

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

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Independent Auditor's Report

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

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

As explained in Note 11 to the Financial Statements, the North Central and Nora Springs-Rock Falls Community School Districts merged on July 1, 2011.

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

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 39 through 41 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 Central Springs Community School District's basic financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

July 15, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Central Springs 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.

On July 1, 2011, the North Central Community School District and the Nora Springs-Rock Falls Community School District merged into the District which is now the Central Springs Community School District. Because of the merger current year financial data is not comparable to prior year data. However, in the future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

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 Central Springs 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 Central Springs 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 Central Springs Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

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

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

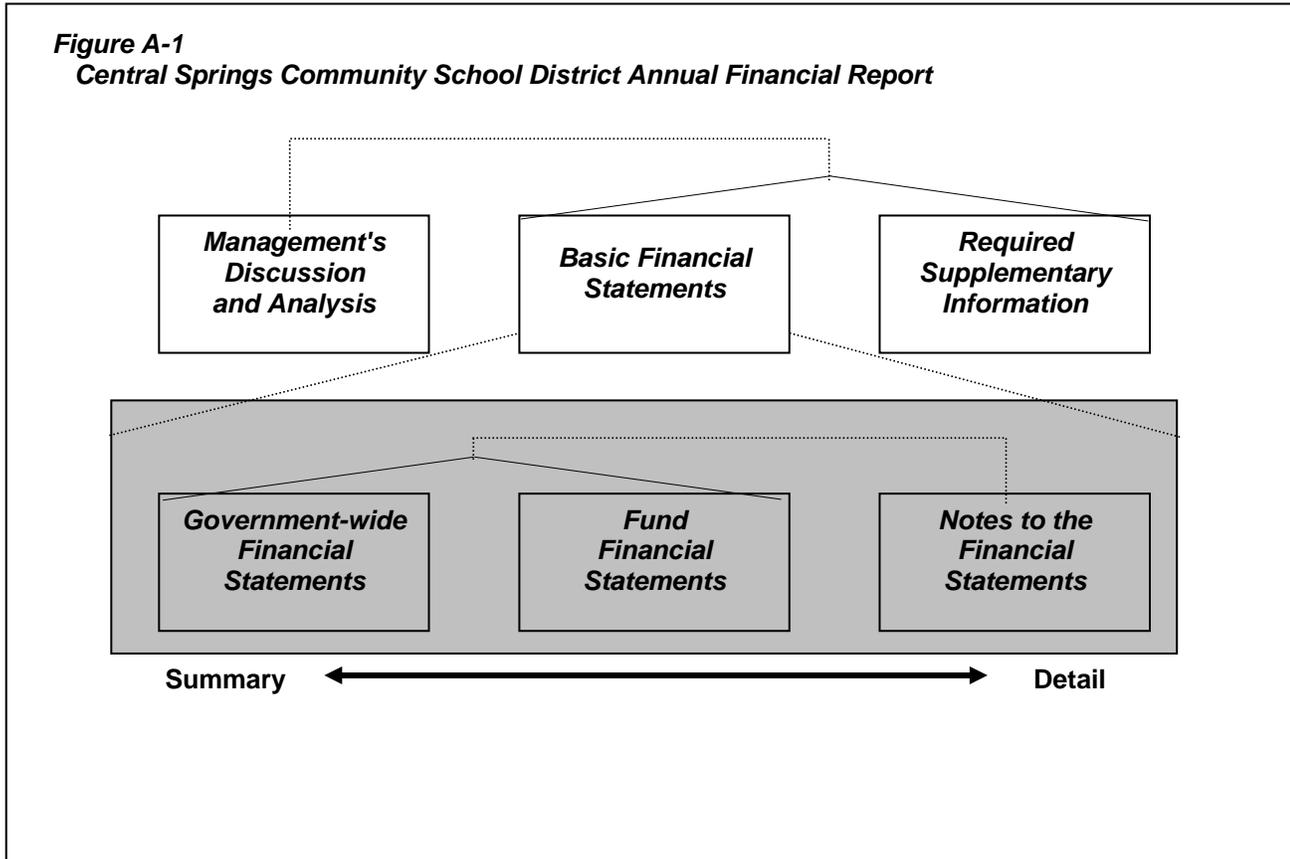


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

The required financial statements for fiduciary funds include a statement of fiduciary net 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	Business-Type	Total
	Activities	Activities	School District
	2012	2012	2012
	\$	\$	\$
Current and other assets	8,437,687	50,676	8,488,363
Capital assets	3,609,671	49,453	3,659,124
Total assets	12,047,358	100,129	12,147,487
Long-term liabilities	1,626,508	3,280	1,629,788
Other liabilities	5,336,945	33,304	5,370,249
Total liabilities	6,963,453	36,584	7,000,037
Net assets:			
Invested in capital assets, Net of related debt	2,154,671	49,453	2,204,124
Restricted	2,697,151	-	2,697,151
Unrestricted	232,083	14,092	246,175
TOTAL NET ASSETS	5,083,905	63,545	5,147,450

The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

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.

