

CHEROKEE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

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Independent Auditor's Report

To the Board of Education of
Cherokee Community School District:

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 Cherokee Community School District, Cherokee, 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 District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Cherokee Community School District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated February 12, 2013, on our consideration of Cherokee Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our

inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 Cherokee 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 who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, 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 U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

February 12, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cherokee 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.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,626,890 in fiscal 2011 to \$9,699,178 in fiscal 2012, while General Fund expenditures increased from \$9,212,151 in fiscal 2011 to \$9,369,972 in fiscal 2012. The District's General Fund balance increased from \$1,342,959 in fiscal 2011 to \$1,717,378 in fiscal 2012, a 28% increase.
- The increase in local and state revenue was offset by a decrease in federal sources amounting to a slight increase. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. The district continues to maintain a solvent financial position due to budget planning.

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefitting the District.

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

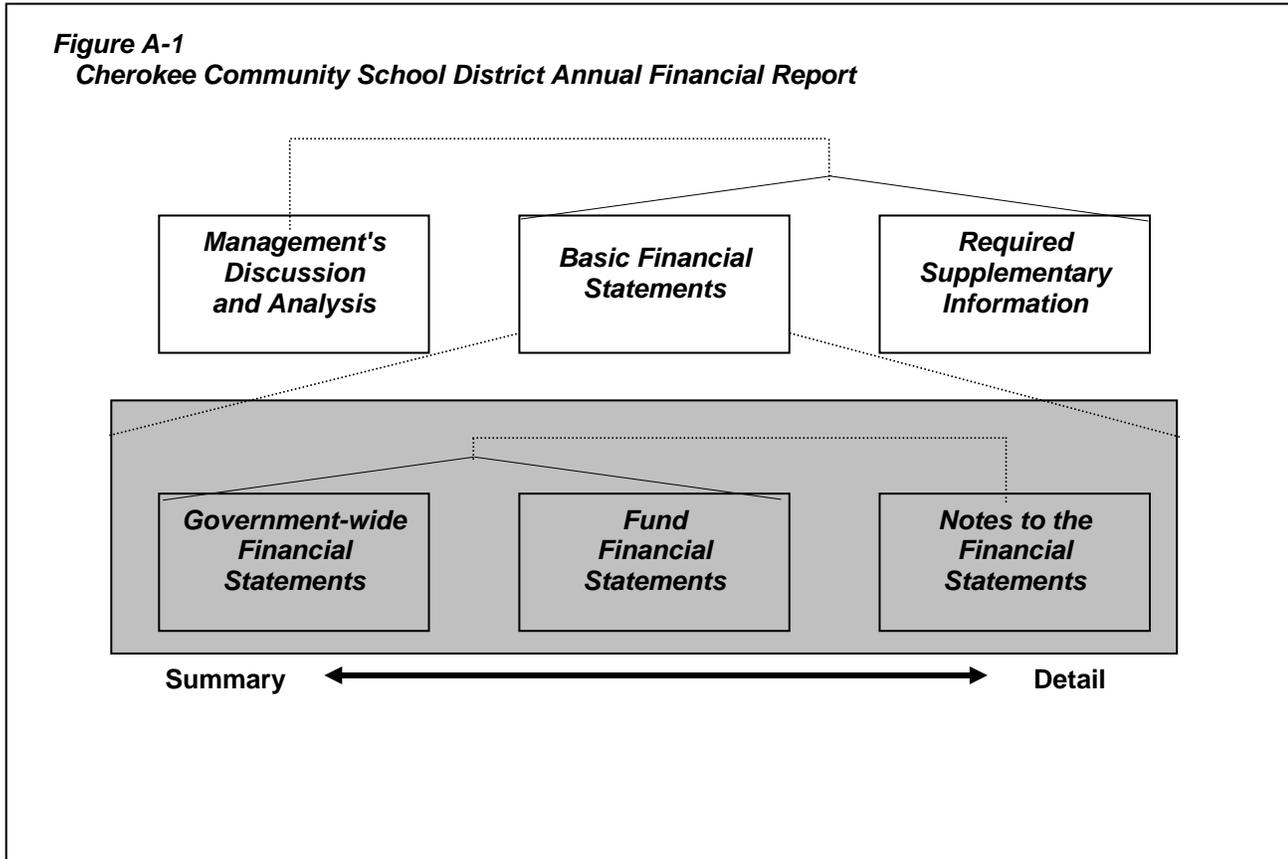


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and internal services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District’s net 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 non-financial factors, such as changes in the District’s property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund used to account for health insurance and related benefits.

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

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

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

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

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

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 (Expressed in Thousands)							
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2011	2012	2011	2012	2011	2012	2011-2012
	\$	\$	\$	\$	\$	\$	%
Current and other assets	7,120	7,661	124	147	7,244	7,808	7.79%
Capital assets	7,970	7,750	43	33	8,013	7,783	-2.87%
Total assets	15,090	15,412	167	180	15,257	15,591	2.19%
Long-term liabilities	3,996	3,472	-	1	3,996	3,473	-13.09%
Other liabilities	3,822	3,642	1	5	3,823	3,647	-4.60%
Total liabilities	7,818	7,114	1	6	7,819	7,120	-8.94%
Net Assets:							
Invested in capital assets, net of related debt	4,340	4,585	43	33	4,383	4,618	5.36%
Restricted	1,943	1,673	-	-	1,943	1,673	-13.90%
Unrestricted	989	2,039	123	142	1,112	2,181	96.13%
TOTAL NET ASSETS	7,272	8,297	166	175	7,438	8,472	13.90%

The district uses an Internal Service Fund to account for health insurance costs and benefits. The balance of this fund is included with the Governmental Activities on the Statement of Net Assets as the vast majority of its funding comes from the General Fund.

The District's combined total net assets increased by nearly 14% over the prior year. The largest portion of the District's net assets is invested in 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 restricted net assets decreased approximately \$270,000 over the prior year. The decrease was primarily a result of reclassifying the net assets for Management and Health Benefits.

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 – increased approximately \$1,070,000. \$370,000 of the increase was the result of the property tax cash reserve levy. \$480,000 of the increase resulted from reclassifying net assets in the internal service fund from restricted to unrestricted.

Figure A-4 shows the change in net assets for the years ended June 30, 2012 and 2011.

