

**CAL COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2013**

# Table of Contents

---

<b>Board of Education and School District Officials</b> .....	1	
<b>Independent Auditor’s Report</b> .....	2-4	
<b>Management's Discussion and Analysis (MD&amp;A)</b> .....	5-13	
<b>Basic Financial Statements</b>		
Government-Wide Financial Statements		
Statement of Net Position .....	14	
Statement of Activities.....	15	
Governmental Fund Financial Statements		
Balance Sheet.....	16	
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	17	
Statement of Revenue, Expenditures and Changes in Fund Balances.....	18	
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities .....	19	
Proprietary Fund Financial Statements		
Statement of Net Position .....	20	
Statement of Revenue, Expenses and Changes in Net Position .....	21	
Statement of Cash Flows .....	22	
Notes to the Financial Statements .....	23-34	
<b>Required Supplementary Information</b>		
Schedule of Budgetary Comparison of Revenue, Expenditures/Expenses and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Fund .....	35	
Schedule of Funding Progress for the Retiree Health Plan .....	36	
<b>Supplementary Information</b>		
Nonmajor Governmental Funds		
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances .....	37	
Schedule of Changes in Special Revenue Fund, Student Activity Accounts .....	38	
Capital Projects Accounts		
Combining Balance Sheet.....	39	
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances .....	40	
Schedule of Revenue By Source and Expenditures By Function - All Governmental Fund Types (Modified Accrual Basis).....	41	
<b>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</b> .....		42-43
<b>Schedule of Findings</b> .....	44-48	

## Introductory Section



# Board of Education and School District Officials

---

As of June 30, 2013

<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
<b>Board of Education</b>		
Steve Muhlenbruch	President	2015
Mitch Vanness	Vice President	2013
Beth Eddy	Member	2015
Austin Elling	Member	2013
Todd Mensing	Member	2013
<b>School Officials</b>		
Dwight Widen	Superintendent	Indefinite
Amanda Rapp	Board Secretary/Superintendent Secretary	Indefinite
Lisa Lewis	Business Manager	Indefinite
Marlys Pralle	District Treasurer	Indefinite

**Financial Section**

---

## **Independent Auditor's Report**

---

Board of Education  
CAL Community School District  
Latimer, Iowa

### **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 CAL Community School District, Latimer, 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, as 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America 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 CAL Community School District as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 5 through 13 and 35 through 36 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 auditing standards generally accepted in the United States of America, 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 CAL Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2012 (which are not presented herein) and expressed a qualified opinion on those financial statements. The financial statements for the eight years ended June 30, 2011 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unqualified opinions on those financial statements. The supplementary information included on pages 37 through 41, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 December 20, 2013 on our consideration of CAL 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* and should be considered in assessing the results of our audit.



HOGAN - HANSEN

Mason City, Iowa  
December 20, 2013

# MANAGEMENT'S DISCUSSION AND ANALYSIS

CAL 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.

## FINANCIAL HIGHLIGHTS

- General Fund revenue increased from \$2,932,643 in fiscal year 2012 to \$3,153,105 in fiscal year 2013, while General Fund expenditures increased from \$3,280,081 in fiscal year 2012 to \$3,351,004 in fiscal year 2013. The District's General Fund balance decreased from \$277,064 at the end of fiscal year 2012 to \$79,165 at the end of fiscal year 2013, a 71.4% decrease.
- The fiscal year 2013 General Fund revenue increase was attributable to increases in federal and state grant revenue. The increase in General Fund expenditures was due to increases in special education and other instruction expenditures.

## 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 CAL 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 CAL Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

Supplementary information provides detailed information about the nonmajor governmental funds.

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

**FIGURE A-1**

**CAL COMMUNITY SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT**

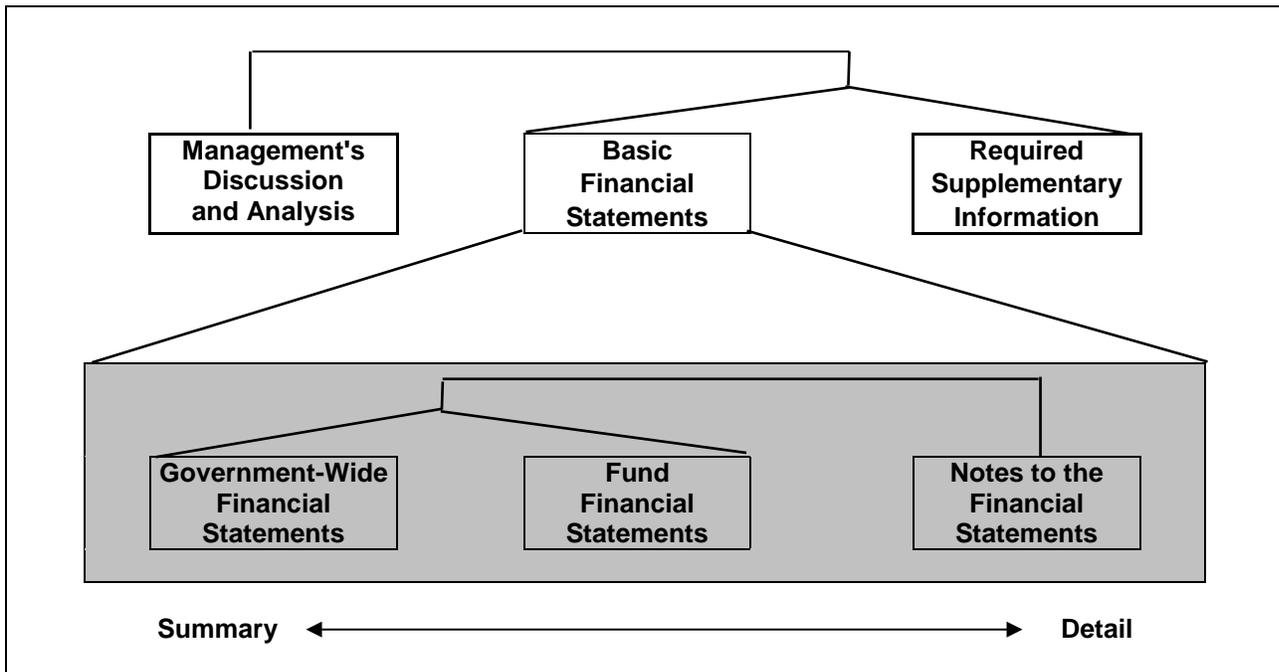


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b>			
<b>Major Features of the Government-Wide and Fund Financial Statements</b>			
		<b>Fund Statements</b>	
	<b>Government-Wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
<b>Scope</b>	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, such as food services
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statements of revenue, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenue, expenses and changes in net position</li> <li>• Statement of cash flows</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
<b>Type of inflow/outflow information</b>	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue 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 revenue 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 revenue 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 it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional nonfinancial 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 or 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 it is properly using certain revenue, such as federal grants.

The District has two types of funds:

1. **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (a) how cash and other financial assets that can readily be converted to cash flow in and out and (b) the balances left at year end 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, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenue, 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 Fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

**FIGURE A-3  
CONDENSED STATEMENT OF NET POSITION**

	Governmental Activities June 30,		Business-Type Activities June 30,		Total District June 30,		Percentage Change June 30, 2012-2013
	2013	2012	2013	2012	2013	2012	
Current and other assets	\$ 3,258,633	\$ 3,261,622	\$ 32,982	\$ 38,033	\$ 3,291,615	\$ 3,299,655	(0.2)
Capital assets	<u>3,030,658</u>	<u>3,203,466</u>	<u>17,068</u>	<u>17,068</u>	<u>3,047,726</u>	<u>3,220,534</u>	<u>(5.4)</u>
<b>Total Assets</b>	<b><u>6,289,291</u></b>	<b><u>6,465,088</u></b>	<b><u>50,050</u></b>	<b><u>55,101</u></b>	<b><u>6,339,341</u></b>	<b><u>6,520,189</u></b>	<b><u>(2.8)</u></b>
Long-term liabilities	1,638,613	1,709,078	—	—	1,638,613	1,709,078	(4.1)
Other liabilities	<u>2,032,713</u>	<u>1,925,108</u>	<u>4,468</u>	<u>6,278</u>	<u>2,037,181</u>	<u>1,931,386</u>	<u>5.5</u>
<b>Total Liabilities</b>	<b><u>3,671,326</u></b>	<b><u>3,634,186</u></b>	<b><u>4,468</u></b>	<b><u>6,278</u></b>	<b><u>3,675,794</u></b>	<b><u>3,640,464</u></b>	<b><u>1.0</u></b>
<b>Net Position</b>							
Net investment in capital assets	1,865,658	1,963,466	17,068	17,068	1,882,726	1,980,534	(4.9)
Restricted	1,106,855	873,966	—	—	1,106,855	873,966	26.6
Unrestricted	<u>(354,548)</u>	<u>(6,530)</u>	<u>28,514</u>	<u>31,755</u>	<u>(326,034)</u>	<u>25,225</u>	<u>(1,392.5)</u>
<b>Total Net Position</b>	<b><u>\$ 2,617,965</u></b>	<b><u>\$ 2,830,902</u></b>	<b><u>\$ 45,582</u></b>	<b><u>\$ 48,823</u></b>	<b><u>\$ 2,663,547</u></b>	<b><u>\$ 2,879,725</u></b>	<b><u>(7.5)</u></b>

The District's total net position decreased 7.5%, or approximately \$216,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by approximately \$233,000, or 26.6%, over the prior year. The increase was primarily a result of collecting local option sales tax monies that were not expended in the current year.

