

EAST MILLS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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East Mills Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Susan Stogdill	President	2013
Pete Franks	Vice President	2013
Rebecca Bell	Board Member	2013
Jeffrey Poort	Board Member	2015
Matt Urban	Board Member	2015
School Officials		
Curtis Barclay	Superintendent	2012
Darla Hetzel	Business Manager/ Board Secretary	2012
Ahlers & Cooney, P.C.	Attorney	2012

EAST MILLS COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report

To the Board of Education of
East Mills 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 East Mills Community School District, Malvern Iowa, 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. 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 East Mills Community School District at 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 report dated March 11, 2013 on our consideration of East Mills Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 46 through 48 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 East Mills Community School District's basic financial statements. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.



NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

East Mills 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.

Because Malvern Community School District and Nishna Valley Community School District were consolidated into East Mills Community School District, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues were \$6,883,132 in fiscal 2012, while General Fund expenditures were \$6,337,757. This resulted in an increase in the District's General Fund balance of \$545,375 during the year ended June 30, 2012.
- The District's solvency ratio was 22.50% at June 30, 2012.

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 East Mills 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 East Mills 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 East Mills Community School District acts solely as an agent or custodial for the benefit of those outside of the District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

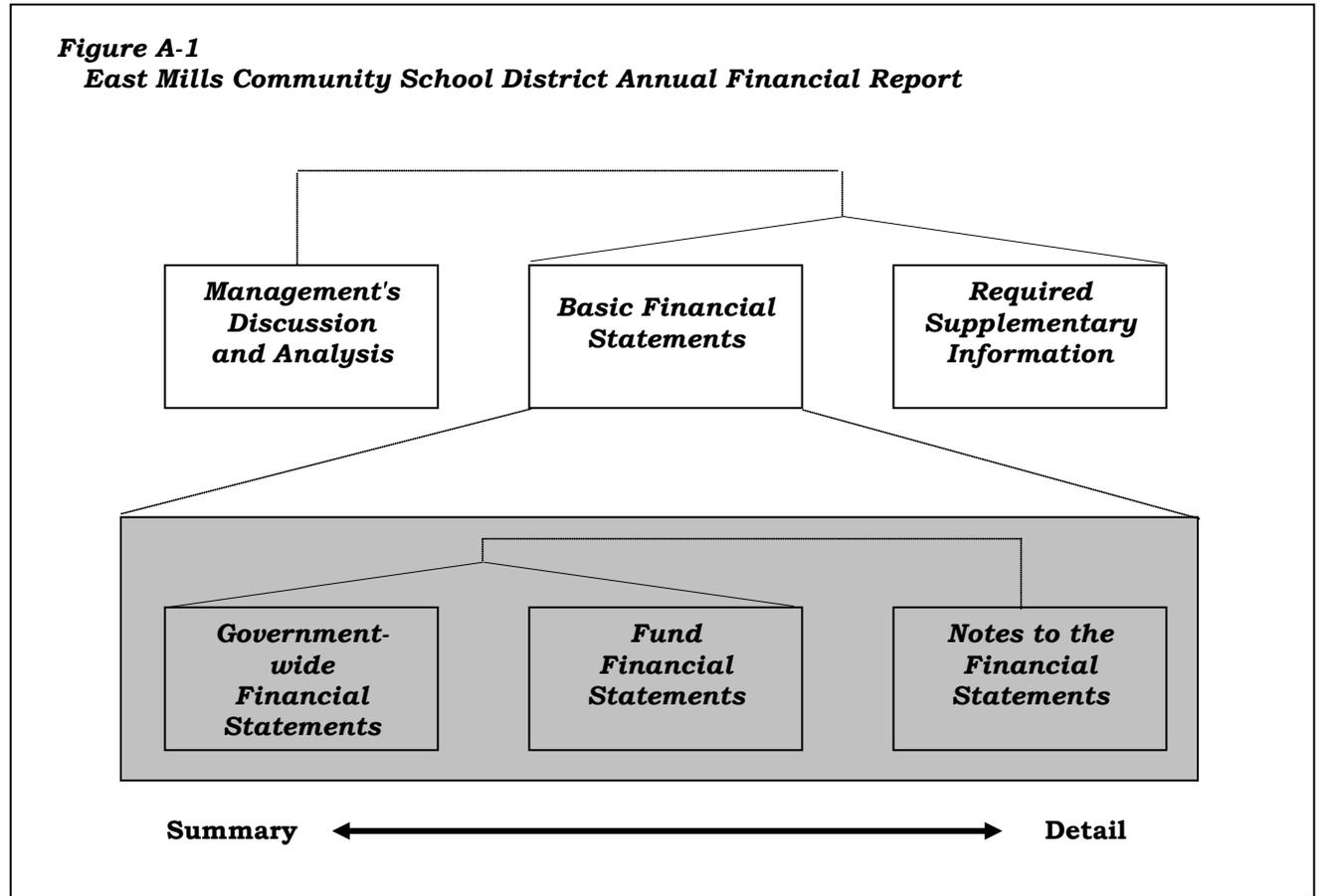


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • 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, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net 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 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 and preschool program are included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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 and Agency Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds for which the District acts as an agent for funds that belong to an outside organization.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-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.

	Figure A-3 Condensed Statement of Net Assets		
	Governmental Activities	Business Type Activities	Total District
	June 30, 2012	June 30, 2012	June 30, 2012
Current and other assets	\$ 7,621,400	14,160	7,635,560
Capital assets	5,840,534	24,571	5,865,105
Total assets	<u>13,461,934</u>	<u>38,731</u>	<u>13,500,665</u>
Long-term obligations	4,358,074	462	4,358,536
Other liabilities	4,611,747	2,779	4,614,526
Total liabilities	<u>8,969,821</u>	<u>3,241</u>	<u>8,973,062</u>
Net assets:			
Invested in capital assets, net of related debt	1,529,101	24,571	1,553,672
Restricted	1,325,932	-	1,325,932
Unrestricted	1,637,080	10,919	1,647,999
Total net assets	<u>\$ 4,492,113</u>	<u>35,490</u>	<u>4,527,603</u>

The District's combined net assets were \$4,527,603 at June 30, 2012. A portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net 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 were \$1,325,932 at June 30, 2012.

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 – were \$1,647,999 at June 30, 2012.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012.

