

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Cardinal of Eldon Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Mike Kayser	President	2013
Fred Thomas	Vice President	2015
Todd Hart	Board Member	2013
Carol Streeby	Board Member	2015
Roger Davis	Board Member	2015
<b>School Officials</b>		
Joel Pedersen	Superintendent	2013
Sherry VanBlaricom	Board Secretary	2013
Robin Leonard	Treasurer/Business Manager	2013
Ahlers & Cooney, P.C.	Attorney	2013

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Cardinal of Eldon Community School District:

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cardinal of Eldon 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 nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2014 on our consideration of Cardinal of Eldon 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 reports 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.



NOLTE, CORNMAN & JOHNSON, P.C.

February 28, 2014  
Newton, Iowa

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

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Cardinal of Eldon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$6,655,858 in fiscal 2012 to \$6,627,980 in fiscal 2013, while General Fund expenditures increased from \$6,067,308 in fiscal 2012 to \$6,199,134 in fiscal 2013. Revenues exceeded expenditures resulting in an increase in the District's General Fund balance from a balance of \$1,798,437 in fiscal 2012 to a balance of \$2,227,283 in fiscal 2013.
- The decrease in General Fund revenues was attributable to a decrease in local tax and state sources of revenue in fiscal 2013. The increase in expenditures was due primarily to increased spending in the support services functional area.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Cardinal of Eldon 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 Cardinal of Eldon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Cardinal of Eldon Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

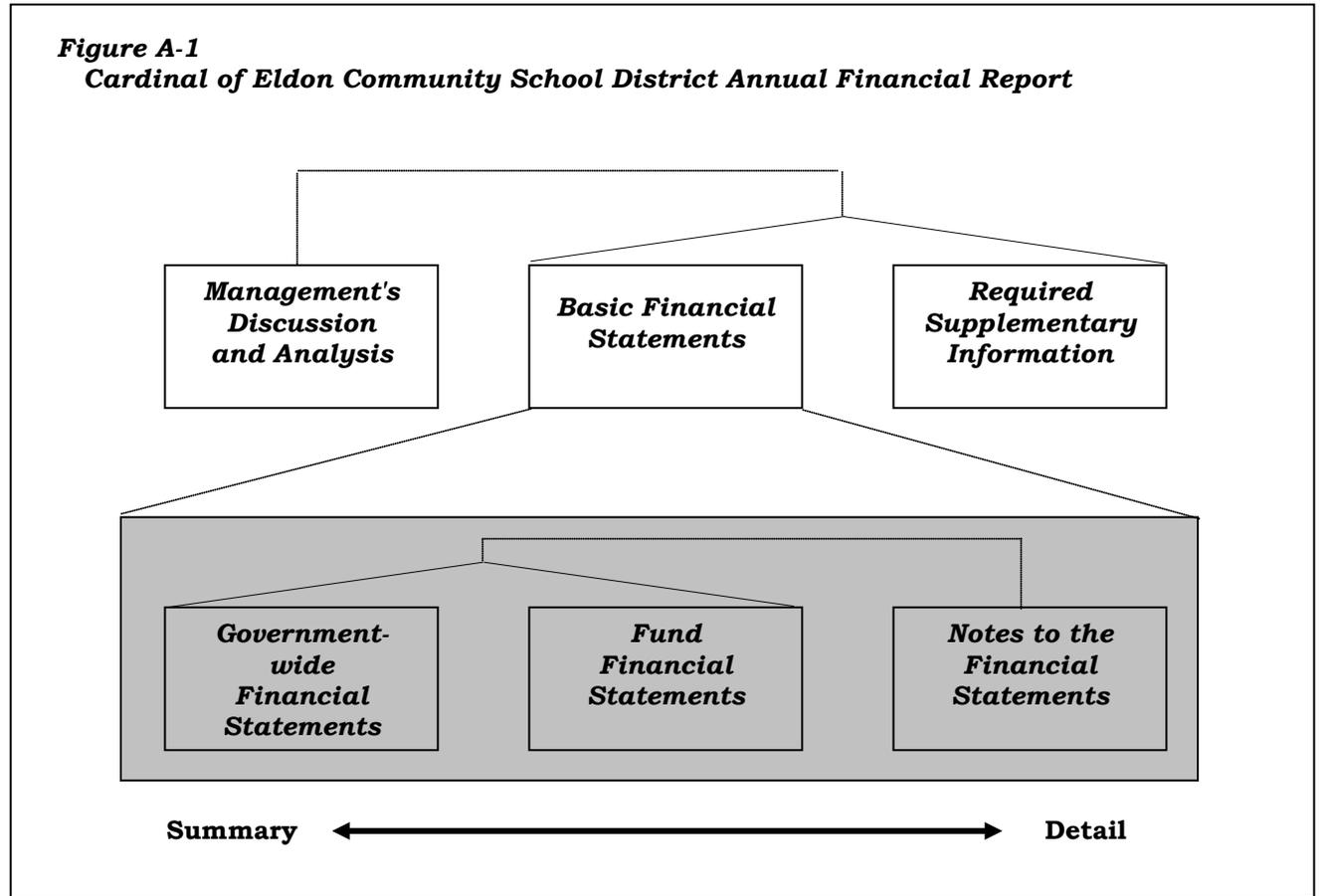


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

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

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private-Purpose Trust Fund.

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 8,925,485	10,220,496	27,137	23,108	8,952,622	10,243,604	-12.60%
Capital assets	5,600,298	3,372,415	27,650	15,380	5,627,948	3,387,795	66.12%
Total assets	14,525,783	13,592,911	54,787	38,488	14,580,570	13,631,399	6.96%
Long-term obligations	5,376,202	4,699,259	4,232	1,268	5,380,434	4,700,527	14.46%
Other liabilities	2,975,820	2,916,228	41,067	41,024	3,016,887	2,957,252	2.02%
Total liabilities	8,352,022	7,615,487	45,299	42,292	8,397,321	7,657,779	9.66%
Net position:							
Invested in capital assets, net of related debt	977,522	3,141,762	27,650	15,380	1,005,172	3,157,142	-68.16%
Restricted	3,490,156	1,100,594	-	-	3,490,156	1,100,594	217.12%
Unrestricted	1,706,083	1,735,068	(18,162)	(19,184)	1,687,921	1,715,884	-1.63%
Total net position	\$ 6,173,761	5,977,424	9,488	(3,804)	6,183,249	5,973,620	3.51%

The District’s combined net position increased by 3.51%, or \$209,629 over the prior year. A portion of the District’s net position is invested in capital assets (e.g., land, 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 \$2,389,562, or 217.12% over the prior year. The increase was related to bond proceeds being shown as restricted instead of netted against the capital assets.

Unrestricted net position - the part of net position that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased \$27,963 or 1.63% compared to the prior year.

