

BCLUW COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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BCLUW Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Brian Feldpausch	President	2015
Shannan Callaway	Vice President	2015
Beth Neff	Board Member	2015
Matt Garber	Board Member	2015
Doug Benjamin	Board Member	2013
Mark Gunderson	Board Member	2013
Chris Simpson	Board Member	2013
School Officials		
Ben Petty	Superintendent	2013
Paula Benson	Board Secretary/ Business Manager	2013
Craig, Smith & Cutler, LLP	Attorney	2013

BCLUW 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 BCLUW 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 BCLUW Community School District, Conrad, 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 BCLUW 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 16 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 BCLUW 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 January 7, 2014 on our consideration of BCLUW 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 BCLUW Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 7, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

BCLUW 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 increased from \$6,299,421 in fiscal 2012 to \$6,310,213 in fiscal 2013, while General Fund expenditures increased from \$6,118,803 in fiscal 2012 to \$6,352,684 in fiscal 2013. The District's General Fund balance decreased from \$1,275,049 in fiscal 2012 to a balance of \$1,232,578 in fiscal 2013, a 3.33% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in federal revenues in fiscal 2013. The increase in expenditures was due primarily to increased spending in the instruction and support services functional areas.
- The District performed a number of building and repair projects to its facilities in order to keep them in optimal condition: Including new sidewalks and entryway at the elementary and middle school.
- The District replaced lights in the middle school gym and doors on east side of the high school and also put new asphalt in the high school back parking lot.
- The District purchased wall pocket tables and benches for the elementary lunch room.
- The District purchased a new 2012 Econoline van, 2013 School Bus, and 2013 F250 Ford Pickup.
- The District purchased macbook pros for all high school students and moved the macbooks to all 7th and 8th grade students.

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 BCLUW 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 BCLUW 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 BCLUW 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 in Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor funds.

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

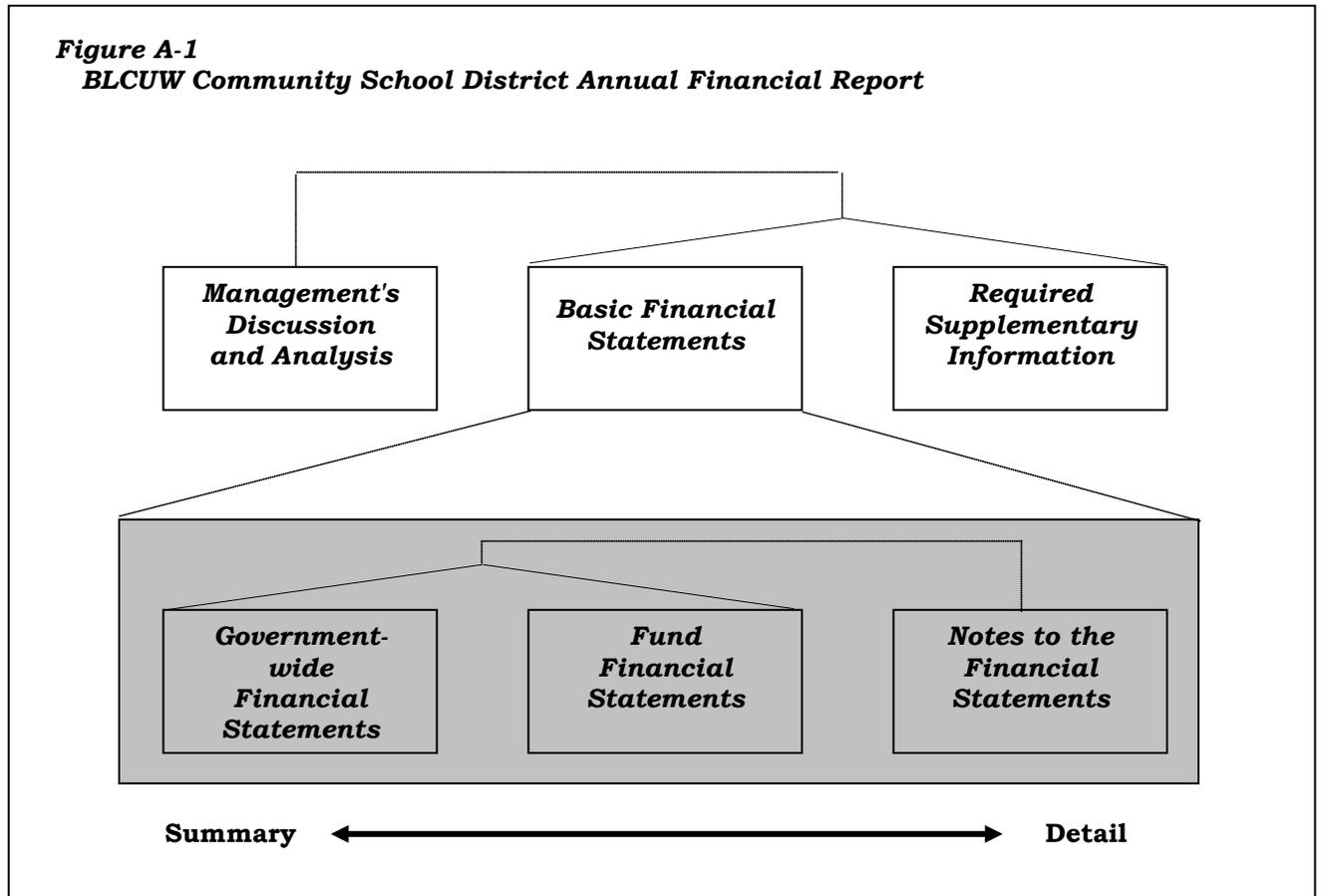


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of revenues, expenses and changes in fund net position • 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, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