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 by approximately \$351,000, or 1,392.5%. This reduction in unrestricted net position was primarily a result of General Fund expenditures exceeding revenue and an increase in the OPEB liability.

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 IN NET POSITION**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total District</b>		<b>Percentage Change</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2012-2013</b>
<b>Revenue</b>							
Program Revenue							
Charges for service	\$ 304,817	\$ 242,629	\$ 48,233	\$ 61,585	\$ 353,050	\$ 304,214	16.1
Operating grants and contributions	565,816	478,245	106,954	98,640	672,770	576,885	16.6
General Revenue							
Property tax	1,396,088	1,441,072	—	—	1,396,088	1,441,072	(3.1)
Income surtax	135,469	107,224	—	—	135,469	107,224	26.3
Statewide sales, services and use tax	233,176	204,192	—	—	233,176	204,192	14.2
Unrestricted state grants	1,200,747	1,082,833	—	—	1,200,747	1,082,833	10.9
Unrestricted invest- ment earnings	4,528	14,272	—	—	4,528	14,272	(68.3)
Other	41,511	52,346	—	—	41,511	52,346	(20.7)
<b>Total Revenue</b>	<b><u>3,882,152</u></b>	<b><u>3,622,813</u></b>	<b><u>155,187</u></b>	<b><u>160,225</u></b>	<b><u>4,037,339</u></b>	<b><u>3,783,038</u></b>	<b><u>6.7</u></b>
<b>Expenses</b>							
Instruction	2,833,942	2,591,553	—	—	2,833,942	2,591,553	9.4
Support services	1,083,431	1,153,407	—	—	1,083,431	1,153,407	(6.1)
Noninstructional programs	—	—	158,428	169,649	158,428	169,649	(6.6)
Other expenditures	177,716	372,246	—	—	177,716	372,246	(52.3)
<b>Total Expenses</b>	<b><u>4,095,089</u></b>	<b><u>4,117,206</u></b>	<b><u>158,428</u></b>	<b><u>169,649</u></b>	<b><u>4,253,517</u></b>	<b><u>4,286,855</u></b>	<b><u>(0.8)</u></b>
<b>Change in Net Position</b>	<b>(212,937)</b>	<b>(494,393)</b>	<b>(3,241)</b>	<b>(9,424)</b>	<b>(216,178)</b>	<b>(503,817)</b>	<b>57.1</b>
Net Position - Beginning of Year	<u>2,830,902</u>	<u>3,325,295</u>	<u>48,823</u>	<u>58,247</u>	<u>2,879,725</u>	<u>3,383,542</u>	<u>(14.9)</u>
<b>Net Position - End of Year</b>	<b><u>\$ 2,617,965</u></b>	<b><u>\$ 2,830,902</u></b>	<b><u>\$ 45,582</u></b>	<b><u>\$ 48,823</u></b>	<b><u>\$ 2,663,547</u></b>	<b><u>\$ 2,879,725</u></b>	<b><u>(7.5)</u></b>

In fiscal year 2013, property tax and unrestricted state grants accounted for 66.9% of governmental activities revenue while charges for service and operating grants and contributions accounted for 100% of business-type activities revenue. The District's total revenue was approximately \$4.04 million, of which approximately \$3.88 million was for governmental activities and \$0.16 million was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 6.7% increase in revenue and a 0.8% decrease in expenses.

### **Governmental Activities**

Revenue for governmental activities was \$3,882,152 and expenses were \$4,095,089 for the year ended June 30, 2013. The decrease in net position was primarily due to increases in special education and other instruction expenses.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses for the year ended June 30, 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	Percentage Change 2012-2013	2013	2012	Percentage Change 2012-2013
Instruction	\$ 2,833,942	\$ 2,591,553	9.4	\$ 2,083,014	\$ 2,012,441	3.5
Support services	1,083,431	1,153,407	(6.1)	1,079,049	1,124,815	(4.1)
Other expenses	<u>177,716</u>	<u>372,246</u>	<u>(52.3)</u>	<u>62,393</u>	<u>259,076</u>	<u>(75.9)</u>
<b>Total</b>	<b><u>\$ 4,095,089</u></b>	<b><u>\$ 4,117,206</u></b>	<b><u>(0.5)</u></b>	<b><u>\$ 3,224,456</u></b>	<b><u>\$ 3,396,332</u></b>	<b><u>(5.1)</u></b>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$304,817.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$565,816.
- The net cost of governmental activities was financed with \$1,764,733 in property tax and other taxes and \$1,200,747 in unrestricted state grants.

### **Business-Type Activities**

Revenue for business-type activities during the year ended June 30, 2013 was \$155,187, representing a 3.1% decrease from the prior year, while expenses totaled \$158,428, a 6.6% decrease from the prior year. The District's business-type activities include the School Nutrition Fund. Revenue from these activities was comprised of charges for service and federal and state reimbursements.

The decrease in revenue was due to decreases in the number of meals served which also decreased expenses for meal supplies.

### **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,120,790 compared to last year's ending fund balances of \$1,231,834. The primary reason for the decrease in combined fund balances at the end of the fiscal year 2013 is due to an increase in salaries and benefits over the prior year and debt service payments in excess of taxes levied for debt service.

## **Governmental Fund Highlights**

- The General Fund balance decreased from \$277,064 to \$79,165 as of the end of fiscal year 2013 as the result of many factors; however, the primary factor was an increase in instruction expenditures.
- The Management Levy Fund balance increased from \$245,171 to \$269,085 as of the end of fiscal year 2013 due to an increase in tax revenue.
- The Capital Projects Fund balance increased from \$407,568 to \$679,329 as of the end of fiscal year 2013 due to an increase in local option sales tax collected and a decrease in construction expenditures.

## **Proprietary Fund Highlights**

School Nutrition Fund net position decreased from \$48,823 as of June 30, 2012 to \$45,582 as of June 30, 2013, representing a decrease of 6.6%. The decrease is due to increased food costs and fewer meals being served.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, CAL Community School District amended its budget one time to reflect additional expenditures associated with summer school and facility improvements.

The District's total revenue was \$137,152 more than total budgeted revenue, a variance of 3.5%. Total expenditures were \$1,240,486 less than budgeted.

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

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As of June 30, 2013, the District had invested \$3,047,726, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of \$172,808 from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$297,948.

**FIGURE A-6  
CAPITAL ASSETS, NET OF DEPRECIATION**

	Governmental Activities June 30,		Business-Type Activities June 30,		Total School District June 30,		Percentage Change 2012-2013
	2013	2012	2013	2012	2013	2012	
Land	\$ 10,100	\$ 10,100	\$ —	\$ —	\$ 10,100	\$ 10,100	0.0
Buildings	2,764,456	2,764,847	—	—	2,764,456	2,764,847	0.0
Improvements other than buildings	29,180	27,590	—	—	29,180	27,590	5.8
Furniture and equipment	226,922	400,929	17,068	17,068	243,990	417,997	(41.6)
<b>Total</b>	<b><u>\$ 3,030,658</u></b>	<b><u>\$ 3,203,466</u></b>	<b><u>\$ 17,068</u></b>	<b><u>\$ 17,068</u></b>	<b><u>\$ 3,047,726</u></b>	<b><u>\$ 3,220,534</u></b>	<b><u>(5.4)</u></b>

### Long-Term Debt

As of June 30, 2013, the District had \$1,165,000 in total long-term debt outstanding. This represents a decrease of 6% from the prior year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of A assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximate \$5.8 million.