Figure A-4

	Change in Net Assets (Expressed in Thousands)						Percentage Change 2011-2012 %
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	
Revenues							
Program Revenues:							
Charges for services	442	805	240	246	682	1,051	54.11%
Operating grants & contributions	2,329	1,609	240	238	2,569	1,847	-28.10%
Capital grants & contributions	-	15	-	-	-	15	0.00%
General Revenues:							
Property taxes	3,365	3,582	-	-	3,365	3,582	6.45%
Income surtax	215	271	-	-	215	271	26.05%
Sales tax	693	683	-	-	693	683	-1.44%
Unrestricted state grants	4,189	4,177	-	-	4,189	4,177	-.29%
Unrestricted investment earnings	6	10	-	-	6	10	66.67%
Other revenue	104	68	-	-	104	68	-34.62%
Total Revenues	11,343	11,220	480	484	11,823	11,704	-1.01%
Expenses:							
Instruction	6,367	6,622	-	-	6,367	6,622	4.01%
Support services	2,540	2,769	-	-	2,540	2,769	9.02%
Non-instructional programs	-	-	456	475	456	475	4.17%
Other expenditures	1,262	919	-	-	1,262	919	27.18%
Total expenses	10,169	10,310	456	475	10,625	10,785	1.51%
CHANGE IN NET ASSETS	1,174	910	24	9	1,198	919	-23.29%
Net assets beginning of year as restated See Note 12	6,098	7,387	143	166	6,241	7,553	21.02%
Net assets end of year	7,272	8,297	166	175	7,439	8,472	13.90%

In fiscal year 2012 property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 1% decrease in revenues and a 1.5% increase in expenses. The increase in expenses related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$11,221,293 and expenses were \$10,310,819 for the year ended June 30, 2012.

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

Figure A-5

(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2011	2012	Percent Change 2011-2012	2011	2012	Percent Change 2011-2012
	\$	\$	%	\$	\$	%
Instruction	6,367	6,622	4.01%	4,256	4,587	7.78%
Support Services	2,540	2,769	9.02%	2,517	2,758	9.57%
Other Expenses	1,262	919	-27.18%	625	536	-14.24%
TOTAL	10,169	10,310	1.39%	7,398	7,881	6.53%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$804,852. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,609,495.
- The net cost of governmental activities was financed with \$3,582,441 in property taxes and \$4,176,804 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$483,142 and expenses were \$474,895. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2012, the District increased meal prices for the first time in four years. The increase in meal prices was due to the federal mandate to bring lunch prices comparable to federal reimbursement rates.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,303,406, well above last year's ending fund balances of \$2,764,285.

Governmental Fund Highlights

- The District has carefully monitored discretionary spending to avoid a decrease in fund balances. The General Fund balance increased from \$1,342,959 to \$1,717,378. The preservation of the General Fund balance is especially important due to anticipation of lowered allowable growth from the state legislature and the District being placed on the 101% budget guarantee.

In September of 2009 the board imposed a 5 year Instructional Support Levy of 8%, funded primarily through income surtax and property tax. The previous ISP levy was 4.5%. This has substantially increased General Fund Revenues.

- The Capital Project Fund includes revenues from statewide sales, services and use tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting.
- The District received over \$682,000 in statewide sales tax monies for FY 2012. These monies are used entirely for property tax relief.
- In September of 2007 the voters approved an increase in the Voted Physical Plant and Equipment Levy from .50 to .85. The additional funds have allowed the District to enhance its physical plant.
- The Management fund is used to account for the management property tax levy. This levy may be used to pay for unemployment benefits, property and liability insurance premiums, legal judgments and settlements, and early retirement benefits. Fiscal year 2012 expenditures were \$110,000 lower than fiscal year 2011 expenditures due to a reduction in the amount of early retirement benefits paid.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$166,256 at June 30, 2011 to \$174,603 at June 30, 2012, representing an increase of approximately 5%. For fiscal year 2012, the District increased meal prices, resulting in the increase in net assets.

The district began an Internal Service Fund to account for health insurance costs and related benefits in FY 2009. The decision to partially self-fund the District's health insurance continues to be advantageous in controlling health insurance increases.

BUDGETARY HIGHLIGHTS

The District's receipts were \$236,156 less than budgeted receipts, a variance of approximately 2%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$7,782,830 million, 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 decrease of 2.9% 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 \$453,030.

The district spent over \$169,000 on equipment and facility improvement during fiscal year 2012.

Figure A-6

Capital Assets (net of depreciation)
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2011-2012 %
	2011	2012	2011	2012	2011	2012	
	\$	\$	\$	\$	\$	\$	
Land	714	710	-	-	714	710	-0.56%
Buildings	6,358	5,967	-	-	6,358	5,967	-6.15%
Improvements	314	431	-	-	314	431	37.26%
Equipment & furniture	584	642	43	33	627	675	7.66%
TOTAL	7,970	7,750	43	33	8,013	7,783	-2.87%

Long-Term Debt

At June 30, 2012 the District had \$3,471,745 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 13% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The district has outstanding debt of \$3,165,000 for the Middle School built in 1999. The bond will be fully retired in the year 2018. This is currently being paid with proceeds of the one cent statewide sales, services and use tax.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$12 million.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Percentage Change 2011-2012 %
	2011	2012	
	\$	\$	
General obligation bonds	3,630,000	3,165,000	-12.81%
Early retirement	343,227	264,139	-23.04%
Net OPEB liability	22,639	43,380	91.62%
	3,995,866	3,472,519	-13.10%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The Silo tax was passed in February 2004, and money was received by the District beginning in September 2004. This was replaced 2008 by the statewide sales, services and use tax. These funds are used for debt reduction resulting in property tax relief for the taxpayers. In spite of recessionary pressures the District continues to receive adequate revenues to cover these costs.

- A challenge for the District will be to find avenues to finance a technology infrastructure in the future that will support 21st century skills which are a vital component of the Iowa Core/Common Core Curriculum.
- School financing is highly dependent upon student enrollment and adequate allowable growth. The District's October 2012 enrollment increased by twenty-six students, the first substantial increase in enrollment in over twenty years. The district needs to experience higher allowable growth than experienced in the last four years in order to adequately address inflationary costs.
- The District has evaluated the condition of its transportation vehicles and determined a need to upgrade the transportation fleet due to mileage on buses, suburban's, and the hot lunch van. To pay for these vehicles, the District will need to use a combination of resources from the General Fund, Physical Plant and Equipment Levy Fund and the Nutrition Fund.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joyce Lundsgaard, District Secretary/Treasurer and Business Manager, Cherokee Community School District, 600 West Bluff St., Cherokee, Iowa, 51012.