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

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

The required financial statements for the proprietary funds include a Statement of Net Position, 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 total net position at June 30, 2013 compared to June 30, 2012.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 6,230,898	5,899,218	72,808	66,692	6,303,706	5,965,910	5.66%
Capital assets	5,416,392	5,415,778	31,227	22,044	5,447,619	5,437,822	0.18%
Total assets	11,647,290	11,314,996	104,035	88,736	11,751,325	11,403,732	3.05%
Long-term obligations	2,223,486	2,278,191	2,045	-	2,225,531	2,278,191	-2.31%
Other liabilities	3,697,022	3,645,965	-	-	3,697,022	3,645,965	1.40%
Total liabilities	5,920,508	5,924,156	2,045	-	5,922,553	5,924,156	-0.03%
Net position:							
Invested in capital assets, net of related debt	3,501,048	3,325,778	31,227	22,044	3,532,275	3,347,822	5.51%
Restricted	976,340	688,928	-	-	976,340	688,928	41.72%
Unrestricted	1,249,394	1,376,134	70,763	66,692	1,320,157	1,442,826	8.50%
Total net position	\$ 5,726,782	5,390,840	101,990	88,736	5,828,772	5,479,576	6.37%

The District's total net position increased by 6.37%, or \$349,196 from 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 \$287,412, or 41.72% over the prior year. The increase in restricted net position is largely a result of the improvement in fund balance in the Management Levy and Capital Projects Funds.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$122,669, or 8.50%.

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

Figure A-4							
Changes of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 971,547	553,229	184,285	201,864	1,155,832	755,093	53.07%
Operating grants and contributions and restricted interest	541,274	1,265,990	154,886	147,909	696,160	1,413,899	-50.76%
Capital grants and contributions and restricted interest	-	-	12,843	-	12,843	-	100.00%
General revenues:							
Property tax	2,956,204	2,859,654	-	-	2,956,204	2,859,654	3.38%
Income surtax	322,309	284,507	-	-	322,309	284,507	13.29%
Statewide sales, services and use tax	525,855	440,649	-	-	525,855	440,649	19.34%
Unrestricted state grants	2,688,434	2,349,132	-	-	2,688,434	2,349,132	14.44%
Unrestricted interest earnings	13,342	10,633	127	106	13,469	10,739	25.42%
Other	38,414	35,462	3,319	-	41,733	35,462	17.68%
Total revenues	<u>8,057,379</u>	<u>7,799,256</u>	<u>355,460</u>	<u>349,879</u>	<u>8,412,839</u>	<u>8,149,135</u>	<u>3.24%</u>
Program expenses:							
Governmental activities:							
Instructional	4,650,376	4,271,965	-	-	4,650,376	4,271,965	8.86%
Support services	2,367,668	2,136,674	3,853	-	2,371,521	2,136,674	10.99%
Non-instructional programs	9,737	11,146	338,353	331,306	348,090	342,452	1.65%
Other expenses	693,656	919,925	-	-	693,656	919,925	-24.60%
Total expenses	<u>7,721,437</u>	<u>7,339,710</u>	<u>342,206</u>	<u>331,306</u>	<u>8,063,643</u>	<u>7,671,016</u>	<u>5.12%</u>
Changes in net position	335,942	459,546	13,254	18,573	349,196	478,119	363.18%
Net position beginning of year	<u>5,390,840</u>	<u>4,931,294</u>	<u>88,736</u>	<u>70,163</u>	<u>5,479,576</u>	<u>5,001,457</u>	<u>9.56%</u>
Net position end of year	<u>\$ 5,726,782</u>	<u>5,390,840</u>	<u>101,990</u>	<u>88,736</u>	<u>5,828,772</u>	<u>5,479,576</u>	<u>6.37%</u>

In fiscal 2013, property tax, statewide sales and services tax and unrestricted state grants account for 76.58% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 95.42% of the revenue from business type activities.

The District's total revenues were approximately \$8.41 million, of which approximately \$8.06 million was for governmental activities and approximately \$0.35 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.24% increase in revenues and a 5.12% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$8,057,379 and expenses were \$7,721,437 for the year ended June 30, 2013.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 4,650,376	4,271,965	8.86%	3,369,806	2,798,284	20.42%
Support services	2,367,668	2,136,674	10.81%	2,367,668	2,027,713	16.77%
Non-instructional	9,737	11,146	-12.64%	9,737	11,146	-12.64%
Other expenses	693,656	919,925	-24.60%	461,405	683,348	-32.48%
Totals	<u>\$ 7,721,437</u>	<u>7,339,710</u>	<u>-17.57%</u>	<u>6,208,616</u>	<u>5,520,491</u>	<u>12.46%</u>

- The cost financed by users of the District's programs was \$971,547.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$541,274.
- The net cost of governmental activities was financed with \$2,956,204 in property tax, \$322,309 in income surtax, \$525,855 in statewide sales, services and use tax, \$2,688,434 in unrestricted state grants, \$13,342 in interest income and \$38,414 in other general revenue.

Business Type Activities

Revenues of the District's business type activities were \$355,460 and expenses were \$342,206. 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 BCLUW 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 \$2,265,988, compared to last year's ending fund balances of \$1,987,326. The primary reason for the increase was improvement in the Capital Projects Fund and Management Levy Fund balances.

Governmental Fund Highlights

- The District's decrease in General Fund financial position is the product of many factors. Total revenues and expenditures increased during the fiscal year. The increase in revenues was primarily due to an increase in federal revenues. The increase in expenditures was primarily due to the increase in instruction costs.
- The Management Levy Fund balance increased from \$244,814 in 2012, to \$418,682 in 2013 due to an increase in local revenues during the fiscal year 2013.

- The Capital Projects Fund improved from a balance of \$263,163 at the beginning of fiscal year 2013 to \$405,852 at the end of fiscal year 2013. The Statewide Sales, Services and Use Tax Fund revenues increased \$244,553 and expenses increased \$338,487 when compared to the previous year. Physical Plant and Equipment Levy Fund revenues increased \$3,685 and expenses increased \$43,721 when compared to the previous year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$88,736 at June 30, 2012 to \$101,990 at June 30, 2013, representing an increase of 14.94%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$264,873 more than budgeted revenues, a variance of 3.26%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and support services functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested approximately \$5.45 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.18% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$1,050,544.