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

	Figure A-4							
	Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2013	2012	2013	2012	2013	2012	2012-13	
Revenues:								
Program revenues:								
Charges for services	\$ 880,212	713,857	90,510	91,373	970,722	805,230	20.55%	
Operating grants, contributions and restricted interest	688,810	602,035	267,981	224,997	956,791	827,032	15.69%	
Capital grants, contributions and restricted interest	279,627	18,680	-	-	279,627	18,680	1396.93%	
General revenues:								
Property tax	2,202,058	2,104,692	-	-	2,202,058	2,104,692	4.63%	
Income surtax	198,598	224,932	-	-	198,598	224,932	-11.71%	
Statewide sales, services and use tax	532,365	516,520	-	-	532,365	516,520	3.07%	
Unrestricted state grants	3,324,761	3,380,523	-	-	3,324,761	3,380,523	-1.65%	
Nonspecific program federal grants	-	40,063	-	-	-	40,063	-100.00%	
Unrestricted investment earnings	3,250	3,744	-	-	3,250	3,744	-13.19%	
Other	70,280	212,606	-	-	70,280	212,606	-66.94%	
Transfers	(9,106)	-	9,106	-	-	-	0.00%	
Total revenues	<u>8,170,855</u>	<u>7,817,652</u>	<u>367,597</u>	<u>316,370</u>	<u>8,538,452</u>	<u>8,134,022</u>	<u>4.97%</u>	
Program expenses:								
Instructional	5,191,549	4,470,202	-	-	5,191,549	4,470,202	16.14%	
Support services	2,250,955	1,919,164	4,333	3,646	2,255,288	1,922,810	17.29%	
Non-instructional programs	-	-	349,972	339,554	349,972	339,554	3.07%	
Other expenses	532,014	359,274	-	-	532,014	359,274	48.08%	
Total expenses	<u>7,974,518</u>	<u>6,748,640</u>	<u>354,305</u>	<u>343,200</u>	<u>8,328,823</u>	<u>7,091,840</u>	<u>17.44%</u>	
Change in net position	196,337	1,069,012	13,292	(26,830)	209,629	1,042,182	79.89%	
Net position beginning of year	<u>5,977,424</u>	<u>4,908,412</u>	<u>(3,804)</u>	<u>23,026</u>	<u>5,973,620</u>	<u>4,931,438</u>	<u>21.13%</u>	
Net position end of year	<u>\$ 6,173,761</u>	<u>5,977,424</u>	<u>9,488</u>	<u>(3,804)</u>	<u>6,183,249</u>	<u>5,973,620</u>	<u>3.51%</u>	

In fiscal 2013, property tax and unrestricted state grants account for 67.64% of the revenue from governmental activities while charges for services and operating grants and contributions account for 97.52% of the revenue from business type activities.

The District's total revenues were approximately \$8.54 million, of which approximately \$8.17 million was for governmental activities and approximately \$0.37 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.97% increase in revenues and a 17.44% increase in expenses. The increase in expenses is primarily related to increases in spending on salaries and benefits and spending due to the Districts construction projects.

### Governmental Activities

Revenues for governmental activities were \$8,170,855 and expenses were \$7,974,518 for the year ended June 30, 2013.

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

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 5,191,549	4,470,202	16.14%	3,895,780	3,416,539	14.03%
Support services	2,250,955	1,919,164	17.29%	1,926,511	1,865,809	3.25%
Other expenses	532,014	359,274	48.08%	303,578	131,720	130.47%
Totals	<u>\$ 7,974,518</u>	<u>6,748,640</u>	<u>18.16%</u>	<u>6,125,869</u>	<u>5,414,068</u>	<u>13.15%</u>

- The cost financed by users of the District's programs was \$880,212.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$968,437.
- The net cost of governmental activities was financed with \$2,400,656 in local tax, \$532,365 in statewide sales, services and use tax, \$3,324,761 in unrestricted state grants, \$3,250 in interest income, and \$61,174 in other general revenues net of transfers.

### Business Type Activities

Revenues of the District's business type activities were \$367,597 and expenses were \$354,305. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,806,758 compared to last year's ending fund balances of \$7,081,131. The primary reason for the decrease in combined fund balances was from spending the proceeds from revenue bonds issued in the prior year.

### Governmental Fund Highlights

- The District's General Fund balance increased from a balance of \$1,798,437 on June 30, 2012 to \$2,227,283 on June 30, 2013. The District's improving General Fund financial position is the product of many factors. An increase in tuition revenues partially offset decreases in revenue from other sources, revenue did decrease over all. Expenditures increased compared to the prior year, with the increase related to the support services functions.
- The Capital Projects Fund decreased from a fund balance of \$4,517,268 at the beginning of fiscal year 2013 to \$2,386,975 at the end of fiscal year 2013. The Statewide Sales, Services and Use Tax Fund balance decreased from \$4,294,153 on June 30, 2012 to \$2,151,580 on June 30, 2013. The decrease is related to spending down bond proceeds from revenue bonds issued in the prior year. The Physical Plant and Equipment Levy Fund balance increased from \$223,115 at the beginning of fiscal 2013 to \$235,395 at the end of the year.

## Proprietary Fund Highlights

The School Nutrition Fund net position increased from a deficit balance of \$3,804 at June 30, 2012 to a balance of \$9,488 at June 30, 2013. The increase is partially due to the Capital Projects: Physical Plant and Equipment Levy Fund contributed \$9,106 of capital contributions to the School Nutrition Fund.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$427,524 more than budgeted revenues, a variance of 5.26%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, primarily due 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. Despite of the District's budgetary practice, the budget, for the year ended June 20, 2013, was exceeded in the other expenditures functional area.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had invested \$5,627,948, net of accumulated depreciation, in a broad range of capital assets, including buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 66.12% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$353,435.

The original cost of the District's capital assets was \$9,946,490. Governmental funds account for \$9,787,154 with the remainder of \$159,336 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,329,213 at June 30, 2013, compared to \$225,653 reported at June 30, 2012. The increase represents costs incurred for the building remodels, which were not completed before year end.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Construction in progress	\$ 1,329,213	225,653	-	-	1,329,213	225,653	489.05%
Buildings	3,306,059	2,379,532	-	-	3,306,059	2,379,532	38.94%
Land improvements	517,803	542,049	-	-	517,803	542,049	-4.47%
Machinery and equipment	447,223	225,181	27,650	15,380	474,873	240,561	97.40%
Total	\$ 5,600,298	3,372,415	27,650	15,380	5,627,948	3,387,795	66.12%

## Long-Term Debt

At June 30, 2013, the District had \$5,380,434 in long-term debt outstanding. This represents an increase of 14.46%, or \$679,907 from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$5,000 at June 30, 2013. This amount has been outstanding since 1995.

The District had total outstanding revenue bonds payable of \$4,465,000 at June 30, 2013.

The District had a computer lease payable of \$275,759 at June 30, 2013.

The District had a bus lease payable of \$152,776 at June 30, 2013.

The District had total outstanding termination benefits payable of \$166,467 at June 30, 2013.

The District had compensated absences payable in the amount of \$33,432 payable at June 30, 2013.

The District has total outstanding net OPEB liability of \$282,000 at June 30, 2013. Governmental Activities accounted for \$277,768 while Business Type Activities accounted for \$4,232 of the total.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 5,000	5,000	-	-	5,000	5,000	0.00%
Revenue bonds	4,465,000	4,465,000	-	-	4,465,000	4,465,000	0.00%
Computer lease	275,759	-	-	-	275,759	-	100.00%
Bus lease	152,776	-	-	-	152,776	-	100.00%
Termination benefits	166,467	47,483	-	-	166,467	47,483	250.58%
Compensated absences	33,432	-	-	-	33,432	-	100.00%
Net OPEB liability	277,768	181,776	4,232	1,268	282,000	183,044	54.06%
Total	\$ 5,376,202	4,699,259	4,232	1,268	5,380,434	4,700,527	14.46%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Declining enrollment would have a negative impact on the District's finances. Low or no allowable growth over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget. In addition, state budget concerns will affect future projections.

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## **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 Robin Leonard, Treasurer/Business Manager, Cardinal of Eldon Community School District, 4045 Ashland Road, Eldon, Iowa, 52554.