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Adequate allowable growth will be necessary to maintain the District's current educational program. The District has been experiencing declining or leveling enrollment, which affects future state funding.
- The District is seeing increases in special education costs, health insurance costs and an increase in diversity and demographics in the area served. Additionally, the transportation costs are higher than the state average.
- The statewide sales, services and use tax is being used for debt reduction which results in property tax relief for the District's taxpayers.
- Several of the unfunded mandates, such as No Child Left Behind, Student Achievement and Teacher Quality Act and reduction in state aid for juvenile homes is stretching the limits of not only the financial health of the District, but also its human resources.

### 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 Lisa Lewis or Amanda Rapp, CAL Community School District, 1441 Gull Avenue, Latimer, IA 50452.

## **Basic Financial Statements**

---

# Statement of Net Position

As of June 30, 2013

	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
Cash and pooled investments.....	\$ 1,489,001	\$ 25,360	\$ 1,514,361
Receivables			
Property Tax			
Current year delinquent .....	13,516	—	13,516
Succeeding year .....	1,452,642	—	1,452,642
Accounts .....	3,393	—	3,393
Due from other governments.....	300,081	5,219	305,300
Inventories.....	—	2,403	2,403
Capital assets, net of accumulated depreciation ....	<u>3,030,658</u>	<u>17,068</u>	<u>3,047,726</u>
<b>Total Assets</b> .....	<b><u>\$ 6,289,291</u></b>	<b><u>\$ 50,050</u></b>	<b><u>\$ 6,339,341</u></b>
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
Accounts payable.....	\$ 263,662	\$ 2,659	\$ 266,321
Salaries and benefits payable.....	291,079	1,809	292,888
Accrued interest payable .....	15,135	—	15,135
Deferred Revenue			
Succeeding year property tax.....	1,452,642	—	1,452,642
Other.....	10,195	—	10,195
Long-Term Liabilities			
Portion Due Within One Year			
Revenue bonds.....	100,000	—	100,000
Early retirement.....	13,632	—	13,632
Portion Due After One Year			
Revenue bonds.....	1,065,000	—	1,065,000
Net OPEB liability .....	<u>459,981</u>	<u>—</u>	<u>459,981</u>
<b>Total Liabilities</b> .....	<b><u>3,671,326</u></b>	<b><u>4,468</u></b>	<b><u>3,675,794</u></b>
<b>Net Position</b>			
Net investment in capital assets .....	1,865,658	17,068	1,882,726
Restricted for			
Categorical funding .....	53,909	—	53,909
Management levy purposes .....	255,453	—	255,453
Debt service.....	224,022	—	224,022
School infrastructure .....	179,177	—	179,177
Property, plant and equipment .....	301,083	—	301,083
Student activities .....	93,211	—	93,211
Unrestricted .....	<u>(354,548)</u>	<u>28,514</u>	<u>(326,034)</u>
<b>Total Net Position</b> .....	<b><u>2,617,965</u></b>	<b><u>45,582</u></b>	<b><u>2,663,547</u></b>
<b>Total Liabilities and Net Position</b> .....	<b><u>\$ 6,289,291</u></b>	<b><u>\$ 50,050</u></b>	<b><u>\$ 6,339,341</u></b>

See accompanying notes to the financial statements.

# Statement of Activities

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenue		Net (Expenses), Revenue and Changes in Net Position		
		Charges for Service	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>						
Instruction						
Regular instruction .....	\$ 1,418,577	\$ 137,452	\$ 407,008	\$ (874,117)	\$ —	\$ (874,117)
Special instruction .....	790,350	35,035	21,769	(733,546)	—	(733,546)
Other instruction .....	<u>625,015</u>	<u>131,321</u>	<u>18,343</u>	<u>(475,351)</u>	<u>—</u>	<u>(475,351)</u>
Total Instruction.....	<u>2,833,942</u>	<u>303,808</u>	<u>447,120</u>	<u>(2,083,014)</u>	<u>—</u>	<u>(2,083,014)</u>
Support Services						
Student services .....	4,189	—	—	(4,189)	—	(4,189)
Instructional staff services .....	157,851	—	—	(157,851)	—	(157,851)
Administration services .....	332,155	—	—	(332,155)	—	(332,155)
Operation and maintenance of plant services .....	356,621	—	—	(356,621)	—	(356,621)
Transportation services .....	<u>232,615</u>	<u>1,009</u>	<u>3,373</u>	<u>(228,233)</u>	<u>—</u>	<u>(228,233)</u>
Total Support Services.....	<u>1,083,431</u>	<u>1,009</u>	<u>3,373</u>	<u>(1,079,049)</u>	<u>—</u>	<u>(1,079,049)</u>
Other Expenditures						
Long-term debt interest and fiscal charges .....	31,770	—	—	(31,770)	—	(31,770)
AEA flowthrough.....	115,323	—	115,323	—	—	—
Depreciation - unallocated* .....	<u>30,623</u>	<u>—</u>	<u>—</u>	<u>(30,623)</u>	<u>—</u>	<u>(30,623)</u>
Total Other Expenditures .....	<u>177,716</u>	<u>—</u>	<u>115,323</u>	<u>(62,393)</u>	<u>—</u>	<u>(62,393)</u>
<b>Total Governmental Activities .....</b>	<b><u>4,095,089</u></b>	<b><u>304,817</u></b>	<b><u>565,816</u></b>	<b><u>(3,224,456)</u></b>	<b><u>—</u></b>	<b><u>(3,224,456)</u></b>
<b>Business-Type Activities</b>						
Noninstructional Programs						
Food service operations .....	<u>158,428</u>	<u>48,233</u>	<u>106,954</u>	<u>—</u>	<u>(3,241)</u>	<u>(3,241)</u>
<b>Total .....</b>	<b><u>\$ 4,253,517</u></b>	<b><u>\$ 353,050</u></b>	<b><u>\$ 672,770</u></b>	<b><u>(3,224,456)</u></b>	<b><u>(3,241)</u></b>	<b><u>(3,227,697)</u></b>
<b>General Revenue</b>						
Property Tax Levied for						
General purposes .....				1,274,979	—	1,274,979
Capital outlay.....				121,109	—	121,109
Income surtax.....				135,469	—	135,469
Statewide sales, services and use tax .....				233,176	—	233,176
Unrestricted state grants .....				1,200,747	—	1,200,747
Unrestricted investment earnings				4,528	—	4,528
Gain on sale of capital assets ....				603	—	603
Other .....				<u>40,908</u>	<u>—</u>	<u>40,908</u>
<b>Total General Revenue .....</b>				<b><u>3,011,519</u></b>	<b><u>—</u></b>	<b><u>3,011,519</u></b>
<b>Change in Net Position.....</b>				<b>(212,937)</b>	<b>(3,241)</b>	<b>(216,178)</b>
Net Position - Beginning of Year				<u>2,830,902</u>	<u>48,823</u>	<u>2,879,725</u>
<b>Net Position - End of Year .....</b>				<b><u>\$ 2,617,965</u></b>	<b><u>\$ 45,582</u></b>	<b><u>\$ 2,663,547</u></b>

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

## Balance Sheet - Governmental Funds

As of June 30, 2013

	General	Special Revenue Management Levy	Capital Projects	Nonmajor Special Revenue Student Activity	Total
<b>Assets</b>					
Cash and pooled investments.....	\$ 507,552	\$ 267,911	\$ 617,226	\$ 96,312	\$ 1,489,001
Receivables					
Property Tax					
Current year delinquent .....	10,965	1,381	1,170	—	13,516
Succeeding year .....	1,235,205	110,000	107,437	—	1,452,642
Accounts .....	390	1,564	—	1,439	3,393
Due from other governments.....	<u>198,037</u>	<u>—</u>	<u>102,044</u>	<u>—</u>	<u>300,081</u>
<b>Total Assets .....</b>	<b><u>\$ 1,952,149</u></b>	<b><u>\$ 380,856</u></b>	<b><u>\$ 827,877</u></b>	<b><u>\$ 97,751</u></b>	<b><u>\$ 3,258,633</u></b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable.....	\$ 256,328	\$ 1,771	\$ 1,023	\$ 4,540	\$ 263,662
Salaries and benefits payable.....	291,079	—	—	—	291,079
Deferred Revenue					
Succeeding year property tax.....	1,235,205	110,000	107,437	—	1,452,642
Other.....	<u>90,372</u>	<u>—</u>	<u>40,088</u>	<u>—</u>	<u>130,460</u>
<b>Total Liabilities .....</b>	<b><u>1,872,984</u></b>	<b><u>111,771</u></b>	<b><u>148,548</u></b>	<b><u>4,540</u></b>	<b><u>2,137,843</u></b>
<b>Fund Balances</b>					
Restricted for					
Categorical funding .....	53,909	—	—	—	53,909
Management levy purposes .....	—	269,085	—	—	269,085
Debt service.....	—	—	239,157	—	239,157
School infrastructure .....	—	—	179,177	—	179,177
Physical plant and equipment .....	—	—	260,995	—	260,995
Student activities .....	—	—	—	93,211	93,211
Unassigned .....	<u>25,256</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>25,256</u>
<b>Total Fund Balances .....</b>	<b><u>79,165</u></b>	<b><u>269,085</u></b>	<b><u>679,329</u></b>	<b><u>93,211</u></b>	<b><u>1,120,790</u></b>
<b>Total Liabilities and Fund Balances .....</b>	<b><u>\$ 1,952,149</u></b>	<b><u>\$ 380,856</u></b>	<b><u>\$ 827,877</u></b>	<b><u>\$ 97,751</u></b>	<b><u>\$ 3,258,633</u></b>

See accompanying notes to the financial statements.

## Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

---

As of June 30, 2013

<b>Total Fund Balances for Governmental Funds (Page 16)....</b>		<b>\$ 1,120,790</b>
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Income surtax receivable is not available to pay current year expenditures and, therefore, is deferred in the governmental funds.....		120,265
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.....		3,030,658
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.....		(15,135)
Long-term liabilities, including revenue bonds, early retirement and other postemployment benefits are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		
Revenue bonds .....	\$ (1,165,000)	
Early retirement.....	(13,632)	
Other postemployment benefits.....	<u>(459,981)</u>	<u>(1,638,613)</u>
<b>Net Position of Governmental Activities (Page 14) .....</b>		<b><u>\$ 2,617,965</u></b>

# Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2013

	General	Special Revenue Management Levy	Capital Projects	Nonmajor	Total
<b>Revenue</b>					
Local Sources					
Local tax .....	\$ 1,223,158	\$ 142,586	\$ 398,990	\$ —	\$ 1,764,734
Tuition .....	86,017	—	—	—	86,017
Other .....	93,696	41,222	1,259	144,387	280,564
State sources .....	1,591,532	—	—	—	1,591,532
Federal sources .....	158,702	—	—	—	158,702
<b>Total Revenue .....</b>	<b><u>3,153,105</u></b>	<b><u>183,808</u></b>	<b><u>400,249</u></b>	<b><u>144,387</u></b>	<b><u>3,881,549</u></b>
<b>Expenditures</b>					
Current					
Instruction					
Regular instruction .....	1,222,390	91,633	—	—	1,314,023
Special instruction .....	743,515	—	—	—	743,515
Other instruction .....	474,818	—	—	142,592	617,410
<b>Total Instruction .....</b>	<b><u>2,440,723</u></b>	<b><u>91,633</u></b>	<b><u>—</u></b>	<b><u>142,592</u></b>	<b><u>2,674,948</u></b>
Support Services					
Student services .....	4,189	—	—	—	4,189
Instructional staff services .....	151,527	—	850	—	152,377
Administration services .....	315,701	—	13,302	—	329,003
Operation and maintenance of plant services .....	169,714	68,261	19,115	—	257,090
Transportation services .....	153,827	—	9,443	—	163,270
<b>Total Support Services .....</b>	<b><u>794,958</u></b>	<b><u>68,261</u></b>	<b><u>42,710</u></b>	<b><u>—</u></b>	<b><u>905,929</u></b>
Other Expenditures					
Facilities acquisition and construction .....	—	—	193,173	—	193,173
Long-Term Debt					
Principal .....	—	—	—	75,000	75,000
Interest and fiscal charges .....	—	—	—	32,220	32,220
AEA flowthrough .....	115,323	—	—	—	115,323
<b>Total Other Expenditures .....</b>	<b><u>115,323</u></b>	<b><u>—</u></b>	<b><u>193,173</u></b>	<b><u>107,220</u></b>	<b><u>415,716</u></b>
<b>Total Expenditures .....</b>	<b><u>3,351,004</u></b>	<b><u>159,894</u></b>	<b><u>235,883</u></b>	<b><u>249,812</u></b>	<b><u>3,996,593</u></b>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures .....</b>	<b><u>(197,899)</u></b>	<b><u>23,914</u></b>	<b><u>164,366</u></b>	<b><u>(105,425)</u></b>	<b><u>(115,044)</u></b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	—	—	—	4,000	4,000
Operating transfers in .....	—	—	107,395	—	107,395
Operating transfers out .....	—	—	—	(107,395)	(107,395)
<b>Total Other Financing Sources (Uses) .....</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>107,395</u></b>	<b><u>(103,395)</u></b>	<b><u>4,000</u></b>
<b>Net Change in Fund Balances .....</b>	<b><u>(197,899)</u></b>	<b><u>23,914</u></b>	<b><u>271,761</u></b>	<b><u>(208,820)</u></b>	<b><u>(111,044)</u></b>
Fund Balances - Beginning of Year	277,064	245,171	407,568	302,031	1,231,834
<b>Fund Balances - End of Year .....</b>	<b><u>\$ 79,165</u></b>	<b><u>\$ 269,085</u></b>	<b><u>\$ 679,329</u></b>	<b><u>\$ 93,211</u></b>	<b><u>\$ 1,120,790</u></b>

See accompanying notes to the financial statements.

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

Year Ended June 30, 2013

**Change in Fund Balances - Total Governmental Funds (Page 18) \$ (111,044)**

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

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

Capital outlays.....	\$ 128,537	
Depreciation expense.....	<u>(297,948)</u>	(169,411)

The net book value of capital assets disposed of during the year.....		(3,397)
-----------------------------------------------------------------------	--	---------

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. ....		161,534
------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	---------

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 governmental funds when due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. ....		450
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	-----

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

Early retirement.....	\$ 25,720	
Other postemployment benefits.....	<u>(116,789)</u>	<u>(91,069)</u>

**Change in Net Position of Governmental Activities (Page 15) \$ (212,937)**

# Statement of Net Position - Proprietary Fund

Year Ended June 30, 2013

	<b>Nonmajor Enterprise Fund School Nutrition</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and pooled investments .....	\$ 25,360
Receivables	
Due from other governments.....	5,219
Inventories.....	<u>2,403</u>
<b>Total Current Assets</b> .....	<b><u>32,982</u></b>
<b>Capital Assets</b>	
Capital assets, net of accumulated depreciation.....	<u>17,068</u>
<b>Total Assets</b> .....	<b><u>\$ 50,050</u></b>
<b>Liabilities and Net Position</b>	
<b>Liabilities</b>	
Accounts payable .....	\$ 2,659
Salaries and benefits payable.....	<u>1,809</u>
<b>Total Liabilities</b> .....	<b><u>4,468</u></b>
<b>Net Position</b>	
Investment in capital assets.....	17,068
Unrestricted.....	<u>28,514</u>
<b>Total Net Position</b> .....	<b><u>45,582</u></b>
<b>Total Liabilities and Net Position</b> .....	<b><u>\$ 50,050</u></b>

# Statement of Revenue, Expenses and Changes in Net Position - Proprietary Fund

---

Year Ended June 30, 2013

	<b><u>Nonmajor Enterprise Fund School Nutrition</u></b>
<b>Operating Revenue</b>	
Local Sources	
Charges for service.....	<b><u>\$ 48,233</u></b>
<b>Operating Expenses</b>	
Noninstructional Programs	
Food Service Operations	
Salaries and benefits.....	62,551
Purchased services and supplies .....	<u>95,877</u>
<b>Total Operating Expenses .....</b>	<b><u>158,428</u></b>
<b>Loss From Operations .....</b>	<b><u>(110,195)</u></b>
<b>Nonoperating Revenue</b>	
State sources .....	1,507
Federal sources.....	<u>105,447</u>
<b>Total Nonoperating Revenue.....</b>	<b><u>106,954</u></b>
<b>Change in Net Position .....</b>	<b>(3,241)</b>
Net Position - Beginning of Year.....	<u>48,823</u>
<b>Net Position - End of Year.....</b>	<b><u>\$ 45,582</u></b>

# Statement of Cash Flows - Proprietary Fund

Year Ended June 30, 2013

	<u>Nonmajor Enterprise Fund School Nutrition</u>
<b>Cash Flows From Operating Activities</b>	
Cash received from sale of lunches and breakfasts.....	\$ 48,233
Cash payments to employees for services .....	(62,949)
Cash payments to suppliers for goods and services .....	<u>(91,725)</u>
<b>Net Cash Used in Operating Activities.....</b>	<b><u>(106,441)</u></b>
<b>Cash Flows From Noncapital Financing Activities</b>	
State grants received.....	1,507
Federal grants received.....	<u>94,664</u>
<b>Net Cash Provided by Noncapital Financing Activities .....</b>	<b><u>96,171</u></b>
<b>Net Decrease in Cash and Pooled Investments .....</b>	<b>(10,270)</b>
Cash and Pooled Investments - Beginning of Year.....	<u>35,630</u>
<b>Cash and Pooled Investments - End of Year .....</b>	<b><u>\$ 25,360</u></b>
<b>Reconciliation of Loss From Operations to Net Cash Used in Operating Activities</b>	
Loss from operations.....	\$ (110,195)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities	
Change in Assets and Liabilities	
Commodities used .....	6,517
Increase in inventories .....	(953)
Decrease in accounts payable .....	(1,412)
Decrease in salaries and benefits payable .....	<u>(398)</u>
<b>Net Cash Used in Operating Activities.....</b>	<b><u>\$ (106,441)</u></b>

## Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2013, the District received \$5,564 of federal commodities.