The original cost of the District's capital assets was \$11,956,043. Governmental funds account for \$11,862,871 with the remainder of \$93,172 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category due to the purchase of new computers. The District's machinery and equipment was \$631,524 at June 30, 2013, compared to \$394,816 reported at June 30, 2012.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 80,000	80,000	-	-	80,000	80,000	0.00%
Buildings	4,584,153	4,860,955	-	-	4,584,153	4,860,955	-5.69%
Land improvements	151,942	102,051	-	-	151,942	102,051	48.89%
Machinery and equipment	600,297	372,772	31,227	22,044	631,524	394,816	59.95%
Total	\$ 5,416,392	5,415,778	31,227	22,044	5,447,619	5,437,822	0.18%

Long-Term Debt

At June 30, 2013, the District had \$2,225,531 in long-term debt outstanding. This represents a decrease of 2.31% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had \$1,775,000 of outstanding general obligation bonds payable of at June 30, 2013.

The District had a computer lease payable of \$140,344 at June 30, 2013 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding termination benefits payable from the Special Revenue, Management Fund of \$135,358 at June 30, 2013.

The District had a net OPEB liability of \$174,829 at June 30, 2013.

	Figure A-7						
	Outstanding Long-Term Obligations						
	Total District		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
2013	2012	2013	2012	2013	2012	2012-13	
General obligation bonds	\$ 1,775,000	2,090,000	-	-	1,775,000	2,090,000	-15.07%
Computer lease	140,344	-	-	-	140,344	-	100.00%
Termination benefits	135,358	54,778	-	-	135,358	54,778	147.10%
Net OPEB liability	172,784	133,413	2,045	-	174,829	133,413	31.04%
Total	\$ 2,223,486	2,278,191	2,045	-	2,225,531	2,278,191	-2.31%

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:

- 3.43% contract settlement with professional staff
- Offered an early retirement package to certified and support staff
- Increase in health and dental insurance
- Decrease in enrollment
- SAVE tax continues to keep the district's facilities in good shape
- Passed the voter approved PPEL levy for 10 years
- Reduced certified staff by 0.9 FTE
- Special education tuition costs were significantly higher than past years

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 Paula Benson, Board Secretary/Business Manager, BCLUW Community School District, 610 E Center St., PO Box 670, Conrad, Iowa, 50621.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,558,775	61,504	2,620,279
Receivables:			
Property tax:			
Delinquent	28,405	-	28,405
Succeeding year	2,933,602	-	2,933,602
Income surtax	284,052	-	284,052
Accounts	11,047	2,999	14,046
Due from other governments	415,017	-	415,017
Inventories	-	8,305	8,305
Capital assets, net of accumulated depreciation	5,416,392	31,227	5,447,619
Total assets	11,647,290	104,035	11,751,325
Liabilities			
Accounts payable	153,920	-	153,920
Salaries and benefits payable	593,336	-	593,336
Accrued interest payable payable	16,164	-	16,164
Deferred revenue:			
Succeeding year property tax	2,933,602	-	2,933,602
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	325,000	-	325,000
Computer lease payable	69,067	-	69,067
Termination benefit	62,090	-	62,090
Portion due after one year:			
General obligation bonds payable	1,450,000	-	1,450,000
Computer lease payable	71,277	-	71,277
Termination benefit	73,268	-	73,268
Net OPEB liability	172,784	2,045	174,829
Total liabilities	5,920,508	2,045	5,922,553
Net Position			
Invested in capital assets, net of related debt	3,501,048	31,227	3,532,275
Restricted for:			
Categorical funding	89,598	-	89,598
Debt service	20,296	-	20,296
Management levy purposes	288,178	-	288,178
Student activities	166,547	-	166,547
Public education and recreation levy	5,869	-	5,869
School infrastructure	370,909	-	370,909
Physical plant and equipment	34,943	-	34,943
Unrestricted	1,249,394	70,763	1,320,157
Total net position	\$ 5,726,782	101,990	5,828,772