	Figure A-4		
	Changes in Net Assets		
	Governmental	Business Type	Total
	Activities	Activities	District
	June 30,	June 30,	June 30,
	2012	2012	2012
Revenues & Transfers:			
Program revenues:			
Charges for services	\$ 338,596	124,537	463,133
Operating grants, contributions and restricted interest	517,307	150,527	667,834
General revenues:			
Property tax	3,890,427	-	3,890,427
Income surtax	105,114	-	105,114
Statewide sales, services and use tax	408,246	-	408,246
Unrestricted state grants	2,514,910	-	2,514,910
Nonspecific program federal grants	1,789	-	1,789
Unrestricted investment earnings	37,469	299	37,768
Other	70,205	8,999	79,204
Total revenues & transfers	<u>7,884,063</u>	<u>284,362</u>	<u>8,168,425</u>
Program expenses:			
Governmental activities:			
Instructional	4,989,492	17,195	5,006,687
Support services	2,273,621	2,629	2,276,250
Non-instructional programs	-	305,759	305,759
Other expenses	612,768	-	612,768
Total expenses	<u>7,875,881</u>	<u>325,583</u>	<u>8,201,464</u>
Change in net assets	8,182	(41,221)	(33,039)
Net assets beginning of year, as restated	<u>4,483,931</u>	<u>76,711</u>	<u>4,560,642</u>
Net assets end of year	<u>\$ 4,492,113</u>	<u>35,490</u>	<u>4,527,603</u>

In fiscal 2012, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 87.76% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest accounted for 96.73% of the revenue from business type activities.

The District's total revenues were \$8,168,425, of which \$7,884,063 was for governmental activities and \$284,362 was for business type activities.

Governmental Activities

Revenues for governmental activities were \$7,884,063 and expenses were \$7,875,881.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, and other expenses, for the year ended June 30, 2012.

Figure A-5		
Total and Net Cost of Governmental Activities		
	Total Cost of Services	Net Cost of Services
	2012	2012
Instruction	\$ 4,989,492	4,373,295
Support services	2,273,621	2,248,377
Other expenses	612,768	398,306
Totals	<u>\$ 7,875,881</u>	<u>7,019,978</u>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$338,596.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$517,307.
- The net cost of governmental activities was financed with \$3,995,541 in local tax, \$408,246 in statewide sales, services and use tax, \$2,514,910 in unrestricted state grants, \$1,789 in nonspecific program federal grants, \$37,469 in interest income and \$70,205 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$284,362 and expenses were \$325,583. The District's business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,843,076.

Governmental Fund Highlights

- The District's General Fund balance increased from \$1,329,112 on July 1, 2011 to \$1,874,487 on June 30, 2012. The fluctuation in the District's General Fund financial position is the product of many factors. Revenues outpaced expenditures ensuring the improvement in the District's General Fund financial position.
- The Management Levy Fund balance increased from \$135,404 at July 1, 2011 to \$177,832 at June 30, 2012.
- The Capital Projects Fund balance decreased slightly from \$708,168 at July 1, 2011 to \$705,472 at June 30, 2012.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$71,325 at July 1, 2011 to \$35,490 at June 30, 2012. This represents a decrease of approximately 50.24%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$181,032 less than budgeted revenues, a variance of 2.14%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$5,865,105, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$431,868.

The original cost of the District's capital assets was \$11,076,128. Governmental funds account for \$10,928,788 with the remainder of \$147,340 in the Proprietary, School Nutrition Fund.

	Figure A-6		
	Capital Assets, Net of Depreciation		
	Governmental	Business Type	Total
	Activities	Activities	District
	June 30,	June 30,	June 30,
	2012	2012	2012
Land	\$ 47,500	-	47,500
Buildings	4,977,078	-	4,977,078
Improvements other than buildings	282,828	-	282,828
Machinery and equipment	533,128	24,571	557,699
Total	<u>\$ 5,840,534</u>	<u>24,571</u>	<u>5,865,105</u>

Long-Term Debt

At June 30, 2012, the District had long-term debt outstanding of \$4,358,536 in general obligation bonds, revenue bonds, computer lease, net OPEB liability, and early retirement. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Governmental	Business Type	Total
	Activities	Activities	District
	June 30,	June 30,	June 30,
	2012	2012	2012
General obligation bonds	\$ 2,105,000	-	2,105,000
Revenue bonds	1,810,000	-	1,810,000
Computer lease	396,433	-	396,433
Early retirement	19,386	-	19,386
Net OPEB liability	27,255	462	27,717
	<u>\$ 4,358,074</u>	<u>462</u>	<u>4,358,536</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- Low allowable growth over several years and enrollment decrease may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- On July 1, 2012, the IPERS rate increased to 8.67% which will increase the East Mills Community School District's employer benefit costs during fiscal 2013. An additional increase to 8.93% is anticipated for July 1, 2013.

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 Darla Hetzel, Business Manager, East Mills Community School District, 422 Main Street, Malvern, Iowa 51551.

EAST MILLS COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

EAST MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 3,143,730	5,743	3,149,473
Receivables:			
Property tax:			
Delinquent	123,159	-	123,159
Succeeding year	3,816,145	-	3,816,145
Income surtax	184,972	-	184,972
Accounts	6,325	-	6,325
Due from other governments	347,069	-	347,069
Inventories	-	8,417	8,417
Capital assets, net of accumulated depreciation	5,840,534	24,571	5,865,105
Total assets	13,461,934	38,731	13,500,665
Liabilities			
Accounts payable	335,967	80	336,047
Salaries and benefits payable	440,478	-	440,478
Interest payable	19,157	-	19,157
Deferred revenue:			
Succeeding year property tax	3,816,145	-	3,816,145
Unearned revenue	-	2,699	2,699
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	130,000	-	130,000
Revenue bonds payable	65,000	-	65,000
Computer lease payable	108,946	-	108,946
Early retirement payable	17,895	-	17,895
Portion due after one year:			
General obligation bonds payable	1,975,000	-	1,975,000
Revenue bonds payable	1,745,000	-	1,745,000
Computer lease payable	287,487	-	287,487
Early retirement payable	1,491	-	1,491
Net OPEB liability	27,255	462	27,717
Total liabilities	8,969,821	3,241	8,973,062
Net Assets			
Invested in capital assets, net of related debt	1,529,101	24,571	1,553,672
Restricted for:			
Categorical funding	374,106	-	374,106
Debt service	19,837	-	19,837
Management levy purposes	158,446	-	158,446
Student activities	68,071	-	68,071
School infrastructure	533,848	-	533,848
Physical plant and equipment	171,624	-	171,624
Unrestricted	1,637,080	10,919	1,647,999
Total net assets	\$ 4,492,113	35,490	4,527,603