BASIC FINANCIAL STATEMENTS

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	3,651,370	115,348	3,766,718
Receivables:			
Property tax:			
Delinquent	41,350	-	41,350
Succeeding year	3,490,722	-	3,490,722
Accounts	370	7,057	7,427
Due from other governments	477,390	2,691	480,081
Inventories	-	22,513	22,513
Capital assets, net of accumulated depreciation	7,750,320	32,510	7,782,830
Total assets	15,411,522	180,119	15,591,641
Liabilities			
Accounts payable	114,650	-	114,650
Salaries and benefits payable	17,719	-	17,719
Accrued interest payable	19,275	-	19,275
Deferred revenue:			
Succeeding year property tax	3,490,722	-	3,490,722
Other	-	4,742	4,742
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	480,000	-	480,000
Termination benefits	62,613	-	62,613
Portion due after one year:			
General obligation bonds payable	2,685,000	-	2,685,000
Termination benefits	201,526	-	201,526
Net OPEB liability	42,606	774	43,380
Total liabilities	7,114,111	5,516	7,119,627
Net assets			
Invested in capital assets, net of related debt	4,585,320	32,510	4,617,830
Restricted for:			
Categorical funding	185,799	-	185,799
Student activities	68,938	-	68,938
Physical plant and equipment levy purposes	250,048	-	250,048
School infrastructure	1,168,479	-	1,168,479
Unrestricted	2,038,827	142,093	2,180,920
Total net assets	8,297,411	174,603	8,472,014

See notes to financial statements.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	3,960,684	488,905	990,674	-
Special	1,406,859	80,629	47,337	-
Other	1,254,571	223,369	203,679	-
	<u>6,622,114</u>	<u>792,903</u>	<u>1,241,690</u>	<u>-</u>
Support services:				
Student	175,687	-	-	-
Instructional staff	219,708	-	-	-
Administration	1,260,957	-	-	-
Operation and maintenance of plant	766,976	11,949	-	-
Transportation	346,164	-	-	-
	<u>2,769,492</u>	<u>11,949</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	152,569	-	-	15,500
Long-term debt interest	129,712	-	-	-
AEA flowthrough	367,805	-	367,805	-
Depreciation (unallocated)*	269,127	-	-	-
	<u>919,213</u>	<u>-</u>	<u>367,805</u>	<u>15,500</u>
Total governmental activities	<u>10,310,819</u>	<u>804,852</u>	<u>1,609,495</u>	<u>15,500</u>
Business type activities:				
Non-instructional programs:				
Food service operations	474,895	245,531	237,611	-
Total	<u>10,785,714</u>	<u>1,050,383</u>	<u>1,847,106</u>	<u>15,500</u>

General Revenues:

Property taxes levied for:	
General purposes	
Capital outlay	
Income surtax	
Statewide sales, services and use tax	
Unrestricted state grants	
Unrestricted investment earnings	
Other	
Total general revenues	

Change in net assets

Net assets beginning of year, as restated	
Net assets end of year	

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(2,481,105)	-	(2,481,105)
(1,278,893)	-	(1,278,893)
<u>(827,523)</u>	-	<u>(827,523)</u>
<u>(4,587,521)</u>	-	<u>(4,587,521)</u>
(175,687)	-	(175,687)
(219,708)	-	(219,708)
(1,260,957)	-	(1,260,957)
(755,027)	-	(755,027)
<u>(346,164)</u>	-	<u>(346,164)</u>
<u>(2,757,543)</u>	-	<u>(2,757,543)</u>
(137,069)	-	(137,069)
(129,712)	-	(129,712)
-	-	-
<u>(269,127)</u>	-	<u>(269,127)</u>
<u>(535,908)</u>	-	<u>(535,908)</u>
<u>(7,880,972)</u>	-	<u>(7,880,972)</u>
-	8,247	8,247
<u>(7,880,972)</u>	<u>8,247</u>	<u>(7,872,725)</u>
3,297,949	-	3,297,949
284,492	-	284,492
271,060	-	271,060
682,977	-	682,977
4,176,804	-	4,176,804
10,238	100	10,338
67,926	-	67,926
<u>8,791,446</u>	<u>100</u>	<u>8,791,546</u>
910,474	8,347	918,821
<u>7,386,937</u>	<u>166,256</u>	<u>7,553,193</u>
<u>8,297,411</u>	<u>174,603</u>	<u>8,472,014</u>

CHEROKEE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

	General	Capital Projects	Management	Nonmajor	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	1,696,201	1,307,026	95,792	68,938	3,167,957
Receivables:					
Property tax:					
Delinquent	35,291	3,288	2,771	-	41,350
Succeeding year	2,783,665	282,057	425,000	-	3,490,722
Accounts	370	-	-	-	370
Due from other governments	369,177	108,213	-	-	477,390
Total assets	4,884,704	1,700,584	523,563	68,938	7,177,789
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	114,650	-	-	-	114,650
Salaries and benefits payable	17,719	-	-	-	17,719
Deferred revenue:					
Succeeding year property tax	2,783,665	282,057	425,000	-	3,490,722
Income surtax	251,292	-	-	-	251,292
Total liabilities	3,167,326	282,057	425,000	-	3,874,383
Fund balances:					
Restricted for:					
Categorical funding	185,799	-	-	-	185,799
Management levy	-	-	98,563	-	98,563
Student activities	-	-	-	68,938	68,938
School infrastructure	-	1,168,479	-	-	1,168,479
Physical plant and equipment	-	250,048	-	-	250,048
Unassigned	1,531,579	-	-	-	1,531,579
Total fund balances	1,717,378	1,418,527	98,563	68,938	3,303,406
Total liabilities and fund balances	4,884,704	1,700,584	523,563	68,938	7,177,789