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,665,582	460,925	72,550	-	(2,132,107)	-	(2,132,107)
Special	848,430	-	70,798	-	(777,632)	-	(777,632)
Other	1,136,364	510,622	165,675	-	(460,067)	-	(460,067)
	<u>4,650,376</u>	<u>971,547</u>	<u>309,023</u>	<u>-</u>	<u>(3,369,806)</u>	<u>-</u>	<u>(3,369,806)</u>
Support services:							
Student	137,732	-	-	-	(137,732)	-	(137,732)
Instructional staff	269,247	-	-	-	(269,247)	-	(269,247)
Administration	845,863	-	-	-	(845,863)	-	(845,863)
Operation and maintenance of plant	615,243	-	-	-	(615,243)	-	(615,243)
Transportation	499,583	-	-	-	(499,583)	-	(499,583)
	<u>2,367,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,367,668)</u>	<u>-</u>	<u>(2,367,668)</u>
Non-instructional:							
Food service operations	7,245	-	-	-	(7,245)	-	(7,245)
Community service operations	2,492	-	-	-	(2,492)	-	(2,492)
	<u>9,737</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,737)</u>	<u>-</u>	<u>(9,737)</u>
Long-term debt interest	86,206	-	-	-	(86,206)	-	(86,206)
Other expenditures:							
AEA flowthrough	232,251	-	232,251	-	-	-	-
Depreciation(unallocated)*	375,199	-	-	-	(375,199)	-	(375,199)
	<u>607,450</u>	<u>-</u>	<u>232,251</u>	<u>-</u>	<u>(375,199)</u>	<u>-</u>	<u>(375,199)</u>
Total governmental activities	7,721,437	971,547	541,274	-	(6,208,616)	-	(6,208,616)
Business Type activities:							
Support services:							
Operation and maintenance of plant	3,853	-	-	-	-	(3,853)	(3,853)
Non-instructional programs:							
Nutrition services	338,353	184,285	154,886	12,843	-	13,661	13,661
Total business type activities	342,206	184,285	154,886	12,843	-	9,808	9,808
Total	\$ 8,063,643	1,155,832	696,160	12,843	(6,208,616)	9,808	(6,198,808)
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,481,402	-	2,481,402
Debt services					399,547	-	399,547
Capital outlay					75,255	-	75,255
Income surtax					322,309	-	322,309
Statewide sales, services and use tax					525,855	-	525,855
Unrestricted state grants					2,688,434	-	2,688,434
Unrestricted investment earnings					13,342	127	13,469
Other general revenues					38,414	3,319	41,733
Total general revenues					<u>6,544,558</u>	<u>3,446</u>	<u>6,548,004</u>
Change in net position					335,942	13,254	349,196
Net position beginning of year					5,390,840	88,736	5,479,576
Net position end of year					<u>\$ 5,726,782</u>	<u>101,990</u>	<u>5,828,772</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 1,718,576	415,746	219,735	204,718	2,558,775
Receivables:					
Property tax:					
Delinquent	20,448	3,131	719	4,107	28,405
Succeeding year	2,031,776	239,999	234,852	426,975	2,933,602
Income surtax	284,052	-	-	-	284,052
Accounts	7,996	-	1,000	2,051	11,047
Due from other governments	230,619	-	184,398	-	415,017
Total assets	\$ 4,293,467	658,876	640,704	637,851	6,230,898
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 151,725	195	-	2,000	153,920
Salaries and benefits payable	593,336	-	-	-	593,336
Deferred revenue:					
Succeeding year property tax	2,031,776	239,999	234,852	426,975	2,933,602
Income surtax	284,052	-	-	-	284,052
Total liabilities	3,060,889	240,194	234,852	428,975	3,964,910
Fund balances:					
Restricted for:					
Categorical funding	89,598	-	-	-	89,598
Debt service	-	-	-	36,460	36,460
Management levy purposes	-	418,682	-	-	418,682
Student activities	-	-	-	166,547	166,547
Public education and recreation levy	-	-	-	5,869	5,869
School infrastructure	-	-	370,909	-	370,909
Physical plant and equipment	-	-	34,943	-	34,943
Unassigned	1,142,980	-	-	-	1,142,980
Total fund balances	1,232,578	418,682	405,852	208,876	2,265,988
Total liabilities and fund balances	\$ 4,293,467	658,876	640,704	637,851	6,230,898

SEE NOTES TO FINANCIAL STATEMENTS.

BCLUW 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)	\$ 2,265,988
 <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.	5,416,392
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	284,052
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(16,164)
Long-term liabilities, including bonds payable, early retirement payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,223,486)</u>
 Net position of governmental activities(page 18)	 <u>\$ 5,726,782</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 2,443,823	325,521	601,110	429,722	3,800,176
Tuition	461,968	-	-	-	461,968
Other	180,214	4,650	1,034	380,937	566,835
State sources	3,015,531	-	-	-	3,015,531
Federal sources	208,677	-	-	-	208,677
Total revenues	6,310,213	330,171	602,144	810,659	8,053,187
Expenditures:					
Current:					
Instruction:					
Regular	2,491,031	49,906	236,820	-	2,777,757
Special	833,976	-	-	-	833,976
Other	744,498	-	-	399,472	1,143,970
	4,069,505	49,906	236,820	399,472	4,755,703
Support services:					
Student	136,511	-	-	-	136,511
Instructional staff	267,018	-	-	-	267,018
Administration	738,962	20,922	1,022	-	760,906
Operation and maintenance of plant	512,422	53,091	35,983	6,086	607,582
Transportation	395,073	25,139	142,347	-	562,559
	2,049,986	99,152	179,352	6,086	2,334,576
Non-instructional:					
Food service operations	-	7,245	-	-	7,245
Community service operations	942	-	-	1,550	2,492
	942	7,245	-	1,550	9,737
Capital outlay	-	-	202,444	-	202,444
Long-term debt:					
Principal	-	-	-	315,000	315,000
Interest and fiscal charges	-	-	-	83,975	83,975
	-	-	-	398,975	398,975
Other expenditures:					
AEA flowthrough	232,251	-	-	-	232,251
Total expenditures	6,352,684	156,303	618,616	806,083	7,933,686
Excess(deficiency) of revenues over(under) expenditures	(42,471)	173,868	(16,472)	4,576	119,501
Other financing sources(uses):					
Proceeds from the disposal of property	-	-	18,817	-	18,817
Proceeds from computer lease	-	-	140,344	-	140,344
Total other financing sources(uses)	-	-	159,161	-	159,161
Net change in fund balances	(42,471)	173,868	142,689	4,576	278,662
Fund balances beginning of year	1,275,049	244,814	263,163	204,300	1,987,326
Fund balances end of year	\$ 1,232,578	418,682	405,852	208,876	2,265,988

SEE NOTES TO FINANCIAL STATEMENTS.

BCLUW 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

Net change in fund balances - total governmental funds(page 22) \$ 278,662

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

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

Capital outlays	\$ 976,144	
Depreciation expense	(975,530)	614

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 4,192

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

Issued	\$ (140,344)	
Repaid	315,000	174,656

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (2,231)

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 fund.

Early retirement	(80,580)	
Net OPEB liability	(39,371)	(119,951)

Changes in net position of governmental activities(page 19) \$ 335,942

SEE NOTES TO FINANCIAL STATEMENTS.

BCLUW COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	School Nutrition
Assets	
Cash and cash equivalents	\$ 61,504
Accounts receivable	2,999
Inventories	8,305
Capital assets, net of accumulated depreciation	31,227
Total assets	104,035
 Liabilities	
Net OPEB liability	2,045
 Net Position	
Invested in capital assets	31,227
Unrestricted	70,763
Total net position	\$ 101,990

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 184,285
Miscellaneous	3,319
Total operating revenues	187,604
Operating Expenses:	
Support Services:	
Operations and maintenance of plant Services	3,853
Non-instructional programs:	
Food service operations:	
Salaries	92,285
Benefits	24,211
Services	19
Supplies	211,672
Depreciation	9,674
Total operating expenses	341,714
Operating loss	(154,110)
Non-operating revenues(expenses):	
Interest income	127
State sources	2,967
Federal sources	151,919
Loss on disposal	(492)
Total non-operating revenues	154,521
Change in net position before other financing sources	411
OTHER FINANCING SOURCES:	
Capital contributions	12,843
Change in net position	13,254
Net position beginning of year	88,736
Net position end of year	\$ 101,990

SEE NOTES TO FINANCIAL STATEMENTS.