BASIC FINANCIAL STATEMENTS

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 5,963,007	19,945	5,982,952
Receivables:			
Property tax:			
Delinquent	51,013	-	51,013
Succeeding year	2,194,367	-	2,194,367
Income surtax	199,902	-	199,902
Due from other funds	21,673	-	21,673
Due from other governments	495,523	-	495,523
Inventories	-	7,192	7,192
Capital assets, net of accumulated depreciation	5,600,298	27,650	5,627,948
<b>Total assets</b>	<b>14,525,783</b>	<b>54,787</b>	<b>14,580,570</b>
<b>Liabilities</b>			
Due to other funds	-	21,673	21,673
Accounts payable	107,397	-	107,397
Interest payable	56,995	-	56,995
Salaries and benefits payable	611,158	17,008	628,166
Deferred revenue:			
Succeeding year property tax	2,194,367	-	2,194,367
Other	5,903	-	5,903
Unearned revenue	-	2,386	2,386
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	5,000	-	5,000
Revenue bonds	225,000	-	225,000
Computer lease	65,307	-	65,307
Bus lease	75,153	-	75,153
Compensated absences	33,432	-	33,432
Termination benefits	25,110	-	25,110
Portion due after one year:			
Revenue bonds	4,240,000	-	4,240,000
Computer lease	210,452	-	210,452
Bus lease	77,623	-	77,623
Termination benefits	141,357	-	141,357
Net OPEB liability	277,768	4,232	282,000
<b>Total liabilities</b>	<b>8,352,022</b>	<b>45,299</b>	<b>8,397,321</b>
<b>Net Position</b>			
Invested in capital assets, net of related debt	977,522	27,650	1,005,172
Restricted for:			
Categorical funding	134,143	-	134,143
Management levy purposes	304,135	-	304,135
Student activities	119,703	-	119,703
Debt service	545,200	-	545,200
School infrastructure	2,151,580	-	2,151,580
Physical plant and equipment	235,395	-	235,395
Unrestricted	1,706,083	(18,162)	1,687,921
<b>Total net position</b>	<b>\$ 6,173,761</b>	<b>9,488</b>	<b>6,183,249</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted	Capital Grants, Contributions and Restricted	Governmental Activities	Business Type Activities	Total
			Interest	Interest			
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 2,875,569	469,156	35,967	-	(2,370,446)	-	(2,370,446)
Special	1,057,700	140,153	113,594	-	(803,953)	-	(803,953)
Other	1,258,280	235,432	301,467	-	(721,381)	-	(721,381)
	<u>5,191,549</u>	<u>844,741</u>	<u>451,028</u>	<u>-</u>	<u>(3,895,780)</u>	<u>-</u>	<u>(3,895,780)</u>
Support services:							
Student	154,612	35,471	-	-	(119,141)	-	(119,141)
Instructional staff	183,854	-	9,346	-	(174,508)	-	(174,508)
Administration	970,426	-	-	-	(970,426)	-	(970,426)
Operation and maintenance of plant	493,452	-	-	279,627	(213,825)	-	(213,825)
Transportation	448,611	-	-	-	(448,611)	-	(448,611)
	<u>2,250,955</u>	<u>35,471</u>	<u>9,346</u>	<u>279,627</u>	<u>(1,926,511)</u>	<u>-</u>	<u>(1,926,511)</u>
Long-term debt interest	118,423	-	-	-	(118,423)	-	(118,423)
Other expenditures:							
AEA flowthrough	228,436	-	228,436	-	-	-	-
Depreciation(unallocated)*	185,155	-	-	-	(185,155)	-	(185,155)
	<u>413,591</u>	<u>-</u>	<u>228,436</u>	<u>-</u>	<u>(185,155)</u>	<u>-</u>	<u>(185,155)</u>
Total governmental activities	<u>7,974,518</u>	<u>880,212</u>	<u>688,810</u>	<u>279,627</u>	<u>(6,125,869)</u>	<u>-</u>	<u>(6,125,869)</u>
Business type activities:							
Support services:							
Operation and maintenance of plant	4,333	-	-	-	-	(4,333)	(4,333)
Non-instructional programs:							
Food service operations	349,972	90,510	267,981	-	-	8,519	8,519
Total business type activities	<u>354,305</u>	<u>90,510</u>	<u>267,981</u>	<u>-</u>	<u>-</u>	<u>4,186</u>	<u>4,186</u>
Total	<u>\$ 8,328,823</u>	<u>970,722</u>	<u>956,791</u>	<u>279,627</u>	<u>(6,125,869)</u>	<u>4,186</u>	<u>(6,121,683)</u>
<b>General Revenues and Transfers:</b>							
Property tax levied for:							
General purposes					\$ 1,984,971	-	1,984,971
Capital outlay					217,087	-	217,087
Income surtax					198,598	-	198,598
Statewide sales, services and use tax					532,365	-	532,365
Unrestricted state grants					3,324,761	-	3,324,761
Unrestricted investment earnings					3,250	-	3,250
Other general revenues					70,280	-	70,280
Transfers					(9,106)	9,106	-
Total general revenues and transfers					<u>6,322,206</u>	<u>9,106</u>	<u>6,331,312</u>
Change in net position					196,337	13,292	209,629
Net position beginning of year					5,977,424	(3,804)	5,973,620
Net position end of year					<u>\$ 6,173,761</u>	<u>9,488</u>	<u>6,183,249</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
<b>Assets</b>				
Cash and pooled investments	\$ 2,615,180	2,162,319	1,185,508	5,963,007
Receivables:				
Property tax:				
Delinquent	38,431	5,030	7,552	51,013
Succeeding year	1,719,200	225,167	250,000	2,194,367
Income surtax	199,902	-	-	199,902
Due from other funds	21,673	-	-	21,673
Due from other governments	275,897	219,626	-	495,523
<b>Total assets</b>	<b>\$ 4,870,283</b>	<b>2,612,142</b>	<b>1,443,060</b>	<b>8,925,485</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 106,837	-	560	107,397
Salaries and benefits payable	611,158	-	-	611,158
Deferred revenue:				
Succeeding year property tax	1,719,200	225,167	250,000	2,194,367
Income surtax	199,902	-	-	199,902
Other	5,903	-	-	5,903
Total liabilities	2,643,000	225,167	250,560	3,118,727
Fund Balances:				
Restricted for:				
Categorical funding	134,143	-	-	134,143
Management levy purposes	-	-	470,602	470,602
Student activities	-	-	119,703	119,703
Debt service	-	-	602,195	602,195
School infrastructure	-	2,151,580	-	2,151,580
Physical plant and equipment	-	235,395	-	235,395
Unassigned	2,093,140	-	-	2,093,140
Total fund balances	2,227,283	2,386,975	1,192,500	5,806,758
<b>Total liabilities and fund balances</b>	<b>\$ 4,870,283</b>	<b>2,612,142</b>	<b>1,443,060</b>	<b>8,925,485</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

**Total fund balances of governmental funds(page 20)** \$ 5,806,758

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 5,600,298

Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (56,995)

Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period. 199,902

Long-term liabilities, including bonds payable, termination benefits payable, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (5,376,202)