CHEROKEE COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

	\$
Total fund balances of governmental funds (Exhibit C)	3,303,406
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,750,320
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	251,292
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	(19,275)
An internal service fund is used by the District's management to charge the costs of the partially self-funded health insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	483,413
Long-term liabilities, including bonds payable, termination benefits, and other post employment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(3,471,745)</u>
Net assets of governmental activities (Exhibit A)	<u><u>8,297,411</u></u>

CHEROKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Capital Projects	Management	Nonmajor	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	3,316,700	967,469	240,052	-	4,524,221
Tuition	483,781	-	-	-	483,781
Other	143,997	20,104	17,658	222,003	403,762
State sources	5,357,603	-	-	-	5,357,603
Federal sources	397,097	-	-	-	397,097
Total revenues	<u>9,699,178</u>	<u>987,573</u>	<u>257,710</u>	<u>222,003</u>	<u>11,166,464</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,826,502	-	197,624	-	4,024,126
Special	1,444,023	-	-	-	1,444,023
Other	1,023,818	-	-	213,316	1,237,134
	<u>6,294,343</u>	<u>-</u>	<u>197,624</u>	<u>213,316</u>	<u>6,705,283</u>
Support services:					
Student	180,398	-	-	-	180,398
Instructional staff	223,896	-	-	-	223,896
Administration	1,306,255	200	4,407	-	1,310,862
Operation and maintenance of plant	692,627	-	45,395	-	738,022
Transportation	304,648	7,425	10,965	-	323,038
	<u>2,707,824</u>	<u>7,625</u>	<u>60,767</u>	<u>-</u>	<u>2,776,216</u>
Other expenditures:					
Facilities acquisition	-	272,899	-	-	272,899
Long-term debt:					
Principal	-	-	-	465,000	465,000
Interest and fiscal charges	-	-	-	132,425	132,425
AEA flowthrough	367,805	-	-	-	367,805
	<u>367,805</u>	<u>272,899</u>	<u>-</u>	<u>597,425</u>	<u>1,238,129</u>
Total expenditures	<u>9,369,972</u>	<u>280,524</u>	<u>258,391</u>	<u>810,741</u>	<u>10,719,628</u>
Excess (deficiency) of revenues over (under) expenditures	<u>329,206</u>	<u>707,049</u>	<u>(681)</u>	<u>(588,738)</u>	<u>446,836</u>

CHEROKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Capital Projects	Management	Nonmajor	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Compensation for loss of fixed assets	-	42,072	-	-	42,072
Sales of real property	-	5,000	-	-	5,000
Operating transfers in	45,213	-	-	597,425	642,638
Operating transfers out	-	(597,425)	-	-	(597,425)
Total other financing sources (uses)	<u>45,213</u>	<u>(550,353)</u>	<u>-</u>	<u>597,425</u>	<u>92,285</u>
Net change in fund balances	374,419	156,696	(681)	8,687	539,121
Fund balances beginning of year, as restated	<u>1,342,959</u>	<u>1,261,831</u>	<u>99,244</u>	<u>60,251</u>	<u>2,764,285</u>
Fund balances end of year	<u><u>1,717,378</u></u>	<u><u>1,418,527</u></u>	<u><u>98,563</u></u>	<u><u>68,938</u></u>	<u><u>3,303,406</u></u>

CHEROKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		539,121
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Basis in capital assets sold, capital outlay expenditures and depreciation expense in the year are as follows:		
Basis in capital assets sold	(4,500)	
Expenditures for capital assets	169,485	
Depreciation expense	<u>(442,524)</u>	(277,539)
Income surtaxes and receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		12,257
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		465,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		2,713
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:		
Termination benefits	79,087	
Other postemployment benefits	<u>(19,967)</u>	59,120
An internal service fund is used by the District's management to charge the costs of the partially self-funded health insurance program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>109,802</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>910,474</u></u>

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2012

	Enterprise Fund	Governmental Activities - Internal Service Fund
	Nonmajor School Nutrition	Service Fund
	\$	\$
Assets		
Cash and cash equivalents	115,348	483,413
Accounts receivable	7,057	-
Due from other governments	2,691	-
Inventories	22,513	-
Capital assets, net of accumulated depreciation	32,510	-
	<u>180,119</u>	<u>483,413</u>
Total assets		
Liabilities		
Unearned revenue	4,742	-
Net OPEB liability	774	-
	<u>5,516</u>	<u>-</u>
Total liabilities		
Net assets		
Invested in capital assets	32,510	-
Unrestricted	142,093	483,413
	<u>174,603</u>	<u>483,413</u>
Total net assets		

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2012

	Enterprise Fund	Governmental Activities - Internal Service Fund
	<u>Nonmajor School Nutrition</u>	<u>Service Fund</u>
	\$	\$
Operating revenue:		
Local sources:		
Charges for service	<u>245,531</u>	<u>287,566</u>
Operating expenses:		
Non-instructional programs:		
Salaries	151,861	-
Benefits	61,990	133,783
Purchased services	11,101	-
Supplies	239,272	-
Depreciation	10,506	-
Other	165	-
Total operating expenses	<u>474,895</u>	<u>133,783</u>
Operating income (loss)	<u>(229,364)</u>	<u>153,783</u>
Non-operating revenue:		
State sources	4,422	-
Federal sources	233,189	-
Interest income	100	1,232
Total non-operating revenue	<u>237,711</u>	<u>1,232</u>
Income (loss) before transfers	8,347	155,015
Transfer to General Fund	<u>-</u>	<u>(45,213)</u>
Change in net assets	8,347	109,802
Net assets beginning of year	<u>166,256</u>	<u>373,611</u>
Net assets end of year	<u><u>174,603</u></u>	<u><u>483,413</u></u>

