

AGWSR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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AGWSR Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Brian Johnson	President	2013
Gary Heetland	Vice President	2015
Maureen Meyer	Board Member	2015
Pat Ubben	Board Member	2013
Darren Janssen	Board Member	2015
Steve Bartling	Board Member	2015
Anthony Silman	Board Member	2013
<b>School Officials</b>		
Robert Weber	Superintendent	2013
Deb Barker	District Secretary/Treasurer and Business Manager	2013
Ahlers & Cooney	Attorney	2013

AGWSR COMMUNITY SCHOOL DISTRICT

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of the AGWSR Community School District:**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of AGWSR Community School District, Ackley, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of AGWSR Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise AGWSR Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 30, 2014 on our consideration of AGWSR Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering AGWSR Community School District's internal control over financial reporting and compliance.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 30, 2014  
Newton, Iowa

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

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AGWSR 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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$7,091,171 in fiscal 2012 to \$6,566,102 in fiscal 2013, while General Fund expenditures decreased from \$6,925,928 in fiscal 2012 to \$6,915,313 in fiscal 2013. This resulted in a decrease in the District's General Fund balance from \$1,744,518 in fiscal 2012 to a balance of \$1,395,307 in fiscal 2013, a 20.02% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local and federal sources in fiscal 2013. The decrease in expenditures was primarily in the instruction and support services functional areas.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of AGWSR 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 AGWSR 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 AGWSR Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

Supplementary Information provides detailed information about the nonmajor funds.

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

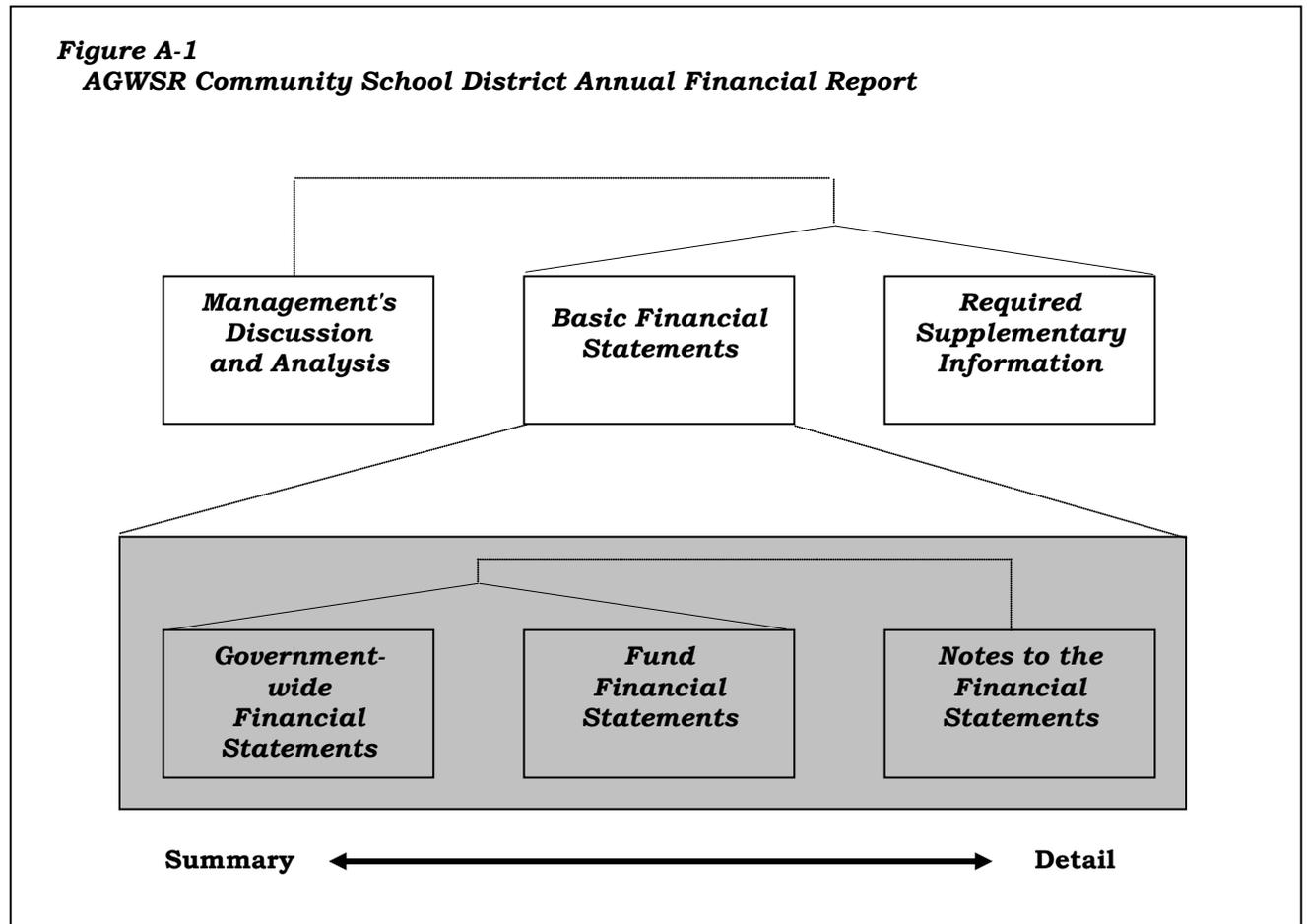


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets 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 position and how they have changed. Net position – the difference between the District’s assets and liabilities – are one

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

The required financial statements for the proprietary funds include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

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

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund – These are funds through which the District administers and accounts for certain monies on behalf of other entities.

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3  
Condensed Statement of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 9,081,127	9,591,908	127,415	126,794	9,208,542	9,718,702	-5.25%
Capital assets	4,712,810	4,315,311	62,914	79,601	4,775,724	4,394,912	8.66%
Total assets	13,793,937	13,907,219	190,329	206,395	13,984,266	14,113,614	-0.92%
Long-term obligations	277,579	393,458	534	436	278,113	393,894	-29.39%
Other liabilities	4,265,294	4,395,877	17,531	17,604	4,282,825	4,413,481	-2.96%
Total liabilities	4,542,873	4,789,335	18,065	18,040	4,560,938	4,807,375	-5.13%
Net position:							
Invested in capital assets, net of related debt	4,696,939	4,151,119	62,914	79,601	4,759,853	4,230,720	12.51%
Restricted	3,456,121	3,579,517	-	-	3,456,121	3,579,517	-3.45%
Unrestricted	1,098,004	1,387,248	109,350	108,754	1,207,354	1,496,002	-19.29%
Total net position	\$ 9,251,064	9,117,884	172,264	188,355	9,423,328	9,306,239	1.26%

The District's combined net position increased by 1.26%, or \$117,089, over the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$123,396, or 3.45% over the prior year. The decrease was a result of the decrease in the Capital Projects: Statewide Sales, Services and Use Tax Fund and the Capital Projects: General Obligation Bond Construction Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$288,648, or 19.29%. This decrease in unrestricted net position was primarily a result the District's decrease in the General fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to June 30, 2012.

