepted.

12-IV-O Student Activity Fund

Finding - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. We noted several of the individual accounts reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

Auditor's Recommendation - We recommend the District develop a policy defining appropriate student activity accounts. Then the District should review and reclassify accounts to the appropriate fund.

District's Response - The District will develop a policy or guidelines and also review all current student activity accounts to determine they are appropriately classified.

Auditor's Conclusion - Response accepted.