BCLUW COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 181,286
Cash received from miscellaneous operating activities	3,319
Cash payments to employees for services	(114,451)
Cash payments to suppliers for goods or services	(197,840)
Net cash used in operating activities	<u>(127,686)</u>
Cash flows from non-capital financing activities:	
State grants received	2,967
Federal grants received	130,827
Net cash provided by non-capital financing activities	<u>133,794</u>
Cash flows from investing activities:	
Interest on investments	<u>127</u>
Cash flows from capital financing activities:	
Acquisition of assets	(6,506)
Net cash used in financing activities	<u>(6,506)</u>
Net decrease in cash and cash equivalents	(271)
Cash and cash equivalents at beginning of year	<u>61,775</u>
Cash and cash equivalents at end of year	<u>\$ 61,504</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (154,110)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	21,092
Depreciation	9,674
Increase in inventories	(3,388)
Increase in accounts receivable	(2,999)
Increase in net OPEB liability	2,045
Net cash used in operating activities	<u>\$ (127,686)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$21,092 of federal commodities.

During the year ended June 30, 2013, the District received \$5,601 in capital contributions from the Capital Projects: Physical Plant and Equipment Levy.

During the year ended June 30, 2013, the District received \$7,242 in capital contributions from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

BCLUW COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies

The BCLUW Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Beaman, Conrad, Liscomb, Union, and Whitten, Iowa, and the predominate agricultural territory in Hardin, Grundy and Marshall 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, BLCUW 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 BCLUW 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 Grundy and Hardin County Assessors' Conference Board.

B. Basis of Presentation

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

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

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

Restricted net position results when constraints placed on net assets 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 assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply 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 Equity

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	1,000
Land improvements	1,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method 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

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.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide

financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General 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 Equity - In the governmental fund financial statements, fund balances are classified as follows:

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

Unassigned - All amounts not included in other 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. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the support services expenditures functional area.

(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. As of June 30, 2013, the District had no investments.

(3) **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	\$ 80,000	-	-	80,000
Total capital assets not being depreciated	80,000	-	-	80,000
Capital assets being depreciated:				
Buildings	9,120,077	73,321	-	9,193,398
Land improvements	136,068	74,967	-	211,035
Machinery and equipment	1,523,439	893,841	38,842	2,378,438
Total capital assets being depreciated	10,779,584	1,042,129	38,842	11,782,871
Less accumulated depreciation for:				
Buildings	4,259,122	350,123	-	4,609,245
Land improvements	34,017	25,076	-	59,093
Machinery and equipment	1,150,667	665,671	38,197	1,778,141
Total accumulated depreciation	5,443,806	1,040,870	38,197	6,446,479
Total capital assets being depreciated, net	5,335,778	1,259	645	5,336,392
Governmental activities capital assets, net	\$ 5,415,778	1,259	645	5,416,392
Business type activities:				
Machinery and equipment	\$ 75,734	19,349	1,911	93,172
Less accumulated depreciation	53,690	9,674	1,419	61,945
Business type activities capital assets, net	\$ 22,044	9,675	492	31,227

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 467,498
Other	49,068
Support services:	
Administration	36,554
Operation and maintenance of plant	48,126
Transportation	64,425
	<u>665,671</u>
Unallocated depreciation	<u>375,199</u>
Total governmental activities depreciation expense	<u>\$ 1,040,870</u>
Business type activities:	
Food service operations	<u>\$ 9,674</u>

(4) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,090,000	-	315,000	1,775,000	325,000
Computer lease	-	140,344	-	140,344	69,067
Termination benefits	54,778	102,745	22,165	135,358	62,090
Net OPEB liability	133,413	39,371	-	172,784	-
Total	\$ 2,278,191	282,460	337,165	2,223,486	456,157
Business type activities:					
Net OPEB liability	\$ -	2,045	-	2,045	-

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Bond Issue of December 1, 2005		
		Principal	Interest	Total
2014	3.45 %	\$ 325,000	71,000	396,000
2015	3.55	340,000	58,000	398,000
2016	3.65	355,000	44,400	399,400
2017	3.75	370,000	30,200	400,200
2018	3.85	385,000	15,400	400,400
Total		\$ 1,775,000	219,000	1,994,000

Computer Lease Payable

Details of the District's June 30, 2013 computer lease indebtedness, paid from the Capital Projects: Statewide Sales, Services and Use Tax Fund, are as follows:

Year Ending June 30,	Interest Rate	Computer lease of July 13, 2012		
		Principal	Interest	Total
2014	3.20 %	\$ 69,067	4,491	73,558
2015	3.20	71,277	2,281	73,558
Total		\$ 140,344	6,772	147,116

Termination Benefits

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must have been at least age fifty-five and employees must have completed eight years of service to the District. Employees must complete an application which must be approved by the Board of Education.

The early retirement benefit for each eligible employee is 60% of the employees current year salary, less supplemental pay or extended contract pay. Early retirement benefits will be paid in two equal installments, one in June 2013 and the second payment in June 2014.

At June 30, 2013, the District has obligations to seven participants with a total liability of \$135,358. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$22,165.

(5) 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 \$323,401, \$301,048 and \$256,217, respectively, equal to the required contributions for each year.

(6) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 61 active and 4 retired members in the plan. Participants must be age 55 or older at age of retirement.

