

AR-WE-VA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis (MD&A)	7-15
Basic Financial Statements:	<u>Exhibit</u>
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	A 18
Statement of Activities	B 19
<i>Governmental Fund Financial Statements:</i>	
Balance Sheet	C 20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D 21
Statement of Revenues, Expenditures and Changes in Fund Balances	E 22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 23
<i>Proprietary Fund Financial Statements:</i>	
Statement of Net Position	G 24
Statement of Revenues, Expenses and Changes in Fund Net Position	H 25
Statement of Cash Flows	I 26
Notes to Basic Financial Statements	27-37
<i>Required Supplementary Information:</i>	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	40
Notes to Required Supplementary Information - Budgetary Reporting	41
Schedule of Funding Progress for the Retiree Health Plan	42
<i>Supplementary Information:</i>	
<i>Non-major Governmental Funds:</i>	
Combining Balance Sheet	1 44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 45
<i>Capital Project Accounts:</i>	
Combining Balance Sheet	3 46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4 47
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5 48
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	6 49
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 <u>Government Auditing Standards</u>	50-51
Schedule of Findings	52-59

Ar-We-Va Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Todd Danner	President	2015
Bryan Dalton	Vice President	2013
Sara Skinner	Board Member	2013
Denise Ragaller	Board Member	2015
Jeremy Smith	Board Member	2015
School Officials		
Kurt Brosamle	Superintendent	2013
Sharon Stickrod	Board Secretary/ District Treasurer	2013
Rick Franck	Attorney	2013

AR-WE-VA 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 Ar-We-Va 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 Ar-We-Va Community School District, Westside, 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 Ar-We-Va 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 40 through 42 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 Ar-We-Va 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 6, 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 March 17, 2014 on our consideration of Ar-We-Va 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 Ar-We-Va Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 17, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Ar-We-Va 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 \$3,503,181 in fiscal 2012 to \$3,463,539 in fiscal 2013, and General Fund expenditures increased from \$3,294,481 in fiscal 2012 to \$3,435,509 in fiscal 2013. The District's General Fund balance increased from \$1,282,230 in fiscal 2012 to a balance of \$1,310,260 in fiscal 2013, a 2.19% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state and federal revenues in fiscal 2013. The increase in expenditures was due primarily to an increase in the instruction functional area.

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 Ar-We-Va 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 Ar-We-Va 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 Ar-We-Va 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 governmental funds.

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

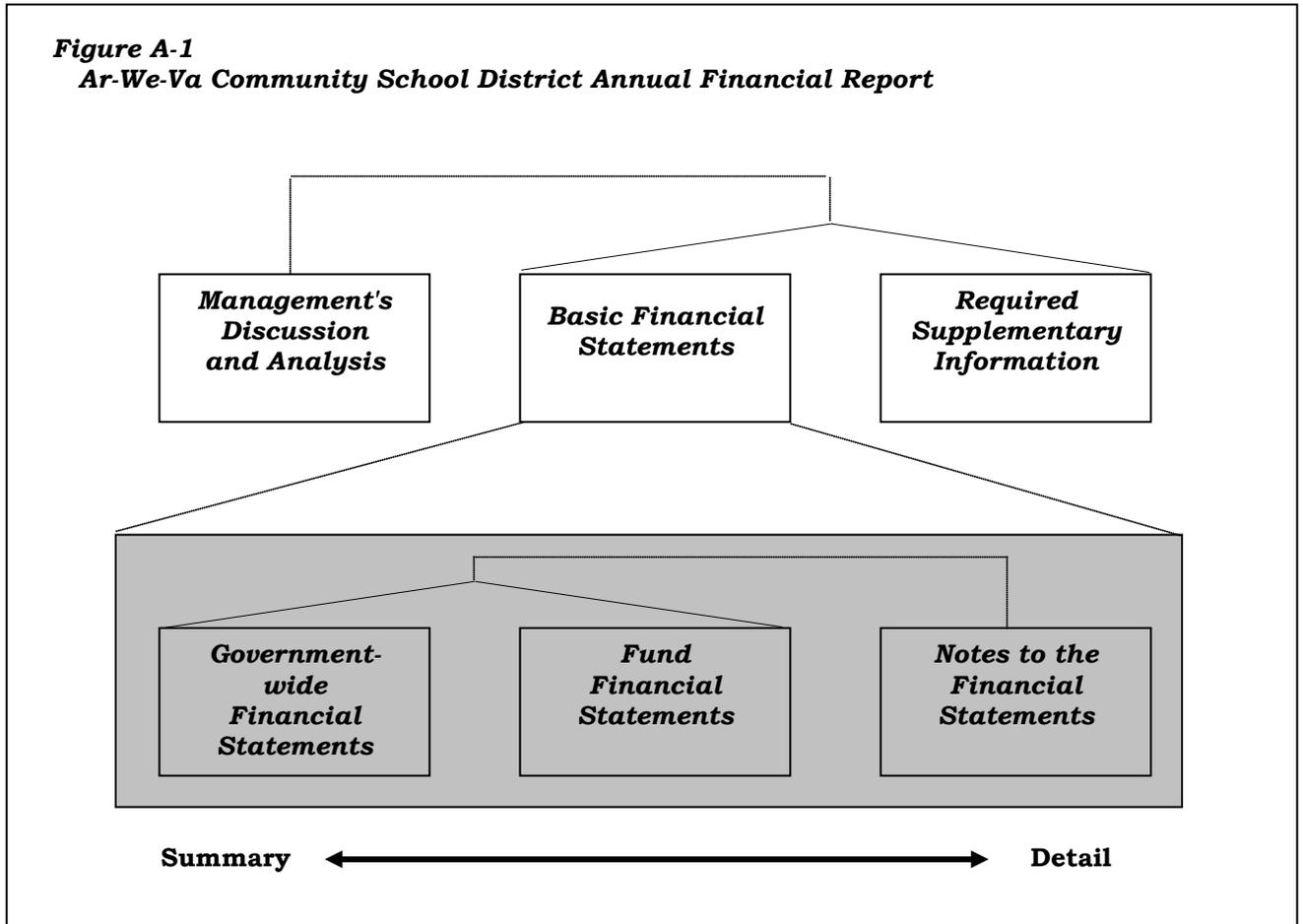


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<input type="checkbox"/> Statement of net position <input type="checkbox"/> Statement of activities	<input type="checkbox"/> Balance sheet <input type="checkbox"/> Statement of revenues, expenditures, and changes in fund balances	<input type="checkbox"/> Statement of Net Position <input type="checkbox"/> Statement of revenues, expenses and changes in fund net position <input type="checkbox"/> Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
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

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 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 two 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, Capital Projects Fund, Debt Service, and Special Revenue Funds.