# Notes to the Financial Statements

---

## (1) Summary of Significant Accounting Policies

CAL Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the Cities of Coulter, Alexander and Latimer, Iowa, and the surrounding predominate agricultural territory in Franklin and Wright Counties. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board.

### Reporting Entity

For financial reporting purposes, CAL 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 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Franklin County Assessor's Conference Board.

### 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 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 revenue, 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 the following categories:

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

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

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

# Notes to the Financial Statements

---

## (1) Summary of Significant Accounting Policies

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

### ***Fund Financial Statements***

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

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

The *Management Levy Fund* is a special revenue fund utilized for the payment of insurance, unemployment and early retirement benefits.

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

The District reports the following nonmajor proprietary fund:

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

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

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days after year end.

# Notes to the Financial Statements

---

## (1) Summary of Significant Accounting Policies

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

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

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue 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.

## **Assets, Liabilities and Fund Equity**

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

### ***Cash, Cash Equivalents and Pooled Investments***

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 nonnegotiable certificates of deposit which are stated at cost.

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

# Notes to the Financial Statements

---

## (1) Summary of Significant Accounting Policies

### ***Property Tax Receivable***

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1-1/2% monthly 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 revenue grants and reimbursements from other governments.

### ***Inventories***

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

### ***Capital Assets***

Capital assets, which include property, furniture 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangibles were noted that exceeded the threshold amount.

Land.....	\$ 500
Buildings .....	500
Improvements other than buildings .....	500
Intangibles.....	500
Furniture and Equipment	
School Nutrition Fund equipment .....	500
Other furniture and equipment.....	500

# Notes to the Financial Statements

---

## (1) Summary of Significant Accounting Policies

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

Buildings .....	50 Years
Improvements other than buildings .....	20 - 50 Years
Intangibles.....	5 - 10 Years
Furniture and equipment .....	5 - 15 Years

### **Salaries and Benefits Payable**

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

### **Deferred Revenue**

Although certain revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds, property tax receivable and other receivables not collected within 60 days after year end.

Deferred revenue in 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 and unspent grant proceeds that will not be recognized as revenue until spent as required.

### **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 who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2013. The compensated absences liability was deemed to be immaterial as of June 30, 2013.

### **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 the preceding classification.

# Notes to the Financial Statements

---

## (1) Summary of Significant Accounting Policies

### Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

### Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## (2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks as of 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 investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$984 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

## (3) Interfund Transfers

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

<b>Transfer to</b>	<b>Transfer From</b>	<b>Amount</b>
Capital Projects	Debt Service	<b><u>\$ 107,395</u></b>

Transfers generally move revenue from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

## Notes to the Financial Statements

### (4) Capital Assets

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

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land.....	\$ 10,100	\$ —	\$ —	\$ 10,100
Capital Assets Being Depreciated				
Buildings .....	4,119,961	108,775	—	4,228,736
Improvements other than buildings.....	245,384	6,717	—	252,101
Furniture and equipment .....	<u>1,662,196</u>	<u>13,045</u>	<u>10,892</u>	<u>1,664,349</u>
Total Capital Assets Being Depreciated.....	<u>6,027,541</u>	<u>128,537</u>	<u>10,892</u>	<u>6,145,186</u>
Less Accumulated Depreciation for				
Buildings .....	1,355,114	109,166	—	1,464,280
Improvements other than buildings.....	217,794	5,127	—	222,921
Furniture and equipment .....	<u>1,261,267</u>	<u>183,655</u>	<u>7,495</u>	<u>1,437,427</u>
Total Accumulated Depreciation .....	<u>2,834,175</u>	<u>297,948</u>	<u>7,495</u>	<u>3,124,628</u>
Total Capital Assets Being Depreciated, Net .....	<u>3,193,366</u>	<u>(169,411)</u>	<u>3,397</u>	<u>3,020,558</u>
<b>Governmental Activities</b> <b>Capital Assets, Net .....</b>	<b><u>\$ 3,203,466</u></b>	<b><u>\$ (169,411)</u></b>	<b><u>\$ 3,397</u></b>	<b><u>\$ 3,030,658</u></b>
<b>Business-Type Activities</b>				
Furniture and equipment .....	\$ 46,785	\$ —	\$ —	\$ 46,785
Less accumulated depreciation .....	<u>29,717</u>	<u>—</u>	<u>—</u>	<u>29,717</u>
<b>Business-Type Activities</b> <b>Capital Assets, Net .....</b>	<b><u>\$ 17,068</u></b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 17,068</u></b>

Depreciation expense was charged to the following functions:

### Governmental Activities

Instruction		
Regular instruction .....		\$ 76,697
Other instruction.....		7,605
Support Services		
Administration services .....		120
Operation and maintenance of plant services.....		118,405
Transportation services .....		<u>64,498</u>
		267,325
Unallocated .....		<u>30,623</u>
<b>Total Depreciation Expense - Governmental Activities .....</b>		<b><u>\$ 297,948</u></b>

## Notes to the Financial Statements

### (5) Long-Term Liabilities

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

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
<b>Governmental Activities</b>					
Revenue bonds .....	\$ 1,240,000	\$ —	\$ 75,000	\$ 1,165,000	\$ 100,000
Capital leases .....	86,534	—	86,534	—	—
Early retirement .....	39,352	—	25,720	13,632	13,632
Net OPEB liability .....	343,192	170,613	53,824	459,981	—
<b>Total .....</b>	<b><u>\$ 1,709,078</u></b>	<b><u>\$ 170,613</u></b>	<b><u>\$ 241,078</u></b>	<b><u>\$ 1,638,613</u></b>	<b><u>\$ 113,632</u></b>

#### Revenue Bonds

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

Year Ending June 30,	Bonds Issued December, 2010			
	Interest Rates	Principal	Interest	Total
2014 .....	1.40%	\$ 100,000	\$ 29,570	\$ 129,570
2015 .....	1.60	100,000	28,070	128,070
2016 .....	1.80	110,000	26,280	136,280
2017 .....	2.10	110,000	24,135	134,135
2018 .....	2.50	115,000	21,543	136,543
2019-2023 .....	2.80 - 3.50	630,000	53,812	683,812
		<b><u>\$ 1,165,000</u></b>	<b><u>\$ 183,410</u></b>	<b><u>\$ 1,348,410</u></b>

The District has pledged future statewide sales, services and use tax revenue to repay the \$1,240,000 of bonds issued in December, 2010. The bonds were issued for the purpose of financing a portion of the costs of remodeling. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 75% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$1,348,410. For the current year, principal of \$75,000 and interest of \$30,720 was paid on the bonds and total statewide sales, services and use tax revenue was \$233,176.

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

- (a) \$124,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- (b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.

## Notes to the Financial Statements

---

### (5) Long-Term Liabilities

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

The District was in compliance with all of the revenue bond provisions for the year ended June 30, 2013.

### Lease Agreements

In July, 2010, the District entered into a capital lease purchase agreement for school buses that required three annual payments of \$8,133. The first and second payments were made in fiscal year 2011 and 2012 with the remaining payment paid on July 22, 2012. The interest rate was 3.88%.

In March, 2010, the District entered into a capital lease purchase agreement for laptop computers totaling \$313,600 with interest at 0% and payable over four years beginning in March, 2010. Annual payments of \$78,400 were made from proceeds of the statewide sales, services and use tax. The last payment was made in March, 2013.

In April, 2011, the District entered into a 60-month operating lease for copiers that requires monthly payments of \$1,023 starting in June, 2011.

The District paid \$98,813 of principal and interest under all lease agreements during the year ended June 30, 2013.