**Net position of governmental activities(page 18)** \$ 6,173,761

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,881,494	749,452	325,310	2,956,256
Tuition	607,698	-	-	607,698
Other	125,242	1,024	219,803	346,069
State sources	3,711,192	35,095	-	3,746,287
Federal sources	302,354	244,532	-	546,886
Total revenues	<u>6,627,980</u>	<u>1,030,103</u>	<u>545,113</u>	<u>8,203,196</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,401,190	-	24,947	2,426,137
Special	906,505	-	-	906,505
Other	903,265	-	225,391	1,128,656
	<u>4,210,960</u>	<u>-</u>	<u>250,338</u>	<u>4,461,298</u>
Support services:				
Student	138,157	-	-	138,157
Instructional staff	145,211	962	-	146,173
Administration	692,118	-	131,109	823,227
Operation and maintenance of plant	443,886	-	-	443,886
Transportation	340,366	287,342	9,501	637,209
	<u>1,759,738</u>	<u>288,304</u>	<u>140,610</u>	<u>2,188,652</u>
Capital outlays	-	2,966,290	-	2,966,290
Long-term debt:				
Principal	-	-	150,831	150,831
Interest and fiscal charges	-	-	61,428	61,428
	<u>-</u>	<u>-</u>	<u>212,259</u>	<u>212,259</u>
Other expenditures:				
AEA flowthrough	228,436	-	-	228,436
Total expenditures	<u>6,199,134</u>	<u>3,254,594</u>	<u>603,207</u>	<u>10,056,935</u>
Excess(deficiency) of revenues over(under) expenditures	428,846	(2,224,491)	(58,094)	(1,853,739)
Other financing sources(uses):				
Transfers in	-	-	485,168	485,168
Transfers out	-	(485,168)	-	(485,168)
Computer lease proceeds	-	346,416	-	346,416
Bus lease proceeds	-	232,950	-	232,950
Total other financing sources(uses)	<u>-</u>	<u>94,198</u>	<u>485,168</u>	<u>579,366</u>
Change in fund balances	428,846	(2,130,293)	427,074	(1,274,373)
Fund balances beginning of year	<u>1,798,437</u>	<u>4,517,268</u>	<u>765,426</u>	<u>7,081,131</u>
Fund balances end of year	<u>\$ 2,227,283</u>	<u>2,386,975</u>	<u>1,192,500</u>	<u>5,806,758</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds(page 22) \$ (1,274,373)

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

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

Expenditures for capital assets	\$ 2,577,198	
Depreciation expense	(349,315)	2,227,883

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

Issued	\$ (579,366)	
Repaid	150,831	(428,535)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (56,995)

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

Termination benefits	(118,984)	
Compensated absences	(33,432)	
Other postemployment benefits	(95,992)	(248,408)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (23,235)

**Change in net position of governmental activities(page 19) \$ 196,337**

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>School</u> <u>Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 19,945
Inventories	7,192
Capital assets, net of accumulated depreciation	<u>27,650</u>
<b>Total assets</b>	<u>54,787</u>
<b>Liabilities</b>	
Due to other funds	21,673
Salaries and benefits payable	17,008
Unearned revenue	2,386
Net OPEB liability	<u>4,232</u>
<b>Total liabilities</b>	<u>45,299</u>
<b>Net Position</b>	
Invested in capital assets	27,650
Unrestricted	<u>(18,162)</u>
<b>Total net position</b>	<u>\$ 9,488</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 90,510
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	4,333
Non-instructional programs:	
Food service operations:	
Salaries	95,428
Benefits	27,316
Services	289
Supplies	222,575
Other	244
Depreciation	4,120
Total non-instructional programs	349,972
Total operating expenses	354,305
Operating loss	(263,795)
Non-operating revenues:	
State sources	2,996
Federal sources	264,985
Total non-operating revenues	267,981
Change in net position before capital contributions	4,186
Capital contributions	9,106
Change in net position	13,292
Net position beginning of year	(3,804)
Net position end of year	\$ 9,488

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 90,080
Cash payments to employees for services	(119,307)
Cash payments to suppliers for goods or services	(206,831)
Net cash used in operating activities	(236,058)
Cash flows from non-capital financing activities:	
State grants received	2,996
Federal grants received	260,291
Net cash provided by non-capital financing activities	263,287
Cash flows from capital financing activities:	
Purchase of assets	(7,284)
Net increase in cash and cash equivalents	19,945
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	\$ 19,945
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (263,795)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	25,465
Depreciation	4,120
Increase in inventories	(4,855)
Increase in salaries and benefits payable	473
Decrease in unearned revenue	(430)
Increase in other postemployment benefits liability	2,964
Net cash used in operating activities	\$ (236,058)

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2013, the District received Federal commodities valued at \$25,465.

During the year ended June 30, 2013, the Capital Projects: Physical Plant and Equipment Levy Fund contributed \$9,106 of capital contributions to the Nutrition Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 58,781
<b>Liabilities</b>	<u>-</u>
<b>Net Position</b>	
Restricted for scholarships	<u>\$ 58,781</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 3,000
Interest income	1,864
Total additions	4,864
 Deductions:	
Non-instructional programs:	
Scholarships awarded	1,240
 Change in net position	3,624
 Net position beginning of year	55,157
 Net position end of year	\$ 58,781

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**(1) Summary of Significant Accounting Policies**

The Cardinal of Eldon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Eldon, Iowa, and the predominate agricultural territory in Jefferson, Wapello, Davis, and Van Buren Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

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

*Invested in capital assets* 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 that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District reports the following non-major proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

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

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Furniture and equipment	5-12 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used

to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

#### E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013 the District exceeded the amount budgeted for other expenditures functional area.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2013 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government obligations Portfolio which are valued at an amortized cost of \$5,286,523 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were both rated AAA by Standard & Poor's Financial Services.

**(3) Due From and Due to Other Funds**

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

Receivable Fund	Payable Fund	Amount
General	Enterprise: School Nutrition	\$ 21,673

The Enterprise: School Nutrition Fund is repaying the General Fund for money borrowed to pay salaries and benefits in a prior period.

**(4) Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 329,705
Debt Service	Capital Projects: Physical Plant and Equipment Levy	75,289
Debt Service	Capital Projects: Physical Plant and Equipment Levy	<u>80,174</u>
Total		<u>\$ 485,168</u>

The transfers from the Capital Project: Statewide Sales, Services and Use Tax Fund to the Debt Service fund was to make interest payments on the District's Revenue

The transfers from the Capital Project: Physical Plant and Equipment Levy to the Debt Service Fund were to transfer money for the District's bus lease and computer lease.

(5) **Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 225,653	2,286,200	1,182,640	1,329,213
Total capital assets not being depreciated	<u>225,653</u>	<u>2,286,200</u>	<u>1,182,640</u>	<u>1,329,213</u>
Capital assets being depreciated:				
Buildings	4,410,745	1,068,428	-	5,479,173
Land improvements	1,279,083	19,008	-	1,298,091
Machinery and equipment	1,465,938	386,202	171,463	1,680,677
Total capital assets being depreciated	<u>7,155,766</u>	<u>1,473,638</u>	<u>171,463</u>	<u>8,457,941</u>
Less accumulated depreciation for:				
Buildings	2,031,213	141,901	-	2,173,114
Land improvements	737,034	43,254	-	780,288
Machinery and equipment	1,240,757	164,160	171,463	1,233,454
Total accumulated depreciation	<u>4,009,004</u>	<u>349,315</u>	<u>171,463</u>	<u>4,186,856</u>
Total capital assets being depreciated, net	<u>3,146,762</u>	<u>1,124,323</u>	<u>-</u>	<u>4,271,085</u>
Governmental activities capital assets, net	<u>\$ 3,372,415</u>	<u>3,410,523</u>	<u>1,182,640</u>	<u>5,600,298</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 142,946	16,390	-	159,336
Less accumulated depreciation	127,566	4,120	-	131,686
Business type activities capital assets, net	<u>\$ 15,380</u>	<u>12,270</u>	<u>-</u>	<u>27,650</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 14,884
Other	6,100
Support services:	
Instructional staff	30,537
Administration	8,001
Operation and maintenance of plant	12,169
Transportation	92,469
	<u>164,160</u>
Unallocated depreciation	<u>185,155</u>
Total governmental activities depreciation expense	<u>\$ 349,315</u>
Business type activities:	
Food service operations	<u>\$ 4,120</u>