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 one enterprise fund, the School Nutrition Fund.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 5,801,761	5,872,380	31,007	13,868	5,832,768	5,886,248	-0.91%
Capital assets	4,018,574	3,876,208	6,523	7,828	4,025,097	3,884,036	3.63%
Total assets	9,820,335	9,748,588	37,530	21,696	9,857,865	9,770,284	0.90%
Long-term obligations	2,970,376	3,133,558	-	-	2,970,376	3,133,558	-5.21%
Other liabilities	2,825,231	2,969,687	1,571	-	2,826,802	2,969,687	-4.81%
Total liabilities	5,795,607	6,103,245	1,571	-	5,797,178	6,103,245	-5.01%
Net position:							
Invested in capital assets, net of related debt	1,108,574	954,842	6,523	7,828	1,115,097	962,670	15.83%
Restricted	1,584,042	1,359,972	-	-	1,584,042	1,359,972	16.48%
Unrestricted	1,332,112	1,330,529	29,436	13,868	1,361,548	1,344,397	1.28%
Total net position	\$ 4,024,728	3,645,343	35,959	21,696	4,060,687	3,667,039	10.73%

The District's combined net position increased by \$393,648 or by 10.73%, 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 represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$224,070, or 16.48% over the prior year. The increase is primarily due to the increase in fund balance of the Management Levy Fund and Debt Service Fund.

Unrestricted net position is 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 – increased \$17,151, or 1.28%. This increase in unrestricted net position was primarily a result the District increase in fund balance in the General Fund.

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		Business type		Total		Total
	Activities		Activities		School District		Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 123,755	114,210	71,051	72,617	194,806	186,827	4.27%
Operating grants, contributions and restricted interest	312,004	654,472	52,777	53,008	364,781	707,480	-48.44%
Capital grants, contributions, and restricted interest	52,383	-	-	-	52,383	-	100.00%
General revenues:							
Property tax	2,530,597	2,049,858	-	-	2,530,597	2,049,858	23.45%
Income surtax	149,715	167,678	-	-	149,715	167,678	-10.71%
Statewide sales, services and use tax	248,662	231,372	-	-	248,662	231,372	7.47%
Unrestricted state grants	866,946	882,230	-	-	866,946	882,230	-1.73%
Unrestricted investment earnings	9,244	8,381	561	-	9,805	8,381	16.99%
Other	29,557	98,837	-	-	29,557	98,837	-70.10%
Total revenues	4,322,863	4,207,038	124,389	125,625	4,447,252	4,332,663	2.64%
Program expenses:							
Governmental activities:							
Instructional	2,693,757	2,408,324	-	-	2,693,757	2,408,324	11.85%
Support services	886,441	906,043	-	-	886,441	906,043	-2.16%
Non-instructional programs	15,335	18,498	110,126	135,704	125,461	154,202	-18.64%
Other expenditures	347,945	297,514	-	-	347,945	297,514	16.95%
Total expenses	3,943,478	3,630,379	110,126	135,704	4,053,604	3,766,083	7.63%
Changes in net position	379,385	576,659	14,263	(10,079)	393,648	566,580	-30.52%
Beginning net position	3,645,343	3,068,684	21,696	31,775	3,667,039	3,100,459	18.27%
Ending net position	\$ 4,024,728	3,645,343	35,959	21,696	4,060,687	3,667,039	10.73%

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 87.81% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.55% of the revenue from business type activities.

The District's total revenues were approximately \$4.44 million of which approximately \$4.32 million was for governmental activities and approximately \$0.12 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.64% increase in revenues and a 7.63% increase in expenses. The increase in expenses is attributable to an increase in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$4,322,863 and expenses were \$3,943,478.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 2,693,757	2,408,324	11.85%	2,400,338	1,791,559	33.98%
Support services	886,441	906,043	-2.16%	818,745	889,766	-7.98%
Non-instructional programs	15,335	18,498	-17.10%	15,335	18,498	-17.10%
Other expenses	347,945	297,514	16.95%	220,918	161,874	36.48%
Totals	\$ 3,943,478	3,630,379	8.62%	3,455,336	2,861,697	20.74%

- The cost financed by users of the District's programs was \$123,755.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$364,387.
- The net cost of governmental activities was financed with \$2,530,597 in property tax, \$149,715 in income surtax, \$248,662 in statewide sales, services and use tax, \$866,946 in unrestricted state grants, \$9,244 in interest income, and \$29,557 in other income.

Business type Activities

Revenues of the District's business type activities were \$124,389 and expenses were \$110,126. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Ar-We-Va 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 \$2,848,910, above last year's ending fund balances of \$2,762,206. The primary reason for the increase in combined fund balances in fiscal 2013 was due to the increase in the General Fund balance.

Governmental Fund Highlights

- The District's increasing General Fund financial position is the result of many factors. Overall, the General Fund revenues for fiscal 2013 decreased 1.13%, or \$39,642 as compared to fiscal 2011. The total expenditures increased by \$141,028, or 4.28%. With these factors, the General Fund balance increased by \$28,030 or 2.19%.
- The Management Fund balance increased from \$507,593 in fiscal 2012 to \$605,704 in fiscal 2013. This was primarily due to an increase in local revenue sources in the fiscal 2013.

- The Capital Projects Fund balance decreased from \$665,662 in fiscal 2012 to \$586,813 in fiscal 2013. This decrease of the Capital Projects Fund was primarily due to a decrease in the Statewide Sales, Services and Use Tax Fund.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$21,696 at June 30, 2012 to \$35,959 at June 30, 2013, representing an increase of 65.74%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$183,713 less than budgeted revenues, a variance of 3.96%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were more 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 \$4,025,097, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$140,011.

The original cost of the District's capital assets was \$5,672,149. Governmental funds account for \$5,633,371 with the remainder of \$38,778 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$160,046 at June 30, 2012 as compared to \$46,208 at June 30, 2013, due to the District disposing of older assets and normal depreciation.

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 54,700	54,700	-	-	54,700	54,700	0.00%
Construction in progress	-	1,890,354	-	-	-	1,890,354	-100.00%
Buildings	3,874,807	1,726,434	-	-	3,874,807	1,726,434	55.44%
Land improvements	49,382	52,502	-	-	49,382	52,502	-6.32%
Machinery and equipment	39,685	152,218	6,523	7,828	46,208	160,046	-246.36%
Total	\$ 4,018,574	3,876,208	6,523	7,828	4,025,097	3,884,036	3.63%

Long-Term Debt

At June 30, 2013, the District had \$2,970,376 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents a decrease of 5.92% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding revenue bonded indebtedness of \$2,210,000 at June 30, 2013.