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2012

	Enterprise Fund	Governmental Activities - Internal Service Fund
	<u>Nonmajor School Nutrition</u>	<u>Service Fund</u>
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	243,647	-
Cash received from services provided to other funds	-	287,566
Cash payments to employees for services	(213,077)	(133,783)
Cash payments to suppliers for goods or services	(210,224)	-
Net cash (used) provided by operating activities	<u>(179,654)</u>	<u>153,783</u>
Cash flows from non-capital financing activities:		
Transfer to General Fund	-	(45,213)
State grants received	4,422	-
Federal grants received	205,292	-
Net cash (used) provided by non-capital financing activities	<u>209,714</u>	<u>(45,213)</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>100</u>	<u>1,232</u>
Net increase (decrease) in cash and cash equivalents	30,160	109,802
Cash and cash equivalents at beginning of year	<u>85,188</u>	<u>373,611</u>
Cash and cash equivalents at end of year	<u><u>115,348</u></u>	<u><u>483,413</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	(229,364)	153,783
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Commodities used	25,206	-
Depreciation	10,506	-
Decrease (increase) in inventories	15,108	-
Decrease (increase) in accounts receivable	(5,807)	-
(Decrease) increase in deferred revenue	3,923	-
(Decrease) increase in other postemployment benefits	774	-
Net cash (used) provided by operating activities	<u>(179,654)</u>	<u>153,783</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$25,206 of federal commodities.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2012

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	35,503
Liabilities	
	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>35,503</u></u>

CHEROKEE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2012

	Private Purpose Trust Scholarship <u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	3,100
Investment revenue	<u>4,884</u>
Total additions	7,984
Deductions:	
Instruction:	
Scholarships awarded	<u>11,258</u>
Change in net assets	(3,274)
Net assets beginning of year	<u>38,777</u>
Net assets end of year	<u><u>35,503</u></u>

CHEROKEE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies

Cherokee Community School District is a political subdivision of the State of Iowa and provides public education for children in grades kindergarten through twelve. The geographic area served includes the Cities of Cherokee and Larrabee, Iowa and the predominately agricultural territory in a portion of Cherokee County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

The Statement of Net 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 that are attributed to the acquisition, construction, or improvement of those assets.

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

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

The District reports the following major governmental funds:

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

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

The Management Fund is used to account for revenues from and expenditures of the management property tax levy.

The District's major proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's partially self-insured health insurance plan.

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when

they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 revenues.

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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, various shared revenues, grants, and reimbursements from other governments.

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

Capital Assets – Capital assets, which include property, furniture, 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 costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax 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 and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

Unassigned – All amounts not included in other classifications.

E. Budgeting and Budgetary Control

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

2. **Cash 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 the following investment that had been donated to the school:

	<u>Fair Value</u>
	\$
200 shares of Sempra Energy Stock	13,698

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust. Which are valued at an amortized cost of \$64,112 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. More than 5% of the District's investments are in the Iowa Schools Joint Investment Trust. The District's investment in the Iowa Schools Joint Investment Trust is 82% of the District's total investments.

3. Interfund Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor Governmental, Debt Service	Capital Projects	597,425
General Fund	Internal Service	45,213

This transfer from the Capital Projects Fund to the Debt Service Fund moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The transfer from the Internal Service Fund to the General Fund returned cash not needed for reserves to the General Fund.

4. Capital Assets

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

	<u>Balance Beginning of Year, as Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	714,434	-	4,500	709,934

Capital assets being depreciated:				
Buildings	10,535,180	-	-	10,535,180
Improvements other than buildings	1,689,586	-	-	1,689,586
Furniture and equipment	3,124,100	169,485	14,736	3,278,849
Total capital assets being deprec.	<u>15,348,866</u>	<u>169,485</u>	<u>14,736</u>	<u>15,503,615</u>
Less accumulated depreciation for:				
Buildings	4,360,613	207,880	-	4,568,493
Improvements other than buildings	1,196,900	61,247	-	1,258,147
Furniture and equipment	2,477,928	173,397	14,736	2,636,589
Total accumulated depreciation	<u>8,035,441</u>	<u>442,524</u>	<u>14,736</u>	<u>8,463,229</u>
Total capital assets being depreciated, net	<u>7,313,425</u>	<u>(273,039)</u>	<u>-</u>	<u>7,040,386</u>
Governmental activities capital assets, net	<u>8,027,859</u>	<u>(273,039)</u>	<u>4,500</u>	<u>7,750,320</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	169,483	-	-	169,483
Less accumulated depreciation	<u>126,467</u>	<u>10,506</u>	<u>-</u>	<u>136,973</u>
Business type activities capital assets, net	<u>43,016</u>	<u>(10,506)</u>	<u>-</u>	<u>32,510</u>

Depreciation expense was charged to the following functions:

	Amount
	\$
Governmental activities:	
Instruction:	
Regular	80,712
Other	22,671
Support Services:	
Administration services	1,312
Operation and maintenance of plant services	37,329
Transportation	31,373
	<u>173,397</u>
Unallocated depreciation	<u>269,127</u>
Total depreciation expense – governmental activities	<u>442,524</u>
Business type activities:	
Food services	<u>10,506</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	3,630,000	-	465,000	3,165,000	480,000
Termination benefits	343,226	-	79,087	264,139	62,613
Net OPEB liability	22,639	19,967	-	42,606	-
Total	3,995,865	19,967	544,087	3,471,745	542,613

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Business type activities:					
Net OPEB liability	-	774	-	774	-

Termination Benefits

The District offered a voluntary early retirement plan for employees through June 30, 2010. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement started.

Early retirement benefits consisted of a cash benefit not to exceed \$20,000 and single coverage health insurance premium of up to \$3,945 per year until age 65. Payments will continue through fiscal year 2020.

At June 30, 2012, the District has obligations to nineteen participants with a total liability of \$264,139. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$79,087.

General Obligation Bonds

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 1, 2007			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	3.550	480,000	115,650	595,650
2014	3.600	495,000	98,610	593,610
2015	3.650	520,000	80,790	600,790
2016	3.650	535,000	61,810	596,810
2017	3.700	560,000	42,283	602,283
2018	3.750	575,000	21,562	596,562
		<u>3,165,000</u>	<u>420,705</u>	<u>3,585,705</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 that 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 salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$462,748, \$395,680, and \$387,527 respectively, equal to the required contributions for each year.

7. Risk Management

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

The District has a partially self funded health insurance plan for its employees. The District is at risk for up to \$3,000 per employee for single coverage and \$6,600 for employees with family coverage.