Figure A-4  
Changes of Net Position

	Governmental Activities		Business Type Activities		Total		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 474,351	547,435	373,953	382,604	848,304	930,039	-8.79%
Operating grants and contributions and restricted interest	889,160	978,452	199,279	183,871	1,088,439	1,162,323	-6.36%
Capital grants and contributions and restricted interest	6,500	9,500	-	-	6,500	9,500	-31.58%
General revenues:							
Property tax	3,285,808	3,750,587	-	-	3,285,808	3,750,587	-12.39%
Income surtax	295,472	276,901	-	-	295,472	276,901	6.71%
Statewide sales, services and use tax	529,746	473,904	-	-	529,746	473,904	11.78%
Unrestricted state grants	2,456,158	2,311,000	-	-	2,456,158	2,311,000	6.28%
Unrestricted investment earnings	20,826	33,156	39	74	20,865	33,230	-37.21%
Other	66,232	14,696	1,342	-	67,574	14,696	359.81%
Total revenues	8,024,253	8,395,631	574,613	566,549	8,598,866	8,962,180	-4.05%
Program expenses:							
Governmental activities:							
Instructional	5,162,708	5,170,270	-	-	5,162,708	5,170,270	-0.15%
Support services	2,269,126	2,202,404	24,899	-	2,294,025	2,202,404	4.16%
Non-instructional programs	2,094	1,879	565,805	573,130	567,899	575,009	-1.24%
Other expenses	457,145	493,608	-	-	457,145	493,608	-7.39%
Total expenses	7,891,073	7,868,161	590,704	573,130	8,481,777	8,441,291	0.48%
Change in net position	133,180	527,470	(16,091)	(6,581)	117,089	520,889	-77.52%
Beginning net position	9,117,884	8,590,414	188,355	194,936	9,306,239	8,785,350	5.93%
Ending net position	\$ 9,251,064	9,117,884	172,264	188,355	9,423,328	9,306,239	1.26%

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 81.84% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.76% of the revenue from business type activities.

The District's total revenues were approximately \$8.60 million of which \$8.02 million was for governmental activities and less than \$0.58 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.05% decrease in revenues and a 0.48% increase in expenses. The increase in expenses was related to an increase in the support services functional area.

## Governmental Activities

Revenues for governmental activities were \$8,024,253 and expenses were \$7,891,073.

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, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 5,162,708	5,170,270	-0.15%	4,093,817	3,911,834	4.65%
Support services	2,269,126	2,202,404	3.03%	2,223,373	2,198,448	1.13%
Non-instructional programs	2,094	1,879	11.44%	2,094	1,879	11.44%
Other expenses	457,145	493,608	-7.39%	201,778	220,613	-8.54%
Totals	\$ 7,891,073	7,868,161	0.29%	6,521,062	6,332,774	2.97%

- The cost financed by users of the District's programs was \$474,351.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$895,660.
- The net cost of governmental activities was financed with \$3,285,808 in property tax, \$295,472 in income surtax, \$529,746 in statewide sales, services and use tax, \$2,456,158 in unrestricted state grants, \$20,826 in unrestricted investment earnings, and \$66,232 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities were \$574,613 and expenses were \$590,704. The District's business type activities include the School Nutrition Fund, and the Cougar's Den Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$4,543,405, below last year's ending fund balances of \$4,923,544. The primary reason for the decrease in combined fund balances in fiscal 2013 is due to the decrease in the fund balance for General Fund.

## Governmental Fund Highlights

- Overall, District revenues in the General Fund for fiscal 2013 decreased 7.40% or \$525,069, to \$6,566,102 compared to \$7,091,171 in fiscal 2012. The expenses decreased by 0.15% or \$10,615, to \$6,915,313 compared to \$6,925,928 in fiscal 2012. The General Fund balance decreased \$349,211.
- The Capital Projects Accounts balance increased from \$1,611,060 in fiscal 2012 to \$1,634,357 in fiscal 2013. The increase in fund balance was due primarily to an increase in local source revenues.

- The Management Levy Fund balance decreased from \$1,444,522 in fiscal 2012 to \$1,419,644 in fiscal 2013. The decrease in fund balance was due primarily to a decrease in local source revenues.

### Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$89,657 at June 30, 2012 to \$72,709 at June 30, 2013, representing a decrease of 18.90%. The Cougar's Den Day Care Fund net position increased from \$98,698 at June 30, 2012 to \$99,555 at June 30, 2013, representing an increase of 0.87%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$501,367 less than budgeted revenues, a variance of 5.51%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had invested \$4,775,724, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$486,452.

The original cost of the District's capital assets was \$11,850,288. Governmental funds account for \$11,586,909 million with the remainder of \$263,379 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$425,096 at June 30, 2013, compared to \$0 reported at June 30, 2012. This increase resulted from the start of construction on the new elementary building in Ackley.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total Change
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 216,910	94,000	-	-	216,910	94,000	130.76%
Construction in progress	425,096	-	-	-	425,096	-	100.00%
Buildings and improvements	2,781,904	2,917,009	-	-	2,781,904	2,917,009	-4.63%
Land improvements	335,049	373,467	-	-	335,049	373,467	-10.29%
Machinery and equipment	953,851	930,835	62,914	79,601	1,016,765	1,010,436	0.63%
Total	\$ 4,712,810	4,315,311	62,914	79,601	4,775,724	4,394,912	8.66%

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## Long-Term Debt

At June 30, 2013, the District had \$278,113 in long-term debt outstanding. This represents a decrease of 29.39% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding computer lease indebtedness of \$15,871 at June 30, 2013.

The District had total termination benefits payable of \$134,554 at June 30, 2013.

The District had total outstanding other postemployment benefits payable of \$127,154 at June 30, 2013.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Capital loan notes	\$ -	133,336	-	-	-	133,336	-100.00%
Computer lease	15,871	30,856	-	-	15,871	30,856	-48.56%
Termination benefits	134,554	134,528	-	-	134,554	134,528	0.02%
Net OPEB liability	127,154	94,738	534	436	127,688	95,174	34.16%
Totals	\$ 277,579	393,458	534	436	278,113	393,894	-29.39%

## 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 2013 enrollment decreased by approximately twenty-two students. This drop in enrollment will decrease the District's funding for fiscal year 2015.
- The District will be negotiating a new collective bargaining agreement during fiscal 2014. Settlements in the excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The phase out of the state budget guarantee will continue to have a negative impact on the school budget, as the district will no longer be on the 101% guarantee for the 2014-2015 budget year.

## 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 Deb Barker, Business Manager, AGWSR Community School District, 511 State Street, Ackley, Iowa, 50601.