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,367,887	156,483	44,552	(3,166,852)	-	(3,166,852)
Special	926,155	23,411	29,122	(873,622)	-	(873,622)
Other	695,450	158,702	203,927	(332,821)	-	(332,821)
	<u>4,989,492</u>	<u>338,596</u>	<u>277,601</u>	<u>(4,373,295)</u>	<u>-</u>	<u>(4,373,295)</u>
Support services:						
Student	84,614	-	-	(84,614)	-	(84,614)
Instructional staff	349,382	-	23,567	(325,815)	-	(325,815)
Administration	749,700	-	-	(749,700)	-	(749,700)
Operation and maintenance of plant	666,404	-	-	(666,404)	-	(666,404)
Transportation	423,521	-	1,677	(421,844)	-	(421,844)
	<u>2,273,621</u>	<u>-</u>	<u>25,244</u>	<u>(2,248,377)</u>	<u>-</u>	<u>(2,248,377)</u>
Long-term debt interest	193,425	-	-	(193,425)	-	(193,425)
Other expenses:						
AEA flowthrough	214,462	-	214,462	-	-	-
Depreciation(unallocated)*	204,881	-	-	(204,881)	-	(204,881)
	<u>419,343</u>	<u>-</u>	<u>214,462</u>	<u>(204,881)</u>	<u>-</u>	<u>(204,881)</u>
Total governmental activities	<u>7,875,881</u>	<u>338,596</u>	<u>517,307</u>	<u>(7,019,978)</u>	<u>-</u>	<u>(7,019,978)</u>
Business type activities:						
Instruction:						
Other	17,195	-	-	-	(17,195)	(17,195)
Support services:						
Administration	135	-	-	-	(135)	(135)
Operation and maintenance of plant	2,494	-	-	-	(2,494)	(2,494)
	<u>2,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,629)</u>	<u>(2,629)</u>
Non-instructional programs:						
Food service operations	305,759	124,537	150,527	-	(30,695)	(30,695)
Total business type activities	<u>325,583</u>	<u>124,537</u>	<u>150,527</u>	<u>-</u>	<u>(50,519)</u>	<u>(50,519)</u>
Total	\$ <u>8,201,464</u>	<u>463,133</u>	<u>667,834</u>	<u>(7,019,978)</u>	<u>(50,519)</u>	<u>(7,070,497)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,536,378	-	3,536,378
Debt service				170,267	-	170,267
Capital outlay				183,782	-	183,782
Income surtax				105,114	-	105,114
Statewide sales, services and use tax				408,246	-	408,246
Unrestricted state grants				2,514,910	-	2,514,910
Nonspecific program federal grants				1,789	-	1,789
Unrestricted investment earnings				37,469	299	37,768
Other				70,205	8,999	79,204
Total general revenues				<u>7,028,160</u>	<u>9,298</u>	<u>7,037,458</u>
Changes in net assets				8,182	(41,221)	(33,039)
Net assets beginning of year, as restated				<u>4,483,931</u>	<u>76,711</u>	<u>4,560,642</u>
Net assets end of year				<u>\$ 4,492,113</u>	<u>35,490</u>	<u>4,527,603</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MILLS COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Management Levy	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 2,378,275	172,412	502,841	89,440	3,142,968
Receivables:					
Property tax:					
Delinquent	108,054	6,463	2,663	5,979	123,159
Succeeding year	2,751,386	800,000	90,283	174,476	3,816,145
Income surtax	184,972	-	-	-	184,972
Accounts	6,325	-	-	-	6,325
Due from other governments	132,714	-	214,355	-	347,069
Total assets	\$ 5,561,726	978,875	810,142	269,895	7,620,638
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 311,446	-	14,387	10,134	335,967
Salaries and benefits payable	439,435	1,043	-	-	440,478
Deferred revenue:					
Succeeding year property tax	2,751,386	800,000	90,283	174,476	3,816,145
Income surtax	184,972	-	-	-	184,972
Total liabilities	3,687,239	801,043	104,670	184,610	4,777,562
Fund balances:					
Restricted for:					
Categorical funding	374,106	-	-	-	374,106
Debt service	-	-	-	19,837	19,837
Management levy purposes	-	177,832	-	-	177,832
Student activities	-	-	-	68,071	68,071
School infrastructure	-	-	533,848	-	533,848
Physical plant and equipment	-	-	171,624	-	171,624
Unassigned:					
General fund	1,500,381	-	-	-	1,500,381
Student activities	-	-	-	(2,623)	(2,623)
Total fund balances	1,874,487	177,832	705,472	85,285	2,843,076
Total liabilities and fund balances	\$ 5,561,726	978,875	810,142	269,895	7,620,638

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MILLS 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(page 20)	\$	2,843,076
 Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		5,840,534
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		762
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		184,972
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.		(19,157)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, computer lease payable, early retirement payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(4,358,074)</u>
 Net assets of governmental activities(page 18)	 \$	 <u><u>4,492,113</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Management Levy	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 3,565,068	196,949	393,599	170,267	4,325,883
Tuition	149,275	-	-	-	149,275
Other	122,696	19,152	2,259	155,848	299,955
State sources	2,849,967	-	198,429	-	3,048,396
Federal sources	181,079	-	-	-	181,079
Total revenues	<u>6,868,085</u>	<u>216,101</u>	<u>594,287</u>	<u>326,115</u>	<u>8,004,588</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,750,296	106,923	396,433	-	3,253,652
Special	911,947	-	-	-	911,947
Other	531,888	-	-	146,019	677,907
	<u>4,194,131</u>	<u>106,923</u>	<u>396,433</u>	<u>146,019</u>	<u>4,843,506</u>
Support services:					
Student	67,499	-	-	-	67,499
Instructional staff	125,080	-	206,037	-	331,117
Administration	719,988	3,836	-	-	723,824
Operation and maintenance of plant	587,345	49,199	31,386	71	668,001
Transportation	429,252	13,715	-	-	442,967
	<u>1,929,164</u>	<u>66,750</u>	<u>237,423</u>	<u>71</u>	<u>2,233,408</u>
Capital outlay	-	-	146,259	-	146,259
Long-term debt:					
Principal	-	-	-	190,000	190,000
Interest and fiscal charges	-	-	-	191,342	191,342
	<u>-</u>	<u>-</u>	<u>-</u>	<u>381,342</u>	<u>381,342</u>
Other expenditures:					
AEA flowthrough	214,462	-	-	-	214,462
Total expenditures	<u>6,337,757</u>	<u>173,673</u>	<u>780,115</u>	<u>527,432</u>	<u>7,818,977</u>
Excess(deficiency) of revenues over(under)expenditures	530,328	42,428	(185,828)	(201,317)	185,611
Other financing sources(uses):					
Operating transfers in	-	-	28,045	213,301	241,346
Operating transfers out	-	-	(241,346)	-	(241,346)
Sale of equipment	15,047	-	-	-	15,047
Proceeds from capital lease	-	-	396,433	-	396,433
Total other financing sources(uses)	<u>15,047</u>	<u>-</u>	<u>183,132</u>	<u>213,301</u>	<u>411,480</u>
Net change in fund balances	545,375	42,428	(2,696)	11,984	597,091
Fund balances beginning of year, as restated	<u>1,329,112</u>	<u>135,404</u>	<u>708,168</u>	<u>73,301</u>	<u>2,245,985</u>
Fund balances end of year	<u>\$ 1,874,487</u>	<u>177,832</u>	<u>705,472</u>	<u>85,285</u>	<u>2,843,076</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MILLS 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(page 22) \$ 597,091