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

Figure A-4

	Change in Net Assets		
	Governmental Activities	Business-type Activities	Total School District
	2012 \$	2012 \$	2012 \$
Revenues			
Program Revenues:			
Charges for services	1,055,474	249,954	1,305,428
Operating grants & contributions	1,518,370	200,291	1,718,661
Capital grants & contributions	7,840	-	7,840
General Revenues:			
Property taxes	4,465,745	-	4,465,745
Income surtax	275,113	-	275,113
Statewide sales, services and use tax	616,808	-	616,808
Unrestricted state grants	3,896,658	-	3,896,658
Unrestricted investment earnings	13,295	32	13,327
Total Revenues	11,849,303	450,277	12,299,580
Expenses:			
Instruction	6,827,000	-	6,827,000
Support services	2,905,366	-	2,905,366
Non-instructional programs	-	458,973	458,973
Other expenditures	592,105	-	592,105
Total expenses	10,324,471	458,973	10,783,444
CHANGE IN NET ASSETS	1,524,832	(8,696)	1,516,136
Net assets beginning of year-adjusted	3,559,073	72,241	3,631,314
Net assets end of year	5,083,905	63,545	5,147,450

In fiscal year 2012 property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$11,849,303 and expenses were \$10,324,471. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5
Net Cost of Governmental Activities

	Total Cost of Services 2012	Net Cost of Services 2012
	\$	\$
Instruction	6,827,000	4,629,484
Support Services	2,905,366	2,891,802
Other Expenses	592,105	221,501
TOTAL	10,324,471	7,742,787

For the year ended June 30, 2012

- The cost financed by users of the District's programs was \$1,055,474. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,518,370.
- The net cost of governmental activities was financed with \$5,357,666 in property and local other taxes and \$3,896,658 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$450,277 and expenses were \$458,973. The District's business type activities include the School Nutrition Fund and a Child Care program at the Nora Springs campus. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2012, the District increased meal prices for the first time in three years. This increase resulted in increased revenue to the School Nutrition Fund that the District has obligated for replacement of obsolete kitchen equipment at two elementary buildings in the next fiscal year.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,834,392.

Governmental Fund Highlights

- The District's improved General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. Use of the Capitol Projects Sales Tax Fund for expenditures that were formerly paid for with property tax lessened the burden on the General Fund.
- The General Fund balance increased from \$(695,366) to \$54,649, due in part to the negotiated salary and benefits settlement.

- The Capital Projects Fund balance increased due to an increase in sales tax revenue and growth in property tax. The District ended fiscal 2011 with a balance of \$2,073,350. Fiscal 2012 ended with a balance of \$2,301,592.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$69,100 at June 30, 2011 to \$67,014 at June 30, 2012, representing an decrease of 3%. Lunch prices were increased for fiscal year 2012 and 2013. Grant monies were received to start a Grab and Go Breakfast in Nora Springs. This program will also be started at the Manly campus for 2013. The Nora Springs campus Daycare ended the year in the black.

BUDGETARY HIGHLIGHTS

Over the course of the year, revenues were less than reported in the published budget. Likewise expenditures were also less than reported in the budget. Therefore no amendment to the budget was needed.

The District's receipts were \$134,246 less than budgeted receipts, a variance of 2%.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$3.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$273,137.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2011	2012	2011	2012	2011	2012	2011-2012
	\$	\$	\$	\$	\$	\$	%
Land	83,500	83,500	-	-	83,500	83,500	0%
Buildings	2,730,297	2,721,707	-	-	2,730,297	2,721,707	<-1%
Improvements	251,850	229,940	-	-	251,850	229,940	-9%
Equipment & furniture	607,155	574,525	47,700	49,453	654,855	623,978	-5%
TOTAL	3,672,802	3,609,672	47,700	49,453	3,720,502	3,659,125	-2%

Long-Term Debt

At June 30, 2012 the District had \$1,629,788 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 24% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	<u>Total School District</u>		<u>Percentage</u>
	<u>2011</u>	<u>2012</u>	<u>Change</u>
	<u>\$</u>	<u>\$</u>	<u>2011-2012</u>
			<u>%</u>
Governmental activities:			
General obligation bonds	1,625,000	1,265,000	-22%
Revenue bonds	260,000	190,000	-27%
Termination benefits	201,186	125,588	-38%
Net OPEB liability	59,195	45,920	-22%
	<u>2,145,381</u>	<u>1,626,508</u>	<u>-24%</u>
Business type activities:			
Net OPEB liability	<u>-</u>	<u>3,280</u>	<u>100%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's October 2012 enrollment decreased which in turn will decrease the District's funding for fiscal year 2013.
- The District is organizing a preschool and daycare program for the Manly campus. This will involve modification to several rooms as well as hiring more personnel to accommodate these programs.
- The District is moving forward to begin a 1:1 initiative program school wide. The District would like to have this program in place by the fall of 2013. The major expense will be covered by the Capital Project Funds.

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 Gwen Mellmann, District Secretary/Treasurer and Business Manager, Central Springs Community School District, 105 S East Street, Manly, IA 50456.