AGWSR COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

AGWSR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 5,218,013	115,186	5,333,199
Receivables:			
Property tax:			
Delinquent	37,593	-	37,593
Succeeding year	3,293,734	-	3,293,734
Income surtax	273,368	-	273,368
Accounts	705	4,361	5,066
Due from other governments	257,714	2,549	260,263
Inventories	-	5,319	5,319
Capital assets, net of accumulated depreciation	4,712,810	62,914	4,775,724
<b>TOTAL ASSETS</b>	<b>13,793,937</b>	<b>190,329</b>	<b>13,984,266</b>
<b>LIABILITIES</b>			
Deposit payable	130,000	-	130,000
Accounts payable	244,526	2,401	246,927
Salaries and benefits payable	596,094	11,479	607,573
Interest payable	940	-	940
Deferred revenue:			
Succeeding year property tax	3,293,734	-	3,293,734
Unearned revenue	-	3,651	3,651
Long-term liabilities:			
Portion due within one year:			
Computer lease payable	15,871	-	15,871
Termination benefits payable	44,851	-	44,851
Portion due after one year:			
Termination benefits payable	89,703	-	89,703
Net OPEB liability	127,154	534	127,688
<b>TOTAL LIABILITIES</b>	<b>4,542,873</b>	<b>18,065</b>	<b>4,560,938</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	4,696,939	62,914	4,759,853
Restricted for:			
Categorical funding	319,618	-	319,618
Management levy purposes	1,285,090	-	1,285,090
Student activities	94,097	-	94,097
School infrastructure	1,043,741	-	1,043,741
Physical plant and equipment	713,575	-	713,575
Unrestricted	1,098,004	109,350	1,207,354
<b>TOTAL NET POSITION</b>	<b>\$ 9,251,064</b>	<b>172,264</b>	<b>9,423,328</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**AGWSR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 3,217,850	198,680	72,560	-	(2,946,610)	-	(2,946,610)
Special	947,707	25,505	74,671	-	(847,531)	-	(847,531)
Other	997,151	215,344	482,131	-	(299,676)	-	(299,676)
	<u>5,162,708</u>	<u>439,529</u>	<u>629,362</u>	<u>-</u>	<u>(4,093,817)</u>	<u>-</u>	<u>(4,093,817)</u>
Support services:							
Student	72,598	-	-	-	(72,598)	-	(72,598)
Instructional staff	261,990	-	-	-	(261,990)	-	(261,990)
Administration	616,063	-	-	-	(616,063)	-	(616,063)
Operation and maintenance of plant	739,133	29,983	-	6,500	(702,650)	-	(702,650)
Transportation	579,342	4,839	4,431	-	(570,072)	-	(570,072)
	<u>2,269,126</u>	<u>34,822</u>	<u>4,431</u>	<u>6,500</u>	<u>(2,223,373)</u>	<u>-</u>	<u>(2,223,373)</u>
Non-instructional programs:							
Community service operations	2,094	-	-	-	(2,094)	-	(2,094)
Long-term debt interest	6,146	-	-	-	(6,146)	-	(6,146)
Other expenses:							
AEA flowthrough	255,367	-	255,367	-	-	-	-
Depreciation(unallocated)*	195,632	-	-	-	(195,632)	-	(195,632)
	<u>450,999</u>	<u>-</u>	<u>255,367</u>	<u>-</u>	<u>(195,632)</u>	<u>-</u>	<u>(195,632)</u>
Total governmental activities	7,891,073	474,351	889,160	6,500	(6,521,062)	-	(6,521,062)
Business type activities:							
Support services:							
Instructional staff	816	-	-	-	-	(816)	(816)
Administration	15	-	-	-	-	(15)	(15)
Operation and maintenance of plant	24,068	-	-	-	-	(24,068)	(24,068)
	<u>24,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,899)</u>	<u>(24,899)</u>
Non-instructional programs:							
Nutrition services	291,704	126,771	148,017	-	-	(16,916)	(16,916)
Day care services	274,101	247,182	51,262	-	-	24,343	24,343
	<u>565,805</u>	<u>373,953</u>	<u>199,279</u>	<u>-</u>	<u>-</u>	<u>7,427</u>	<u>7,427</u>
Total business type activities	590,704	373,953	199,279	-	-	(17,472)	(17,472)
Total	\$ 8,481,777	848,304	1,088,439	6,500	(6,521,062)	(17,472)	(6,538,534)
<b>General Revenues:</b>							
Property tax levied for:							
General purposes					\$ 3,147,559	-	3,147,559
Capital outlay					138,249	-	138,249
Income surtax					295,472	-	295,472
Statewide sales and services tax					529,746	-	529,746
Unrestricted state grants					2,456,158	-	2,456,158
Unrestricted investment earnings					20,826	39	20,865
Other general revenues					66,232	1,342	67,574
Total general revenues					<u>6,654,242</u>	<u>1,381</u>	<u>6,655,623</u>
Change in net position					133,180	(16,091)	117,089
Net position beginning of year					9,117,884	188,355	9,306,239
Net position end of year					<u>\$ 9,251,064</u>	<u>172,264</u>	<u>9,423,328</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General	Management Levy	Capital Projects	Nonmajor Activity	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 1,996,253	1,417,331	1,710,332	94,097	5,218,013
Receivables:					
Property tax:					
Delinquent	33,750	2,313	1,530	-	37,593
Succeeding year	2,951,184	199,999	142,551	-	3,293,734
Income surtax	-	-	273,368	-	273,368
Accounts	279	-	426	-	705
Due from other funds	-	-	17,422	-	17,422
Due from other governments	96,163	-	161,551	-	257,714
<b>TOTAL ASSETS</b>	<b>\$ 5,077,629</b>	<b>1,619,643</b>	<b>2,307,180</b>	<b>94,097</b>	<b>9,098,549</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Due to other funds	\$ 17,422	-	-	-	17,422
Deposit payable	-	-	130,000	-	130,000
Accounts payable	117,622	-	126,904	-	244,526
Salaries and benefits payable	596,094	-	-	-	596,094
Deferred revenue:					
Succeeding year property tax	2,951,184	199,999	142,551	-	3,293,734
Income surtax	-	-	273,368	-	273,368
Total liabilities	3,682,322	199,999	672,823	-	4,555,144
Fund balances:					
Restricted for:					
Categorical funding	319,618	-	-	-	319,618
Management levy purposes	-	1,419,644	-	-	1,419,644
Student activities	-	-	-	94,097	94,097
School infrastructure	-	-	1,043,741	-	1,043,741
Physical plant and equipment	-	-	713,575	-	713,575
Assigned	5,136	-	-	-	5,136
Unassigned:					
General fund	1,070,553	-	-	-	1,070,553
General obligation bond construction	-	-	(122,959)	-	(122,959)
Total fund balances	1,395,307	1,419,644	1,634,357	94,097	4,543,405
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,077,629</b>	<b>1,619,643</b>	<b>2,307,180</b>	<b>94,097</b>	<b>9,098,549</b>

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013

<b>Total fund balances of governmental funds(page 20)</b>	\$	4,543,405
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		4,712,810
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.		(940)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		273,368
Long-term liabilities, including bonds payable, compensated absences payable and other post employment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(277,579)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>9,251,064</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