*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. Depreciation expense and capital outlay expenditures in the current year are as follows:

Capital outlays	\$ 105,397	
Depreciation expense	<u>(424,865)</u>	(319,468)

Net change in Internal Service Fund charged back against expenditures made for self-funded insurance on an entity-wide basis 762

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

Issued	(396,433)	
Repaid	<u>190,000</u>	(206,433)

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. (2,083)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (120,525)

Bond issue costs and bond discounts are reported as expenses in the fund financial statements, but are capitalized and amortized over the life of the bonds for the government-wide financial statements. (16,809)

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

Early retirement	17,895	
Other postemployment benefits	<u>57,752</u>	<u>75,647</u>

Changes in net assets of governmental activities(page 19) \$ 8,182

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Assets		
Cash and pooled investments	\$ 5,743	762
Inventories	8,417	-
Capital assets, net of accumulated depreciation	24,571	-
Total assets	38,731	762
Liabilities		
Accounts payable	80	-
Unearned revenue	2,699	-
Net OPEB liability	462	-
Total liabilities	3,241	-
Net assets		
Invested in capital assets	24,571	-
Unrestricted	10,919	762
Total net assets	\$ 35,490	762

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business Type Activities:			Governmental
	Enterprise Funds			Activities:
	School	Preschool	Total	Internal Service Fund
Operating revenues:				
Local sources:				
Charges for services	\$ 117,892	6,645	124,537	-
Miscellaneous	3,927	5,072	8,999	762
Total operating revenues	<u>121,819</u>	<u>11,717</u>	<u>133,536</u>	<u>762</u>
Operating expenses:				
Instruction:				
Other:				
Salaries	-	7,776	7,776	-
Benefits	-	676	676	-
Services	-	6,977	6,977	-
Supplies	-	1,606	1,606	-
Other	-	160	160	-
	<u>-</u>	<u>17,195</u>	<u>17,195</u>	<u>-</u>
Support services:				
Administration:				
Services	135	-	135	-
Operation and maintenance of plant:				
Services	2,494	-	2,494	-
	<u>2,629</u>	<u>-</u>	<u>2,629</u>	<u>-</u>
Non-instructional programs:				
Food service operations:				
Salaries	101,809	-	101,809	-
Benefits	25,282	-	25,282	-
Services	2,057	-	2,057	-
Supplies	169,608	-	169,608	-
Depreciation	7,003	-	7,003	-
	<u>305,759</u>	<u>-</u>	<u>305,759</u>	<u>-</u>
Total operating expenses	<u>308,388</u>	<u>17,195</u>	<u>325,583</u>	<u>-</u>
Operating income(loss)	<u>(186,569)</u>	<u>(5,478)</u>	<u>(192,047)</u>	<u>762</u>
Non-operating revenues:				
State sources	2,629	-	2,629	-
Federal sources	147,898	-	147,898	-
Interest on investments	207	92	299	-
Total non-operating revenues	<u>150,734</u>	<u>92</u>	<u>150,826</u>	<u>-</u>
Changes in net assets	(35,835)	(5,386)	(41,221)	762
Net assets beginning of year, as restated	<u>71,325</u>	<u>5,386</u>	<u>76,711</u>	<u>-</u>
Net assets end of year	<u>\$ 35,490</u>	<u>-</u>	<u>35,490</u>	<u>762</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business Type Activities:			Governmental
	Enterprise Funds			Activities:
	School			Internal
	Nutrition	Preschool	Total	Service Fund
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 120,656	-	120,656	-
Cash received from miscellaneous	3,927	11,717	15,644	762
Cash payments to employees for services	(126,629)	(8,452)	(135,081)	-
Cash payments to suppliers for goods or services	(149,033)	(8,743)	(157,776)	-
Net cash provided by(used in) operating activities	(151,079)	(5,478)	(156,557)	762
Cash flows from non-capital financing activities:				
State grants received	2,629	-	2,629	-
Federal grants received	130,547	-	130,547	-
Net cash provided by non-capital financing activities	133,176	-	133,176	-
Cash flows from investing activities:				
Interest on investments	207	92	299	-
Net increase(decrease) in cash and cash equivalents	(17,696)	(5,386)	(23,082)	762
Cash and cash equivalents at beginning of year	23,439	5,386	28,825	-
Cash and cash equivalents at end of year	\$ 5,743	-	5,743	762
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (186,569)	(5,478)	(192,047)	762
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	17,351	-	17,351	-
Depreciation	7,003	-	7,003	-
Decrease in inventories	7,830	-	7,830	-
Decrease in accounts receivable	65	-	65	-
Increase in accounts payable	80	-	80	-
Increase in unearned revenue	2,699	-	2,699	-
Increase in other postemployment benefits	462	-	462	-
Net cash provided by(used in) operating activities	\$ (151,079)	(5,478)	(156,557)	762

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received \$17,351 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MILLS COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 3,335	1,969
Liabilities		
Due to other groups	-	1,969
Net Assets		
Restricted for scholarships	\$ 3,335	-

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MILLS COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2012

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 2,872
Interest income	10
Total additions	<u>2,882</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>600</u>
Change in net assets	2,282
Net assets beginning of year, as restated	<u>1,053</u>
Net assets end of year	<u>\$ 3,335</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EAST MILLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

The East Mills Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the cities of Malvern, Hastings, Henderson and Emerson, Iowa, and the predominately agricultural territory in a portion of Mills and Montgomery Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, East Mills 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 East Mills 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 Mills and Montgomery 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 assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset 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 which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The Special Revenue, Management Levy Fund is utilized to account for the payment of property insurance and early retirement benefits.