BASIC FINANCIAL STATEMENTS

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
Other	3,481,435	36,156	3,517,591
Receivables:			
Property tax:			
Delinquent	81,357	-	81,357
Succeeding year	4,167,606	-	4,167,606
Accounts	4,180	475	4,655
Due from other governments	695,274	-	695,274
Inventories	-	14,045	14,045
Unamortized bond issue costs	7,835	-	7,835
Capital assets, net of accumulated depreciation	<u>3,609,671</u>	<u>49,453</u>	<u>3,659,124</u>
Total assets	<u>12,047,358</u>	<u>100,129</u>	<u>12,147,487</u>
Liabilities			
Accounts payable	326,911	-	326,911
Salaries and benefits payable	829,200	27,469	856,669
Accrued interest payable	12,058		12,058
Deferred revenue:			
Succeeding year property tax	4,167,606	-	4,167,606
Other	1,170	5,835	7,005
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	255,000	-	255,000
Revenue bonds payable	75,000	-	75,000
Termination benefits	72,712	-	72,712
Portion due after one year:			
General obligation bonds payable	1,010,000	-	1,010,000
Revenue bonds payable	115,000	-	115,000
Termination benefits	52,876	-	52,876
Net OPEB liability	<u>45,920</u>	<u>3,280</u>	<u>49,200</u>
Total liabilities	<u>6,963,453</u>	<u>36,584</u>	<u>7,000,037</u>

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	2,154,671	49,453	2,204,124
Restricted for:			
Categorical funding	55,054	-	55,054
Management levy	262,468	-	262,468
Student activities	37,213	-	37,213
Physical plant and equipment levy purposes	124,975	-	124,975
School infrastructure	2,176,617	-	2,176,617
Debt service	40,824	-	40,824
Unrestricted	<u>232,083</u>	<u>14,092</u>	<u>246,175</u>
Total net assets	<u><u>5,083,905</u></u>	<u><u>63,545</u></u>	<u><u>5,147,450</u></u>

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	4,440,576	759,666	840,584	-
Special	1,352,175	127,415	209,045	-
Other	1,034,249	167,955	92,851	-
	<u>6,827,000</u>	<u>1,055,036</u>	<u>1,142,480</u>	<u>-</u>
Support services:				
Student	141,637	-	-	-
Instructional staff	301,505	-	-	-
Administration	1,059,793	-	441	-
Operation and maintenance of plant	801,653	438	-	-
Transportation	600,778	-	12,685	-
	<u>2,905,366</u>	<u>438</u>	<u>13,126</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	21,391	-	-	7,840
Long-term debt interest	77,883	-	-	-
AEA flowthrough	362,764	-	362,764	-
Depreciation (unallocated)*	130,067	-	-	-
	<u>592,105</u>	<u>-</u>	<u>362,764</u>	<u>7,840</u>
Total governmental activities	<u>10,324,471</u>	<u>1,055,474</u>	<u>1,518,370</u>	<u>7,840</u>
Business type activities:				
Non-instructional programs:				
Food service operations	426,334	228,506	195,710	-
Daycare	32,639	21,448	4,581	-
Total business-type activities	<u>458,973</u>	<u>249,954</u>	<u>200,291</u>	<u>-</u>
Total	<u>10,783,444</u>	<u>1,305,428</u>	<u>1,718,661</u>	<u>7,840</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Total general revenues				

Change in net assets

Net assets beginning of year-adjusted

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(2,840,326)	-	(2,840,326)
(1,015,715)	-	(1,015,715)
(773,443)	-	(773,443)
<u>(4,629,484)</u>	<u>-</u>	<u>(4,629,484)</u>
(141,637)	-	(141,637)
(301,505)	-	(301,505)
(1,059,352)	-	(1,059,352)
(801,215)	-	(801,215)
(588,093)	-	(588,093)
<u>(2,891,802)</u>	<u>-</u>	<u>(2,891,802)</u>
(13,551)	-	(13,551)
(77,883)	-	(77,883)
-	-	-
(130,067)	-	(130,067)
<u>(221,501)</u>	<u>-</u>	<u>(221,501)</u>
<u>(7,742,787)</u>	<u>-</u>	<u>(7,742,787)</u>
-	(2,118)	(2,118)
-	(6,610)	(6,610)
-	(8,728)	(8,728)
<u>(7,742,787)</u>	<u>(8,728)</u>	<u>(7,751,515)</u>
3,944,182	-	3,944,182
418,058	-	418,058
103,505	-	103,505
275,113	-	275,113
616,808	-	616,808
3,896,658	-	3,896,658
13,295	32	13,327
<u>9,267,619</u>	<u>32</u>	<u>9,267,651</u>
1,524,832	(8,696)	1,516,136
<u>3,559,073</u>	<u>72,241</u>	<u>3,631,314</u>
<u>5,083,905</u>	<u>63,545</u>	<u>5,147,450</u>

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

	General	Capital Projects	Nonmajor	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	912,545	2,103,823	465,067	3,481,435
Receivables:				
Property tax:				
Delinquent	66,396	1,877	13,084	81,357
Succeeding year	3,479,553	108,003	580,050	4,167,606
Accounts	4,180	-	-	4,180
Due from other governments	499,382	195,892	-	695,274
Total assets	4,962,056	2,409,595	1,058,201	8,429,852
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	326,911	-	-	326,911
Salaries and benefits payable	829,200	-	-	829,200
Deferred revenue:				
Succeeding year property tax	3,479,553	108,003	580,050	4,167,606
Income surtax	270,573	-	-	270,573
Other	1,170	-	-	1,170
Total liabilities	4,907,407	108,003	580,050	5,595,460
Fund balances:				
Restricted for:				
Categorical funding	55,054	-	-	55,054
Debt service	-	-	52,882	52,882
Management levy	-	-	388,056	388,056
Student activities	-	-	37,213	37,213
School infrastructure	-	2,176,617	-	2,176,617
Physical plant and equipment	-	124,975	-	124,975
Unassigned	(405)	-	-	(405)
Total fund balances	54,649	2,301,592	478,151	2,834,392
Total liabilities and fund balances	4,962,056	2,409,595	1,058,201	8,429,852