The District had total capital loan notes outstanding of \$700,000 at June 30, 2013.

The District had total termination benefits, payable from the management fund, of \$21,530 at June 30, 2013.

The District had a Net OPEB liability of \$38,846 at June 30, 2013.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Governmental Activities		Total Change
	June 30,		June 30,
	2013	2012	2012-13
Revenue bonds	\$ 2,210,000	2,305,000	-4.12%
Capital loan note	700,000	825,000	-15.15%
Bond discounts, net of amortization	-	(23,689)	-100.00%
Termination benefit	21,530	-	100.00%
Net OPEB liability	38,846	27,247	42.57%
Total	<u>\$ 2,970,376</u>	<u>3,133,558</u>	<u>-5.92%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- On July 1, 2013, the IPERS increase to 8.93% will increase the Ar-We-Va Community Schools employer benefit costs during fiscal 2014.

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 Sharon Stickrod, Board Secretary/District Treasurer, Ar-We-Va Community School District, 108 Clinton Street, Westside, IA 51467.

AR-WE-VA COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

AR-WE-VA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 3,066,897	26,992	3,093,889
Receivables:			
Property tax:			
Delinquent	18,764	-	18,764
Succeeding year	2,440,653	-	2,440,653
Income surtax	144,688	-	144,688
Accounts	821	-	821
Due from other governments	107,643	-	107,643
Inventories	-	4,015	4,015
Bond discounts and bond issue costs	22,295	-	22,295
Capital assets, net of accumulated depreciation	4,018,574	6,523	4,025,097
TOTAL ASSETS	9,820,335	37,530	9,857,865
LIABILITIES			
Accounts payable	345,215	27	345,242
Accrued interest payable	39,363	-	39,363
Deferred revenue:			
Succeeding year property tax	2,440,653	-	2,440,653
Unearned revenue	-	1,544	1,544
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	110,000	-	110,000
Capital loan note payable	130,000	-	130,000
Termination benefits payable	21,530	-	21,530
Portion due after one year:			
Revenue bonds payable	2,100,000	-	2,100,000
Capital loan note payable	570,000	-	570,000
Net OPEB liability	38,846	-	38,846
TOTAL LIABILITIES	5,795,607	1,571	5,797,178
NET POSITION			
Invested in capital assets, net of related debt	1,108,574	6,523	1,115,097
Restricted for:			
Categorical funding	106,285	-	106,285
Debt service	185,319	-	185,319
Management levy purposes	584,174	-	584,174
Student activities	121,451	-	121,451
School infrastructure	396,230	-	396,230
Physical plant and equipment	190,583	-	190,583
Unrestricted	1,332,112	29,436	1,361,548
TOTAL NET POSITION	\$ 4,024,728	35,959	4,060,687

SEE NOTES TO BASIC FINANCIAL STATEMENTS

AR-WE-VA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 1,769,071	43,607	41,516	-	(1,683,948)	-	(1,683,948)
Special	494,814	-	17,122	-	(477,692)	-	(477,692)
Other	429,872	80,148	111,026	-	(238,698)	-	(238,698)
	<u>2,693,757</u>	<u>123,755</u>	<u>169,664</u>	<u>-</u>	<u>(2,400,338)</u>	<u>-</u>	<u>(2,400,338)</u>
Support services:							
Student	11,405	-	-	-	(11,405)	-	(11,405)
Instructional staff	26,216	-	-	-	(26,216)	-	(26,216)
Administration	455,140	-	-	-	(455,140)	-	(455,140)
Operation and maintenance of plant	193,890	-	-	52,383	(141,507)	-	(141,507)
Transportation	199,790	-	15,313	-	(184,477)	-	(184,477)
	<u>886,441</u>	<u>-</u>	<u>15,313</u>	<u>52,383</u>	<u>(818,745)</u>	<u>-</u>	<u>(818,745)</u>
Non-instructional programs:							
Community service operations	15,335	-	-	-	(15,335)	-	(15,335)
Long-term debt interest	133,034	-	-	-	(133,034)	-	(133,034)
Other expenditures:							
AEA flowthrough	127,027	-	127,027	-	-	-	-
Depreciation(unallocated)*	87,884	-	-	-	(87,884)	-	(87,884)
	<u>214,911</u>	<u>-</u>	<u>127,027</u>	<u>-</u>	<u>(87,884)</u>	<u>-</u>	<u>(87,884)</u>
Total governmental activities	3,943,478	123,755	312,004	52,383	(3,455,336)	-	(3,455,336)
Business type activities:							
Non-instructional programs:							
Nutrition services	110,126	71,051	52,777	-	-	13,702	13,702
Total business type activities	<u>110,126</u>	<u>71,051</u>	<u>52,777</u>	<u>-</u>	<u>-</u>	<u>13,702</u>	<u>13,702</u>
Total	\$ 4,053,604	194,806	364,781	52,383	(3,455,336)	13,702	(3,441,634)
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,209,225	-	2,209,225
Capital outlay					321,372	-	321,372
Income surtax					149,715	-	149,715
Statewide sales, services and use tax					248,662	-	248,662
Unrestricted state grants					866,946	-	866,946
Unrestricted investment earnings					9,244	561	9,805
Other general revenues					29,557	-	29,557
Total general revenues					<u>3,834,721</u>	<u>561</u>	<u>3,835,282</u>
Change in net position					379,385	14,263	393,648
Net position beginning of year					3,645,343	21,696	3,667,039
Net position end of year					<u>\$ 4,024,728</u>	<u>35,959</u>	<u>4,060,687</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS

AR-WE-VA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Management Levy	Capital Projects	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 1,598,131	604,524	518,269	345,973	3,066,897
Receivables:					
Property tax:					
Delinquent	15,215	1,180	2,369	-	18,764
Succeeding year	1,841,736	249,999	348,918	-	2,440,653
Income surtax	144,688	-	-	-	144,688
Accounts	412	-	-	409	821
Due from other governments	28,384	-	79,259	-	107,643
TOTAL ASSETS	\$ 3,628,566	855,703	948,815	346,382	5,779,466
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 331,882	-	13,084	249	345,215
Deferred revenue:					
Succeeding year property tax	1,841,736	249,999	348,918	-	2,440,653
Income surtax	144,688	-	-	-	144,688
Total liabilities	2,318,306	249,999	362,002	249	2,930,556
Fund balances:					
Restricted for:					
Categorical funding	106,285	-	-	-	106,285
Debt service	-	-	-	224,682	224,682
Management levy purposes	-	605,704	-	-	605,704
Student activities	-	-	-	121,451	121,451
School infrastructure	-	-	396,230	-	396,230
Physical plant and equipment	-	-	190,583	-	190,583
Unassigned	1,203,975	-	-	-	1,203,975
Total fund balances	1,310,260	605,704	586,813	346,133	2,848,910
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,628,566	855,703	948,815	346,382	5,779,466