	General	Management Levy	Capital Projects	Nonmajor Activity	Nonmajor Debt Service	Total
<b>REVENUES:</b>						
Local sources:						
Local tax	\$ 2,946,274	201,285	963,467	-	-	4,111,026
Tuition	192,068	-	-	-	-	192,068
Other	163,428	7,420	14,989	271,126	-	456,963
State sources	3,081,762	94	63	-	-	3,081,919
Federal sources	182,277	-	-	-	-	182,277
Total revenues	6,565,809	208,799	978,519	271,126	-	8,024,253
<b>EXPENDITURES:</b>						
Current:						
Instruction:						
Regular	3,114,263	134,528	1,306	-	-	3,250,097
Special	943,730	-	-	-	-	943,730
Other	671,562	-	2,792	300,473	-	974,827
	4,729,555	134,528	4,098	300,473	-	5,168,654
Support services:						
Student	70,414	-	-	-	-	70,414
Instructional staff	225,301	-	35,639	-	-	260,940
Administration	606,174	12,839	30,773	-	-	649,786
Operation and maintenance of plant	559,369	79,062	44,958	-	-	683,389
Transportation	467,039	7,248	35,405	-	-	509,692
	1,928,297	99,149	146,775	-	-	2,174,221
Non-instructional programs:						
Community service operations	2,094	-	-	-	-	2,094
Capital outlay	-	-	649,941	-	-	649,941
Long-term debt:						
Principal	-	-	-	-	148,321	148,321
Interest and fiscal charges	-	-	-	-	6,087	6,087
	-	-	-	-	154,408	154,408
Other expenditures:						
AEA flowthrough	255,367	-	-	-	-	255,367
Total expenditures	6,915,313	233,677	800,814	300,473	154,408	8,404,685
Excess(Deficiency) of revenues over(under) expenditures	(349,504)	(24,878)	177,705	(29,347)	(154,408)	(380,432)
Other financing sources(uses):						
Transfer in	-	-	-	-	154,408	154,408
Transfer out	-	-	(154,408)	-	-	(154,408)
Sale of equipment	293	-	-	-	-	293
Total other financing sources(uses)	293	-	(154,408)	-	154,408	293
Change in fund balances	(349,211)	(24,878)	23,297	(29,347)	-	(380,139)
Fund balances beginning of year	1,744,518	1,444,522	1,611,060	123,444	-	4,923,544
Fund balances end of year	\$ 1,395,307	1,419,644	1,634,357	94,097	-	4,543,405

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR 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, 2013

**Change in fund balances - total governmental funds(page 22)** \$ (380,139)

*Amounts reported for governmental activities in the  
 Statement of Activities are different because:*

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

Capital outlays	\$ 867,264	
Depreciation expense	<u>(469,765)</u>	397,499

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Current year repayments exceeded issues, as follows:

Repaid		148,321
--------	--	---------

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.

(59)

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

Termination benefits	\$ (26)	
Other postemployment benefits	<u>(32,416)</u>	<u>(32,442)</u>

**Changes in net position of governmental activities(page 19)** \$ 133,180

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
JUNE 30, 2013

	School Nutrition	Cougar's Den Daycare	Total
<b>ASSETS</b>			
Current assets:			
Cash and pooled investments	\$ 24,728	90,458	115,186
Accounts receivable	-	4,361	4,361
Due from other governments	1,864	685	2,549
Inventories	5,319	-	5,319
Total current assets	<u>31,911</u>	<u>95,504</u>	<u>127,415</u>
Non-current assets:			
Capital assets:			
Machinery and equipment, net of accumulated depreciation	44,688	18,226	62,914
<b>TOTAL ASSETS</b>	<u>76,599</u>	<u>113,730</u>	<u>190,329</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	239	2,162	2,401
Salaries and benefits payable	-	11,479	11,479
Unearned revenue	3,651	-	3,651
Total current liabilities	<u>3,890</u>	<u>13,641</u>	<u>17,531</u>
Long-term liabilities:			
Net OPEB liability	-	534	534
<b>TOTAL LIABILITIES</b>	<u>3,890</u>	<u>14,175</u>	<u>18,065</u>
<b>NET POSITION</b>			
Invested in capital assets	44,688	18,226	62,914
Unrestricted	28,021	81,329	109,350
<b>TOTAL NET POSITION</b>	<u>\$ 72,709</u>	<u>99,555</u>	<u>172,264</u>

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

	School Nutrition	Cougar's Den Daycare	Total
<b>OPERATING REVENUE:</b>			
Local sources:			
Charges for services	\$ 126,771	247,182	373,953
Donations	-	36,624	36,624
Miscellaneous	1,342	-	1,342
<b>TOTAL OPERATING REVENUES</b>	<b>128,113</b>	<b>283,806</b>	<b>411,919</b>
<b>OPERATING EXPENSES:</b>			
Support services:			
Instructional staff:			
Other	-	816	816
Administration:			
Services	-	15	15
Operation and maintenance of plant:			
Services	1,413	9,386	10,799
Supplies	-	13,269	13,269
	1,413	22,655	24,068
Total support services	1,413	23,486	24,899
Non-instructional programs:			
Food service operations:			
Salaries	99,719	-	99,719
Benefits	16,336	-	16,336
Supplies	160,136	-	160,136
Depreciation	13,621	-	13,621
Other	1,892	-	1,892
	291,704	-	291,704
Community service operations:			
Salaries	-	207,347	207,347
Benefits	-	34,079	34,079
Services	-	450	450
Supplies	-	29,159	29,159
Depreciation	-	3,066	3,066
	-	274,101	274,101
Total non-instructional programs	291,704	274,101	565,805
<b>TOTAL OPERATING EXPENSES</b>	<b>293,117</b>	<b>297,587</b>	<b>590,704</b>
<b>OPERATING LOSS</b>	<b>(165,004)</b>	<b>(13,781)</b>	<b>(178,785)</b>
<b>NON-OPERATING REVENUES:</b>			
State sources	2,505	-	2,505
Federal sources	145,512	14,638	160,150
Interest income	39	-	39
<b>TOTAL NON-OPERATING REVENUES</b>	<b>148,056</b>	<b>14,638</b>	<b>162,694</b>
Change in net position	(16,948)	857	(16,091)
Net position beginning of year	89,657	98,698	188,355
Net position end of year	\$ 72,709	99,555	172,264

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUND TYPE  
YEAR ENDED JUNE 30, 2013