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

	\$
Total fund balances of governmental funds (Exhibit C)	2,834,392
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,609,671
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	270,573
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.	(12,058)
Long-term liabilities, including bonds payable, termination benefits, and other post employment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(1,618,673)</u>
Net assets of governmental activities (Exhibit A)	<u><u>5,083,905</u></u>

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Capital Projects	Nonmajor	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,903,610	720,313	718,981	5,342,904
Tuition	402,340	-	-	402,340
Other	468,335	3,449	194,645	666,429
State sources	4,871,834	58	399	4,872,291
Federal sources	542,737	7,840	-	550,577
Total revenues	<u>10,188,856</u>	<u>731,660</u>	<u>914,025</u>	<u>11,834,541</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,411,760	-	3,807	4,415,567
Special	1,351,258	-	-	1,351,258
Other	831,388	-	202,861	1,034,249
	<u>6,594,406</u>	<u>-</u>	<u>206,668</u>	<u>6,801,074</u>
Support services:				
Student	138,615	-	-	138,615
Instructional staff	301,505	-	-	301,505
Administration	881,598	116,076	76,111	1,073,785
Operation and maintenance of plant	638,428	22,998	136,332	797,758
Transportation	521,525	58,233	15,603	595,361
	<u>2,481,671</u>	<u>197,307</u>	<u>228,046</u>	<u>2,907,024</u>
Other expenditures:				
Facilities acquisition	-	222,065	-	222,065
Long-term debt:				
Principal	-	-	430,000	430,000
Interest and fiscal charges	-	-	75,338	75,338
AEA flowthrough	362,764	-	-	362,764
	<u>362,764</u>	<u>222,065</u>	<u>505,338</u>	<u>1,090,167</u>
Total expenditures	<u>9,438,841</u>	<u>419,372</u>	<u>940,052</u>	<u>10,798,265</u>
Excess (deficiency) of revenues over (under) expenditures	<u>750,015</u>	<u>312,288</u>	<u>(26,027)</u>	<u>1,036,276</u>
Other financing sources (uses):				
Operating transfers in	-	-	84,046	84,046
Operating transfers out	-	(84,046)	-	(84,046)
Total other financing sources (uses)	<u>-</u>	<u>(84,046)</u>	<u>84,046</u>	<u>-</u>
Net change in fund balances	750,015	228,242	58,019	1,036,276
Fund balances beginning of year	<u>(695,366)</u>	<u>2,073,350</u>	<u>420,132</u>	<u>1,798,116</u>
Fund balances end of year	<u>54,649</u>	<u>2,301,592</u>	<u>478,151</u>	<u>2,834,392</u>

See notes to financial statements.

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		1,036,276
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. Capital outlay expenditures and depreciation expense in the year are as follows:		
Expenditures for capital assets	202,634	
Depreciation expense	<u>(265,764)</u>	(63,130)
Income surtaxes and receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		117,829
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		430,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		(2,545)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	\$ (4,913)	
Other postemployment benefits	<u>13,275</u>	8,362
Amortization bond issue costs		<u>(1,960)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>1,524,832</u></u>

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2012

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	36,156
Accounts receivable	475
Inventories	14,045
Capital assets, net of accumulated depreciation	<u>49,453</u>
Total assets	<u>100,129</u>
Liabilities	
Salaries and benefits payable	27,469
Deferred revenue	5,835
Net OPEB liability	<u>3,280</u>
Total liabilities	<u>36,584</u>
Net assets	
Invested in capital assets	49,453
Unrestricted	<u>14,092</u>
Total net assets	<u><u>63,545</u></u>

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>249,954</u>
Operating expenses:	
Non-instructional programs:	
Salaries	180,033
Benefits	45,015
Purchased services	2,272
Supplies	224,280
Depreciation	<u>7,373</u>
Total operating expenses	<u>458,973</u>
Operating income (loss)	<u>(209,019)</u>
Non-operating revenue:	
State sources	4,099
Federal sources	196,192
Interest income	<u>32</u>
Total non-operating revenue	<u>200,323</u>
Change in net assets	(8,696)
Net assets beginning of year	<u>72,241</u>
Net assets end of year	<u><u>63,545</u></u>

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2012

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	231,732
Cash received from daycare services	21,448
Cash payments to employees for services	(196,164)
Cash payments to suppliers for goods or services	(193,270)
Net cash used by operating activities	<u>(136,254)</u>
Cash flows from non-capital financing activities:	
State grants received	4,099
Federal grants received	169,116
Net cash provided by non-capital financing activities	<u>173,215</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(9,126)</u>
Cash flows from investing activities:	
Interest on investments	<u>32</u>
Net increase (decrease) in cash and cash equivalents	27,867
Cash and cash equivalents at beginning of year	<u>8,289</u>
Cash and cash equivalents at end of year	<u><u>36,156</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(209,019)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	26,787
Depreciation	7,373
Decrease (increase) in inventories	6,781
Decrease (increase) in accounts receivable	(186)
(Decrease) increase in accounts payable	(286)
(Decrease) increase in salaries and benefits payable	27,127
(Decrease) increase in deferred revenue	3,412
(Decrease) increase in other postemployment benefits	1,757
Net cash used by operating activities	<u><u>(136,254)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$26,787 of federal commodities.