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

The District reports the following nonmajor proprietary funds:

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

The Preschool Fund is used to account for a preschool operated by the District.

The Internal Service Fund is utilized to account for the District's partially self-funded 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.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

incurred, there are both restricted and unrestricted net 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 to expenditures 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 Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the 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, they have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, intangibles, machinery, 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 0
Buildings	2,000
Improvements other than buildings	2,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Years of Useful Life
Buildings	25-50 years
Improvements other than buildings	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

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

Deferred Revenue - Although certain 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 on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

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, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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 the preceding classification.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and

regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the instruction functional area exceeded the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

(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 investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$247,234 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 213,301
Capital Projects: Statewide Sales, Services and Use Tax	Capital Projects: Physical Plant and Equipment Levy	28,045
		\$ 241,346

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

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Capital Projects: Statewide Sales, Services and Use Tax Fund was needed to correct revenues recorded incorrectly in the prior year.

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance			Balance
	Beginning			End
	of Year,			of Year
	as restated	Increases	Decreases	
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 47,500	-	-	47,500
Total capital assets not being depreciated	<u>47,500</u>	<u>-</u>	<u>-</u>	<u>47,500</u>
Capital assets being depreciated:				
Buildings	7,605,098	-	-	7,605,098
Improvements other than buildings	745,355	-	-	745,355
Machinery and equipment	2,425,438	105,397	-	2,530,835
Total capital assets being depreciated	<u>10,775,891</u>	<u>105,397</u>	<u>-</u>	<u>10,881,288</u>
Less accumulated depreciation for:				
Buildings	2,449,429	178,591	-	2,628,020
Improvements other than buildings	436,237	26,290	-	462,527
Machinery and equipment	1,777,723	219,984	-	1,997,707
Total accumulated depreciation	<u>4,663,389</u>	<u>424,865</u>	<u>-</u>	<u>5,088,254</u>
Total capital assets being depreciated, net	<u>6,112,502</u>	<u>(319,468)</u>	<u>-</u>	<u>5,793,034</u>
Governmental activities capital assets, net	<u>\$ 6,160,002</u>	<u>(319,468)</u>	<u>-</u>	<u>5,840,534</u>
Business type activities:				
Machinery and equipment	\$ 147,340	-	-	147,340
Less accumulated depreciation	115,766	7,003	-	122,769
Business type activities capital assets, net	<u>\$ 31,574</u>	<u>(7,003)</u>	<u>-</u>	<u>24,571</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 186,286
Support services:	
Administration	5,383
Operation and maintenance of plant	5,227
Transportation	23,088
	<u>219,984</u>
Unallocated depreciation	<u>204,881</u>
Total governmental activities depreciation expense	<u>\$ 424,865</u>
Business type activities:	
Food services	<u>\$ 7,003</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, as restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,230,000	-	125,000	2,105,000	130,000
Revenue bonds	1,875,000	-	65,000	1,810,000	65,000
Computer lease	-	396,433	-	396,433	108,946
Early retirement	37,281	-	17,895	19,386	17,895
Net OPEB liability	85,007	-	57,752	27,255	-
	<u>\$ 4,227,288</u>	<u>396,433</u>	<u>265,647</u>	<u>4,358,074</u>	<u>321,841</u>
Business type activities:					
Net OPEB liability	\$ -	462	-	462	-

General Obligation Bonds

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

Year Ending June 30,	Bond issue dated May 1, 2005			
	Interest Rates	Principal	Interest	Total
2013	4.75 %	\$ 130,000	96,508	226,508
2014	4.75	135,000	90,332	225,332
2015	4.50	140,000	83,920	223,920
2016	4.20	140,000	77,620	217,620
2017	4.30	145,000	71,740	216,740
2018-2022	4.40-4.65	830,000	255,810	1,085,810
2023-2025	4.75	585,000	56,525	641,525
Total		<u>\$ 2,105,000</u>	<u>732,455</u>	<u>2,837,455</u>

Revenue Bonds

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

Year Ending June 30,	Revenue bonds dated May 1, 2009			
	Interest Rates	Principal	Interest	Total
2013	3.25 %	\$ 65,000	86,143	151,143
2014	3.25	80,000	84,030	164,030
2015	3.75	80,000	81,430	161,430
2016	3.75	85,000	78,430	163,430
2017	4.20	85,000	75,242	160,242
2018-2022	4.20-4.90	490,000	316,033	806,033
2023-2027	5.10-5.40	625,000	183,637	808,637
2028-2029	5.40	300,000	24,570	324,570
		<u>\$ 1,810,000</u>	<u>929,515</u>	<u>2,739,515</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,950,000 of bonds issued May 1, 2009. The bonds were issued for the purpose of financing a portion of the costs of an addition and remodeling of the existing high school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limit of the District. Annual principal and interest payments on the bonds are expected to require approximately 37 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,739,515. For the current year, \$65,000 of principal and \$87,898 of interest were paid on the bonds and total statewide sales, services and use tax revenues were \$408,246.

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

- a) \$164,030 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited in the sinking account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Moneys in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Computer Lease

During the year ended June 30, 2012, the District entered into a capital lease for the purchase of computer equipment. The lease payments are payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund. Details of the District's indebtedness under the agreement at June 30, 2012 are as follows:

Year Ending June 30,	Computer lease dated March 1, 2012			
	Interest Rates	Principal	Interest	Total
2013	2.74	% \$ 108,946	11,451	120,397
2014	2.74	112,349	8,048	120,397
2015	2.74	115,859	4,538	120,397
2016	2.74	59,279	919	60,198
		<u>\$ 396,433</u>	<u>24,956</u>	<u>421,389</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified and classified employees. Eligible employees must be at least age fifty-five and completed a total of 10 years of service as a full-time licensed employee to the District. Employees complete an application which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2012, totaled \$17,895.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the year ended June 30, 2012 were \$229,976, equal to the required contributions.

(7) Other Postemployment Benefits

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 42 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit rate 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 which, 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 25 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 District's net OPEB obligation:

Annual required contribution	\$ 49,865
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>49,865</u>
Adjustment for District merger*	(85,007)
Contributions made	<u>(22,148)</u>
Increase in net OPEB obligation	(57,290)
Net OPEB obligation beginning of year, as restated	85,007
Net OPEB obligation end of year	<u><u>\$ 27,717</u></u>

* The net OPEB obligations for Malvern and Nishna Valley Community School Districts were removed due to the dissolutions of those entities.