	School Nutrition	Cougar's Den Daycare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 125,145	-	125,145
Cash received from daycare operations	-	249,169	249,169
Cash received from miscellaneous sources	1,342	36,624	37,966
Cash payments to employees for services	(116,055)	(240,644)	(356,699)
Cash payments to suppliers for goods or services	(139,144)	(53,283)	(192,427)
Net cash used in operating activities	<u>(128,712)</u>	<u>(8,134)</u>	<u>(136,846)</u>
Cash flows from non-capital financing activities:			
State grants received	2,505	-	2,505
Federal grants received	121,022	14,771	135,793
Net cash provided by non-capital financing activities	<u>123,527</u>	<u>14,771</u>	<u>138,298</u>
Cash flows from investing activities:			
Interest on investments	39	-	39
Net increase(decrease) in cash and cash equivalents	(5,146)	6,637	1,491
Cash and cash equivalents at beginning of year	29,874	83,821	113,695
Cash and cash equivalents at end of year	<u>\$ 24,728</u>	<u>90,458</u>	<u>115,186</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (165,004)	(13,781)	(178,785)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities used	23,444	-	23,444
Depreciation	13,621	3,066	16,687
Decrease in inventories	614	-	614
Decrease(Increase) in accounts receivable	(818)	1,987	1,169
(Decrease) Increase in accounts payable	239	(188)	51
Increase in salaries and benefits payable	-	684	684
Decrease in unearned revenue	(808)	-	(808)
Increase in other postemployment benefits	-	98	98
Net cash used in operating activities	<u>\$ (128,712)</u>	<u>(8,134)</u>	<u>(136,846)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$23,444.

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2013

	Private Purpose Trust Scholarship	Agency
<b>ASSETS</b>		
Cash and pooled investments	\$ 44,133	26,151
<b>LIABILITIES</b>		
Due to other groups	-	26,151
<b>NET POSITION</b>		
Restricted for scholarships	\$ 44,133	-

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest	<u>\$ 210</u>
Deductions:	<u>-</u>
Change in net position	210
Net position beginning of year	<u>43,923</u>
Net position end of year	<u><u>\$ 44,133</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

**Note 1. Summary of Significant Accounting Policies**

The AGWSR Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Ackley, Geneva, Wellsburg, and Steamboat Rock, Iowa, and the predominantly agricultural territory in Grundy, Franklin and Butler 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 Government Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, AGWSR 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 AGWSR Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

**B. Basis of Presentation**

**Government-wide Financial Statements** - The Statement of Net Position (previously referred to as 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 support.

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

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

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

The Management Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

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

The District also reports the following nonmajor proprietary funds:

The District's proprietary funds are the School Nutrition Fund and the Cougar's Den Daycare Funds. The School Nutrition Fund is used to account for the food service operations of the District. The Cougar's Den Daycare Fund is used to account for the day care services provided to citizens of the District.

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

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

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

### **C. Measurement Focus and Basis of Accounting**

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

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

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

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

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

When an expenditure is incurred in 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.

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

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

#### **D. Assets, Liabilities and Fund Balances**

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

**Cash, Pooled Investments and Cash Equivalents** - The cash balance 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 purpose of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

**Property Taxes** - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

**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** - The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

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

Asset Class	Amount
Land	\$ -
Buildings and improvements	2,000
Land improvements	2,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	20-50 years
Land improvements	20-25 years
Intangibles	3-10 years
Machinery and equipment	5-20 years

**Salaries and Benefits Payable** - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2013, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2013.

**Deferred Revenue** - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenues consist of unspent federal grant proceeds, succeeding year property tax receivable, and other receivables not collected within sixty days after year end.

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

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

**Fund Balances** - In the governmental fund financial statements, fund balances are classified as follows:

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

**Assigned** - Amounts are not available for appropriation but are set aside for a specific purpose. The assigned fund balances in the District's General Fund are for smaller projects that are not able to be accounted for in other governmental funds.

**Unassigned** - All amounts not included in other spendable classifications. Negative unassigned balances may be reported in other governmental funds when expenditures incurred for specific purposes exceed the amounts restricted or assigned. At June 30, 2013, the District had an unassigned amount in the General Fund and the Capital Projects: General Obligation Bond Construction Fund.

**Restricted Net Position** - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### **E. Budgeting and Budgetary Control**

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

#### **Note 2. Deposits and Pooled Investments**

The District's deposits in banks at June 30, 2013 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$6,647 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Investments in common stock are stated at the approximate fair value based on the closing price for the stock on June 30, 2013. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rates. At June 30, 2013, the District owned 134 shares of Prudential stock at a fair value of \$9,786.

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

**Note 3. Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects: Physical Plant and Equipment Levy	General Fund	\$ 17,422

The General Fund is repaying the Capital Projects: Physical Plant and Equipment Levy for computers originally purchased from the Capital Projects: Physical Plant and Equipment Levy.

**Note 4. Transfers**

The detail of transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 137,597
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	16,811
Total		<u>\$ 154,408</u>

The transfer from the Capital Projects: Physical Plant and Equipment Levy to the Debt Service Fund was needed for principal and interest payments on the District's capital loan note.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax to the Debt Service Fund was for principal and interest payments on the District's computer lease.

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 265,050	-	1,671	263,379
Less accumulated depreciation	185,449	16,687	1,671	200,465
Business-type activities capital assets, net	<u>\$ 79,601</u>	<u>(16,687)</u>	<u>-</u>	<u>62,914</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 94,000	122,910	-	216,910
Construction in progress	-	425,096	-	425,096
Total capital assets not being depreciated	94,000	548,006	-	642,006
Capital assets being depreciated:				
Buildings and improvements	6,838,870	22,109	-	6,860,979
Land improvements	1,008,819	-	-	1,008,819
Machinery and equipment	2,777,956	297,149	-	3,075,105
Total capital assets being depreciated	10,625,645	319,258	-	10,944,903
Less accumulated depreciation for:				
Buildings and improvements	3,921,861	157,214	-	4,079,075
Land improvements	635,352	38,418	-	673,770
Machinery and equipment	1,847,121	274,133	-	2,121,254
Total accumulated depreciation	6,404,334	469,765	-	6,874,099
Total capital assets being depreciated, net	4,221,311	(150,507)	-	4,070,804
Governmental activities capital assets, net	\$ 4,315,311	397,499	-	4,712,810

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 146,851
Other		14,249
Support services:		
Administration		1,637
Operation and maintenance of plant		6,669
Transportation		104,727
		<u>274,133</u>
Unallocated depreciation		<u>195,632</u>
Total governmental activities depreciation expense		<u>\$ 469,765</u>
Business type activities:		
Food services		<u>\$ 16,687</u>

## **Note 6. Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b><u>Governmental Activities:</u></b>					
Capital loan notes	\$ 133,336	-	133,336	-	-
Computer lease	30,856	-	14,985	15,871	15,871
Termination benefits	134,528	134,554	134,528	134,554	44,851
Net OPEB liability	94,738	32,416	-	127,154	-
Total	\$ 393,458	166,970	282,849	277,579	60,722

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b><u>Business type Activities:</u></b>					
Net OPEB liability	\$ 436	98	-	534	-

**Computer lease payable**

Details of the computer lease payable from the Capital Projects: Statewide Sales, Service and Use Tax Fund is as follows:

Year Ending June 30,	Computer lease of June 2011				
	Interest Rate	Principal	Interest	Total	
2014	5.77 %	\$ 15,871	940	16,811	

**Termination Benefits**

The District offered a voluntary early retirement plan to employees. Eligible employees must have completed at least fifteen years of continuous 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.