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2012

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	5,978
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>5,978</u></u>

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2012

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	55
Deductions:	
Instruction:	
Scholarships awarded	<u>3,393</u>
Change in net assets	(3,338)
Net assets beginning of year-adjusted	<u>9,316</u>
Net assets end of year	<u><u>5,978</u></u>

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies

Central Springs Community School District is a political subdivision of the State of Iowa and provides public education for children in grades kindergarten through twelve. The geographic area served includes the Cities of Hanlontown, Manly, Nora Springs, Plymouth and Rock Falls, Iowa and the predominately agricultural territory in a portion of Cerro Gordo, Floyd, Mitchell and Worth 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, Central Springs 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 Central Springs Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District's proprietary funds consist of the Enterprise, School Nutrition Fund and Daycare Fund. These funds are used to account for the food service and day care operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011, through June 30, 2012, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	1,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	75,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

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

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

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

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are 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 in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

Fund Equity – In the governmental fund financial statements fund balances are classified as follows:

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

Unassigned – All amounts not included in other classifications.

E. Budgeting and Budgetary Control

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

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, which are valued at an amortized cost of \$206,769 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

3. Interfund Transfers

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

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental, Debt Service	Capital Projects	84,046

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Capital Assets

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

	Balance Beginning of Year- adjusted	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	83,500	-	-	83,500
Capital assets being depreciated:				
Buildings	6,860,481	99,567	-	6,960,048
Improvements other than buildings	543,693	-	-	543,693
Furniture and equipment	1,637,320	103,067	-	1,740,387
Total capital assets being deprec.	9,041,494	202,634	-	9,244,128
Less accumulated depreciation for:				
Buildings	4,130,184	108,157	-	4,238,341
Improvements other than buildings	291,843	21,910	-	313,753
Furniture and equipment	1,030,165	135,697	-	1,165,862
Total accumulated depreciation	5,452,192	265,764	-	5,717,956
Total capital assets being depreciated, net	3,589,302	(63,130)	-	3,526,172
Governmental activities capital assets, net	3,672,802	(63,130)	-	3,609,672

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	86,766	11,120	-	97,886
Less accumulated depreciation	<u>39,066</u>	<u>7,373</u>	<u>(1,994)</u>	<u>48,433</u>
Business type activities capital assets, net	<u>47,700</u>	<u>3,747</u>	<u>(1,994)</u>	<u>49,453</u>

Depreciation expense was charged to the following functions:

	Amount
	\$
Governmental activities:	
Instruction:	
Regular	33,371
Special	917
Support Services:	
Student services	3,022
Administration services	1,873
Operation and maintenance of plant services	3,895
Transportation	<u>92,619</u>
	155,697
Unallocated depreciation	<u>130,067</u>
Total depreciation expense – governmental activities	<u>265,764</u>
Business type activities:	
Food services	<u>7,373</u>

5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	1,625,000	-	360,000	1,265,000	255,000
Revenue bonds	260,000	-	70,000	190,000	75,000
Termination benefits	201,186	-	75,598	125,588	72,712
Net OPEB liability	<u>59,195</u>	<u>-</u>	<u>13,275</u>	<u>45,920</u>	<u>-</u>
Total	<u>2,145,381</u>	<u>-</u>	<u>518,873</u>	<u>1,626,508</u>	<u>402,712</u>

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Business type activities:					
Net OPEB liability	-	3,280	-	3,280	-

Termination Benefits

The District approved a voluntary early retirement plan for employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2012, the District has obligations to 15 participants with a total liability of \$125,588. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$75,598.

General Obligation Bonds

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

Refunding Bond Issue of April 2004				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	4.50	255,000	49,550	304,550
2014	4.00	270,000	38,075	308,075
2015	3.60	280,000	27,725	307,725
2016	3.70	285,000	17,195	302,195
2017	3.80	175,000	6,650	181,650
		<u>1,265,000</u>	<u>139,195</u>	<u>1,404,195</u>

Revenue Bonds

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

Bond Issue of September 2005				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	4.0	75,000	6,100	81,100
2014	4.0	75,000	3,100	78,100
2015	4.0	40,000	800	40,800
		<u>190,000</u>	<u>10,000</u>	<u>200,000</u>

6. Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$352,896, \$393,655, and \$318,586 respectively, equal to the required contributions for each year.

7. Risk Management

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

8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$362,764 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.

9. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 200 active and 12 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

	\$
Annual required contribution	69,059
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>69,059</u>
Contributions made	<u>19,859</u>
Increase in net OPEB obligation	49,200
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>49,200</u>

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 \$19,859 to the medical plan. Plan members eligible for benefits contributed \$46,617 of the premium costs.