The benefits are provided through fully-insured plans with Wellmark. Retirees under age 65 pay the same premiums for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing

basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 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	\$ 54,394
Interest on net OPEB obligation	3,325
Adjustment to annual required contribution	(9,138)
Annual OPEB cost	<u>48,581</u>
Contributions made	<u>(7,165)</u>
Increase in net OPEB obligation	41,416
Net OPEB obligation beginning of year	<u>133,413</u>
Net OPEB obligation end of year	<u>\$ 174,829</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 year ended June 30, 2013, the District contributed \$7,165 to the medical plan. Plan members eligible for benefits contributed \$106,512, or 93.7% 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	\$ 44,131	0.00%	\$ 85,608
2012	47,805	0.00%	133,413
2013	48,581	14.75%	174,829

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 \$412,231, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$412,231. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,967,143 and the ratio of the UAAL to covered payroll was 13.89%. 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. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

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 claim costs of the medical plan are \$779 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, disability and life insurance. District contributions to ISEBA for the year ended June 30, 2013 were \$630,392.

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

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$232,251 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.

(9) Budget Over Expenditure

During the year ended June 30, 2013, expenditures in the instruction and support services functional area exceeded the amounts budgeted.

(10) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
At-Risk Programs	\$ 14,191
Gifted and Talented Programs	5,218
Returning Dropouts and Dropout Prevention Programs	536
Teacher Salary Supplement	718
Core Curriculum	3,096
Statewide Voluntary Preschool	65,839
Total	<u>\$ 89,598</u>

REQUIRED SUPPLEMENTARY INFORMATION

BCLUW COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 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	\$ 4,828,979	187,731	5,016,710	4,730,945	4,730,945	285,765
State sources	3,015,531	2,967	3,018,498	3,126,086	3,126,086	(107,588)
Federal sources	208,677	151,919	360,596	273,900	273,900	86,696
Total revenues	8,053,187	342,617	8,395,804	8,130,931	8,130,931	264,873
Expenditures/Expenses:						
Instruction	4,755,703	-	4,755,703	4,415,000	4,650,000	(105,703)
Support services	2,334,576	3,853	2,338,429	2,183,800	2,258,800	(79,629)
Non-instructional programs	9,737	338,353	348,090	386,200	386,200	38,110
Other expenditures	833,670	-	833,670	1,121,632	1,121,632	287,962
Total expenditures/expenses	7,933,686	342,206	8,275,892	8,106,632	8,416,632	140,740
Excess of revenues over expenditures/expenses	119,501	411	119,912	24,299	(285,701)	405,613
Other financing sources, net	159,161	12,843	172,004	-	-	172,004
Excess of revenues and other financing sources over expenditures/expenses	278,662	13,254	291,916	24,299	(285,701)	577,617
Balances beginning of year	1,987,326	88,736	2,076,062	1,590,010	1,590,010	486,052
Balances end of year	\$ 2,265,988	101,990	2,367,978	1,614,309	1,304,309	1,063,669

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BCLUW 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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$310,000.

During the year ended June 30, 2013, expenditures in the instruction and support services functional area exceeded the amounts budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 359,000	359,000	0.00%	\$ 3,776,000	9.51%
2011	July 1, 2009	-	359,000	359,000	0.00%	3,802,000	9.44%
2012	July 1, 2009	-	359,000	359,000	0.00%	3,812,000	9.42%
2013	July 1, 2012	-	412,231	412,231	0.00%	2,967,143	13.89%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

BCLUW COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue			Debt Service	Total Other Nonmajor Governmental Funds
	Public		Total		
	Student Activity	Education and Recreation Levy			
Assets					
Cash and pooled investments	\$ 164,547	7,528	172,075	32,643	204,718
Receivables:					
Property tax:					
Delinquent	-	290	290	3,817	4,107
Succeeding year	-	30,575	30,575	396,400	426,975
Accounts	2,000	51	2,051	-	2,051
Total assets	\$ 166,547	38,444	204,991	432,860	637,851
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	2,000	2,000	-	2,000
Deferred revenue:					
Succeeding year property tax	-	30,575	30,575	396,400	426,975
Total liabilities	-	32,575	32,575	396,400	428,975
Fund balances:					
Restricted for:					
Student activities	166,547	-	166,547	-	166,547
Public education and recreation levy	-	5,869	5,869	-	5,869
Debt Service	-	-	-	36,460	36,460
Total fund balances	166,547	5,869	172,416	36,460	208,876
Total liabilities and fund balances	\$ 166,547	38,444	204,991	432,860	637,851

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue			Debt Service	Total Other Nonmajor Governmental Funds
	Public		Total		
	Student Activity	Education and Recreation Levy			
Revenues:					
Local sources:					
Local tax	\$ -	30,175	30,175	399,547	429,722
Other	380,504	-	380,504	433	380,937
Total revenues	380,504	30,175	410,679	399,980	810,659
Expenditures:					
Current:					
Instruction:					
Other	379,571	19,901	399,472	-	399,472
Support services:					
Operation and maintenance of plant	-	6,086	6,086	-	6,086
Non-instructional programs:					
Community service operations	-	1,550	1,550	-	1,550
Other expenditures:					
Long-term debt:					
Principal	-	-	-	315,000	315,000
Interest and fiscal charges	-	-	-	83,975	83,975
Total expenditures	379,571	27,537	407,108	398,975	806,083
Excess of revenues over expenditures	933	2,638	3,571	1,005	4,576
Fund balances beginning of year	165,614	3,231	168,845	35,455	204,300
Fund balances end of year	\$ 166,547	5,869	172,416	36,460	208,876

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BCLUW 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	\$ 185,511	34,224	219,735
Receivables:			
Property tax:			
Delinquent	-	719	719
Succeeding year	-	234,852	234,852
Accounts	1,000	-	1,000
Due from other governments	184,398	-	184,398
Total assets	\$ 370,909	269,795	640,704
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	234,852	234,852
Total liabilities	-	234,852	234,852
Fund balances:			
Restricted for:			
School infrastructure	370,909	-	370,909
Physical plant and equipment	-	34,943	34,943
Total fund balances	370,909	34,943	405,852
Total liabilities and fund balances	\$ 370,909	269,795	640,704