SEE NOTES TO BASIC FINANCIAL STATEMENTS

AR-WE-VA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$	2,848,910
 <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 reported as assets in in the governmental funds.		4,018,574
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.		(39,363)
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		144,688
Bond issue costs and bond discounts are an expense when incurred in the governmental funds, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.		22,295
Long-term liabilities, including bonds and notes payable, termination benefits, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(2,970,376)
		(2,970,376)
Net position of governmental activities(page 18)	\$	4,024,728
		4,024,728

SEE NOTES TO BASIC FINANCIAL STATEMENTS

AR-WE-VA 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	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,209,791	159,033	570,034	-	2,938,858
Tuition	30,927	-	-	-	30,927
Other	50,027	1,781	56,800	81,489	190,097
State sources	1,082,298	51	20	-	1,082,369
Federal sources	90,496	-	-	-	90,496
TOTAL REVENUES	3,463,539	160,865	626,854	81,489	4,332,747
EXPENDITURES:					
Current:					
Instruction:					
Regular	1,687,040	-	51,737	-	1,738,777
Special	493,856	-	-	-	493,856
Other	349,256	-	-	76,264	425,520
	2,530,152	-	51,737	76,264	2,658,153
Support services:					
Student	11,405	-	-	-	11,405
Instructional staff	23,414	-	2,802	-	26,216
Administration	371,264	57,648	17,496	-	446,408
Operation and maintenance of plant	193,890	-	-	-	193,890
Transportation	163,022	5,106	-	-	168,128
	762,995	62,754	20,298	-	846,047
Non-instructional programs:					
Community service operations	15,335	-	-	-	15,335
Capital outlay	-	-	318,567	-	318,567
Long-term debt:					
Principal	-	-	-	220,000	220,000
Interest and fiscal charges	-	-	-	106,362	106,362
	-	-	-	326,362	326,362
Other expenditures:					
AEA flowthrough	127,027	-	-	-	127,027
TOTAL EXPENDITURES	3,435,509	62,754	390,602	402,626	4,291,491
Excess(Deficiency) of revenues over(under) expenditures	28,030	98,111	236,252	(321,137)	41,256
Other financing sources(uses):					
Transfer in	-	-	-	360,549	360,549
Transfer out	-	-	(360,549)	-	(360,549)
Proceeds from the sale of property	-	-	45,448	-	45,448
Total other financing sources(uses)	-	-	(315,101)	360,549	45,448
Change in fund balances	28,030	98,111	(78,849)	39,412	86,704
Fund balance beginning of year	1,282,230	507,593	665,662	306,721	2,762,206
Fund balance end of year	\$ 1,310,260	605,704	586,813	346,133	2,848,910

SEE NOTES TO BASIC FINANCIAL STATEMENTS

AR-WE-VA 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) \$ 86,704

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

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

Capital outlays	\$ 397,480	
Depreciation expense	(138,706)	
Loss on disposal of assets	(116,408)	
		142,366

Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 220,000

Bond issue costs and bond discounts are reported as expenses in the governmental funds, but are capitalized and amortized over the life of the bonds in the Statement of Activities. (1,394)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (9,884)

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. (25,278)

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

Termination benefits	(21,530)	
Other postemployment benefits	(11,599)	
		(33,129)

Change in net position of governmental activities(page 19) \$ 379,385

SEE NOTES TO BASIC FINANCIAL STATEMENTS

AR-WE-VA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	School Nutrition
ASSETS	
Cash and pooled investments	\$ 26,992
Inventories	4,015
Capital assets, net of accumulated depreciation	6,523
TOTAL ASSETS	37,530
LIABILITIES	
Accounts payable	27
Unearned revenue	1,544
TOTAL LIABILITIES	1,571
NET POSITION	
Invested in capital assets	6,523
Unrestricted	29,436
TOTAL NET POSITION	\$ 35,959

SEE NOTES TO BASIC FINANCIAL STATEMENTS

AR-WE-VA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2013

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 71,051
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	35,695
Benefits	5,875
Services	5,940
Supplies	61,311
Depreciation	1,305
TOTAL OPERATING EXPENSES	110,126
OPERATING LOSS	(39,075)
NON-OPERATING REVENUES:	
State sources	1,130
Federal sources	51,647
Interest income	561
TOTAL NON-OPERATING REVENUES	53,338
Change in net position	14,263
Net position beginning of year	21,696
Net position end of year	\$ 35,959

SEE NOTES TO BASIC FINANCIAL STATEMENTS

AR-WE-VA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 72,595
Cash payments to employees for services	(41,570)
Cash payments to suppliers for goods or services	(62,071)
Net cash used in operating activities	(31,046)
Cash flows from non-capital financing activities:	
State grants received	1,130
Federal grants received	44,245
Net cash provided by non-capital financing activities	45,375
Cash flows from investing activities:	
Interest on investments	561
Net increase in cash and cash equivalents	14,890
Cash and cash equivalents at beginning of year	12,102
Cash and cash equivalents at end of year	\$ 26,992
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (39,075)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	7,402
Depreciation	1,305
Increase in inventories	(2,249)
Increase in accounts payable	27
Increase in deferred revenue	1,544
Net cash used in operating activities	\$ (31,046)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$7,402.

SEE NOTES TO BASIC FINANCIAL STATEMENTS

AR-WE-VA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies

The Ar-We-Va Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through twelve. The geographic area served includes the Cities of Arcadia, Vail and Westside, Iowa, and the predominate agricultural territory in Carroll and Crawford Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Ar-We-Va 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 Ar-We-Va 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 Carroll and Crawford Counties Assessor's 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 non-fiduciary 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 Non-fiduciary 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 and reduced by outstanding balance for bonds and other debt attributable 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 non-major 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 expenses, including instructional, support and other costs.

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

The Management Fund is utilized to account for the payment of property insurance and unemployment benefits.

The District reports the following non major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, 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	\$ 1,000
Buildings	2,000
Land improvements	2,000
Intangibles	50,000
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	50 years
Land improvements	20-50 years
Intangibles	5-10 years
Machinery and equipment	5-15 years

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

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

Deferred revenue on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues 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.

Unassigned - All amounts not included in other spendable classifications.