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

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2012	69,059	28.8	49,200

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, 2014, the actuarial accrued liability was \$447,682, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$447,682. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,374,000, and the ratio of the UAAL to covered payroll was 10.2%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

10. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
	\$
Teacher salary supplement	1,141
Iowa core curriculum	24,554
Educator quality, professional development	22,694
Market Factor	6,665
	<u>55,054</u>

11. School District Reorganization and Restatement of Beginning Net Assets

The voters of the North Central and Nora Springs-Rock Falls Community School Districts approved a merger effective July 1, 2011. The beginning net assets balances and fund balances of this Central Springs Community School District at July 1, 2011 are the combined June 30, 2011 net assets balances and fund balances of the two districts.

The Central Springs Community School District has different asset capitalization policies than the North Central and Nora Springs-Rock Falls School Districts. Beginning net assets on the Statement of Activities has been reduced by \$3,377,467 to compensate the difference in capital asset capitalization policies.

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2012

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	6,411,673	249,986	6,661,659	6,795,905	6,795,905	(134,246)
State sources	4,872,291	4,099	4,876,390	5,069,395	5,069,395	(193,005)
Federal sources	550,577	196,192	746,769	925,395	925,395	(178,626)
Total revenues	<u>11,834,541</u>	<u>450,277</u>	<u>12,284,818</u>	<u>12,790,695</u>	<u>12,790,695</u>	<u>(505,877)</u>
Expenditures/Expenses:						
Instruction	6,801,074	-	6,801,074	7,550,700	7,550,700	749,626
Support services	2,907,024	-	2,907,024	3,729,036	3,729,036	822,012
Non-instructional programs	-	458,973	458,973	511,111	511,111	52,138
Other expenditures	1,090,167	-	1,090,167	1,636,235	1,636,235	546,068
Total expenditures/expenses	<u>10,798,265</u>	<u>458,973</u>	<u>11,257,238</u>	<u>13,427,082</u>	<u>13,427,082</u>	<u>2,169,844</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	1,036,276	(8,696)	1,027,580	(636,387)	(636,387)	1,663,967
Balance beginning of year	<u>1,798,116</u>	<u>72,241</u>	<u>1,870,357</u>	<u>970,190</u>	<u>970,190</u>	<u>900,167</u>
Balance end of year	<u><u>2,834,392</u></u>	<u><u>63,545</u></u>	<u><u>2,897,937</u></u>	<u><u>333,803</u></u>	<u><u>333,803</u></u>	<u><u>2,564,134</u></u>

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2012

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

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

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

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

CENTRAL SPRINGS 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) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2012	July 1, 2011	-	447,682	447,682	0.0%	4,374,000	10.2%

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

SUPPLEMENTARY INFORMATION

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

Assets	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Management</u>	<u>Student</u>	<u>Debt</u>	
	<u>Levy</u>	<u>Activity</u>	<u>Service</u>	
	\$	\$	\$	\$
Cash and pooled investments	382,602	37,213	45,252	465,067
Receivables:				
Property tax:				
Delinquent	5,454	-	7,630	13,084
Succeeding year	275,000	-	305,050	580,050
	<u>663,056</u>	<u>37,213</u>	<u>357,932</u>	<u>1,058,201</u>
Total assets				
	<u><u>663,056</u></u>	<u><u>37,213</u></u>	<u><u>357,932</u></u>	<u><u>1,058,201</u></u>
Liabilities & Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	275,000	-	305,050	580,050
	<u>275,000</u>	<u>-</u>	<u>305,050</u>	<u>580,050</u>
Fund balances:				
Restricted for:				
Debt service	-	-	52,882	52,882
Management levy	388,056	-	-	388,056
Student activities	-	37,213	-	37,213
Total fund balances	388,056	37,213	52,882	478,151
	<u>388,056</u>	<u>37,213</u>	<u>52,882</u>	<u>478,151</u>
Total liabilities and fund balances				
	<u><u>663,056</u></u>	<u><u>37,213</u></u>	<u><u>357,932</u></u>	<u><u>1,058,201</u></u>

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Special Revenue Funds			Total
	Management Levy	Student Activity Fund	Debt Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	300,923	-	418,058	718,981
Other	12,737	181,908	-	194,645
State sources	169	-	230	399
Total revenues	<u>313,829</u>	<u>181,908</u>	<u>418,288</u>	<u>914,025</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	3,807	-	-	3,807
Other instruction	-	202,861	-	202,861
Support services:				
Administration services	76,111	-	-	76,111
Operation and maintenance of plant services	136,332	-	-	136,332
Transportation services	15,603	-	-	15,603
Other expenditures:				
Long-term debt:				
Principal	-	-	430,000	430,000
Interest and fiscal charges	-	-	75,338	75,338
Total expenditures	<u>231,853</u>	<u>202,861</u>	<u>505,338</u>	<u>940,052</u>
Excess (deficiency) of revenues over (under) expenditures	81,976	(20,953)	(87,050)	(26,027)
Other financing sources (uses):				
Operating transfers in	-	-	84,046	84,046
Net change in fund balances	81,976	(20,953)	(3,004)	58,019
Fund balances beginning of year	<u>306,080</u>	<u>58,166</u>	<u>55,886</u>	<u>420,132</u>
Fund balances end of year	<u><u>388,056</u></u>	<u><u>37,213</u></u>	<u><u>52,882</u></u>	<u><u>478,151</u></u>

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Fund Assets
Nonmajor Enterprise Funds