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 5,000	-	-	5,000	5,000
Revenue bonds	4,465,000	-	-	4,465,000	225,000
Computer lease	-	346,416	70,657	275,759	65,307
Bus lease	-	232,950	80,174	152,776	75,153
Termination benefits	47,483	133,525	14,541	166,467	25,110
Compensated absences	-	33,432	-	33,432	33,432
Net OPEB liability	181,776	95,992	-	277,768	-
Total	\$ 4,699,259	842,315	165,372	5,376,202	429,002
<b>Business type activities:</b>					
Net OPEB liability	\$ 1,268	2,964	-	4,232	-

General Obligation

Details of the District's June 30, 2013 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Issue March 1, 1983		
		Principal	Interest	Total
1995	8.60%	\$ 5,000	1,935	6,935

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,	Interest Rate	Issue June 1, 2012		
		Principal	Interest	Total
2014	1.00%	\$ 225,000	94,953	319,953
2015	1.00	235,000	92,652	327,652
2016	1.00	235,000	90,303	325,303
2017	1.00	240,000	87,927	327,927
2018	1.25	240,000	85,228	325,228
2019-2023	1.50-2.40	1,255,000	363,060	1,618,060
2024-2028	2.60-3.0	1,415,000	200,282	1,615,282
2029-2030	3.10	620,000	19,374	639,374
Total		\$ 4,465,000	1,033,779	5,498,779

The District has pledged future statewide sales, services and use tax revenues to repay the \$4,465,000 of bonds issued in June 2012. The bonds were issued for the purpose of financing additions to current District buildings. The bonds are payable

solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not general obligations 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 60% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$5,498,779. Current year payments on the bonds were \$56,045 and total statewide sales, services and use tax revenues were \$532,365.

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

- a) \$329,127 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 reserve account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Computer Lease

Details of the District's June 30, 2013 Computer Lease indebtedness is as follows:

Year Ending June 30,	Interest Rate	Computer lease of 2013		
		Principal	Interest	Total
2014	3.62 %	\$ 65,307	9,982	75,289
2015	3.62	67,672	7,618	75,290
2016	3.62	70,121	5,168	75,289
2017	3.62	72,659	2,630	75,289
		<u>\$ 275,759</u>	<u>25,398</u>	<u>301,157</u>

Bus Lease

Details of the District's June 30, 2013 Bus Lease indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bus lease of 2013		
		Principal	Interest	Total
2014	3.29 %	\$ 75,153	5,021	80,174
2015	3.29	77,623	2,551	80,174
		<u>\$ 152,776</u>	<u>7,572</u>	<u>160,348</u>

Termination Benefits

The District offered a voluntary early retirement plan in fiscal 2011 and fiscal 2013 to its licensed employees. Eligible employees must have been at least fifty-five and must have completed ten years of continuous service as a full-time licensed employee to the District. Licensed employees must have completed an application which was required to be approved by the Board of Education. The Board of Directors does not plan to offer early retirement for the next several years.

The early retirement incentive for each eligible licensed employee is the licensed employee will receive credit for their first ten years of continuous service and will receive the difference between their placement on the tenth step of their educational lane on the salary schedule and the base salary for the current year. In addition to this amount the individual will be reimbursed at the rate of \$50 per day for each unused accumulated sick day to the maximum of one hundred twenty days.

At June 30, 2013 the District had obligations to three participants with a total liability of \$166,467. Early retirement benefits paid during the year totaled \$14,541.

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$278,812, \$252,178 and \$219,486 respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical and dental benefits for employees, retirees and their spouses. There are 66 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 152,000
Interest on net OPEB obligation	8,000
Adjustment to annual required contribution	(7,044)
Annual OPEB cost	<u>152,956</u>
Contributions made	<u>(54,000)</u>
Increase in net OPEB obligation	98,956
Net OPEB obligation beginning of year	183,044
Net OPEB obligation end of year	<u><u>\$ 282,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the 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 \$54,000 to the medical plan. Plan members receiving benefits contributed \$43,000, or 44.33% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 144,567	46.3%	\$ 161,567
2012	89,477	76.0%	183,044
2013	152,956	35.3%	282,000

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1.040 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.040 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.562 million and the ratio of the UAAL to covered payroll was 40.6%.

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 health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of 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 July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced of 0.5% each year until reaching the 5% ultimate trend rate.

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

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical and dental.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2013 were \$562,904.

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

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**

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 \$228,436 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) Deficit Unrestricted Net Position**

The Enterprise: School Nutrition Fund had a deficit unrestricted net position of \$18,162 at June 30, 2013.

**(12) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2013, expenditures in the other expenditures functional area exceeded the amount budgeted.

**(13) Categorical Funding**

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

Program	Amount
Home Schol Assistance Program	\$ 5,757
Dropout and dropout prevention	4,073
Beginning teacher mentoring and induction programs	2,348
Four-year old preschool state aid	72,247
Professional development for model core curriculum	29,959
Professional development	6,716
Early childhood programs grant	13,043
Total	<u>\$ 134,143</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,910,023	90,510	4,000,533	3,789,594	3,789,594	210,939
State sources	3,746,287	2,996	3,749,283	3,709,419	3,709,419	39,864
Federal sources	546,886	264,985	811,871	635,150	635,150	176,721
Total revenues	<u>8,203,196</u>	<u>358,491</u>	<u>8,561,687</u>	<u>8,134,163</u>	<u>8,134,163</u>	<u>427,524</u>
Expenditures/Expenses:						
Instruction	4,461,298	-	4,461,298	5,313,000	5,313,000	851,702
Support services	2,188,652	4,333	2,192,985	2,794,583	2,794,583	601,598
Non-instructional programs	-	349,972	349,972	400,000	400,000	50,028
Other expenditures	3,406,985	-	3,406,985	3,007,703	3,007,703	(399,282)
Total expenditures/expenses	<u>10,056,935</u>	<u>354,305</u>	<u>10,411,240</u>	<u>11,515,286</u>	<u>11,515,286</u>	<u>1,104,046</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(1,853,739)	4,186	(1,849,553)	(3,381,123)	(3,381,123)	1,531,570
Other financing sources, net	579,366	9,106	588,472	-	-	588,472
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(1,274,373)	13,292	(1,261,081)	(3,381,123)	(3,381,123)	2,120,042
Balances beginning of year	7,081,131	(3,804)	7,077,327	4,757,897	4,757,897	2,319,430
Balances end of year	<u>\$ 5,806,758</u>	<u>9,488</u>	<u>5,816,246</u>	<u>1,376,774</u>	<u>1,376,774</u>	<u>4,439,472</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting 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 statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