The following is a schedule of future minimum lease payments under the agreement in effect as of June 30, 2013:

Year Ending June 30,	Copiers
2014 .....	\$ 12,279
2015 .....	12,279
2016 .....	12,279
2017 .....	11,254
<b>Total Minimum Lease Payments .....</b>	<b><u>\$ 48,091</u></b>

### (6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% 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 contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$151,529, \$142,557 and \$116,550, respectively, equal to the required contributions for each year.

## Notes to the Financial Statements

---

### (7) Other Postemployment Benefits (OPEB)

#### Plan Description

The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 33 active and 7 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

#### Funding Policy

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

#### Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution.....	\$ 186,194
Interest on net OPEB obligation.....	8,972
Adjustment to annual required contribution.....	<u>(24,553)</u>
Annual OPEB Cost .....	170,613
Contributions made .....	<u>(53,824)</u>
Increase in Net OPEB Obligation .....	116,789
Net OPEB Obligation - Beginning of Year.....	<u>343,192</u>
Net OPEB Obligation - End of Year .....	<u><b>\$ 459,981</b></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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 \$53,824 to the medical plan. Plan members eligible for benefits contributed \$6,247 or 10.4% of the premiums costs.

## Notes to the Financial Statements

---

### (7) Other Postemployment Benefits (OPEB)

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	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 139,269	21.1%	\$ 239,978
June 30, 2012	143,314	28.0	343,192
June 30, 2013	170,613	31.5	459,981

### Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for the period of July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$890,296, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$890,296. The covered payroll (annual payroll of active employees covered by the plan) was \$1,833,161 and the ratio of the UAAL to covered payroll was 48.6%. As of June 30, 2013, there were no trust fund assets.

### Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress for the retiree health plan, presented as required supplementary information in the section following the notes to the 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 entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District funding policy. The projected annual medical trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from a 2006 Society of Actuaries study and applying the termination factors used in a 2006 Society of Actuaries study.

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

## Notes to the Financial Statements

---

### (8) Early Retirement Plan

In 2010, the District instituted an early retirement program for employees who are eligible for IPERS retirement but not eligible for Medicare/Medicaid benefits. The program consists of two parts. Part one is a cash benefit where the retiring employee receives a cash payout equal to 40% of their last current contract plus \$85/day of accumulated sick leave up to a maximum of 90 days. This cash benefit option is contingent on whether the Board of Education annually implements the policy and is paid in two annual installments. Part two of the program is continuation of the District's group health and major medical single premium insurance coverage. Retiring employees will be provided 4% for each year of salaried employment in the District up to a maximum of 80% toward the cost of single coverage. Retirees will be required to pay the balance.

As of June 30, 2013, the District had obligations to two participants with a total liability of \$13,632. Retirement expenditures paid during the year ended June 30, 2013 totaled \$25,720.

### (9) Risk Management

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

### (10) Area Education Agency Support

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 \$115,323 for the year ended June 30, 2013, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### (11) Categorical Funding

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

<b>Program</b>	<b>Amount</b>
Home school assistance program.....	\$ 1,993
Gifted and talented .....	12,123
Returning dropout and dropout prevention .....	17,512
Four-year-old preschool .....	5,670
Professional development for model core curriculum.....	5,959
Educator quality, professional development .....	10,652
<b>Total</b> .....	<b><u>\$ 53,909</u></b>

### (12) Subsequent Events

Management has evaluated subsequent events through December 20, 2013, the date which the financial statements were available to be issued.

**Required Supplementary Information**

---

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

Year Ended June 30, 2013

	Actual			Budgeted Amount		Over (Under) Budget
	Govern- mental Fund Types	Proprietary Fund Type	Total	Original	Final	
<b>Revenue</b>						
Local sources .....	\$ 2,131,315	\$ 48,233	\$ 2,179,548	\$ 2,066,369	\$ 2,066,369	\$ 113,179
State sources .....	1,591,532	1,507	1,593,039	1,595,680	1,595,680	(2,641)
Federal sources.....	158,702	105,447	264,149	237,535	237,535	26,614
<b>Total Revenue .....</b>	<b><u>3,881,549</u></b>	<b><u>155,187</u></b>	<b><u>4,036,736</u></b>	<b><u>3,899,584</u></b>	<b><u>3,899,584</u></b>	<b><u>137,152</u></b>
<b>Expenditures/Expenses</b>						
Instruction.....	2,674,948	—	2,674,948	2,736,507	2,990,507	(315,559)
Support services.....	905,929	—	905,929	908,469	1,025,000	(119,071)
Noninstructional programs	—	158,428	158,428	178,000	230,000	(71,572)
Other expenditures.....	415,716	—	415,716	805,084	1,150,000	(734,284)
<b>Total Expenditures/ Expenses .....</b>	<b><u>3,996,593</u></b>	<b><u>158,428</u></b>	<b><u>4,155,021</u></b>	<b><u>4,628,060</u></b>	<b><u>5,395,507</u></b>	<b><u>(1,240,486)</u></b>
<b>Deficiency of Revenue Under Expenditures/ Expenses .....</b>	<b>(115,044)</b>	<b>(3,241)</b>	<b>(118,285)</b>	<b>(728,476)</b>	<b>(1,495,923)</b>	<b>1,377,638</b>
<b>Other Financing Sources (Uses) (Net) .....</b>	<b><u>4,000</u></b>	<b><u>—</u></b>	<b><u>4,000</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>4,000</u></b>
<b>Deficiency of Revenue and Other Financing Sources Under Expendi- tures/Expenses and Other Financing Uses .....</b>	<b>(111,044)</b>	<b>(3,241)</b>	<b>(114,285)</b>	<b>(728,476)</b>	<b>(1,495,923)</b>	<b>1,381,638</b>
Balance - Beginning of Year .....	1,231,834	48,823	1,280,657	1,486,936	1,486,936	(206,279)
<b>Balance - End of Year .....</b>	<b><u>\$ 1,120,790</u></b>	<b><u>\$ 45,582</u></b>	<b><u>\$ 1,166,372</u></b>	<b><u>\$ 758,460</u></b>	<b><u>\$ (8,987)</u></b>	<b><u>\$ 1,175,359</u></b>

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not at the fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$767,447.

During the year ended June 30, 2013, the District did not exceed amounts budgeted or its General Fund unspent authorized budget.

## Schedule of Funding Progress for the Retiree Health Plan ---

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	7-1-09	—	\$ 1,115,300	\$ 1,115,300	0%	\$ 1,785,000	62.5%
2011	7-1-09	—	1,131,000	1,131,000	0	1,795,000	63.0
2012	7-1-09	—	1,052,700	1,052,700	0	1,813,500	58.0
2013	7-1-12	—	890,296	890,296	0	1,833,161	48.6

See Note 7 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**Supplementary Information**

---

## Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

---

Year Ended June 30, 2013

	<u>Special Revenue Student Activity</u>	<u>Debt Service</u>	<u>Total</u>
<b>Revenue</b>			
Local Sources			
Other.....	<u>\$ 144,387</u>	<u>\$ —</u>	<u>\$ 144,387</u>
<b>Expenditures</b>			
Current			
Instruction			
Other instruction .....	<u>142,592</u>	<u>—</u>	<u>142,592</u>
Other Expenditures			
Long-Term Debt			
Principal.....	<u>—</u>	<u>75,000</u>	<u>75,000</u>
Interest and fiscal charges .....	<u>—</u>	<u>32,220</u>	<u>32,220</u>
Total Other Expenditures .....	<u>—</u>	<u>107,220</u>	<u>107,220</u>
<b>Total Expenditures.....</b>	<b><u>142,592</u></b>	<b><u>107,220</u></b>	<b><u>249,812</u></b>
<b>Excess (Deficiency) of Revenue Over (Under)</b>			
<b>Expenditures .....</b>	<b><u>1,795</u></b>	<b><u>(107,220)</u></b>	<b><u>(105,425)</u></b>
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of capital assets .....	4,000	—	4,000
Operating transfers out.....	<u>—</u>	<u>(107,395)</u>	<u>(107,395)</u>
<b>Total Other Financing Sources (Uses) .....</b>	<b><u>4,000</u></b>	<b><u>(107,395)</u></b>	<b><u>(103,395)</u></b>
<b>Net Change in Fund Balances .....</b>	<b>5,795</b>	<b>(214,615)</b>	<b>(208,820)</b>
Fund Balances - Beginning of Year .....	<u>87,416</u>	<u>214,615</u>	<u>302,031</u>
<b>Fund Balances - End of Year .....</b>	<b><u>\$ 93,211</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 93,211</u></b>