Early retirement benefits are equal to 150% of the employee's annual regular salary, not including any supplemental payments received by the employee for extracurricular or co-curricular duties, in effect during the employee's last year of employment.

Early retirement benefits will be paid in three equal installments beginning in July following the start of retirement. The second payment will be paid the following July, and the third and final payment shall be paid during July of the next year.

At June 30, 2013, the District has obligations to two participants with a total liability of \$134,554. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$134,528.

**Note 7. Other Postemployment Benefits (OPEB)**

**Plan Description** - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 66 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 42,485
Interest on net OPEB obligation	2,379
Adjustment to annual required contribution	<u>(6,440)</u>
Annual OPEB cost	38,424
Contributions made	<u>(5,910)</u>
Increase in net OPEB obligation	32,514
Net OPEB obligation beginning of year	95,174
Net OPEB obligation end of year	<u><u>\$ 127,688</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 35,391	13.0 %	\$ 59,911
2012	38,625	9.0	95,174
2013	38,424	15.4	127,688

**Funded Status and Funding Progress** - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$313,487, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$313,487. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,445,426, and the ratio of the UAAL to covered payroll was 9.1%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

### **Note 8. Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$373,104, \$338,144, and \$257,222 respectively, equal to the required contributions for each year.

### **Note 9. Risk Management**

The Exira Community School District is a member in the Iowa School Employees Benefits Association, fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: health, dental, and vision.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2013 was \$406,519.

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

AGWSR 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. There have been no significant reductions in insurance coverage from coverage in the prior year.

### **Note 10. 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 \$255,367 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### **Note 11. Construction Commitments**

The District has entered into construction contracts totaling \$7,385,029 for the construction of a new elementary building in Ackley. As of June 30, 2013, costs of \$425,096 had been incurred against the contracts. The balance of \$6,959,933 will be paid as work progresses. The total cost of the improvements will be added to the District's capital asset listing upon completion.

### **Note 12. Deficit Unassigned Balance**

During the year ended June 30, 2013 the District had a negative unassigned balance of \$122,959 in the Capital Projects: General Obligation Bond Construction Fund.

**Note 13. Subsequent Event**

On July 1, 2013 the District issued \$6.5 million in General Obligation Bonds for the construction of a new elementary school building.

**Note 14. Categorical Funding**

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

<u>Program</u>	<u>Amount</u>
At-risk supplemental weighting	\$ 5,275
Gifted and talented	81,664
Dropout and dropout prevention	27,582
Educator quality, professional development	1
Educator quality, basic salary	34,740
Home school assistance program	97,798
Four-year-old preschool	72,558
Total restricted for cateforical funding	<u>\$ 319,618</u>

**Note 15. Operating Lease Commitment**

The District entered into a five year contract to lease copiers during fiscal year 2010. The payments the District will make over the next two years are as follows:

<u>Year Ended</u>	<u>Lease</u>
<u>June 30</u>	<u>Payment</u>
2014	\$ 21,600
2015	12,600
Total	<u>\$ 34,200</u>

**Note 16. 28 E Management Agreement**

The District participates in a 28E management agreement with the City of Ackley to provide service and management of a child care facility servicing residents of the Ackley area. The agreement is to remain in effect until either the District or the City of Ackley wishes to terminate the agreement.

The following are the terms agreed upon by the District and the City of Ackley concerning the child care facility:

The City of Ackley(City) agrees to purchase from the school and maintain ownership of the lot for the daycare facility. The City agrees to pay principal and interest due on the Rural Development Loan that the City obtained from the United States Department of Agriculture. The City will be responsible for property and casualty insurance on the daycare facility. The City will provide water, sewer and yard care services for the daycare facility as well as reimbursing the District \$8,000 per year for utilities. The City will be responsible for payment of emergency repairs to the daycare facility in excess of \$1,000.

The District agrees to be responsible for the hiring of the daycare staff, providing their salaries and benefit packages, providing certificate of liability insurance for all staff and students, providing custodial maintenance for the facility, providing food servings for daycare students and staff, providing furnishings and personal property and equipment, and for maintaining proper licensing, certifications and accreditation as necessary to operate and manage the facility. The District will maintain compliance with appropriate third-party requirements, such as Department of Human Services. The District shall pay the City \$5,000 annually as a lease payment for the daycare facility which will be used by the City as part of the payment of

principal and interest due on the City's Rural Development Loan with the United States Department of Agriculture. The District will be responsible for payment of all utility costs of the daycare facility. The District also agrees to sublease a space to MICA Headstart, an educational program sponsored by the federal government. The District will be responsible for providing general maintenance and repairs of under \$1,000, to keep the facility functional and in good repair. The District shall provide monthly and annual reports to the City covering appropriate financial and operational statistics of the daycare facility.

**Note 17. Detailed Reconciliation of Governmental Fund Balances to Net Position**

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Invested in Capital Assets	Management Levy Purposes	Unassigned/ Restricted Balances
Fund Balance (Exhibit C)	\$ -	1,419,644	1,070,553
Capital assets	4,712,810	-	-
Computer lease	(15,871)	-	-
Termination benefits payable	-	(134,554)	-
Income surtax	-	-	273,368
Accrued interest payable	-	-	(940)
Assigned fund balance	-	-	5,136
Unassigned general obligation bond construction	-	-	(122,959)
Net OPEB liability	-	-	(127,154)
Net position (Exhibit A)	<u>\$ 4,696,939</u>	<u>1,285,090</u>	<u>1,098,004</u>

REQUIRED SUPPLEMENTARY INFORMATION

AGWSR COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Types		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 4,760,057	411,958	5,172,015	5,559,799	5,559,799	(387,784)
State appropriations	3,081,919	2,505	3,084,424	3,179,434	3,179,434	(95,010)
Federal appropriations	182,277	160,150	342,427	361,000	361,000	(18,573)
Total revenues	8,024,253	574,613	8,598,866	9,100,233	9,100,233	(501,367)
Expenditures/expenses:						
Instruction	5,168,654	-	5,168,654	6,550,000	6,550,000	1,381,346
Support services	2,174,221	24,899	2,199,120	3,188,400	3,188,400	989,280
Non-instructional programs	2,094	565,805	567,899	850,000	850,000	282,101
Other expenditures/expenses	1,059,716	-	1,059,716	1,155,952	1,155,952	96,236
Total expenditures/expenses	8,404,685	590,704	8,995,389	11,744,352	11,744,352	2,748,963
Excess(Deficiency) of revenues over(under) expenditures/expenses	(380,432)	(16,091)	(396,523)	(2,644,119)	(2,644,119)	2,247,596
Other financing sources, net	293	-	293	-	-	293
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(380,139)	(16,091)	(396,230)	(2,644,119)	(2,644,119)	2,247,889
Balance beginning of year	4,923,544	188,355	5,111,899	5,589,986	5,589,986	(478,087)
Balance end of year	\$ 4,543,405	172,264	4,715,669	2,945,867	2,945,867	1,769,802