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 525,855	75,255	601,110
Other	633	401	1,034
Total revenues	<u>526,488</u>	<u>75,656</u>	<u>602,144</u>
Expenditures:			
Instruction:			
Regular	236,820	-	236,820
Other	-	-	-
Support Services:			
Administration	252	770	1,022
Operation and maintenance of plant	-	35,983	35,983
Transportation	142,347	-	142,347
Other expenditures:			
Capital outlay	157,942	44,502	202,444
Total expenditures	<u>537,361</u>	<u>81,255</u>	<u>618,616</u>
Excess of revenues under expenditures	(10,873)	(5,599)	(16,472)
Other financing sources:			
Proceeds from computer lease	140,344	-	140,344
Proceeds from disposal	18,817	-	18,817
Total other financing sources	<u>159,161</u>	<u>-</u>	<u>159,161</u>
Net change in fund balances	148,288	(5,599)	142,689
Fund balances beginning year	<u>222,621</u>	<u>40,542</u>	<u>263,163</u>
Fund balances end of year	<u>\$ 370,909</u>	<u>34,943</u>	<u>405,852</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 8,336	2,569	3,855	7,050
Elementary Activities	36,380	2,181	10,416	28,145
MS Activities	8,296	9,692	11,344	6,644
High School Activities	235	5,505	5,098	642
Advanced Construction	-	16,008	3,444	12,564
Civics Class	-	1,250	-	1,250
Drama/Thespians	2,311	3,520	5,168	663
Speech	-	204	204	-
Vocal Music	2,605	29,799	31,678	726
Show Choir	981	10,150	7,684	3,447
Band	2,741	2,344	3,454	1,631
Middle School Vocal Music	329	2	111	220
Little League	-	4,725	3,978	747
Athletic	47,167	139,645	144,599	42,213
MS Athletic	4,091	7,567	10,035	1,623
Iowaish	273	-	273	-
HS Mathletes	762	-	101	661
Class of 2011	1,709	-	1,709	-
Talented and Gifted MS	822	748	895	675
Class of 2013	5,148	661	3,863	1,946
Science Club	282	6,214	6,492	4
Green House	-	150	-	150
MS Theme Day	317	324	500	141
Class of 2014	5,431	19,278	19,493	5,216
Parent/Educator Partnership	9,418	38,039	36,430	11,027
Flower Fund	8	410	261	157
FCCLA	1,442	851	540	1,753
Comet Café	1,841	3,191	3,798	1,234
Library Club	736	4,887	4,921	702
Art Club	688	1,780	982	1,486
Letterwinners	2,133	632	626	2,139
National Art Honor Society	539	-	-	539
Class of 2012	2,813	-	-	2,813
Concessions	-	23,168	22,068	1,100
Special Olympics	17	-	-	17
National Honor Society	2,656	599	576	2,679
Padlock	848	142	6	984
Student Council	1,745	5,637	4,194	3,188
Summer Concessions	8,830	24,715	20,467	13,078
Yearbook	3,508	8,075	7,258	4,325
Class of 2015	176	5,842	3,050	2,968
Total	\$ 165,614	380,504	379,571	166,547

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 3,800,176	3,584,440	3,503,935	3,358,274	3,379,165	3,163,985	3,072,460	2,941,371	2,945,727	2,816,819
Tuition	461,968	454,811	382,766	394,461	354,162	323,887	327,063	260,390	321,512	287,034
Other	566,835	550,492	575,797	510,325	531,636	554,796	469,174	553,728	544,805	797,781
State sources	3,015,531	3,063,554	2,823,470	2,514,445	3,060,564	2,906,756	2,560,037	2,367,946	2,369,727	2,180,190
Federal sources	208,677	145,589	291,194	539,357	289,694	269,196	216,894	116,345	119,713	131,944
Total	\$ 8,053,187	7,798,886	7,577,162	7,316,862	7,615,221	7,218,620	6,645,628	6,239,780	6,301,484	6,213,768
Expenditures:										
Instruction:										
Regular	\$ 2,777,757	2,483,786	2,449,910	2,538,909	2,655,148	2,662,171	2,386,688	2,256,634	2,113,095	2,085,842
Special	833,976	707,970	638,777	669,937	731,501	651,345	655,356	560,169	524,537	517,772
Other	1,143,970	1,059,803	1,132,360	1,043,032	989,208	804,006	747,297	761,726	713,275	704,076
Support services:										
Student	136,511	133,659	131,349	134,523	97,344	94,920	84,866	83,931	130,615	76,351
Instructional staff	267,018	265,967	267,771	223,273	230,109	200,159	193,510	182,949	190,780	163,751
Administration	760,906	754,014	737,939	744,651	747,875	703,427	683,912	659,495	638,098	600,092
Operation and maintenance of plant	607,582	591,612	617,800	539,137	548,564	569,301	505,318	530,856	501,264	450,808
Transportation	562,559	391,422	344,474	320,059	333,571	364,021	338,074	325,388	303,943	270,448
Non-instructional:										
Food service operations	7,245	6,631	7,574	9,811	7,060	5,648	5,828	5,380	681	200
Community service operations	2,492	4,515	6,656	18,945	19,685	2,435	17,357	1,982	-	-
Capital outlay	202,444	255,872	416,223	328,378	752,409	459,174	651,064	367,709	362,559	292,055
Long term debt:										
Principal	315,000	380,925	372,456	280,000	275,000	250,000	235,000	225,000	215,000	200,000
Interest and fiscal charges	83,975	102,512	117,029	117,538	127,825	168,688	179,145	207,324	199,801	210,550
Other expenditures:										
AEA flow-through	232,251	235,906	257,518	257,444	223,513	215,223	194,442	180,550	181,168	182,058
Total	\$ 7,933,686	7,374,594	7,497,836	7,225,637	7,738,812	7,150,518	6,877,857	6,349,093	6,074,816	5,754,003

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

To the Board of Education of the BCLUW 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 BCLUW Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BCLUW 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 BCLUW Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of BCLUW 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 a deficiency in internal control we consider to be material weaknesses and significant deficiencies.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BCLUW 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.

BCLUW Community School District's Responses to Findings

BCLUW Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. BCLUW 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 BCLUW 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.