# Schedule of Changes in Special Revenue Fund, Student Activity Accounts —

Year Ended June 30, 2013

	Balance - Beginning of Year	Revenue	Expenditures	Balance - End of Year
Drama .....	\$ 144	\$ 1,167	\$ 1,168	\$ 143
Vocal Music .....	—	1,285	1,285	—
Instrumental Music .....	—	722	722	—
Golf .....	—	35	35	—
Boys Basketball .....	183	3,014	1,392	1,805
Football .....	268	3,143	2,423	988
Baseball .....	62	7,923	7,985	—
Boys Track .....	—	300	300	—
Girls Basketball .....	286	6,361	6,421	226
Volleyball .....	—	2,368	1,351	1,017
Softball .....	—	2,262	2,261	1
Girls Track .....	—	503	503	—
Annual .....	—	4,155	4,155	—
Activity Passes .....	—	44,397	—	44,397
FFA .....	14,862	30,093	22,684	22,271
Cheerleaders .....	—	478	478	—
National Honor Society .....	—	85	85	—
District Football .....	—	75	75	—
Washington DC Trip .....	—	1,600	1,600	—
Spanish Club .....	2,397	8,901	11,192	106
Student Council .....	1,108	2,961	2,802	1,267
Class of 2012 .....	123	—	30	93
Class of 2013 .....	—	885	885	—
Class of 2014 .....	2,134	329	2,130	333
Class of 2015 .....	1,542	621	24	2,139
Class of 2016 .....	1,470	—	17	1,453
Class of 2017 .....	347	1,560	1,771	136
Class of 2018 .....	—	2,940	641	2,299
Class of 2019 .....	—	950	396	554
High School Activity .....	—	1,750	1,750	—
Elementary Activity .....	1,463	513	832	1,144
MS Activities .....	341	1,591	675	1,257
Instrument Rental .....	233	339	—	572
Greenhouse .....	3,698	922	2,215	2,405
Concessions .....	1,000	6,257	2,038	5,219
Interest .....	52,810	1,098	53,908	—
Music Resale .....	—	497	497	—
Art Resale .....	—	190	—	190
Manufacturing Resale .....	1,427	26	—	1,453
Special Olympics .....	—	431	—	431
Book Fund .....	518	5,660	5,866	312
Miscellaneous .....	1,000	—	—	1,000
	<b><u>\$ 87,416</u></b>	<b><u>\$ 148,387</u></b>	<b><u>\$ 142,592</u></b>	<b><u>\$ 93,211</u></b>

# Combining Balance Sheet - Capital Projects Accounts

As of June 30, 2013

	<u>Capital Projects</u>		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments .....	\$ 356,378	\$ 260,848	\$ 617,226
Receivables			
Property Tax			
Current year delinquent .....	—	1,170	1,170
Succeeding year .....	—	107,437	107,437
Due from other governments.....	<u>61,956</u>	<u>40,088</u>	<u>102,044</u>
<b>Total Assets</b> .....	<b><u>\$ 418,334</u></b>	<b><u>\$ 409,543</u></b>	<b><u>\$ 827,877</u></b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable .....	\$ —	\$ 1,023	\$ 1,023
Deferred Revenue			
Succeeding year property tax.....	—	107,437	107,437
Other.....	<u>—</u>	<u>40,088</u>	<u>40,088</u>
<b>Total Liabilities</b> .....	<b><u>—</u></b>	<b><u>148,548</u></b>	<b><u>148,548</u></b>
<b>Fund Balances</b>			
Restricted for			
Debt service .....	239,157	—	239,157
School infrastructure .....	179,177	—	179,177
Physical plant and equipment .....	<u>—</u>	<u>260,995</u>	<u>260,995</u>
<b>Total Fund Balances</b> .....	<b><u>418,334</u></b>	<b><u>260,995</u></b>	<b><u>679,329</u></b>
<b>Total Liabilities and Fund Balances</b> .....	<b><u>\$ 418,334</u></b>	<b><u>\$ 409,543</u></b>	<b><u>\$ 827,877</u></b>

## Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Capital Projects Accounts

---

Year Ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Revenue</b>			
Local Sources			
Local tax .....	\$ 233,176	\$ 165,814	\$ 398,990
Other.....	391	868	1,259
<b>Total Revenue</b> .....	<u><b>233,567</b></u>	<u><b>166,682</b></u>	<u><b>400,249</b></u>
<b>Expenditures</b>			
Current			
Support Services			
Instructional staff services.....	—	850	850
Administration services.....	—	13,302	13,302
Operation and maintenance of plant services ....	—	19,115	19,115
Transportation services .....	—	9,443	9,443
Total Support Services.....	<u>—</u>	<u>42,710</u>	<u>42,710</u>
Other Expenditures			
Facilities acquisition and construction .....	<u>163,026</u>	<u>30,147</u>	<u>193,173</u>
<b>Total Expenditures</b> .....	<u><b>163,026</b></u>	<u><b>72,857</b></u>	<u><b>235,883</b></u>
<b>Excess of Revenue Over Expenditures</b> .....	<u><b>70,541</b></u>	<u><b>93,825</b></u>	<u><b>164,366</b></u>
<b>Other Financing Sources</b>			
Operating transfers in.....	<u><b>107,395</b></u>	<u>—</u>	<u><b>107,395</b></u>
<b>Net Change in Fund Balances</b> .....	<b>177,936</b>	<b>93,825</b>	<b>271,761</b>
Fund Balances - Beginning of Year .....	<u>240,398</u>	<u>167,170</u>	<u>407,568</u>
<b>Fund Balances - End of Year</b> .....	<u><b>\$ 418,334</b></u>	<u><b>\$ 260,995</b></u>	<u><b>\$ 679,329</b></u>

**Schedule of Revenue By Source and Expenditures By Function -  
All Governmental Fund Types (Modified Accrual Basis)**

For the Last Ten Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenue</b>										
Local Sources										
Local tax .....	\$ 1,764,734	\$ 1,765,525	\$ 1,659,832	\$ 1,578,844	\$ 1,565,066	\$ 1,424,486	\$ 1,466,995	\$ 1,407,383	\$ 1,465,673	\$ 1,297,920
Tuition .....	86,017	107,970	98,996	90,711	119,910	219,712	224,027	228,663	112,982	70,577
Other .....	280,564	214,392	229,015	211,931	137,568	259,318	239,255	262,003	258,763	214,290
State sources .....	1,591,532	1,461,559	1,378,813	1,158,283	1,376,902	1,391,844	1,145,976	985,164	1,029,496	1,013,090
Federal sources.....	<u>158,702</u>	<u>86,404</u>	<u>195,179</u>	<u>307,179</u>	<u>153,737</u>	<u>96,379</u>	<u>298,219</u>	<u>96,766</u>	<u>163,195</u>	<u>164,823</u>
<b>Total .....</b>	<b><u>\$ 3,881,549</u></b>	<b><u>\$ 3,635,850</u></b>	<b><u>\$ 3,561,835</u></b>	<b><u>\$ 3,346,948</u></b>	<b><u>\$ 3,353,183</u></b>	<b><u>\$ 3,391,739</u></b>	<b><u>\$ 3,374,472</u></b>	<b><u>\$ 2,979,979</u></b>	<b><u>\$ 3,030,109</u></b>	<b><u>\$ 2,760,700</u></b>
<b>Expenditures</b>										
Instruction.....	\$ 2,674,948	\$ 2,515,196	\$ 2,389,024	\$ 2,378,765	\$ 2,175,182	\$ 2,142,828	\$ 2,079,515	\$ 1,972,150	\$ 1,794,257	\$ 1,756,581
Support Services										
Student services .....	4,189	1,047	1,408	3,218	692	2,214	1,637	10,827	30,383	37,406
Instructional staff services .....	152,377	162,179	76,134	66,954	93,136	112,243	109,281	80,510	132,444	131,181
Administration services .....	329,003	331,348	299,008	262,378	260,840	249,906	256,407	251,455	234,129	235,909
Operations and maintenance of plant services .....	257,090	252,425	271,267	213,080	243,953	262,851	285,521	276,391	342,120	222,317
Transportation services .....	163,270	199,892	234,704	179,920	156,471	181,306	130,680	131,514	121,570	198,388
Central support services.....	—	—	—	—	—	—	—	—	—	1,112
Noninstructional programs - food service operations .....	—	—	—	—	—	—	—	—	15,949	16,132
Other Expenditures										
Facilities acquisition and construction .....	193,173	874,880	725,512	310,757	225,946	89,103	407,193	336,595	13,641	48,284
Long-Term Debt										
Principal .....	75,000	—	—	—	—	84,835	70,165	—	—	—
Interest and fiscal charges.....	32,220	33,768	—	—	—	3,427	7,335	—	—	—
AEA flowthrough .....	<u>115,323</u>	<u>113,170</u>	<u>123,963</u>	<u>123,551</u>	<u>103,615</u>	<u>101,928</u>	<u>82,702</u>	<u>82,702</u>	<u>83,366</u>	<u>85,778</u>
<b>Total .....</b>	<b><u>\$ 3,996,593</u></b>	<b><u>\$ 4,483,905</u></b>	<b><u>\$ 4,121,020</u></b>	<b><u>\$ 3,538,623</u></b>	<b><u>\$ 3,259,835</u></b>	<b><u>\$ 3,230,641</u></b>	<b><u>\$ 3,430,436</u></b>	<b><u>\$ 3,142,144</u></b>	<b><u>\$ 2,767,859</u></b>	<b><u>\$ 2,733,088</u></b>