June 30, 2012

	Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	34,504	1,652	36,156
Accounts receivable	186	289	475
Inventories	14,045	-	14,045
Capital assets, net of accumulated depreciation	49,453	-	49,453
Total assets	98,188	1,941	100,129
Liabilities			
Salaries and benefits payable	23,465	4,004	27,469
Deferred revenue	5,835	-	5,835
Net OPEB liability	1,874	1,406	3,280
Total liabilities	31,174	5,410	36,584
Net assets			
Invested in capital assets	49,453	-	49,453
Unrestricted	17,561	(3,469)	14,092
Total net assets	67,014	(3,469)	63,545

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds

Year ended June 30, 2012

	Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	228,506	21,448	249,954
Operating expenses:			
Non-instructional programs:			
Salaries	153,215	26,818	180,033
Benefits	39,314	5,701	45,015
Purchased services	2,272	-	2,272
Supplies	224,160	120	224,280
Depreciation	7,373	-	7,373
Total operating expenses	426,334	32,639	458,973
Operating income (loss)	(197,828)	(11,191)	(209,019)
Non-operating revenue:			
State sources	4,099	-	4,099
Federal sources	191,611	4,581	196,192
Interest income	32	-	32
Total non-operating revenue	195,742	4,581	200,323
Change in net assets	(2,086)	(6,610)	(8,696)
Net assets beginning of year	69,100	3,141	72,241
Net assets end of year	67,014	(3,469)	63,545

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2012

	Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	231,732	-	231,732
Cash received from daycare services	-	21,448	21,448
Cash payments to employees for services	(168,713)	(27,451)	(196,164)
Cash payments to suppliers for goods or services	(193,150)	(120)	(193,270)
Net cash used by operating activities	<u>(130,131)</u>	<u>(6,123)</u>	<u>(136,254)</u>
Cash flows from non-capital financing activities:			
State grants received	4,099	-	4,099
Federal grants received	164,824	4,292	169,116
Net cash provided by non-capital financing activities	<u>168,923</u>	<u>4,292</u>	<u>173,215</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(9,126)</u>	<u>-</u>	<u>(9,126)</u>
Cash flows from investing activities:			
Interest on investments	<u>32</u>	<u>-</u>	<u>32</u>
Net increase (decrease) in cash and cash equivalents	29,698	(1,831)	27,867
Cash and cash equivalents at beginning of year	<u>4,806</u>	<u>3,483</u>	<u>8,289</u>
Cash and cash equivalents at end of year	<u><u>34,504</u></u>	<u><u>1,652</u></u>	<u><u>36,156</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	(197,828)	(11,191)	(209,019)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	26,787	-	26,787
Depreciation	7,373	-	7,373
Decrease (increase) in inventories	6,781	-	6,781
Decrease (increase) in accounts receivable	(186)	-	(186)
(Decrease) increase in accounts payable	(286)	-	(286)
(Decrease) increase in salaries and benefits payable	23,465	3,662	27,127
(Decrease) increase in deferred revenue	3,412	-	3,412
(Decrease) increase in other postemployment benefits	351	1,406	1,757
Net cash used by operating activities	<u>(130,131)</u>	<u>(6,123)</u>	<u>(136,254)</u>

CENTRAL SPRINGS 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	1,980,725	123,098	2,103,823
Receivables:			
Property tax:			
Delinquent	-	1,877	1,877
Succeeding year	-	108,003	108,003
Due from other governments	195,892	-	195,892
Total assets	<u>2,176,617</u>	<u>232,978</u>	<u>2,409,595</u>
Liabilities & Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	-	108,003	108,003
Fund balances:			
Restricted for:			
School infrastructure	2,176,617	-	2,176,617
Physical plant and equipment	-	124,975	124,975
Total fund balances	<u>2,176,617</u>	<u>124,975</u>	<u>2,301,592</u>
Total liabilities and fund balances	<u>2,176,617</u>	<u>232,978</u>	<u>2,409,595</u>

CENTRAL SPRINGS 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	616,808	103,505	720,313
Other	3,077	372	3,449
State sources	-	58	58
Federal sources	-	7,840	7,840
Total revenues	<u>619,885</u>	<u>111,775</u>	<u>731,660</u>
Expenditures:			
Current:			
Support services:			
Administration services	19,736	96,340	116,076
Operation and maintenance of plant	-	22,998	22,998
Transportation services	-	58,233	58,233
Other expenditures:			
Facilities acquisition	214,225	7,840	222,065
Total expenditures	<u>233,961</u>	<u>185,411</u>	<u>419,372</u>
Excess (deficiency) of revenues over (under) expenditures	385,924	(73,636)	312,288
Other financing sources (uses):			
Operating transfers out	<u>(84,046)</u>	-	<u>(84,046)</u>
Net change in fund balance	301,878	(73,636)	228,242
Fund balances beginning of year	<u>1,874,739</u>	<u>198,611</u>	<u>2,073,350</u>
Fund balance end of year	<u><u>2,176,617</u></u>	<u><u>124,975</u></u>	<u><u>2,301,592</u></u>