January 7, 2014
Newton, Iowa

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

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

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

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 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) Capital assets - purchasing, recording and reconciling.
- 6) Wire transfers - processing and approving.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Transfers - preparing and approving.
- 9) Financial reporting - preparing, reconciling and approving.
- 10) Computer systems - performing all general accounting functions and controlling all data input and output.
- 11) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - Receipts – collecting, recording, depositing, journalizing, posting & recording: P. Brown makes the deposits for the general fund, debt service, mgt., PPEL/PERL, & Save. P. Benson enters the journal entries and reconciles. Activity deposits are made by the secretary of the building and P. Brown. P. Brown enters the journal entries and posts. P. Benson reconciles.

Disbursements – P. Brown writes the checks, we have now changed our procedure that P. Benson makes sure invoices match the check and mails them out.

Wire Transfer – We have changed our procedure that the Superintendent: B. Petty signs off on wire transfers.

Payroll – We have changed our procedure so now P. Brown confirms all pay rate and deductions at the beginning of the year that were entered by P. Benson.

School Lunch Program - P. Brown writes the checks, we have now changed our procedure that P. Benson makes sure invoices match the check and mails them out. Reconciling has always been done by P. Benson and check writing by P. Brown.

Conclusion - Response accepted.

I-B-13 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for non-certified coaches.

Recommendation - In an effort to comply with the Department of Labor requirements on wage per hour contracts, the District should keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who received checks.

Response - Our non-certified coaches are now keeping time sheets.

Conclusion - Response accepted.

I-C-13 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying several significant negative student lunch account balances on the books.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances from the families before writing the balances off of the books. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - We received permission from Janice Evans at the Department of Education to write off some of the old negative account balances of students that no longer live in our district and we are working on a policy for a limit of charges on negative accounts.

Conclusion - Response accepted.

I-D-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 fund-raising 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 fund-raising activity for District sponsored fund-raisers as well as fund-raisers sponsored by outside groups and organizations to help ensure consistency and accountability over fund-raising 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. Fund-raising 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 fund-raising activity.

Response - We now are getting board approval for all activity fund-raisers.

Conclusion - Response accepted.

I-E-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 - Cash or change boxes are established with a specified amount. At the event, cash and change boxes will be turned into the Athletic Director or designee, to be locked in a secure location. The district recognizes a certain amount of risk is taken on in allowing sports boosters and other school volunteers to work at gate admissions. When feasible due to time and number of gate admissions workers available, the district will enact additional measures, such as use of pre-numbered tickets and a reconciliation form, signed off by individuals responsible for cash collection and ticket sales.

Conclusion - Response accepted.

- I-F-13 Employee Reimbursements - We noted several reimbursements to employees for purchases made without prior approval.

Recommendation - A better practice would be for the District to purchase items directly using the District's purchases process. Also, when the District makes reimbursements to employees they should not be reimbursing for the sales tax.

Response - We approved a p-card in September. The cards came in December and we have begun the implementation of school purchases with the p-card.

Conclusion - Response accepted.

- I-G-13 Checks made payable to cash - We noted during our audit instances of checks for start-up money made payable only to "cash".

Recommendation - Checks made out to "Cash" are 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 District.

Response - We have changed this procedure to add the employee's name on the check.

Conclusion - Response accepted.

OTHER MATTERS:

- I-H-13 Student Activity Fund Interest Allocation - We noted during the year that it appears that interest earned within the Student Activity Fund was not allocated during the year.

Recommendation - Interest received in the Student Activity Fund should be allocated amongst the individual activity fund accounts that earned the interest during the year. Allocation of interest should be done at least annually.

Response - We will allocate the activity fund interest annually.

Conclusion - Response accepted.

- I-I-13 Commodity Pricing - We noted during our audit of the School Nutrition Fund that the District did not price the commodity inventory using the correct values provided by the Iowa Department of Education.

Recommendation - The District should review procedures in place for the calculation of commodity inventory at year end.

Response - The District will review procedures in place for the calculation of commodity inventory at year end, in order to price the commodity inventory correctly.

Conclusion - Response accepted.

BCLUW 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 - Expenditures for the year ended June 30, 2013 exceeded the certified budget amounts in the instruction and support services functional area.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will continue to monitor the budget and amend as needed.

Conclusion - Response accepted.

II-B-13 Questionable Disbursements - We noted during our audit that the District purchased gift cards from the Student Activity Fund to be given as prizes. Giving gift certificates/cards as prizes does not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Recommendation - Gift cards will no longer be purchased and given as prizes.

Conclusion - Response accepted.

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 - No business transactions between the District and District officials or employees were noted.

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

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

II-G-13 Certified Enrollment - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-H-13 Supplemental 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 following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit:

Beginning Balance		\$	222,621
Revenues:			
Statewide sales, services and use tax revenue	\$	525,855	
Other local revenues		633	
Sale of long-term debt		140,344	
Other		18,817	685,649
			<u>908,270</u>
Expenditures/transfers out:			
School infrastructure construction		14,019	
Equipment		403,193	
Other		120,149	537,361
			<u>537,361</u>
Ending Balance		\$	<u>370,909</u>

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

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

Questionable Accounts - We noted a Parent/Educator and Library account in the Student Activity Fund. The expenditures related to the Parent/Educator and Library accounts appear to be for instructional items and therefore, would be more appropriately handled in the general fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The expenditures in the Parent/Educator and Library account appear to be more instructional in nature and would be more appropriate in the General Fund.

Response - The Parent Educator account is no longer in the activity fund. PEP has opened their own bank account - they approve their payments and issue checks. The library account has been removed from activity and is now a general fund expense.

Conclusion - Response accepted.

II-N-13 Apple Lease - We noted during our audit that the District entered into a long term debt agreement with Apple for computer purchases. However, the Apple lease was not signed by the board president. According to Chapter 291.1, the Code of Iowa requires that all contracts entered into by the District be signed by the Board President.

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

Response - We will make sure that leases are signed by the board president.

Conclusion - Response accepted.