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2013

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

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

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

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

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 274,321	\$ 274,321	0.0%	\$ 3,095,000	8.9%
2011	July 1, 2009	-	272,869	272,869	0.0%	3,220,000	8.5%
2012	July 1, 2009	-	264,845	272,869	0.0%	3,260,000	8.1%
2013	July 1, 2012	-	313,487	313,487	0.0%	3,445,426	9.1%

See Note 7 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

AGWSR COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
CAPITAL PROJECTS ACCOUNTS  
JUNE 30, 2013

	Capital Projects			
	Statewide Sales, Services and Use Tax	General Obligation Bond Construction	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 882,190	130,000	698,142	1,710,332
Receivables:				
Property tax:				
Delinquent	-	-	1,530	1,530
Succeeding year	-	-	142,551	142,551
Income surtax	-	-	273,368	273,368
Accounts	-	-	426	426
Due from other funds	-	-	17,422	17,422
Due from other governments	161,551	-	-	161,551
<b>TOTAL ASSETS</b>	<b>\$ 1,043,741</b>	<b>130,000</b>	<b>1,133,439</b>	<b>2,307,180</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Deposit payable	\$ -	130,000	-	130,000
Accounts payable	-	122,959	3,945	126,904
Deferred revenue:				
Succeeding year property tax	-	-	142,551	142,551
Income surtax	-	-	273,368	273,368
Total liabilities	-	252,959	419,864	672,823
Fund balances:				
Restricted for:				
School infrastructure	1,043,741	-	-	1,043,741
Physical plant and equipment levy	-	-	713,575	713,575
Unassigned	-	(122,959)	-	(122,959)
Total fund balances	1,043,741	(122,959)	713,575	1,634,357
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,043,741</b>	<b>130,000</b>	<b>1,133,439</b>	<b>2,307,180</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	General Obligation Bond Construction	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ 529,746	-	433,721	963,467
Other	3,854	-	11,135	14,989
State sources	-	-	63	63
Total revenues	<u>533,600</u>	<u>-</u>	<u>444,919</u>	<u>978,519</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	-	-	1,306	1,306
Other	-	-	2,792	2,792
	<u>-</u>	<u>-</u>	<u>4,098</u>	<u>4,098</u>
Support services:				
Instructional staff	27,268	-	8,371	35,639
Administration	-	-	30,773	30,773
Operation and maintenance of plant	-	-	44,958	44,958
Transportation	35,405	-	-	35,405
	<u>62,673</u>	<u>-</u>	<u>84,102</u>	<u>146,775</u>
Capital outlay	462,984	122,959	63,998	649,941
Total expenditures	<u>525,657</u>	<u>122,959</u>	<u>152,198</u>	<u>800,814</u>
Excess(Deficiency)of revenues over(under) expenditures	7,943	(122,959)	292,721	177,705
Other financing uses:				
Transfer out	(16,811)	-	(137,597)	(154,408)
Change in fund balances	(8,868)	(122,959)	155,124	23,297
Fund balance beginning of year	<u>1,052,609</u>	<u>-</u>	<u>558,451</u>	<u>1,611,060</u>
Fund balance end of year	<u>\$ 1,043,741</u>	<u>(122,959)</u>	<u>713,575</u>	<u>1,634,357</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Speech	\$ 1,409	1,016	1,993	432
Cross country	549	-	10	539
Boys basketball	6,931	19,567	20,752	5,746
Football	12,201	15,164	20,230	7,135
Baseball	-	7,980	7,803	177
Boys track	-	3,522	3,522	-
Boys golf	-	318	318	-
Boys bowling	866	100	80	886
Wrestling	2,693	4,632	6,144	1,181
Girls basketball	21,012	6,137	14,790	12,359
Volleyball	4,128	10,897	10,335	4,690
Softball	-	8,165	7,988	177
Girls track	-	2,082	2,082	-
Tennis	-	882	882	-
Girls golf	-	1,271	1,271	-
Athletics	9	2,821	2,830	-
After prom	1,210	9,700	9,845	1,065
Art club	334	150	-	484
Clay targeting club	150	312	-	462
Booster club donations	31,022	57,545	88,418	149
Cheerleaders	314	3,272	2,505	1,081
MS cheerleaders	52	-	-	52
Class of 2015	-	507	-	507
Class of 2012	947	-	-	947
Class of 2013	1,449	-	1,420	29
Class of 2014	727	10,061	8,334	2,454
Drama	751	-	-	751
MS drama	438	186	271	353
Drill team	155	1,956	1,957	154
Elementary music fundraiser	376	-	-	376
Fall musical	982	1,174	579	1,577
FCCLA	145	1,892	1,808	229
FFA	7,568	57,099	52,093	12,574
Foreign language club	452	2,731	3,178	5
Mat club	141	-	-	141
Material for resale	-	1,805	1,791	14
Music trip fund	17,154	10,351	5,706	21,799
National honor society	19	617	352	284
Nurse	150	-	-	150
Student council	1,770	7,713	5,694	3,789
MS student council	160	-	-	160
Torch	4,083	13,060	11,817	5,326
Youth basketball	241	-	-	241
Youth football	458	6,251	1,780	4,929
Flag football	672	190	169	693
Volleyball camp	1,726	-	1,726	-
<b>TOTAL</b>	<b>\$ 123,444</b>	<b>271,126</b>	<b>300,473</b>	<b>94,097</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2013

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b><u>ELEMENTARY EMPLOYEE VENDING</u></b>				
ASSETS				
Cash and pooled investments	\$ 1,897	464	483	1,878
LIABILITIES				
Due to other groups	\$ 1,897	464	483	1,878
<b><u>HS EMPLOYEE VENDING</u></b>				
ASSETS				
Cash and pooled investments	\$ 1,406	906	590	1,722
LIABILITIES				
Due to other groups	\$ 1,406	906	590	1,722
<b><u>COUGAR IMPACT</u></b>				
ASSETS				
Cash and pooled investments	\$ 12,962	19,220	24,712	7,470
LIABILITIES				
Due to other groups	\$ 12,962	19,220	24,712	7,470
<b><u>COUGAR CONNECTION</u></b>				
ASSETS				
Cash and pooled investments	\$ 15,550	16,576	17,045	15,081
LIABILITIES				
Due to other groups	\$ 15,550	16,576	17,045	15,081
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
ASSETS				
Cash and pooled investments	\$ 31,815	37,166	42,830	26,151
LIABILITIES				
Due to other groups	\$ 31,815	37,166	42,830	26,151

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**AGWSR COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE LAST TEN YEARS**