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

During the year ended June 30, 2013, expenditures in the other expenditures function exceeded the amounts budgeted.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN (IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial			Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 1,072	1,072	0.0%	\$ 2,550	42.0%
2011	July 1, 2009	-	1,072	1,072	0.0%	2,554	42.0%
2012	July 1, 2009	-	1,072	1,072	0.0%	2,523	42.5%
2013	July 1, 2012	-	1,040	1,040	0.0%	2,562	40.6%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	Special Revenue			Debt Service	Total Nonmajor
	Management	Student	Total		
	Levy	Activity			
<b>Assets</b>					
Cash and pooled investments	\$ 463,050	120,263	583,313	602,195	1,185,508
Receivables:					
Property tax:					
Delinquent	7,552	-	7,552	-	7,552
Succeeding year	250,000	-	250,000	-	250,000
<b>Total assets</b>	<b>\$ 720,602</b>	<b>120,263</b>	<b>840,865</b>	<b>602,195</b>	<b>1,443,060</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ -	560	560	-	560
Deferred revenue:					
Succeeding year property tax	250,000	-	250,000	-	250,000
Total liabilities	250,000	560	250,560	-	250,560
Fund Balances:					
Restricted for:					
Management levy purposes	470,602	-	470,602	-	470,602
Student activities	-	119,703	119,703	-	119,703
Debt service	-	-	-	602,195	602,195
Total fund balances	470,602	119,703	590,305	602,195	1,192,500
<b>Total liabilities and fund balances</b>	<b>\$ 720,602</b>	<b>120,263</b>	<b>840,865</b>	<b>602,195</b>	<b>1,443,060</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue				
	Management	Student	Total	Debt	Total
	Levy	Activity		Service	Nonmajor
Revenues:					
Local sources:					
Local tax	\$ 325,310	-	325,310	-	325,310
Other	2,628	217,017	219,645	158	219,803
Total revenues	<u>327,938</u>	<u>217,017</u>	<u>544,955</u>	<u>158</u>	<u>545,113</u>
Expenditures:					
Current:					
Instruction:					
Regular	24,947	-	24,947	-	24,947
Other	776	224,615	225,391	-	225,391
	<u>25,723</u>	<u>224,615</u>	<u>250,338</u>	<u>-</u>	<u>250,338</u>
Support services:					
Administration	131,109	-	131,109	-	131,109
Transportation	9,501	-	9,501	-	9,501
	<u>140,610</u>	<u>-</u>	<u>140,610</u>	<u>-</u>	<u>140,610</u>
Other expenditures:					
Long-term debt:					
Principal	-	-	-	150,831	150,831
Interest and fiscal charges	-	-	-	61,428	61,428
	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,259</u>	<u>212,259</u>
Total expenditures	<u>166,333</u>	<u>224,615</u>	<u>390,948</u>	<u>212,259</u>	<u>603,207</u>
Excess (deficiency) of revenues over (under) expenditures	161,605	(7,598)	154,007	(212,101)	(58,094)
Other financing sources:					
Transfers in	-	-	-	485,168	485,168
Change in fund balances	161,605	(7,598)	154,007	273,067	427,074
Fund balances beginning of year	308,997	127,301	436,298	329,128	765,426
Fund balances end of year	<u>\$ 470,602</u>	<u>119,703</u>	<u>590,305</u>	<u>602,195</u>	<u>1,192,500</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,931,954	230,365	2,162,319
Receivables:			
Property tax:			
Delinquent	-	5,030	5,030
Succeeding year	-	225,167	225,167
Due from other governments	219,626	-	219,626
<b>Total assets</b>	<b>\$ 2,151,580</b>	<b>460,562</b>	<b>2,612,142</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Succeeding year property tax	\$ -	225,167	225,167
Fund balances:			
Restricted for:			
School infrastructure	2,151,580	-	2,151,580
Physical plant and equipment	-	235,395	235,395
Total fund balances	2,151,580	235,395	2,386,975
<b>Total liabilities and fund balances</b>	<b>\$ 2,151,580</b>	<b>460,562</b>	<b>2,612,142</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, 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
Revenues:			
Local sources:			
Local tax	\$ 532,365	217,087	749,452
Other	181	843	1,024
State sources	35,095	-	35,095
Federal sources	244,532	-	244,532
Total revenues	<u>812,173</u>	<u>217,930</u>	<u>1,030,103</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	962	-	962
Transportation	54,392	232,950	287,342
Capital outlay	2,569,687	396,603	2,966,290
Total expenditures	<u>2,625,041</u>	<u>629,553</u>	<u>3,254,594</u>
Deficiency of revenues under expenditures	(1,812,868)	(411,623)	(2,224,491)
Other financing sources(uses):			
Transfer out	(329,705)	(155,463)	(485,168)
Computer lease proceeds	-	346,416	346,416
Bus lease proceeds	-	232,950	232,950
Total other financing sources(uses)	<u>(329,705)</u>	<u>423,903</u>	<u>94,198</u>
Change in fund balances	(2,142,573)	12,280	(2,130,293)
Fund balances beginning of year	<u>4,294,153</u>	<u>223,115</u>	<u>4,517,268</u>
Fund balances end of year	<u>\$ 2,151,580</u>	<u>235,395</u>	<u>2,386,975</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- fund Transfer	Balance End of Year
Concessions	\$ 12,361	479	1,001	-	11,839
Football club	366	1,065	44	(41)	1,346
Drama	-	3,260	2,704	(310)	246
Band	-	422	392	271	301
Vocal	238	57	149	-	146
Season tickets	22,993	6,520	15,756	(923)	12,834
Girls track club	1,239	4,310	3,523	(653)	1,373
Boys basketball	3,937	5,421	6,141	-	3,217
Football	9,099	7,602	4,200	-	12,501
Baseball	-	2,504	3,248	744	-
Boys track	768	1,752	1,900	-	620
Wrestling	633	648	1,279	84	86
Girls basketball	4,538	4,850	4,956	(576)	3,856
Volleyball	458	4,815	4,333	-	940
Softball	-	4,571	5,148	577	-
Girls track	935	1,817	2,144	969	1,577
Yearbook	2,684	4,236	5,080	(267)	1,573
Baseball club	1,405	4,547	5,238	-	714
Art club	804	67	-	-	871
Caps and gowns	31	-	-	-	31
BB Cheerleaders	109	-	-	340	449
General activity	10,360	5,258	5,000	(900)	9,718
Sophomore	109	50	-	-	159
Freshman	185	-	-	-	185
Seniors	4,112	-	700	-	3,412
Juniors	-	13,023	11,965	(747)	311
Girls baseball club	686	1,080	1,455	492	803
Library club	863	-	-	-	863
National honor society	194	-	80	-	114
JH trip fund	15,049	68,772	66,655	932	18,098
FFA	386	2,353	1,621	-	1,118
Softball club	1,268	2,154	1,959	(424)	1,039
HS student council	1,647	4,862	5,433	(100)	976
Volleyball club	3,283	4,497	4,454	(1,078)	2,248
JH Volleyball	-	-	1,024	1,024	-
Wrestling club	4,208	4,998	7,583	894	2,517
Foreign language club	320	726	727	-	319
Boys basketball club	616	2,764	1,113	222	2,489

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- fund Transfer	Balance End of Year
JH student council	503	1,019	881	249	890
Effort honor role	197	146	-	(343)	-
JH Football	-	-	(45)	(45)	-
Elementary music	1,305	864	1,828	-	341
Elementary yearbook	-	110	377	267	-
Elementary concessions	562	-	-	-	562
TAG	24	-	-	-	24
Patriotism day	1,610	-	59	-	1,551
JH cheerleading	544	-	-	-	544
Wrestling cheerleading	1,059	116	353	(150)	672
Weight room club	2,416	3,294	5,391	(94)	225
A club	11,702	20,462	19,756	(884)	11,524
Music boosters	-	17,601	15,663	113	2,051
FCCLA	-	1,076	568	482	990
Dance and drill	340	-	-	(340)	-
Interest	348	135	-	-	483
Investments	104	21	-	(125)	-
Football cheerleading	662	2,693	2,654	256	957
Archery club	35	-	75	40	-
Flag corp	6	-	50	44	-
Total	\$ 127,301	217,017	224,615	-	119,703