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. 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 \$22,148 to the plan.

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
2012	\$ 49,865	44.4%	\$ 27,717

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$257,008, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$257,008. The covered payroll (annual payroll of active employees covered by the plan) was \$1,766,825 and the ratio of the UAAL to covered payroll was 14.55%. 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs

between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2011 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the East Mills Community School District.

Projected claim costs of the medical plan are \$623 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of the projected payroll expense on an open basis over 25 years.

(8) Risk Management

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

(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 \$214,462 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) Categorical Funding

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

Program	Amount
Weighted At-Risk Programs	\$ 1,070
Returning Dropouts and Dropout Prevention Programs	164,257
Four-year-old Preschool State Aid	102,039
Teacher Salary Supplement	45,979
Early Childhood Programs	7,083
Professional Development for Model Core Curriculum	26,878
Professional Development	26,800
	<hr/>
Total	<u><u>\$ 374,106</u></u>

(11) Deficit Fund Balance

At June 30, 2012, the District's Student Activity Fund had one account with a deficit balance of \$2,623.

(12) Budget Overexpenditure

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2012, expenditures in the instruction functional area exceeded the certified budget and the District exceeded its General Fund unspent authorized budget.

(13) Combination of Malvern and Nishna Valley Community School Districts Restatement

The school districts of Malvern and Nishna Valley combined to form a new district, East Mills Community School District, effective July 1, 2011. All assets and liabilities were assumed by the newly formed district. The beginning balances have been restated to reflect this merger as follows:

	Fund Balance	Income Surtax Receivable	Capital Assets, Net of Accumulated Depreciation	Long-term Liabilities	Bond Issuance Costs/Discounts	Interest Payable	Total Net Assets
Combination of Governmental Activities:							
Net assets, June 30, 2011							
Malvern	\$ 387,594	191,446	3,136,058	(1,953,975)	-	-	1,761,123
Nishna Valley	1,858,391	114,051	3,023,944	(2,273,313)	16,809	(17,074)	2,722,808
Net assets, July 1, 2011, as restated	\$ 2,245,985	305,497	6,160,002	(4,227,288)	16,809	(17,074)	4,483,931

	July 1, 2010	Revenues	Expenses	June 30, 2011
Proprietary Funds:				
School Nutrition Fund:				
Malvern	\$ 12,942	153,759	147,439	19,262
Nishna Valley	58,856	136,499	143,292	52,063
	71,798	290,258	290,731	71,325
Preschool Fund:				
Malvern	7,018	6,442	8,074	5,386
Total Proprietary Funds	\$ 78,816	296,700	298,805	76,711
Fiduciary Funds:				
Private Purpose Trust:				
Malvern	\$ 1,033	20	-	1,053
Agency:				
Malvern	6,741	3,471	3,592	6,620
Nishna Valley	1,735	228	309	1,654
	8,476	3,699	3,901	8,274
Total Fiduciary Funds	\$ 9,509	3,719	3,901	9,327

	July 1, 2010	Revenues	Expenses	June 30, 2011
Governmental Funds:				
General Fund:				
Malvern	\$ (87,157)	4,332,212	4,337,776	(92,721)
Nishna Valley	635,323	4,035,692	3,249,182	1,421,833
	548,166	8,367,904	7,586,958	1,329,112
Student Activity Fund:				
Malvern	25,171	118,085	112,277	30,979
Nishna Valley	27,148	33,104	35,088	25,164
	52,319	151,189	147,365	56,143
Management Fund:				
Malvern	47,693	57,279	63,538	41,434
Nishna Valley	64,697	97,642	68,369	93,970
	112,390	154,921	131,907	135,404
Capital Projects: Statewide Sales, Services and Use Tax:				
Malvern	194,472	362,443	230,688	326,227
Nishna Valley	421,963	191,918	370,863	243,018
	616,435	554,361	601,551	569,245
Capital Projects: Physical Plant and Equipment Levy:				
Malvern	113,301	219,106	250,732	81,675
Nishna Valley	94,631	55,923	93,306	57,248
	207,932	275,029	344,038	138,923
Debt Service Fund:				
Malvern	-	139,773	139,773	-
Nishna Valley	14,740	231,013	228,595	17,158
	14,740	370,786	368,368	17,158
Total Governmental Funds	\$ 1,551,982	9,874,190	9,180,187	2,245,985

EAST MILLS COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

EAST MILLS COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,775,113	133,835	4,908,948	5,155,042	5,155,042	(246,094)
Intermediate sources	-	-	-	18,000	18,000	(18,000)
State sources	3,048,396	2,629	3,051,025	2,900,140	2,900,140	150,885
Federal sources	181,079	147,898	328,977	396,800	396,800	(67,823)
Total revenues	<u>8,004,588</u>	<u>284,362</u>	<u>8,288,950</u>	<u>8,469,982</u>	<u>8,469,982</u>	<u>(181,032)</u>
Expenditures/Expenses:						
Instruction	4,843,506	17,195	4,860,701	4,850,000	4,850,000	(10,701)
Support services	2,233,408	2,629	2,236,037	2,752,500	2,752,500	516,463
Non-instructional programs	-	305,759	305,759	350,200	350,200	44,441
Other expenditures	742,063	-	742,063	1,062,652	1,062,652	320,589
Total expenditures/expenses	<u>7,818,977</u>	<u>325,583</u>	<u>8,144,560</u>	<u>9,015,352</u>	<u>9,015,352</u>	<u>870,792</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	185,611	(41,221)	144,390	(545,370)	(545,370)	689,760
Other financing sources(uses), net	411,480	-	411,480	-	-	411,480
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	597,091	(41,221)	555,870	(545,370)	(545,370)	1,101,240
Balances beginning of year, as restated	2,245,985	76,711	2,322,696	2,416,204	2,416,204	(93,508)
Balances end of year	<u>\$ 2,843,076</u>	<u>35,490</u>	<u>2,878,566</u>	<u>1,870,834</u>	<u>1,870,834</u>	<u>1,007,732</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MILLS 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 Private-Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

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

During the year ended June 30, 2012, expenditures in the instruction functional area exceed the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

EAST MILLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	July 1, 2011	-	\$ 257,008	257,008	0.0%	\$ 1,766,825	14.55%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

