

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

## TABLE OF CONTENTS

|   |                 | <u>Page</u> |
|---|-----------------|-------------|
| Officials   |                 | 3           |
| Independent Auditor's Report  |                 | 5-6         |
| Management Discussion and Analysis (MD&A)   |                 | 7-16        |
| Basic Financial Statements:   | <u>Exhibit</u>  |             |
| Government-wide Financial Statements:   |                 |             |
| Statement of Net Position   | A               | 18          |
| Statement of Activities   | B               | 19          |
| Governmental Fund Financial Statements:   |                 |             |
| Balance Sheet   | C               | 20          |
| Reconciliation of the Balance Sheet - Governmental<br>Funds to the Statement of Net Position  | D               | 21          |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balances   | E               | 22          |
| Reconciliation of the Statement of Revenues,<br>Expenditures and Changes in Fund Balances -<br>Governmental Funds to the Statement of Activities  | F               | 23          |
| Proprietary Fund Financial Statements:  |                 |             |
| Statement of Net Position   | G               | 24          |
| Statement of Revenues, Expenses and Changes in<br>Fund Net Position   | H               | 25          |
| Statement of Cash Flows   | I               | 26          |
| Notes to Financial Statements   |                 | 27-37       |
| Required Supplementary Information:   |                 |             |
| Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and<br>Changes in Balances - Budget and Actual - All Governmental Funds<br>and Proprietary Fund  |                 | 40          |
| Notes to Required Supplementary Information - Budgetary Reporting   |                 | 41          |
| Schedule of Funding Progress for the Retiree Health Plan  |                 | 42          |
| Supplementary Information:  | <u>Schedule</u> |             |
| Capital Projects Accounts:  |                 |             |
| Combining Balance Sheet   | 1               | 44          |
| Combining Statement of Revenues, Expenditures and Changes in<br>Fund Balances   | 2               | 45          |
| Schedule of Changes in Special Revenue Fund, Student Activity Accounts  | 3               | 46          |
| Schedule of Revenues by Source and Expenditures by Function -<br>All Governmental Funds   | 4               | 47          |
| Independent Auditor's Report on Internal Control over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of Financial Statements Performed<br>in Accordance with <u>Government Auditing Standards</u> |                 | 48-49       |
| Schedule of Findings  |                 | 50-55       |

Charter Oak-Ute Community School District

Officials

| <u>Name</u>               | <u>Title</u>                 | <u>Term Expires</u> |
|---------------------------|------------------------------|---------------------|
| <u>Board of Education</u> |                              |                     |
| Betty Lou Olson           | President                    | 2015                |
| Dean Staley               | Vice President               | 2015                |
| Bill Magill               | Board Member                 | 2013                |
| Jim Ewoldt                | Board Member                 | 2015                |
| Valeta Pautsch            | Board Member                 | 2013                |
| <u>School Officials</u>   |                              |                     |
| Rollie Wiebers            | Superintendent               | 2013                |
| Cathy Carstens            | District Secretary/Treasurer | 2013                |
| Rick Franck               | Attorney                     | 2013                |

**Charter Oak-Ute 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 Charter Oak-Ute Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Charter Oak-Ute Community School District, Charter Oak, 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, business type activities, each major fund, and the aggregate remaining fund information of the Charter Oak-Ute Community School District at June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

## Other Matters

### *Required Supplementary Information.*

U.S generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of 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 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 Charter Oak-Ute Community School District's basic financial statements. Another auditor previously audited, in accordance with standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2014, on our consideration of the Charter Oak-Ute Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Charter Oak-Ute Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2014  
Newton, Iowa

---

---

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

---

---

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

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$3,399,828 in fiscal 2012 to \$3,247,672 in fiscal 2013, while General Fund expenditures increased from \$3,399,855 in fiscal 2012 to \$3,435,575 in fiscal 2013. The District's General Fund balance decreased from \$1,144,759 in fiscal 2012 to \$956,856 in fiscal 2013.
- The decrease in General Fund revenues was attributable to a decrease in local and state sources as compared to the previous year. The increase in expenditures was due to an increase in negotiated salaries and benefits.