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 2,956,256	2,861,094	2,689,978	2,461,639	2,447,699	2,125,457	1,946,426	2,000,954	1,958,913	1,750,121
Tuition	607,698	438,937	386,679	392,400	260,015	310,638	202,536	136,657	161,180	178,302
Other	346,069	500,295	501,733	570,132	504,749	449,606	414,059	389,077	426,484	420,220
State sources	3,746,287	3,722,111	3,612,696	3,295,213	3,756,251	3,818,424	3,520,413	3,361,618	3,154,278	2,892,651
Federal sources	546,886	310,165	489,572	795,138	260,834	220,338	215,168	240,156	243,582	168,971
<b>Total</b>	<b>\$ 8,203,196</b>	<b>7,832,602</b>	<b>7,680,658</b>	<b>7,514,522</b>	<b>7,229,548</b>	<b>6,924,463</b>	<b>6,298,602</b>	<b>6,128,462</b>	<b>5,944,437</b>	<b>5,410,265</b>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 2,426,137	2,429,017	2,397,749	2,505,063	2,363,404	2,316,023	2,098,677	2,468,967	2,417,405	2,275,334
Special	906,505	1,009,450	879,489	1,124,563	866,255	861,924	903,023	974,648	693,037	863,801
Other	1,128,656	1,065,168	1,125,463	520,244	946,487	1,081,030	1,031,130	704,381	832,922	491,027
Support services:										
Student	138,157	126,544	156,450	113,684	149,593	139,142	142,842	125,741	149,717	144,869
Instructional staff	146,173	126,068	153,504	186,561	917,079	235,689	228,787	198,643	25,942	3,462
Administration	823,227	816,108	778,532	736,879	722,909	744,771	695,910	726,219	687,027	658,292
Operation and maintenance of plant	443,886	388,711	410,427	459,020	392,274	399,678	400,112	330,961	340,082	346,895
Transportation	637,209	370,227	284,708	316,796	297,923	283,734	354,127	370,615	315,315	231,964
Other	-	-	-	1,854	-	-	-	-	-	-
Non-instructional:										
Community service & other enterprise operations	-	-	-	-	-	-	-	-	14,985	-
Operation of non-instructional programs	-	-	-	-	-	-	-	3,931	150	-
Capital outlays	2,966,290	500,176	472,281	30,450	347,032	305,226	349,243	228,548	130,737	106,448
Long Term Debt:										
Principal	150,831	170,389	295,390	295,390	285,390	110,000	105,000	100,000	206,389	166,183
Interest and fiscal charges	61,428	-	6,325	12,025	17,200	21,585	25,995	30,045	34,445	44,247
Other expenditures:										
AEA flow-through	228,436	227,554	251,075	249,117	230,908	224,738	207,648	196,840	188,353	184,562
<b>Total</b>	<b>\$ 10,056,935</b>	<b>7,229,412</b>	<b>7,211,393</b>	<b>6,551,646</b>	<b>7,536,454</b>	<b>6,723,540</b>	<b>6,542,494</b>	<b>6,459,539</b>	<b>6,036,506</b>	<b>5,517,084</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2013

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY13	62,364
National School Lunch Program	10.555	FY13	181,965 *
			<u>244,329</u>
Fresh Fruit and Vegetable Program	10.582	FY13	<u>20,656</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY13	<u>120,820</u>
Rural Education Achievement Program	84.215	FY13	<u>25,409</u>
Improving Teacher Quality State Grants	84.367	FY13	<u>29,563</u>
Grants for State Assessment and Related Activities	84.369	FY13	<u>3,848</u>
Safe and Drug-Free Schools & Communities - National Programs	84.184	FY13	<u>1,971</u>
Area Education Agency:			
Special Education - Grants to States	84.027	FY13	<u>33,612</u>
Career and Technical Education - Basic Grants to States	84.048	FY13	<u>6,589</u>
U.S. Department of Homeland Security:			
Iowa Homeland Security and Emergency Management			
Hazard Mitigation grants	97.039	FY13	<u>244,532</u>
Total			<u>\$ 731,329</u>

\* - Includes \$25,465 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3040**

**Telephone (641) 792-1910**

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

To the Board of Education of the  
Cardinal of Eldon Community School District:

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Cardinal of Eldon Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cardinal of Eldon Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cardinal of Eldon Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cardinal of Eldon Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be 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 misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be material weakness.

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

## Compliance and Other Matters

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

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

## Cardinal of Eldon Community School District's Responses to Findings

Cardinal of Eldon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Cardinal of Eldon Community School District's responses and, accordingly, we express no opinion on them.

## Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 28, 2014  
Newton, Iowa

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

Independent Auditor's Report on Compliance  
For Each Major Program and on Internal Control over Compliance and on  
the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

To the Board of Education of  
Cardinal of Eldon Community School District:

Report on Compliance for Each Major Federal Program

We have audited the compliance of Cardinal of Eldon Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Cardinal of Eldon Community School District's major federal programs for the year ended June 30, 2013. Cardinal of Eldon Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cardinal of Eldon Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cardinal of Eldon Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on Cardinal of Eldon Community School District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Cardinal of Eldon Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect to each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

The management of Cardinal of Eldon Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Cardinal of Eldon Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cardinal of Eldon Community School District's internal control over compliance.

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a material weakness.

Cardinal of Eldon Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Cardinal of Eldon Community School District's responses and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

February 28, 2014  
Newton, Iowa

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered Programs:
    - School Nutrition Cluster
      - CFDA Number 10.553 - School Breakfast Program
      - CFDA Number 10.555 - National School Lunch Program
    - Individual Program
      - CFDA Number 97.039 - Hazard Mitigation Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Cardinal of Eldon Community School District did not qualify as a low-risk auditee.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

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

- 1) Cash - initiating disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Capital assets - purchasing, recording and reconciling.
- 5) Wire transfers - processing and approving.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 7) Transfers - preparing and approving.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.

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

Response - The District will continue to review and evaluate procedures and will try as much as possible to segregate duties.

Conclusion - Response accepted.

II-B-13 Timesheet Approval - We noted during our audit that the District is currently preapproving overtime for hourly employees. However, no one approves regular timesheets for payment that do not require overtime approval.

Recommendation - Better internal controls are achieved if an individual or supervisor, who monitors the personnel, would approve the timesheets for payment before payroll checks are written.

Response - Building principals, food service director and transportation director are now approving their respective employees' time sheets.

Conclusion - Response accepted.

- II-C-13 Gate Admissions - It was noted that the District does utilize pre-number tickets for athletic events; however the District does not utilize pre-numbered tickets for other events that requires an admission. In addition it was noted that not all sheets used to reconcile cash to tickets sold were signed to identify who was counting the money.

Recommendation -The District should have internal control procedures established for handling cash for all activity events that charge admission and communicate the policies and procedures to the individuals involved.

Response - The District has ordered separate colored tickets for all admission price levels. The District will also be using the same numbered, colored tickets for all events that are requiring admission. The cash boxes are now being counted by the person taking admission, then recounted by the athletic director, and finally by the Superintendent's/Athletic Director's Secretary prior to depositing at the bank. The District is now requiring the reconciliation form to be signed by the ticket taker and the Athletic Director.