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

Account	Balance	Revenues	Expenditures	Intra-fund Transfers	Balance
	Beginning of Year				End of Year
	\$	\$	\$	\$	\$
Basketball-boys	612	4,351	5,412	500	51
Football	597	9,016	12,556	2,984	41
Baseball	732	9,837	17,920	7,430	79
Track-boys	295	2,026	3,761	1,440	-
Golf-boys	256	-	710	500	46
Wrestling-coop	616	6,078	4,939	(1,700)	55
Volleyball fundraising	-	-	35	35	-
Volleyball fundraising	622	24,503	14,640	(10,215)	270
Softball	412	12,639	21,065	8,100	86
Track-girls	146	360	1,974	1,470	2
Golf-girls	333	-	555	250	28
Basketball-girls	515	6,909	4,490	(2,910)	24
Athletic fundraiser	241	17,730	-	(18,048)	(77)
Cross country	576	2,584	2,806	-	354
Middle school athletics	86	2,512	5,957	3,701	342
Football fundraising	589	3,275	4,288	691	267
Honor society	65	676	-	-	741
MS student council	-	19,444	1,787	(30)	17,627
Student council	3,680	6,883	11,939	5,280	3,904
TAG/FPS	2,204	2,251	2,029	(2,000)	426
Drama & speech club	608	3,254	163	-	3,699
Dance team	106	5,415	7,012	1,250	(241)
Elementary student council	1,703	-	-	-	1,703
Art activities	709	158	392	-	475
Cheerleading	501	5,645	7,890	1,250	(494)
Trap shooting	2,025	5,465	6,183	-	1,307
Senior class	9	624	491	-	142
Middle school athletics	297	902	28	-	1,171
Sophomore class	272	1,799	1,475	-	596
Freshman class	783	508	494	-	797
Junior class	2,188	5,468	8,284	650	22
Interest	260	136	-	(103)	293
Jr. High magazine sales	2,273	-	-	(650)	1,623
Elementary magazine sales	1,598	900	-	-	2,498
Vocal music-JR/SR High	242	3,066	2,526	-	782
Middle school band fundraising	-	1,030	-	-	1,030
Choir robe rent	559	-	-	-	559
Instrumental music-JR/SR Hi	80	-	1,004	950	26
Band uniform rent	1,308	-	-	(950)	358

See accompanying independent auditor's report.

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Elem vocal/instrumental music	708	-	-	-	708
Yearbook	(4,673)	16,464	15,919	-	(4,128)
District football	103	-	207	125	21
Nora Springs	33,930	-	33,930	-	-
Total	<u>58,166</u>	<u>181,908</u>	<u>202,861</u>	<u>-</u>	<u>37,213</u>

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY12	41,538
National School Lunch Program (non-cash)	10.555	FY12	26,787
National School Lunch Program	10.555	FY12	123,286
			<u>191,611</u>
Team Nutrition Grant	10.574	FY12	441
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY12	84,441
Career and Technical Education - Basic Grants to States	84.048	FY12	8,410
Fund for the Improvement of Education	84.215	FY12	7,840
Improving Teacher Quality State Grants	84.367	FY12	24,833
Grants for State Assessments and Related Activities	84.369	FY12	5,070
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	FY12	19,457
Education Jobs Fund	84.410	FY12	191,040
Area Education Agency 267			
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	FY12	44,471
U.S. Department of Health and Human Services:			
Iowa Department of Human Services			
Head Start	93.600	FY12	4,050
Child Care Development Block Grant	93.575	FY12	4,581
			<u>8,631</u>
Total			<u><u>586,245</u></u>

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

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

To the Board of Education of
Central Springs 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 Central Springs 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 July 15, 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 Central Springs Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Central Springs 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 Central Springs Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Central Springs Community School District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

July 15, 2013

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

To the Board of Education of
Central Springs Community School District:

Compliance

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

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

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

Internal Control Over Compliance

Management of Central Springs Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Central Springs Community School District's internal control over compliance with requirements that could have a

direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Central Springs Community School District's internal control over compliance.

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

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

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

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

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

July 15, 2013

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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

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

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

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

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

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No matters were noted.

Internal Control Deficiencies:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
CFDA Number 10.555: Food Donation
Federal Award Year 2012
US Department of Agriculture
Passed through the Iowa Department Education

CFDA Number 84.410 – Education Jobs Fund
Federal Award Year 2012
US department Education
Passed through the Iowa Department Education

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

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

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

Conclusion: Response accepted.

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part IV: Other Findings Related To Required Statutory Reporting:

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

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

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
Dave Luett, Board Member	woodworking	660

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

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

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

12-VI-G Certified Enrollment: The number of students reported to the Iowa Department of Education at October 2011, was overstated by .1 student.

Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

District Response: We will contact the department of education.

Conclusion: Response accepted.

12-IV-H Supplementary Weighting: A variance regarding supplementary weighting certified to the Department of Education was noted. Two students totaling .83 were over reported by the district.

Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

District Response: We will contact the departments of education.

Conclusion: Response accepted.

CENTRAL SPRINGS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part IV: Other Findings Related To Required Statutory Reporting (continued):

- 12-IV-I Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

- 12-IV-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

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

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

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

	\$	\$
Beginning balance		1,874,739
Revenues/transfers in:		
Statewide sales, services and use tax revenue	616,808	
Other local revenues	3,077	619,885
Expenditures/transfers out:		
School infrastructure construction	214,225	
Other	19,736	
Transfers to debt service fund	84,046	318,007
Ending balance		2,176,617