### **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 Charter Oak-Ute 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 Charter Oak-Ute 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 Charter Oak-Ute Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

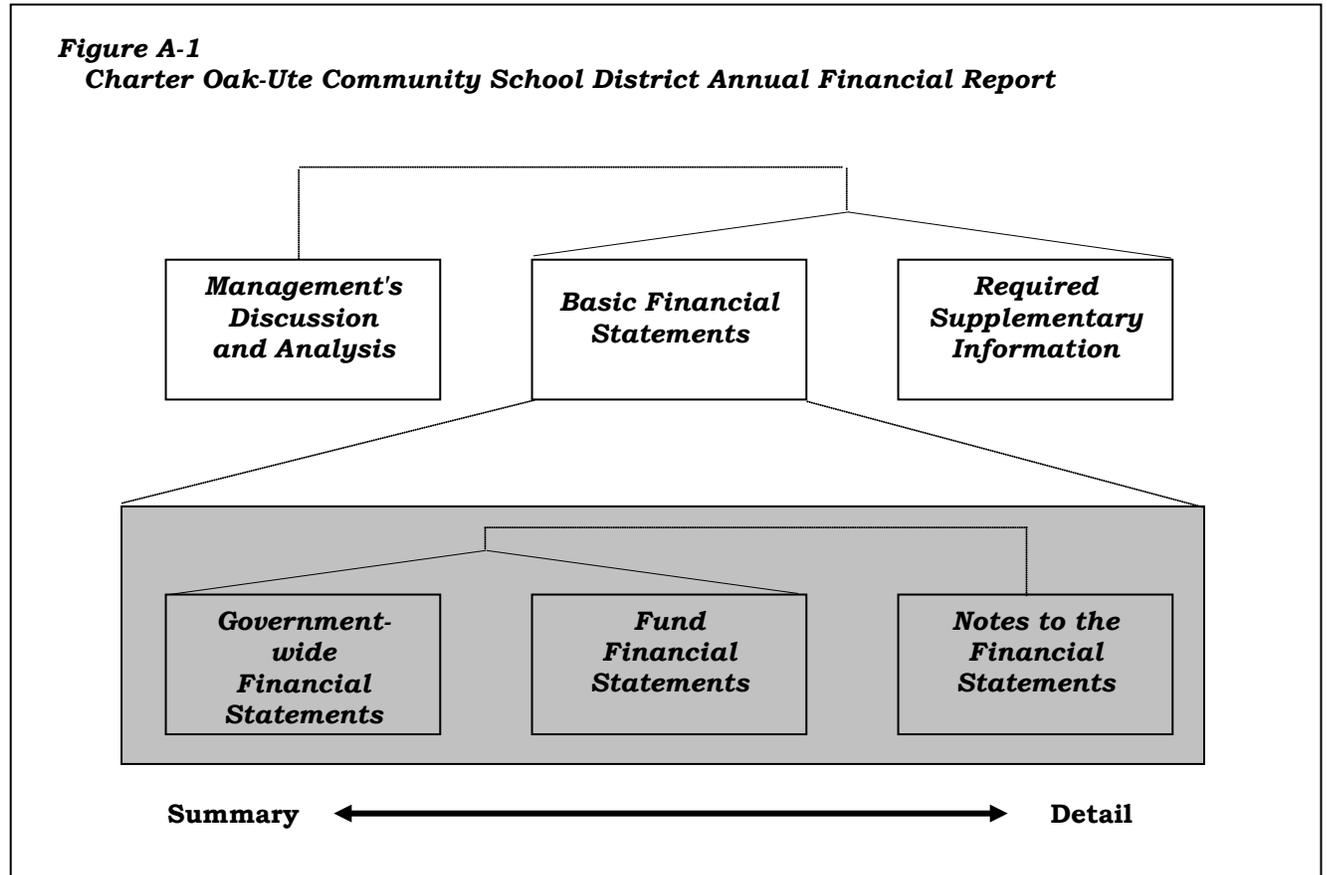


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

|  | Government-wide Statements   | Fund Statements  |  |
|--|--|--|--|
|  |  | Governmental Funds   | Proprietary Funds  |
| Scope                                  | Entire District (except fiduciary funds)   | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance   | Activities the District operates similar to private businesses: food services and adult education  |
| Required financial statements          | <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> |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources focus  | Accrual accounting and economic resources focus  |
| Type of asset/liability information    | All assets and liabilities, both financial and capital, short-term and long-term                                 | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included  | All assets and liabilities, both financial and capital, and short-term and long-term   |
| Type of inflow/outflow information     | All revenues and expenses during year, regardless of when cash is received or paid                               | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid   |