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. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The District’s deposits 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 \$57 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 and Poor’s Financial Services.

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services, and Use Tax	\$ 176,985
Debt Service	Capital Projects: Physical Plant and Equipment Levy	183,564
		<u>\$ 360,549</u>

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

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 indebtedness.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 54,700	-	-	54,700
Construction in progress	1,890,354	332,694	2,223,048	-
Total capital assets not being depreciated	1,945,054	332,694	2,223,048	54,700
Capital assets being depreciated:				
Buildings	2,760,786	2,245,621	447,989	4,558,418
Land improvements	147,353	42,213	65,603	123,963
Machinery and equipment	1,073,652	-	177,362	896,290
Total capital assets being depreciated	3,981,791	2,287,834	690,954	5,578,671
Less accumulated depreciation for:				
Buildings	1,034,352	85,193	435,934	683,611
Land improvements	94,851	2,691	22,961	74,581
Machinery and equipment	921,434	50,822	115,651	856,605
Total accumulated depreciation	2,050,637	138,706	574,546	1,614,797
Total capital assets being depreciated, net	1,931,154	2,149,128	116,408	3,963,874
Governmental activities capital assets, net	\$ 3,876,208	2,481,822	2,339,456	4,018,574
Business type activities:				
Machinery and equipment	\$ 59,809	-	21,031	38,778
Less accumulated depreciation	51,981	1,305	21,031	32,255
Business type activities capital assets, net	\$ 7,828	(1,305)	-	6,523

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular			\$ 7,342
Other			3,767
Support services:			
Administration			8,051
Transportation			31,662
			50,822
Unallocated depreciation			87,884
Total governmental activities depreciation expense			\$ 138,706
Business type activities:			
Food services			\$ 1,305

(5) **Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Reduction	Balance End of Year	Due Within One Year
<u>Governmental activities:</u>					
Revenue bonds	\$ 2,305,000	-	95,000	2,210,000	110,000
Capital loan note	825,000	-	125,000	700,000	130,000
Bond discounts, net of amortization	(23,689)	22,295	1,394	-	-
Termination benefits	-	21,530	-	21,530	21,530
Net OPEB liability	27,247	11,599	-	38,846	-
Total	<u>\$ 3,133,558</u>	<u>55,424</u>	<u>221,394</u>	<u>2,970,376</u>	<u>261,530</u>

Revenue Bonds Payable

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of September 1, 2011			
	Interest Rate	Principal	Interest	Total
2014	2.00%	\$ 110,000	72,145	182,145
2015	2.00%	115,000	69,945	184,945
2016	2.00%	105,000	67,645	172,645
2017	2.00%	110,000	65,545	175,545
2018	2.25%	110,000	63,345	173,345
2019-2023	2.60-3.40%	600,000	270,883	870,883
2024-2028	3.50-4.15%	725,000	160,162	885,162
2029-2030	4.20-4.25%	335,000	21,380	356,380
Total		<u>\$ 2,210,000</u>	<u>791,050</u>	<u>3,001,050</u>

The District has pledged future statewide sales, services, and use tax revenues to repay the \$2,305,000, issued on September 1, 2011. The statewide sales, services and use tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure and are payable through 2030. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 73% of the statewide sales, services and use tax revenues. The total principal and interest remaining to paid on the notes is \$3,001,050. For the current year, principal of \$95,000 and interest of \$74,045 was paid on the bonds and the statewide sales, services and use tax revenues were \$248,662.

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

- a) \$184,945 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.

- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Capital Loan Note Payable

Details of the District’s June 30, 2013 capital loan note indebtedness, payable from the Capital Projects: Physical Plant and Equipment Levy, is as follows:

Year Ending June 30,	Issue of April 1, 2008			
	Interest Rate	Principal	Interest	Total
2014	3.45%	\$ 130,000	26,318	156,318
2015	3.65%	135,000	21,832	156,832
2016	3.75%	140,000	16,905	156,905
2017	3.90%	145,000	11,655	156,655
2018	4.00%	150,000	6,000	156,000
Total		\$ 700,000	82,710	782,710

(6) Termination Benefits

In December 2012, the District approved a one-time voluntary early retirement plan for employees. Early retirement was not offered in previous years. Eligible employees must have completed at least fifteen years of consecutive teaching experience to the District and must have reached the age of fifty-five on or before June 30, 2013. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits are equal to a one-time payment stipend of \$20,000 payable in July of the retiring year.

At June 30, 2013, the District had obligations to one participant with a total liability of \$21,530. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$0.

(7) 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 covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District’s contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$165,297, \$160,483, and \$130,873, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical benefits for employees, retirees and their spouses. There are 26 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 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	\$ 14,815
Interest on net OPEB obligation	376
Adjustment to annual required contribution	<u>(1,789)</u>
Annual OPEB cost	13,402
Contributions made	<u>(1,803)</u>
Increase in net OPEB obligation	11,599
Net OPEB obligation beginning of year	<u>27,247</u>
Net OPEB obligation end of year	<u><u>\$ 38,846</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.

For the ended June 30, 2013, the District contributed \$1,803 to the medical plan. Plan members eligible for benefits contributed \$178,147 of the premium costs.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 13,111	32.80%	\$ 18,417
2012	14,144	37.60%	27,247
2013	13,402	13.45%	38,846

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 \$101,525, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$101,525. The covered payroll (annual payroll of active employees covered by the plan) was \$1,480,989 and the ratio of UAAL to covered payroll was 6.9%. 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of 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 includes a 2.5% discount rate based on the District’s funding policy and a health cost trend rate of 6% per year

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

Projected premium costs of the medical plan are \$471 per month for the retired members of the plan. The UAAL is being amortized as a level percentage projected payroll expense on an open basis over 30 years.

(9) Risk Management

Ar-We-Va 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.

(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 \$127,027 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.