8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 137 active and 21 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

	\$
Annual required contribution	125,012
Interest on net OPEB obligation	566
Adjustment to annual required contribution	<u>(9,321)</u>
Annual OPEB cost	116,257
Contributions made	<u>95,516</u>
Increase in net OPEB obligation	20,741
Net OPEB obligation beginning of year	<u>22,639</u>
 Net OPEB obligation end of year	 <u>43,380</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$95,516 to the medical plan. Plan members eligible for benefits contributed \$72,491, or 43% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
	\$	%	\$
2010	114,081	90.1	11,267
2011	118,180	89.7	22,639
2012	116,257	82.2	43,380

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1,001,178, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,001,178. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,552,000, and the ratio of the UAAL to covered payroll was 18.0%. 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 health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000. The UAAL is being amortized over 30 years.

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$367,805 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.

10. Lease Commitment

The District entered into a contract to lease copiers during fiscal year 2012. The payments the District will make over the next four years are as follows:

Year Ended June 30	Lease Payment
	\$
2013	31,968
2014	31,968
2015	31,968
2016	31,968

11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
	\$
Gifted and Talented	1,852
Preschool	111,173
Teacher salary supplement	917
Market factor	15,443
Empowerment	3,000
Core curriculum	40,640
Professional development	12,774
	<u>185,799</u>

12. Accounting Change and Prior Year Balance Restatement

The District implemented Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund type Definitions, during the year ended 2011. As part of the implementation the District has combined the former Physical Plant and Equipment Levy Fund into the Capital Projects Fund for financial reporting at June 30, 2012. Prior year receivables were also understated.

	<u>Capital Projects</u>	<u>Physical Plant and Equipment Levy</u>
	\$	\$
Fund Balances June 30, 2011, as previously reported	1,021,967	183,058
Change in fund classification	183,058	(183,058)
Prior year receivables were understated	<u>56,806</u>	<u>-</u>
Fund Balances July 1, 2011, as restated	<u>1,261,831</u>	<u>-</u>

The beginning net assets of the governmental activities were restated for the following items:

	<u>Governmental Activities</u>
	\$
Net Assets June 30, 2011, as previously reported	7,272,452
Prior year net capital assets were understated	57,679
Prior year receivables were understated	<u>56,806</u>
Net Assets July 1, 2011, as restated	<u><u>7,386,937</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CHEROKEE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2012

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
				\$	\$	
Revenues:						
Local sources	5,411,764	245,631	5,657,395	5,633,080	5,633,080	24,315
Intermediate sources	-	-	-	6,000	6,000	(6,000)
State sources	5,357,603	4,422	5,362,025	5,856,782	5,856,782	(494,757)
Federal sources	397,097	233,189	630,286	390,000	390,000	240,286
Total revenues	<u>11,166,464</u>	<u>483,242</u>	<u>11,649,706</u>	<u>11,885,862</u>	<u>11,885,862</u>	<u>(236,156)</u>
Expenditures/Expenses:						
Instruction	6,705,283	-	6,705,283	7,557,602	7,557,602	852,319
Support services	2,776,216	-	2,776,216	3,245,000	3,245,000	468,784
Non-instructional programs	-	474,895	474,895	639,370	639,370	164,475
Other expenditures	1,238,129	-	1,238,129	1,407,117	1,407,117	168,988
Total expenditures/expenses	<u>10,719,628</u>	<u>474,895</u>	<u>11,194,523</u>	<u>12,849,089</u>	<u>12,849,089</u>	<u>1,654,566</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	446,836	8,347	455,183	(963,227)	(963,227)	1,418,410
Other financing sources (uses) net	<u>92,285</u>	<u>-</u>	<u>92,285</u>	<u>-</u>	<u>-</u>	<u>92,285</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	539,121	8,347	547,468	(963,227)	(963,227)	1,510,695
Balance beginning of year	<u>2,764,285</u>	<u>166,256</u>	<u>2,930,541</u>	<u>2,042,721</u>	<u>2,042,721</u>	<u>887,820</u>
Balance end of year	<u><u>3,303,406</u></u>	<u><u>174,603</u></u>	<u><u>3,478,009</u></u>	<u><u>1,079,494</u></u>	<u><u>1,079,494</u></u>	<u><u>2,398,515</u></u>

CHEROKEE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2012

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 Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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 or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by the fund. The District did not amend its budget during the year.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u> \$	<u>Actuarial Accrued Liability (AAL) (b)</u> \$	<u>Unfunded AAL (UAAL) (b-a)</u> \$	<u>Funded Ratio (a/b)</u> %	<u>Covered Payroll (c)</u> \$	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u> %
2010	July 1, 2009	-	1,141,481	1,141,481	0.0%	5,956,000	19.2%
2011	July 1, 2009	-	1,054,573	1,054,573	0.0%	6,081,000	17.3%
2012	July 1, 2009	-	1,001,178	1,001,178	0.0%	5,552,000	18.0%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

CHEROKEE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

Assets	<u>Student Activity</u> \$	<u>Debt Service</u> \$	<u>Total</u> \$
Cash and pooled investments	<u>68,938</u>	<u>-</u>	<u>68,938</u>
Liabilities & Fund Balances			
Liabilities	-	-	-
Fund balances:			
Restricted for:			
Student activities	<u>68,938</u>	<u>-</u>	<u>68,938</u>
Total liabilities and fund balances	<u>68,938</u>	<u>-</u>	<u>68,938</u>

CHEROKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Student Activity	Debt Service	Total
	\$	\$	\$
Revenues:			
Local sources:			
Other	222,003	-	222,003
Expenditures:			
Current:			
Instruction:			
Other instruction	213,316	-	213,316
Other expenditures:			
Long-term debt:			
Principal	-	465,000	465,000
Interest and fiscal charges	-	132,425	132,425
Total expenditures	213,316	597,425	810,741
Excess (deficiency) of revenues over (under) expenditures	8,687	(597,425)	(588,738)
Other financing sources (uses):			
Operating transfers in	-	597,425	597,425
Net change in fund balances	8,687	-	8,687
Fund balances beginning of year	60,251	-	60,251
Fund balances end of year	68,938	-	68,938

CHEROKEE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2012

Assets	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Cash and pooled investments	1,060,266	246,760	1,307,026
Receivables:			
Property tax:			
Delinquent	-	3,288	3,288
Succeeding year	-	282,057	282,057
Due from other governments	108,213	-	108,213
Total assets	1,168,479	532,105	1,700,584
Liabilities & Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	-	282,057	282,057
Fund balances:			
Restricted for:			
School infrastructure	1,168,479	-	1,168,479
Physical plant and equipment	-	250,048	250,048
Total fund balances	1,168,479	250,048	1,418,527
Total liabilities and fund balances	1,168,479	532,105	1,700,584

CHEROKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	682,977	284,492	967,469
Other	4,154	15,950	20,104
Total revenues	<u>687,131</u>	<u>300,442</u>	<u>987,573</u>
Expenditures:			
Current:			
Support services:			
Administration services	-	200	200
Transportation services	-	7,425	7,425
Other expenditures:			
Facilities acquisition	-	272,899	272,899
Total expenditures	<u>-</u>	<u>280,524</u>	<u>280,524</u>
Excess (deficiency) of revenues over (under) expenditures	<u>687,131</u>	<u>19,918</u>	<u>707,049</u>
Other financing sources (uses):			
Compensation for loss of fixed assets	-	42,072	42,072
Sale of real property	-	5,000	5,000
Operating transfers out	<u>(597,425)</u>	<u>-</u>	<u>(597,425)</u>
Total other financing sources (uses)	<u>(597,425)</u>	<u>47,072</u>	<u>(550,353)</u>
Net change in fund balance	89,706	66,990	156,696
Fund balances beginning of year, as restated	<u>1,078,773</u>	<u>183,058</u>	<u>1,261,831</u>
Fund balance end of year	<u><u>1,168,479</u></u>	<u><u>250,048</u></u>	<u><u>1,418,527</u></u>

CHEROKEE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

Account	Balance	Revenues	Expenditures	Intra-fund Transfers	Balance End
	Beginning of Year				of Year
	\$	\$	\$	\$	\$
Drama	375	919	803	-	491
Speech	-	4,377	5,086	709	-
Music	-	6	690	684	-
WHS vocal fundraising	3,847	16,397	10,164	-	10,080
WHS band	-	2,821	3,339	518	-
Cross country	-	777	735	-	42
WHS cheerleaders	1,961	4,979	3,566	-	3,374
Weightlifting	900	-	300	-	600
Boys basketball	-	-	5,349	5,349	-
Boys basketball fundraiser	494	1,117	737	-	874
Football	976	40	8,781	7,765	-
Football fundraiser	5,165	27,425	21,023	-	11,567
Baseball	-	620	4,168	3,548	-
Baseball fundraiser	966	4,705	2,609	-	3,062
Boys track	-	1,259	3,211	1,952	-
Boys tennis	114	165	388	109	-
Boys golf	-	675	1,004	329	-
Wrestling	-	560	3,483	2,923	-
Wrestling fundraiser	-	7,995	6,181	-	1,814
Girls basketball	-	-	5,227	5,227	-
Girls basketball fundraiser	4,571	3,556	5,085	-	3,042
Volleyball	-	955	3,413	2,458	-
Volleyball fundraiser	5,377	1,450	2,040	-	4,787
Girls softball	-	-	1,639	1,639	-
Softball fundraiser	1,154	255	760	-	649
Girls track	-	4,621	6,350	1,729	-
Girls Tennis	-	860	1,135	275	-
Girls golf	-	-	205	205	-
Cherokeean	336	12,134	11,216	-	1,254
National honor society	565	570	709	-	426
Drug free lifestyles	2,388	-	200	-	2,188
Art club	1,041	15	180	-	876
Student council	6,320	4,996	3,689	-	7,627
Concessions	281	16,128	15,790	-	619
FCCLA	1,396	108	483	-	1,021
German club	4,967	-	-	(3,779)	1,188
Spanish club	3,061	1,703	4,223	-	541
Culinary arts	2,421	2,854	2,399	-	2,876
Special athletes	-	120	945	825	-
School to work	33	-	-	-	33
WHS work study	2,235	-	47	-	2,188
Class of 2015	-	225	88	-	137

CHEROKEE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

Account	Balance	Revenues	Expenditures	Intra-fund Transfers	Balance End
	Beginning of Year				of Year
	\$	\$	\$	\$	\$
Class of 2014	210	225	50	-	385
Class of 2012	1,407	-	899	(508)	-
Class of 2013	643	173	40	-	776
Prom	1,208	13,387	14,406	-	189
Interest on investments	132	160	-	-	292
WHS athletics	-	3,125	8,881	5,756	-
WHS activities-ticket sales	-	72,487	27,064	(45,423)	-
WHS athletic pop & juice	1,020	-	-	(557)	463
WHS safety glasses and padlocks	771	113	474	-	410
Storeking class	1,606	1,239	1,088	-	1,757
Library club	20	-	-	-	20
7th/8th student council	1,279	3,366	2,356	-	2,289
5th/6th student council	292	-	-	-	292
CMS athletics	-	1,233	7,450	6,217	-
Middle school volleyball	286	685	685	-	286
CMS band	-	-	660	660	-
CMS vocal	-	-	1,390	1,390	-
CMS activity resale	268	423	433	-	258
CMS hoops festival	165	-	-	-	165
	<u>60,251</u>	<u>222,003</u>	<u>213,316</u>	<u>-</u>	<u>68,938</u>
Total	<u>60,251</u>	<u>222,003</u>	<u>213,316</u>	<u>-</u>	<u>68,938</u>

CHEROKEE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Private Purpose Trust Fund Accounts

Year ended June 30, 2012

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Coop Learning	112	-	-	-	112
Interest	5,088	67	-	-	5,155
Thomas	17,574	-	8,058	-	9,516
Scholarship	2,775	3,100	3,000	-	2,875
Vera Pratt Memorial	13,228	4,817	200	-	17,845
	<u>38,777</u>	<u>7,984</u>	<u>11,258</u>	<u>-</u>	<u>35,503</u>