**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**

---

Board of Education  
CAL Community School District  
Latimer, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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 CAL Community School District 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 and have issued our report thereon dated December 20, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered CAL Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are 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 CAL Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of CAL 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 certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying schedule of findings as items 13-I-R-1, 13-I-R-2, 13-I-R-3, 13-I-R-4 and 13-I-R-5 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying schedule of findings as item 13-I-R-6 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether CAL 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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we also noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying schedule of findings.

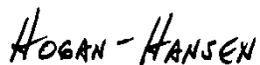
Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not 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.

### **CAL Community School District's Response to Findings**

CAL Community School District's responses to findings identified in our audit are described in the accompanying schedule of findings. CAL 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 results 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.



HOGAN - HANSEN

Mason City, Iowa  
December 20, 2013

# Schedule of Findings

---

Year Ended June 30, 2013

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

### **13-I-R-1 Segregation of Duties**

**Finding** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The limited number of accounting personnel employed by the District makes it difficult to achieve adequate control procedures through segregation of duties. The concentration of closely related duties and responsibilities, such as recording and preparing cash receipts, preparing and recording checks and preparation of journals and general financial information for posting makes it difficult to establish an adequate system of automatic internal checks on accounting record accuracy and reliability. We noted that bank reconciliations were prepared by the same person who records cash receipts and disbursements and prepares journal entries.

**Auditor's Recommendation** - We realize that with a limited number of accounting employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances. We recommend that bank reconciliations and adjusting journal entries be reviewed by another employee or Board member.

**District's Response** - We are in the process of reviewing internal controls, including the above items. We will implement additional controls where possible.

**Auditor's Conclusion** - Response accepted.

### **13-I-R-2 Financial Statement Preparation**

**Finding** - The District does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with generally accepted accounting principles. As is inherent in many organizations of this size, the District has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully apply accrual basis accounting principles in preparing the financial statements and the related disclosures.

**Auditor's Recommendation** - The District should obtain additional knowledge through reading relevant accounting literature and attending local professional education courses.

**District's Response** - The District will consider obtaining additional knowledge where cost effective but will continue to rely on its audit firm for assistance with drafting the financial statements and disclosures.

**Auditor's Conclusion** - Response accepted.

## Schedule of Findings

---

Year Ended June 30, 2013

### 13-I-R-3 Transfers

**Finding** - During our audit, we noted that the amount of transfers between the Capital Projects Fund and the Debt Service Fund were greater than the amount approved by the Board.

**Auditor's Recommendation** - We recommend that procedures be established to properly approve all transfers between funds.

**District's Response** - We will review our procedures to ensure that all future transfers between funds are properly approved.

**Auditor's Conclusion** - Response accepted.

### 13-I-R-4 Payroll

**Finding** - During our testing of payroll, we noted two employees performing multiple jobs were being paid the combined rate for the same hours resulting in double pay. In one case, the employee was salaried with contracted hours of at least 40 hours per week and was also paid an hourly rate for additional duties being performed during the hours of 8 a.m. and 4 p.m. We did not note any additional hours worked to fulfill the 40 hour per week contract. In another case, the employee was hourly and was paid for the same hours at the combined rate.

**Auditor's Recommendation** - We realize that in a small District, employees are sometimes needed or required to perform multiple duties. For salaried employees performing additional duties, we recommend the Board approve and clearly document in the minutes their intent as to how that employee will be paid and if the secondary duty occurs between the hours of 8 a.m. and 4 p.m. or whether those hours will be required to be worked at another time. For hourly employees performing multiple duties, we recommend their time sheets be closely reviewed so the same hours are not recorded under both duties.

**District's Response** - We will review procedures and time sheets more carefully. We will also document employee arrangements where the employee is performing multiple duties.

**Auditor's Conclusion** - Response accepted.

### 13-I-R-5 Certified Annual Report

**Finding** - The Certified Annual Report (CAR) was filed with the Iowa Department of Education timely, but prior to filing the District required significant assistance with preparing the general ledger for upload to the Iowa Department of Education website including proposing various adjustments.

**Auditor's Recommendation** - We recommend the District obtain additional training on CAR preparation and use of the general ledger software.

**District's Response** - The District will consider obtaining training as necessary.

**Auditor's Conclusion** - Response accepted.

## Schedule of Findings

---

Year Ended June 30, 2013

### 13-I-R-6 Nutrition Program

**Finding** - During our testing of nutrition applications, we noted one application that was marked as being eligible for free meals; however, supporting documentation showed annual income above the requirement for free meal eligibility. The related students should have been included as eligible for reduced-price meals.

**Auditor's Recommendation** - We recommend that all nutrition applications be reviewed by another employee for accuracy.

**District's Response** - We will review our procedures to ensure all applications are properly filed.

**Auditor's Conclusion** - Response accepted.

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

**13-II-A Certified Budget** - Expenditures for the year ended June 30, 2013 did not exceed the certified budget amounts.

**13-II-B Questionable Expenditures** - We noted no expenditures which did not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

**13-II-C 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.

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

**13-II-E 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 ensure that the coverage is adequate for current operations.

### **13-II-F Board Minutes**

**Finding** - We noted one instance where the minutes of the Board of Education proceedings were not published within 15 days as required by Chapter 279.35 of the Code of Iowa. No transactions were noted that we believe should have been approved in the Board minutes but were not.

**Auditor's Recommendation** - The minutes should be published within 15 days of the Board meeting.

**District's Response** - We will do this.

**Auditor's Conclusion** - Response accepted.

# Schedule of Findings

Year Ended June 30, 2013

**13-II-G Certified Enrollment** - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

**13-II-H Supplementary Weighting**

**Finding** - The District over reported students enrolled for dual credit classes. The District did not offer and teach the minimum number of classes required to obtain accreditation in Social Studies. As a result, they are unable to count a college course for supplementary weighting purposes.

**Auditor's Recommendation** - The District should review procedures for counting students and meeting accreditation requirements.

**District's Response** - We will review our procedures regarding supplementary weighting.

**Auditor's Conclusion** - Response accepted.

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

**13-II-J Certified Annual Report** - The Certified Annual Report (CAR) was certified timely to the Iowa Department of Education.

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

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

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

Beginning balance.....		\$ 240,398	
Revenue/Transfers In			
Sales tax revenue .....	\$ 233,176		
Other local revenue .....	391		
Transfers from the Debt Service Fund .....	<u>107,395</u>		340,962
Expenditures			
School infrastructure construction .....	\$ 84,626		
Capital lease payments.....	<u>78,400</u>		<u>163,026</u>
<b>Ending Balance</b> .....			<b><u>\$ 418,334</u></b>

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

## Schedule of Findings

---

Year Ended June 30, 2013

### 13-II-M Unclaimed Property

**Finding** - Iowa Code Chapter 556 defines abandoned property as payroll checks outstanding more than one year and other checks that have been outstanding over three years. In accordance with Chapter 556.11, abandoned property should be reported and filed annually before November 1 for the fiscal year ending on the preceding June 30 with the Treasurer of Iowa. As of June 30, 2013, the District had four checks that should have been reported and remitted to the Treasurer of Iowa.

**Auditor's Recommendation** - The District should annually review outstanding checks and report abandonment of property to comply with Iowa Code Chapter 556.

**District's Response** - We will properly follow Iowa escheat laws.

**Auditor's Conclusion** - Response accepted.

### 13-II-N Student Activity Fund

**Finding** - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. We noted several of the individual accounts reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

**Auditor's Recommendation** - We recommend the District develop a policy defining appropriate student activity accounts. Then the District should review and reclassify accounts to the appropriate fund.

**District's Response** - The District will develop a policy or guidelines and also review all current student activity accounts to determine they are appropriately classified.

**Auditor's Conclusion** - Response accepted.