(11) Categorical Funding

The District’s ending restricted balance for categorical funding as of the year ended June 30, 2013 is comprised of the following programs:

Program	Amount
Four year old preschool state aid	\$ 46,706
Teacher salary supplement	20,501
Market factor	1,670
Market factor incentives	2,697
Professional development for model core curriculum	5,863
Professional development	28,848
Total	<u>\$ 106,285</u>

(12) 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	Debt Service	Management Levy Purposes	Unassigned/ Restricted Balances
Fund Balance (Exhibit C)	\$ -	224,682	605,704	1,203,975
Capital assets	4,018,574	-	-	-
Revenue bond capitalized indebtedness	(2,210,000)	-	-	-
Capital loan noted capitalized indebtedness	(700,000)	-	-	-
Termination benefits payable	-	-	(21,530)	-
Income surtax	-	-	-	144,688
Accrued interest payable	-	(39,363)	-	-
Bond discounts and bond issue costs	-	-	-	22,295
Net OPEB liability	-	-	-	(38,846)
Net position (Exhibit A)	<u>\$ 1,108,574</u>	<u>185,319</u>	<u>584,174</u>	<u>1,332,112</u>

AR-WE-VA COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

AR-WE-VA 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 Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 3,159,882	71,612	3,231,494	3,301,541	3,301,541	(70,047)
State sources	1,082,369	1,130	1,083,499	1,159,308	1,159,308	(75,809)
Federal sources	90,496	51,647	142,143	180,000	180,000	(37,857)
Total revenues	<u>4,332,747</u>	<u>124,389</u>	<u>4,457,136</u>	<u>4,640,849</u>	<u>4,640,849</u>	<u>(183,713)</u>
Expenditures/expenses:						
Instruction	2,658,153	-	2,658,153	3,311,434	3,311,434	653,281
Support services	846,047	-	846,047	1,419,294	1,419,294	573,247
Non-instructional	15,335	110,126	125,461	214,357	214,357	88,896
Other expenditures	771,956	-	771,956	1,237,651	1,237,651	465,695
Total expenditures/expenses	<u>4,291,491</u>	<u>110,126</u>	<u>4,401,617</u>	<u>6,182,736</u>	<u>6,182,736</u>	<u>1,781,119</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	41,256	14,263	55,519	(1,541,887)	(1,541,887)	1,597,406
Other financing uses, net	<u>45,448</u>	<u>-</u>	<u>45,448</u>	<u>-</u>	<u>-</u>	<u>45,448</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	86,704	14,263	100,967	(1,541,887)	(1,541,887)	1,642,854
Balance beginning of year	<u>2,762,206</u>	<u>21,696</u>	<u>2,783,902</u>	<u>1,541,887</u>	<u>1,541,887</u>	<u>1,242,015</u>
Balance end of year	<u>\$ 2,848,910</u>	<u>35,959</u>	<u>2,884,869</u>	<u>-</u>	<u>-</u>	<u>2,884,869</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

AR-WE-VA 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 Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

AR-WE-VA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 79,000	79,000	0.0%	\$ 2,149,000	3.7%
2011	July 1, 2009	-	79,000	79,000	0.0%	2,215,000	3.6%
2012	July 1, 2009	-	72,000	72,000	0.0%	2,081,000	3.5%
2013	July 1, 2012	-	101,525	101,525	0.0%	1,480,989	6.9%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

OTHER SUPPLEMENTARY INFORMATION

AR-WE-VA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue		
	Student Activity	Debt Service	Total
ASSETS			
Cash and pooled investments	\$ 121,291	224,682	345,973
Receivables:			
Accounts	409	-	409
TOTAL ASSETS	\$ 121,700	224,682	346,382
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 249	-	249
Fund balances:			
Restricted for:			
Debt service	-	224,682	224,682
Student activities	121,451	-	121,451
Total fund balances	121,451	224,682	346,133
TOTAL LIABILITIES AND FUND BALANCES	\$ 121,700	224,682	346,382

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

AR-WE-VA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue		Total
	Student Activity	Debt Service	
REVENUES:			
Local sources:			
Other	\$ 81,489	-	81,489
TOTAL REVENUES	81,489	-	81,489
EXPENDITURES:			
Current:			
Instruction:			
Other	76,264	-	76,264
Other expenditures:			
Long-term debt:			
Principal	-	220,000	220,000
Interest and fiscal charges	-	106,362	106,362
TOTAL EXPENDITURES	76,264	326,362	402,626
Excess(Deficiency) of revenues over(under) expenditures	5,225	(326,362)	(321,137)
Other financing sources:			
Transfer in	-	360,549	360,549
Change in fund balances	5,225	34,187	39,412
Fund balances beginning of year	116,226	190,495	306,721
Fund balances end of year	\$ 121,451	224,682	346,133

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

AR-WE-VA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 316,971	201,298	518,269
Receivables:			
Property tax:			
Delinquent	-	2,369	2,369
Succeeding year	-	348,918	348,918
Due from other governments	79,259	-	79,259
TOTAL ASSETS	\$ 396,230	552,585	948,815
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	13,084	13,084
Deferred revenue:			
Succeeding year property tax	-	348,918	348,918
Total liabilities	-	362,002	362,002
Fund balances:			
Restricted for:			
School infrastructure	396,230	-	396,230
Physical plant and equipment	-	190,583	190,583
Total fund balances	396,230	190,583	586,813
TOTAL LIABILITIES AND FUND BALANCES	\$ 396,230	552,585	948,815

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

AR-WE-VA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 248,662	321,372	570,034
Other	1,015	55,785	56,800
State sources	-	20	20
TOTAL REVENUES	249,677	377,177	626,854
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	51,737	51,737
Support services:			
Instructional staff	-	2,802	2,802
Administration services	-	17,496	17,496
Capital outlay	236,646	81,921	318,567
TOTAL EXPENDITURES	236,646	153,956	390,602
Excess of revenues over expenditures	13,031	223,221	236,252
Other financing sources(uses):			
Transfer out	(176,985)	(183,564)	(360,549)
Proceeds from sale of property	-	45,448	45,448
Total other financing sources(uses)	(176,985)	(138,116)	(315,101)
Change in fund balances	(163,954)	85,105	(78,849)
Fund balance beginning of year	560,184	105,478	665,662
Fund balance end of year	\$ 396,230	190,583	586,813

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

AR-WE-VA 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	Intrafund Transfers	Balance End of Year
School Plays	\$ 2,066	1,157	774	-	2,449
Music	1,255	646	621	-	1,280
Athletic Fund	42,183	27,399	34,200	5,000	40,382
Cross Country	-	475	349	-	126
Football	-	4,310	3,627	-	683
Baseball	-	4,057	-	-	4,057
Basketball - Girls	-	933	944	11	-
Volleyball	-	897	516	-	381
Honor Society	378	605	678	-	305
Student Council	3,800	5,921	5,033	-	4,688
Weight Room Fund	3,663	15	-	-	3,678
Class of 2014	815	3,724	4,533	-	6
Class of 2015	1,563	937	-	-	2,500
Class of 2016	-	140	-	-	140
Class of 2017	782	766	1,062	-	486
Concessions	33,866	8,523	3,817	(7,761)	30,811
Elementary	6,644	642	1,144	-	6,142
Industrial Arts	512	3,184	2,702	-	994
Middle School	13,887	6,816	5,768	750	15,685
High School Annual	258	3,105	4,853	2,000	510
Cheerleader	245	3,578	3,027	-	796
Dance Team	4,309	3,558	2,616	-	5,251
Art Club	-	101	-	-	101
Total	\$ 116,226	81,489	76,264	-	121,451