CHEROKEE COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Fund Types

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Local tax	4,524,221	4,208,118	3,831,302	3,708,534	3,722,451	3,775,786	3,803,191	4,130,990	3,718,429
Tuition	483,781	419,892	391,288	320,420	294,704	430,518	412,713	391,584	541,379
Other	403,762	645,693	314,833	355,107	414,058	425,011	430,355	463,574	382,965
State sources	5,357,603	5,488,494	5,117,522	5,813,944	5,603,650	5,359,416	5,199,779	4,915,157	4,744,590
Federal sources	397,097	516,832	846,885	306,317	270,283	269,795	278,532	314,978	518,117
Total revenues	<u>11,166,464</u>	<u>11,279,029</u>	<u>10,501,830</u>	<u>10,504,322</u>	<u>10,305,146</u>	<u>10,260,526</u>	<u>10,124,570</u>	<u>10,216,283</u>	<u>9,905,480</u>
Expenditures:									
Instruction	6,705,283	6,794,948	6,729,903	6,706,133	6,465,607	6,266,284	6,213,911	6,100,321	6,175,562
Support services:									
Student services	180,398	190,942	148,928	116,916	283,762	297,875	279,333	290,956	333,180
Instructional staff services	223,896	224,051	211,953	174,892	190,845	196,262	208,404	190,824	199,325
Administration services	1,310,862	1,183,250	1,113,835	1,096,043	1,065,286	1,135,445	1,039,176	983,605	973,019
Operation and maintenance	738,022	730,548	747,469	787,118	786,353	764,119	766,771	777,970	820,447
Transportation services	323,038	300,558	391,752	292,430	309,272	355,558	275,838	241,682	209,665
Central support services	-	-	-	-	-	-	-	-	8,380
Other expenditures:									
Facilities acquisition	272,899	445,751	81,107	193,563	159,078	146,842	143,756	217,735	423,769
Long-term debt:									
Principal	465,000	450,000	430,000	415,000	380,000	365,000	350,000	330,000	315,000
Interest and other charges	132,425	150,375	167,525	184,125	234,623	251,668	268,467	284,308	299,328
AEA flowthrough	367,805	413,858	411,845	366,161	352,720	346,427	326,372	318,596	323,297
Total expenditures	<u>10,719,628</u>	<u>10,884,281</u>	<u>10,434,317</u>	<u>10,332,381</u>	<u>10,227,546</u>	<u>10,125,480</u>	<u>9,872,028</u>	<u>9,735,997</u>	<u>10,080,972</u>

See accompanying independent auditor's report.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY12	30,405
National School Lunch Program (non-cash)	10.555	FY12	25,206
National School Lunch Program	10.555	FY12	168,502
Summer Food Service Program for Children	10.559	FY12	9,076
			<u>233,189</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY12	137,875
Improving Teacher Quality State Grants	84.367	FY12	32,858
Grants for State Assessments and Related Activities	84.369	FY12	6,266
Education Jobs Fund	84.410	FY12	163,397
Northwest Area Education Agency:			
Special Education - Grants to States	84.027	FY12	47,337
Career and Technical Education - Basic Grants to States	84.048	FY12	8,250
English Language Acquisition State Grants	84.365	FY12	1,113
			<u>630,285</u>
Total			<u><u>630,285</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Cherokee Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

To the Board of Education of
Cherokee Community School District:

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 Cherokee Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 12, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Cherokee Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Cherokee 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 an opinion on the effectiveness of Cherokee Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cherokee 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 and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 II of the accompanying Schedule of Findings and Questioned Costs as items 12-II-A, 12-II-B, 12-II-C and 12-II-D to be material weaknesses.

Compliance and Other Matters

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

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.

Cherokee Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Cherokee 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 Cherokee Community School District and other parties to whom Cherokee Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

February 12, 2013

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct
and Material Effect on Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Cherokee Community School District:

Compliance

We have audited Cherokee Community School District's compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Cherokee Community School District's major federal programs for the year ended June 30, 2012. Cherokee Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Cherokee Community School District's management. Our responsibility is to express an opinion on Cherokee Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cherokee Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Cherokee Community School District's compliance with those requirements.

In our opinion, Cherokee Community School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Cherokee Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Cherokee Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of

expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cherokee Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs as items 12-III-A to be a material weakness.

Cherokee Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Cherokee Community School District's response and, accordingly, we express no opinion on the response.

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

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

February 12, 2013

CHEROKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.410 – Education Jobs Fund
 - Child Nutrition Cluster
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDE Number 10.559 – Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Cherokee Community School District did not qualify as a low-risk auditee.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

12-II-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, processing payroll, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important that District officials are aware that the condition exists.

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

Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

12-II-B Financial Reporting: During the audit, we identified a material receivable that was not recorded and we identified discrepancies between the depreciation schedule and the amount reported as net capital assets. Adjustments were subsequently made by the District to correct these amounts.

Recommendation: The District should implement procedures to ensure all receivables are identified and included in the District's financial statements and should implement procedures to reconcile the depreciation schedule to the net capital assets reported in the financial statements.

District Response: We will revise our procedures.

Conclusion: Response accepted.

12-II-C Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part II: Findings Related to the Financial Statements (continued):

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

12-II-D Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The board secretary, the other co-signer of the checks has access to the stamp. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

Instances of Non-Compliance:

No matters were noted.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No matters were noted.

Internal Control Deficiencies:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2012
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.410: Education Jobs Fund
Federal Award Year: 2012
U.S. Department of Education
Passed through the Iowa Department of Education

12-III-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, processing payroll, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important that District officials are aware that the condition exists.

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

Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

IV: Other Findings Related To Required Statutory Reporting:

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

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

12-IV-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

12-IV-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
Terri Weaver, board member, owner of Cherokee Collision Center	Auto repairs	977

The transaction does not appear to represent a conflict of interest since the dollar amount was less than \$2,500.

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

12-IV-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

12-IV-G Certified Enrollment: The number of resident students reported to the Iowa Department of Education at October 2011, was overstated by .7 students. An open enrolled out student should have been classified as home school assistance but was not.

Recommendation: The District should review its procedures for determining the classification of open enrolled out students.

District Response: We confirmed that the student was open enrolled out to another district, but the other district did not inform us the student was also home schooled.

Conclusion: Response accepted.

12-IV-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

CHEROKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

IV: Other Findings Related To Required Statutory Reporting:

- 12-IV-I Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 12-IV-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 12-IV-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 non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2012 audit:

Beginning balance	\$	\$
		1,078,773
Revenues/transfers in:		
Statewide sales, services and use tax revenue	682,977	
Interest	4,154	687,131
	<u> </u>	
Expenditures/transfers out:		
Transfers to debt service fund		<u>597,425</u>
Ending balance		<u><u>1,168,479</u></u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E of 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
	<u>\$</u>	<u>\$</u>
Debt service levy	2.47336	597,425