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 4,111,026	4,784,546	4,759,307	4,762,974	4,872,510	4,830,275	4,757,060	4,275,824	4,144,623	3,298,949
Tuition	192,068	187,371	322,770	240,815	237,111	252,150	232,604	343,758	215,062	219,653
Other	456,963	435,398	537,635	471,441	453,238	423,310	464,362	568,551	497,507	442,158
State sources	3,081,919	3,060,643	2,838,624	2,539,863	3,169,761	3,143,861	3,220,655	3,326,912	3,151,878	3,145,204
Federal sources	182,277	214,606	380,354	667,676	222,826	192,547	209,234	250,051	354,977	262,743
Total	\$ 8,024,253	8,682,564	8,838,690	8,682,769	8,955,446	8,842,143	8,883,915	8,765,096	8,364,047	7,368,707
Expenditures:										
Instruction:										
Regular	\$ 3,250,097	3,314,126	3,274,789	3,005,112	3,333,739	3,162,690	3,199,790	3,317,628	3,349,177	3,236,274
Special	943,730	1,022,076	998,301	1,058,571	1,084,424	1,014,283	1,026,015	1,008,315	985,460	1,333,434
Other	974,827	969,390	976,873	977,139	1,071,314	1,054,820	918,241	1,106,578	1,029,519	616,771
Support services:										
Student	70,414	73,338	89,139	95,915	48,586	58,624	87,292	106,019	137,762	120,982
Instructional staff	260,940	554,618	460,026	288,953	283,863	352,093	460,685	288,477	179,666	135,529
Administration	649,786	628,260	613,090	742,988	760,376	697,426	758,660	764,416	721,870	631,133
Operation and maintenance of plant	683,389	625,201	643,880	623,404	608,118	622,784	601,767	564,602	530,142	480,841
Transportation	509,692	523,922	505,955	605,266	582,492	474,441	540,451	531,060	433,654	346,131
Non-instructional programs	2,094	1,879	-	968	-	-	22,699	4,829	21,978	20,287
Other expenditures:										
Capital outlays	649,941	205,770	239,347	264,197	434,232	441,775	262,830	89,747	1,285,886	668,407
Long-term debt:										
Principal	148,321	147,479	150,144	133,333	133,333	133,333	133,333	133,333	133,333	-
Interest and other charges	6,087	11,463	13,200	17,600	22,000	26,546	30,800	35,200	38,280	-
AEA flow-through	255,367	263,495	296,938	295,137	260,298	253,638	251,670	246,678	244,405	250,842
Total	\$ 8,404,685	8,341,017	8,261,682	8,108,583	8,622,775	8,292,453	8,294,233	8,196,882	9,091,132	7,840,631

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

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

**To the Board of Education of the AGWSR Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of AGWSR Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 30, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered AGWSR Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AGWSR Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of AGWSR Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as items I-A-13 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-B-13 and II-C-13 to be significant deficiencies.

## **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 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.

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

AGWSR Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. AGWSR Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

  
NOLTE, CORMAN & JOHNSON, P.C.

January 30, 2014  
Newton, Iowa

AGWSR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash, reconciling.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Wire transfers - processing and approving.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Transfers - preparing and approving.
- 9) Financial reporting - preparing, reconciling and approving.
- 10) Computer systems - performing all general accounting functions and controlling all data input and output.
- 11) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

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

Conclusion - Response accepted.

I-B-13 Purchase Orders - We noted during our audit that in the Student Activity Fund several purchase orders were dated after the invoice date. We also noted instances of transactions processed without purchase orders.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - We will double check purchase order dates in the future making sure orders are not placed before the purchase order date.

Conclusion - Response accepted.

I-C-13 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - We will begin documenting hours for non-certified coaches.

Conclusion - Response accepted.

#### OTHER MATTERS:

I-D-13 Board Policies - We noted during our audit some of the policies in the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - At the time of the audit, the District was in the process of reviewing policies and has finished that process. The timeframe of reviewing policies will be monitored in the future.

Conclusion - Response accepted.

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

II-A-13 Certified Budget - District expenditures/expenses for the year ended June 30, 2013, did not exceed the amount budgeted.

II-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted; however, we noted that there were instances of reimbursements made to employees which lacked a detailed receipt. According to board policy number 401.10, a detailed receipt must be turned in for every purchase made with the District credit card.

Recommendation - The District should review procedures in place with personnel using the district credit cards to ensure the proper detailed documentation will be available with paid credit card statements.

Response - The District will continue monitoring reimbursements, make sure detailed receipts are submitted.

Conclusion - Response accepted.

II-D-13 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-13 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by 3.0.

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

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-13 Deposits and Investments - The District's investment policy 704.3 appears to be in compliance with Chapter 12B and 12C of the Code of Iowa. However, during our audit, we noted the District received dividends from the ownership of Prudential stock. We also noted that the approximate \$9,800 investment in Prudential stock was not recorded on the District's financial statements. The District's ownership of Prudential stock does not appear to be in compliance with the District policy 704.3 and Chapters 12B and 12C of the Code of Iowa.

Recommendation - The District should review Board policy 704.3 and Chapters 12B and 12C of the Code of Iowa. The Prudential stock should be sold and the District should invest in an investment that is in compliance with the District policy and Chapter 12B and 12C of the Code of Iowa.

Response - The District will research the selling of the Prudential Stock.

Conclusion - Response accepted.

II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services 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. 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, 2013, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning balance		\$	1,052,609
Revenues:			
Sales tax revenues	\$	529,746	
Other local revenue		3,854	533,600
			<u>1,586,209</u>
Expenditures/transfers out:			
Land purchased	\$	122,193	
Equipment		77,253	
Other		326,211	
Transfers to other funds:			
Debt service fund		16,811	542,468
			<u>542,468</u>
Ending balance		\$	<u>1,043,741</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-13 Financial Condition - During the year ended June 30, 2013 the District had a negative unassigned balance of \$122,959 in the Capital Projects: General Obligation Bond Construction Fund.

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

Response - The negative unassigned balance was due to the timing of the receipt of the General Obligation bond proceeds. After July 1, 2013 the fund no longer had a negative unassigned fund balance.

Conclusion - Response accepted.

II-N-13 District and Regional Rents - We noted during our audit that the District receives money for the use of facilities when hosting district and regional events. The District currently receipts district and regional rents into the Student Activity Fund.

Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response - This procedure has been changed.

Conclusion - Response accepted.

- II-O-13 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - This procedure has been changed.

Conclusion - Response accepted.

- II-P-13 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. However, we noted expenditures which do not appear to be related to cocurricular or extracurricular activities.

**Instructional Items Purchased:** We noted a Material's Resale account in the Student Activity Fund. The revenues and expenditures related to the Material's Resale account appear to be relating to Book Fairs and used to purchase books for the school library. The purchasing of books would appear to be more instructional in nature, and would be more appropriately handled in the General Fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The expenditures in the Material's Resale account appear to be more instructional in nature and would be more appropriate in the General Fund.

Response - This procedure has been changed.

Conclusion - Response accepted.

**Old Class Accounts:** We noted a Class of 2012 account in the Student Activity Fund.

Recommendation - Upon graduation, the remaining balance in old class accounts should be redistributed to other individual activity fund accounts, used as startup funds for the next incoming class or transferred to another student activity fund account.

Response - These accounts will be monitored in the future.

Conclusion - Response accepted.