EAST MILLS COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special		
	Revenue:		
	Student	Debt	Total
	Activity	Service	Nonmajor
Assets			
Cash and pooled investments	\$ 75,582	13,858	89,440
Receivables:			
Property tax:			
Delinquent	-	5,979	5,979
Succeeding year	-	174,476	174,476
Total assets	\$ 75,582	194,313	269,895
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 10,134	-	10,134
Deferred revenue:			
Succeeding year property tax	-	174,476	174,476
Total liabilities	10,134	174,476	184,610
Fund Balances:			
Restricted for:			
Debt service	-	19,837	19,837
Student activities	68,071	-	68,071
Unassigned	(2,623)	-	(2,623)
Total fund balances	65,448	19,837	85,285
Total liabilities and fund balances	\$ 75,582	194,313	269,895

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MILLS COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Special Revenue:		
	Student Activity	Debt Service	Total Nonmajor
Revenues:			
Local sources:			
Local tax	\$ -	170,267	170,267
Other	155,395	453	155,848
Total revenues	155,395	170,720	326,115
Expenditures:			
Current:			
Instruction:			
Other	146,019	-	146,019
Support services:			
Operation and maintenance of plant	71	-	71
Long-term debt:			
Principal	-	190,000	190,000
Interest and fiscal charges	-	191,342	191,342
Total expenditures	146,090	381,342	527,432
Excess(deficiency) of revenues over(under) expenditures	9,305	(210,622)	(201,317)
Other financing sources:			
Operating transfers in	-	213,301	213,301
Net change in fund balances	9,305	2,679	11,984
Fund balances beginning of year, as restated	56,143	17,158	73,301
Fund balances end of year	\$ 65,448	19,837	85,285

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MILLS COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 319,493	183,348	502,841
Receivables:			
Property tax:			
Delinquent	-	2,663	2,663
Succeeding year	-	90,283	90,283
Due from other governments	214,355	-	214,355
Total assets	\$ 533,848	276,294	810,142
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	14,387	14,387
Deferred revenue:			
Succeeding year property tax	-	90,283	90,283
Total liabilities	-	104,670	104,670
Fund balances:			
Restricted for:			
School infrastructure	533,848	-	533,848
Physical plant and equipment	-	171,624	171,624
Total fund balances	533,848	171,624	705,472
Total liabilities and fund balances	\$ 533,848	276,294	810,142

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST MILLS COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 209,817	183,782	393,599
Other	1,291	968	2,259
State sources	198,429	-	198,429
Total revenues	<u>409,537</u>	<u>184,750</u>	<u>594,287</u>
Expenditures:			
Current:			
Instruction:			
Regular	396,433	-	396,433
Support services:			
Instructional staff	123,981	82,056	206,037
Operation and maintenance of plant	-	31,386	31,386
Capital outlay	135,697	10,562	146,259
Total expenditures	<u>656,111</u>	<u>124,004</u>	<u>780,115</u>
Excess(deficiency) of revenues over(under) expenditures	(246,574)	60,746	(185,828)
Other financing sources(uses):			
Operating transfers in	28,045	-	28,045
Operating transfers out	(213,301)	(28,045)	(241,346)
Proceeds from capital lease	396,433	-	396,433
Total other financing sources(uses)	<u>211,177</u>	<u>(28,045)</u>	<u>183,132</u>
Net change in fund balances	(35,397)	32,701	(2,696)
Fund balances beginning of year, as restated	<u>569,245</u>	<u>138,923</u>	<u>708,168</u>
Fund balances end of year	<u>\$ 533,848</u>	<u>171,624</u>	<u>705,472</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST MILLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year, as restated	Revenues	Expendi- tures	Balance End of Year
Miscellaneous	\$ 500	403	-	903
HS Drama	1,040	953	1,993	-
MS Drama	2,661	1,350	1,019	2,992
HS Vocal	-	2,110	1,659	451
HS Instrumental Music	-	1,131	1,131	-
MS Instrumental Music	-	1,842	737	1,105
MS Annual	(258)	798	525	15
MS Cheerleading	571	-	-	571
MS Fundraiser	6,462	475	2,633	4,304
MS Library Club	-	3,836	1,778	2,058
Class of 2010	123	-	-	123
Class of 2011	736	-	445	291
Class of 2012	3,842	630	4,197	275
Class of 2013	887	9,545	7,842	2,590
Class of 2014	2,798	3,376	-	6,174
Class of 2015	74	-	-	74
5-6 Loop Fund	273	-	-	273
MS Concessions	1,957	4,065	4,933	1,089
MS Athletics	4,448	3,059	4,361	3,146
MS Student Council	911	836	718	1,029
Elementary Fundraiser	2,008	-	1,911	97
HS Athletics	4,024	38,732	31,711	11,045
HS Football	363	910	1,273	-
HS Volleyball	556	1,910	1,855	611
HS Softball	275	686	958	3
HS Girls Basketball	1,490	-	1,426	64
HS Boys Basketball	386	-	-	386
HS Baseball	1,179	1,073	1,747	505
HS Wrestling	954	1,116	1,299	771
HS Track	698	1,895	2,593	-
MS Boys Basketball	1,323	-	-	1,323
MS Football	1,029	-	-	1,029
MS Boys Track	137	-	137	-
MS Wrestling	158	42	-	200
MS Basketball	2,182	-	-	2,182
MS Volleyball	102	240	230	112
MS Girls Track	1,126	-	-	1,126
National Honor Society	-	1,084	865	219
Speech Club	-	79	79	-
Dance Team	58	-	-	58
HS Yearbook	5,011	2,528	5,123	2,416
Art Club	160	-	71	89
HS Concessions	1,025	17,954	14,544	4,435
Panther Den	506	72	-	578
HS Cheerleading	-	1,970	1,970	-
FCCLA	-	16,082	18,705	(2,623)
HOSA	-	5,708	4,342	1,366
HS Library Club	86	293	-	379
HS Weight Club	204	-	-	204
Chantry Music Revolving	342	5	-	347
MS Revolving	-	580	580	-
HS Shop	40	-	-	40
HS Student Council	152	705	857	-
Chantry Activity	1,554	7,537	8,127	964
Chantry Library	46	416	-	462
HS Activity	1,944	19,166	11,716	9,394
HS Library	-	203	-	203
Total	\$ 56,143	155,395	146,090	65,448

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MILLS COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 8,274	1,087	7,392	1,969
Liabilities				
Due to other groups	\$ 8,274	1,087	7,392	1,969

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EAST MILLS COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES

	Modified Accrual Basis
	Year Ended June 30,
	2012
Revenues:	
Local sources:	
Local tax	\$ 4,325,883
Tuition	149,275
Other	299,955
State sources	3,048,396
Federal sources	181,079
Total	\$ 8,004,588
Expenditures:	
Instruction:	
Regular	\$ 3,253,652
Special	911,947
Other	677,907
Support services:	
Student	67,499
Instructional staff	331,117
Administration	723,824
Operation and maintenance of plant	668,001
Transportation	442,967
Other	
Capital outlay	146,259
Long Term Debt:	
Principal	190,000
Interest and fiscal charges	191,342
Other expenditures:	
AEA flow-through	214,462
Total	\$ 7,818,977

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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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
East Mills 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 East Mills 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 March 11, 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 East Mills Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered East Mills 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 East Mills Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of East Mills Community School District's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-12 through I-E-12 to be significant deficiencies.