Conclusion - Response accepted.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program  
CFDA Number 10.555: National School Lunch Program

Federal Award Year: 2013  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 97.039 - Hazard Mitigation Grant  
Federal Award Year: 2013  
U.S. Department of Homeland Security  
Passed through the Iowa Homeland Security and Emergency Management

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

- 1) Cash - initiating disbursement transactions and handling and recording cash.
- 2) Disbursements - purchase order processing, check preparation, mailing and recording.
- 3) Wire transfers - processing and approving.
- 4) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 5) Financial reporting - preparing, reconciling and approving.
- 6) Computer systems - performing all general accounting functions and controlling all data input and output.

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

Response - The District will continue to monitor and review the internal control procedures.

Conclusion - Response accepted.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2013

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-13 Certified Budget – District disbursements for the year ended June 30, 2013 exceeded the certified budget amounts in the other expenditures functional area.

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

Response - The Business Manager has received a spreadsheet from a neighboring District to be used to help monitor this on a monthly basis. This happened in part due to the lack of experience with the CAR process and the entries that result from this process in the debt service fund.

Conclusion - Response accepted.

IV-B-13 Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-13 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lisa Sloan, Associate Owner of Embroidery Barn	Purchased services	\$174

In accordance with the Attorney General’s opinion dated July 2, 1990, the above transactions with the District’s associate do not appear to represent a conflict of interest.

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

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

IV-G-13 Certified Enrollment - No variances regarding the enrollment data certified to the Iowa Department of Education were noted.

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

IV-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

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

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

IV-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance noted with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$	4,294,153
Revenues:			
Sales tax revenues	\$	532,365	
Other local revenues		181	
State revenues		35,095	
Federal revenues		244,532	812,173
			<u>5,106,326</u>
Expenditures/transfers out:			
School infrastructure construction	\$	2,223,127	
Equipment		167,280	
Other		234,634	
Transfers to other funds:			
Debt service fund		329,705	2,954,746
			<u>2,151,580</u>
Ending Balance		\$	<u>2,151,580</u>

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

IV-M-13 Financial Condition - During our audit we noted the District had a deficit unrestricted net position in the Enterprise School Nutrition Fund of \$18,162.

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

Response - We are keeping a very close eye on our School Nutrition Fund and it has made substantial improvements this school year. The net position of this fund has improved tremendously and we expect to see a surplus as a result of inventory management among other things.

Conclusion - Response accepted.

IV-N-13 Electronic Check Retention - During our audit, we noted there were no electronic images or copies of the backs of checks written from District's bank accounts during fiscal 2013. Chapter 291.6 of the code of Iowa requires the Board Secretary to preserve and file all

copies of pertinent paperwork related to the business of the District. Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check.

Recommendation - The District Secretary should preserve all copies of pertinent paperwork for the District to be in compliance with 291.6 of the Code of Iowa. The District could choose to retain electronic images of the front and back of each cancelled check to be in compliance with Chapter 554D.114 of the Code of Iowa.

Response - We have contacted our bank and the images are now available with every bank statements. During a bank system conversion earlier in the year, those parameters were lost but have now been reinstated by the bank. An electronic copy of the bank statement is downloaded each month and will be kept.

Conclusion - Response accepted.

IV-O-13 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2010, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1<sup>st</sup> of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should seek financing from the local bank for the deficit in the Enterprise, Nutrition Fund.

Response - This loan will be repaid during the 2013-14 school year as the School Nutrition Fund now has the cash available to pay it back. This will be taken care of by the fiscal year end.

Conclusion - Response acknowledged.

IV-P-13 Officiating Contracts - We noted during our audit that the Board President was not signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

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

Response - The contracts now have the signature of the Board President

Conclusion - Response accepted.

IV-Q-13 Payroll Authorization - We noted during our audit that the District does not have authorization per Iowa Code 91A.3 to physically mail an employee's payroll checks through the U.S. mail.

Recommendation - If the District intends to allow employees to have the option of payroll checks being mailed to them, the District should put in place procedures to acquire written authorization to mail the checks.

Response - The District will send a form to each employee requiring their signature authorizing the mailing of their paycheck. The returned forms will be kept by the business manager.

Conclusion - Response accepted.

IV-R-13 Payroll Deductions - We noted during our audit that the District is not currently having employees approve payroll deductions from paychecks.

Recommendation - The District should be having employees approve all deductions from payroll and maintain documentation to support the payroll deductions.

Response - The District will develop a form in conjunction with the item above requiring a signature stating their approval for payroll deductions.

Conclusion - Response accepted.

IV-S-13 Employee Reimbursements - We noted an instance of an employee being reimbursed for meal expenses while lacking a detailed receipt. The School Board Policy 401.12 states in part "Prior to reimbursement of actual and necessary expenses, the employee must submit a detailed receipt indicating the date, purpose and nature of the expense for each claim item. A credit card receipt is generally not considered a detailed receipt. Failure to provide a detailed receipt shall make the expense non-reimbursable."

Recommendation - The District should review Board Policy 401.12 with employees and require detailed receipts of reimbursements to be in compliance with board policy.

Response - The District will no longer reimburse any meal expenses without a detailed receipt.

Conclusion - Response accepted.

IV-T-13 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. More specific examples of these instances of questioned items and recommendations are as follows:

**Target Donations:** We noted Target donations are being recorded in the MS Trips account within the Student Activity Fund. Target donations are considered an undesignated donation and therefore should be receipted into the General Fund for use as determined by the District's Board of Directors.

Recommendation - The District should record Target donations to the General Fund for the Board of Directors to determine the use. Additionally the designation should be noted annually in the District's Board minutes.

Response - The District will begin depositing the Target donations in the General Fund. We will also note in the board minutes what the school board would like to do with those funds.

Conclusion - Response accepted.

**Commissions:** We noted Snack Express commissions receipted in the Concessions account within the Student Activity Fund.

Recommendation - According to Chapter 298A.2 of the Code of Iowa all money received by a District must be accounted for in the General Fund except for money required by law to be accounted for in another fund. Commissions are not specifically identified as allowable revenue for the Student Activity Fund, therefore commissions should be receipted into the General Fund.

Response - Snack Express checks are for the school's commissions from the vending machines. Those receipts will be deposited into the General Fund.

Conclusion - Response accepted.

**Scholarships:** We noted during our audit that the District was paying scholarships from the Student Activity Fund.

Recommendation - When fundraising takes place the revenues should be recorded in the fund that may legally pay for the purpose of the fundraiser. If the fundraiser is to award scholarships then the purpose should be stated when the money is raised and the proceeds should be placed and expended from the Private Purpose Trust Fund

Response - The District now has fundraising forms in which the purpose for the fundraiser is clearly stated. The clubs offering scholarships will state the amount of the fundraising to be attributed to scholarships and that amount will be receipted to and paid from the Private Purpose Trust Fund.

Conclusion - Response accepted.

**Questionable Accounts:** We noted during our audit that the District is maintaining a TAG account and a Library Club account within the Student Activity Fund. There was no activity in the account during the year.

Recommendation - The District should determine if the money in these accounts was originally for instructional purposes. If the money was instructional in nature the most logical course of action would be to transfer it to the General Fund. If the money was related to the cocurricular and extracurricular activities of the school the money should be reallocated to other accounts in the Student Activity Fund.

Response - The District will investigate the source of the funds and determine the appropriate use of the remaining balances.

Conclusion - Response accepted.

**Interest on Checking Account:** We noted that the District is maintaining an account to record interest earned on the Student Activity Funds checking account.

Recommendation - It would appear to be inappropriate to maintain an account which has the sole purpose of recording interest earned. The District should allocate interest earned to other accounts within the Student Activity Fund on at least an annual basis.

Response - The School District will allocate the interest account balance among the accounts in the Student Activity Fund.

Conclusion - Response accepted.