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

AR-WE-VA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES/EXPENSES 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	\$ 2,938,858	2,409,961	2,342,115	2,056,978	1,918,370	1,552,235	1,526,452	1,378,076	1,305,000	1,366,043
Tuition	30,927	104,865	187,251	59,717	104,412	159,926	62,688	90,374	231,661	161,303
Other	190,097	187,489	168,546	191,853	261,494	301,952	266,527	209,451	209,627	287,145
State sources	1,082,369	1,299,948	1,311,442	1,451,190	1,638,819	1,870,705	1,717,550	1,711,092	1,770,346	1,505,133
Federal sources	90,496	118,450	222,648	397,037	213,440	193,556	163,862	257,805	217,064	223,459
Total	\$ 4,332,747	4,120,713	4,232,002	4,156,775	4,136,535	4,078,374	3,737,079	3,646,798	3,733,698	3,543,083
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,738,777	1,555,382	1,690,127	1,596,556	1,617,329	1,510,528	1,614,385	1,456,689	1,425,444	1,379,563
Special	493,856	323,662	410,700	379,183	416,151	491,023	476,736	397,140	388,622	376,114
Other	425,520	520,450	576,477	506,991	486,379	462,492	457,267	437,695	428,306	414,520
Support services:										
Student	11,405	17,680	15,822	19,569	29,652	47,646	46,063	53,940	73,383	60,110
Instructional staff	26,216	48,521	32,904	25,172	23,897	37,104	36,208	34,705	36,364	33,694
Administration	446,408	441,185	400,848	381,116	444,888	467,557	482,073	491,699	470,222	368,316
Operation and maintenance of plant	193,890	227,832	216,671	205,933	235,322	249,253	259,977	274,312	304,369	340,493
Transportation	168,128	186,149	265,562	146,732	294,162	227,963	251,196	299,595	183,291	227,871
Non-instructional programs	15,335	18,498	18,272	18,397	19,151	23,312	18,060	-	3,522	-
Capital outlay	318,567	1,849,406	121,926	69,171	690,478	1,286,148	80,384	219,222	166,846	47,451
Long-term debt:										
Principal	220,000	395,000	195,000	200,000	-	-	-	-	-	-
Interest and fiscal charges	106,362	66,763	52,665	58,015	-	-	-	-	-	-
Other expenditures:										
AEA flow-through	127,027	128,599	147,351	147,136	138,265	136,401	131,790	126,576	137,685	125,360
Total	\$ 4,291,491	5,779,127	4,144,325	3,753,971	4,395,674	4,939,427	3,854,139	3,791,573	3,618,054	3,373,492

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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 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
Ar-We-Va 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 Ar-We-Va 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 March 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ar-We-Va 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 Ar-We-Va Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ar-We-Va 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 deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-13 and I-B-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 I of the accompanying Schedule of Findings as items I-C-13 to I-K-13 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ar-We-Va 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.

Ar-We-Va Community School District's Responses to Findings

Ar-We-Va Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Ar-We-Va 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 Ar-We-Va 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, CORNMAN & JOHNSON, P.C.

March 17, 2014
Newton, Iowa

AR-WE-VA 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 Internal Controls - One of the most important responsibilities of the District is to maintain a system of internal control for efficient operation. The District's Board of Directors is responsible for making policies and procedures that safeguard District assets, ensure District financial information is accurate, ensure employees are complying with laws and regulations pertinent to the District and discipline employees that choose not to comply with Board policies and procedures.

The successful operation of the District's internal controls is dependent upon having sufficient and properly trained management and personnel to ensure that the policies and procedures formed by the Board of Directors are being followed. From our audit it appears the District's internal control structure has several breakdowns, some of which are apparent in the comments that follow in the remainder of this report.

Recommendation - The District's Board of Directors and management staff should review policies and procedures in place and evaluate the effectiveness of internal controls currently in place. Changes in the internal control structure will have to be made for the District to gain full effectiveness of internal control. Additional training may be necessary to achieve this goal.

Response - The Board of Directors and management will review and evaluate the effectiveness of the policies and procedures in place; develop new policies and procedures where necessary; and determine changes that need to be made to assure a proper, reliable, and efficient system of internal controls are in place. Educating staff on the importance of internal controls will be provided by the Superintendent.

Conclusion - Response accepted.

I-B-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.
- 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) Capital assets - purchasing, recording and reconciling.
- 7) Wire transfers - processing and approving.
- 8) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 9) Transfers - preparing and approving.
- 10) Financial reporting - preparing, reconciling and approving.
- 11) Computer systems - performing all general accounting functions and controlling all data input and output.
- 12) 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 - Segregation of duties will always be an issue in a small District. The District will continue to reevaluate internal controls and tests to ensure compliance with these controls; as well as, incorporate additional internal controls where necessary. The District will utilize current personnel and elected officials.

Conclusion - Response accepted.

- I-C-13 Gate Admissions - It was noted that the District does not use pre-numbered tickets for all events that requires an admission.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.

- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District currently utilizes a Gate Reconciliation Form and Concession Reconciliation Form for cash bags and requires two individuals for gate entrance and concession stand duties. The cash bag is counted to verify beginning cash balance at the beginning of the event and initialed by the two individuals assigned the duty. The District will add a tally to the Gate Reconciliation Form to track the number of paid adult and student admissions and will reconcile to the cash collected. At the end of the event, the reconciliation form is completed and both individuals assigned to the duty will sign to verify the ending totals. Staff will be educated on the importance of properly completing the reconciliation forms by the Superintendent or Athletic Director. The cash bag will be picked up by the Superintendent or Athletic Director; and the cash receipts will be locked in the school safe immediately. The reconciliation form will be delivered directly to the Business Manager's mailbox after the event. The following morning, the Business Manager and another staff member will count the cash bags to reconcile to forms. The cash bags will be brought to the bank by the Superintendent or Athletic Director.

Conclusion - Response accepted.

- I-D-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 - The District began providing timesheets for coaches and sponsors that are non-certified staff. The Athletic Director will monitor the return of the timesheets each month and authorize their accuracy.

Conclusion - Response accepted.

- I-E-13 Student Activity Fund Fundraisers - We noted during our audit that the District maintains fundraisers in the Student Activity Fund, however they are not approved by the Board. We recommend that all fundraisers be approved by Board. We also noted that the fundraisers do not always have a stated purpose.