Compliance and Other Matters

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

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

East Mills Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit East Mills 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 East Mills Community School District and other parties to whom East Mills 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 East Mills Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORMAN & JOHNSON, P.C.

March 11, 2013

EAST MILLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling. We also noted that one individual has the ability to modify pay rates, process the payroll and generate payroll checks and direct deposits.

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

Response - We have a limited number of employees available, but we will continue to explore alternatives to rectify this situation.

Conclusion - Response accepted.

I-B-12 Supporting Documentation - For 1 out of 30 disbursements tested in the Student Activity Fund, we noted a check written that lacked an invoice or statement that could subsequently be used as supporting documentation.

Recommendation - The District should review their procedures that are in place to ensure that all bills are supported, approved, and paid from an invoice with a purchase order. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or supporting documentation other than the invoice.

Response - We have procedures in place; this was an error by a new employee.

Conclusion - Response accepted.

I-C-12 Supporting Documentation for Manual Journal Entries - We noted that the District does not currently maintain support for manual journal entries entered into the accounting software. In the absence of supporting documentation, it is impossible to subsequently determine the propriety of manual journal entries.

Recommendation - Chapter 291.6 of the Code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. The District should review its procedures to ensure that all manual journal entries are properly supported.

Response - Documentation for journal entries is now kept on file.

Conclusion - Response accepted.

I-D-12 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for performances and athletic events that require an admission fee. Individuals collecting cash at District events do not have a process for reconciling the number of people admitted to the event to the amount of cash collected for the event.

Recommendation -The District's Board of Directors should develop internal control procedures for handling cash for all events that the District charges an admission fee. The Board of directors should involve the District's business office staff in developing detailed procedures for handling cash before and after District events. Once the Board of Directors has approved these procedures, the procedures should be communicated and followed by persons involved in cash collection at District events. At a minimum these procedures should include:

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

Response - We feel this procedure is too cumbersome for a district of our size and will continue our current practice.

Conclusion - Response acknowledged.

I-E-12 Pre-numbered Receipts - We noted during our audit that the District does not use pre-numbered receipts when money is turned into the office.

Recommendation - Better internal controls are achieved if the District uses pre-numbered receipts, and reconciles the receipts to deposits and revenues posted when performing bank reconciliations. The District should review their procedures to ensure that internal control processes are being utilized.

Response - We purchased pre-numbered receipt books and are currently using them.

Conclusion - Response accepted.

EAST MILLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - District expenditures for the year ended June 30, 2012 exceeded the amounts budgeted in the instruction functional area. The District also exceeded its General Fund unspent authorized budget for the year ended June 30, 2012 by approximately \$255,081.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the General Fund unspent authorized budget over expenditure.

Response - A Department of Education re-coding of a large expenditure was made after the CAR was submitted. In the future, laptops will be coded to instruction, allowing us to know if we need to amend at the proper time. We have since contacted the SBRC and they have accepted our workout plan regarding the unspent authorized budget.

Conclusion - Response accepted.

II-B-12 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Liz Dahlgran-Baldwin, Teacher owns A Sticth in Time	Services	\$104
Phyllis Paulsen, Teacher Husband owns Dwayne Paulsen Electric	Supplies/Services	\$13,827
Susan Stogdill, Board Member Husband owns Mr B. Catering	Services	\$80
Jeff Poort, Board Member Father owns Poort Garage	Services	\$4,736

In accordance with the Attorney General's opinion dated July2, 1990, the above transactions with the District employee do not appear to represent a conflict of interest

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the District employee's spouse and Board Member's relatives do not appear to represent a conflict of interest.

- II-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-12 Certified Enrollment - We noted variances in the basic enrollment data certified to the Department of Education. The number of students which were certified was overstated by 3.0 students.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

Response - Our auditors will be contacting the Iowa Department of Education and the Department of Management to resolve this issue.

Conclusion - Response accepted.

- II-H-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-12 Deposits and Investments - The District's investment policy does appear to comply with Chapter 12B and Chapter 12C of the Code of Iowa.
- II-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-12 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-12 Financial Condition - We noted during our audit that the District had one Student Activity Fund account with a deficit balance of \$2,623.

Recommendation - The District should continue to monitor all fund balances and work to eliminate all negative balances.

Response - We currently monitor the Student Activity Fund and in the future, we will make sure they all have positive balances at the end of the year.

Conclusion - Response accepted.

- II-M-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$	569,245
Revenues:			
Sales tax revenues	\$	209,817	
Other local revenues		1,291	
School infrastructure supplemental amount		198,429	
Sale of long-term debt		396,433	
Transfer from other funds		28,045	834,015
			<u>1,403,260</u>
Expenditures/ transfers out:			
School infrastructure construction	\$	21,928	
Equipment		550,596	
Other		83,587	
Transfers to other funds:			
Debt service fund		213,301	869,412
			<u>869,412</u>
Ending balance			<u>\$ 533,848</u>

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

	<u>Rate of Levy</u>	<u>Property</u>
	<u>Reduction</u>	<u>Tax</u>
	<u>Per \$1,000</u>	<u>Dollars</u>
	<u>of Taxable</u>	<u>Reduced</u>
	<u>Valuation</u>	
Debt service levy	\$ 0.23965	\$ 59,903

II-N-12 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The Board President now signs all official's contracts.

Conclusion - Response accepted.

II-O-12 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events. The District currently receipts this into the Student Activity Fund.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the general fund. The district should receipt rent collected for facility usage into the general fund.

Response - In the future, we will code all rent to the General Fund.

Conclusion - Response accepted.

II-P-12 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa requires the District to retain cancelled checks including an image of both the front and back of each cancelled check. We noted the District does not currently retain images of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The bank that did not give us a copy of the back of the checks is no longer being used. We now retain images of the fronts and backs of each cancelled check.

Conclusion - Response accepted.