Recommendation - Districts should have policies and/or procedures in place to address fundraising activity including:

- a. The Board or its designee should approve all District sponsored fundraising activity.
- b. The Board may also adopt a policy to require Board approval of all fundraising activity including fundraising activities of affiliated organizations such as Booster Clubs and the PTO.
- c. Boards should establish procedures for fundraising activity for District sponsored fundraisers as well as fundraisers sponsored by outside groups and organizations to help ensure consistency and accountability over fundraising activities.
- d. The Board should determine the extent, if any, of administrative support to be provided for District sponsored and affiliated organization fundraising activity including the cost and/or expense associated with staff time used in collecting payments; preparing, printing and/or assembling mailings; postage; etc.
- e. Fundraising activity should be clearly designated as District sponsored and/or sponsored by an outside group or affiliated organization to clearly establish responsibility and accountability.
- f. If District sponsored, the District should account for the fundraising activity.

Response - The District currently has a Fundraising Policy in place. The Board of Directors will review the Fundraising Policy to evaluate that it is adequate. The Superintendent will approve all fundraising for outside groups. The Superintendent will create a Fundraising Calendar and designate fundraising activity as District sponsored or outside groups. The Superintendent will train coaches and sponsors on how to properly complete the fundraising form timely, and define a reason for the fundraiser which meets public purpose. All fundraising will be approved by the Board of Directors prior to any fundraising activity taking place. All fundraising receipts will be reconciled prior to any purchases being made and provided to the Business Office. At the conclusion of the fundraiser a final reconciliation will be made by the Coach or Sponsor and provided to the Board of Directors and Business Office.

Conclusion - Response accepted.

- I-F-13 Employee Reimbursements - We noted during our audit that employees purchase supplies for the District and turn the receipts into the central office for reimbursement without proper approval from an administrator. When the District makes the reimbursements to the employees, the District reimburses the full amount of the receipt including the sales tax.

Recommendation - If employees are allowed to make purchases of District supplies, an administrator should sign off on the purchases. If the District would have made the purchases, sales tax is not applicable because of the District's tax exempt status. Therefore, when the District reimburses employees, the reimbursement should not include sales tax.

Response - The District will not reimburse individuals sales tax on personal expenditures they made for the District.

Conclusion - Response accepted.

- I-G-13 Checks to "Cash" - We noted during our audit instances of checks for start-up money for gates and meal money made payable only to "Westside State Bank".

Recommendation - Checks made out to the bank only are considered bearer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the custodian/sponsor of the event and the bank.

Response - Checks will be written to the custodian/sponsor of District events.

Conclusion - Response accepted.

I-H-13 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however there were several instances of Student Activity Fund purchases where purchase orders were either not being completed or not being approved by a supervisor.

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 - The Superintendent will continue to educate the staff on the proper practice of completing a purchase order for approval before a purchase is made. The Superintendent will approve all purchase orders; except the Purchase Orders prepared by the Superintendent will be approved by the Board President.

Conclusion - Response accepted.

I-I-13 Reconciliation of Shirt Orders - We noted that when the District orders resale shirts in the Student Activity Fund there is not a reconciliation of ordered shirts to payment for shirts.

Recommendation - The District should implement procedures where sponsors reconcile cash collections for shirts to the number of shirts sold. The reconciliation should include the name and amount collected from each person. The amount collected should be reconciled to the deposit made by District personnel. In addition, sponsors should turn the reconciliation into the central office for review and verification and for use in their reconciliation procedures.

Response - All resale and fundraising items will be reconciled to cash receipts and attached to the Purchase Order prior to the Superintendent authorizing and subsequently provided to the Business Office. Items not paid for in advance will not be authorized for purchase.

Conclusion - Response accepted.

I-J-13 Supporting Documentation - We noted several instances in the Student Activity Fund of staff members not turning in invoices to the Business Office in a timely manner. Not turning in invoices in a timely manner can potentially expose the District to additional charges for late payments on various bills.

Recommendation - A better internal control would be to make sure invoices are turned into the business office as they are received. This will help the District in making sure these are paid in a timely manner and therefore not exposing the District to various late payment charges.

Response - The Superintendent will educate staff on providing the Business Office with signed/reviewed packing slips and invoices received from packages immediately.

Conclusion - Response accepted.

- I-K-13 Enrollment Procedures - We noted during our audit that it appears the District's procedures in place regarding certified enrollment reporting are insufficient to ensure reporting accuracy to the Iowa Department of Education.

A secretary has access to the JMC software where students' enrollment status records and class attendance records are maintained. This secretary as well as the superintendent has access to the PEACE system where the District's enrollment is certified to the Iowa Department of Education. This secretary also assists the superintendent in verifying that all data is submitted to the Iowa Department of Education accurately. With these two individuals working together to certify the enrollment and the access to the systems to keep track of enrollment, it would appear that the District lacks segregation in verifying that all data is entered correctly.

Recommendation - The District should review the policies and procedures in place regarding certified enrollment reporting. At a minimum, the District should address issues concerning system security controls, student addition/removal controls, cutoff procedures, and daily attendance records. The District may wish to install additional procedures including but not limited to additional review of enrollment data by another individual before it is submitted to the Iowa Department of Education. The District should also evaluate if additional training may be necessary for staff who work with certified enrollment.

Response - Guidance counselor and secretary will work together for initial submittal which will be approved by the Superintendent.

Conclusion - Response accepted.

AR-WE-VA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-13 Certified Budget - District disbursements for the year ended June 30, 2013 did not exceed the amount budgeted.
- II-B-13 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-13 Business Transactions - Business transactions between the District and District Officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Todd Danner, Board Member Athletic Official	Services	\$780
Denise Ragaller, Board Member Spouse is an Athletic Official	Services	\$195
Bernice Vetter, Cook Baked Goods	Services	\$45

In accordance with Attorney's General Opinion dated July 2, 1990, the above transactions with Bernice Vetter do not appear to represent a conflict of interest.

In accordance with Attorney's General Opinion dated November 9, 1976, the above transactions with the Todd Danner and Denise Ragaller do not appear to represent a conflict of interest.

- 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. Two students reported on the English Language Learner summary on Project Easier had exceeded their funding by 0.22 per student, therefore overreporting certified enrollment by 0.44.

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 - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 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, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 560,184
Revenues:		
Sales tax revenues	\$ 248,662	
Other local revenues	1,015	249,677
		809,861
Expenditures/transfers out:		
School infrastructure construction	232,126	
Other	4,520	
Transfers to other funds		
Debt service fund	176,985	413,631
Ending balance		\$ 396,230

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.