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

---

The two government-wide financial statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

|  | Governmental Activities |           | Business Type Activities |        | Total School District |           | Total Change |
|--|-------------------------|-----------|--------------------------|--------|-----------------------|-----------|--------------|
|  | 2013                    | 2012      | 2013                     | 2012   | 2013                  | 2012      | 2012-13      |
| Current and other assets                           | \$ 3,699,161            | 4,139,522 | 49,938                   | 42,083 | 3,749,099             | 4,181,605 | -10.34%      |
| Capital assets                                     | 2,760,021               | 2,624,251 | 19,350                   | 1,305  | 2,779,371             | 2,625,556 | 5.86%        |
| Total assets                                       | 6,459,182               | 6,763,773 | 69,288                   | 43,388 | 6,528,470             | 6,807,161 | -4.09%       |
| Long-term obligations                              | 909,824                 | 1,086,877 | 72                       | -      | 909,896               | 1,086,877 | -16.28%      |
| Other liabilities                                  | 1,711,163               | 1,891,766 | 3,289                    | -      | 1,714,452             | 1,891,766 | -9.37%       |
| Total liabilities                                  | 2,620,987               | 2,978,643 | 3,361                    | -      | 2,624,348             | 2,978,643 | -11.89%      |
| Net position:                                      |                         |           |                          |        |                       |           |              |
| Invested in capital assets,<br>net of related debt | 1,946,039               | 1,749,628 | 19,350                   | 1,305  | 1,965,389             | 1,750,933 | 12.25%       |
| Restricted   | 844,188                 | 874,337   | -                        | -      | 844,188               | 874,337   | -3.45%       |
| Unrestricted                                       | 1,047,968               | 1,161,165 | 46,577                   | 42,083 | 1,094,545             | 1,203,248 | -9.03%       |
| Total net position                                 | \$ 3,838,195            | 3,785,130 | 65,927                   | 43,388 | 3,904,122             | 3,828,518 | 1.97%        |

The District's combined net position increased by 1.97%, or \$75,604, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$30,149, or 3.45% from the prior year. This was primarily the result of a decrease in the net position of the Capital Projects: Statewide Sales, Services and Use Tax fund during the year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$108,703 or 9.03%. This decrease in unrestricted net position was a result of the District's decrease in the General Fund carryover balance.

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

|   | Figure A-4<br>Changes in Net Position |           |                             |         |                          |           |                 |
|---|---------------------------------------|-----------|-----------------------------|---------|--------------------------|-----------|-----------------|
|   | Governmental<br>Activities            |           | Business Type<br>Activities |         | Total<br>School District |           | Total<br>Change |
|   | 2013                                  | 2012      | 2013                        | 2012    | 2013                     | 2012      | 2012-13         |
| Revenues:   |                                       |           |                             |         |                          |           |                 |
| Program revenues:                                       |                                       |           |                             |         |                          |           |                 |
| Charges for services                                    | \$ 434,300                            | 264,401   | 81,267                      | 75,688  | 515,567                  | 340,089   | 51.60%          |
| Operating grants, contributions and restricted interest | 348,090                               | 713,801   | 106,930                     | 110,207 | 455,020                  | 824,008   | -44.78%         |
| General revenues:                                       |                                       |           |                             |         |                          |           |                 |
| Property tax  | 1,337,062                             | 1,345,107 | -                           | -       | 1,337,062                | 1,345,107 | -0.60%          |
| Income surtax   | 162,577                               | 152,276   | -                           | -       | 162,577                  | 152,276   | 6.76%           |
| Statewide sales, services and use tax                   | 267,248                               | 289,664   | -                           | -       | 267,248                  | 289,664   | -7.74%          |
| Unrestricted state grants                               | 1,381,508                             | 1,202,195 | -                           | -       | 1,381,508                | 1,202,195 | 14.92%          |
| Unrestricted interest income                            | 7,119                                 | 6,949     | 220                         | -       | 7,339                    | 6,949     | 5.61%           |
| Other   | 36,925                                | 54,108    | -                           | -       | 36,925                   | 54,108    | -31.76%         |
| Total revenues  | 3,974,829                             | 4,028,501 | 188,417                     | 185,895 | 4,163,246                | 4,214,396 | -1.21%          |
| Program expenses:                                       |                                       |           |                             |         |                          |           |                 |
| Governmental activities:                                |                                       |           |                             |         |                          |           |                 |
| Instruction   | 2,546,175                             | 2,485,490 | -                           | -       | 2,546,175                | 2,485,490 | 2.44%           |
| Support services  | 1,164,426                             | 1,217,407 | -                           | -       | 1,164,426                | 1,217,407 | -4.35%          |
| Non-instructional programs                              | 1,409                                 | 1,221     | 165,878                     | 192,210 | 167,287                  | 193,431   | -13.52%         |
| Other expenses  | 209,754                               | 204,514   | -                           | -       | 209,754                  | 204,514   | 2.56%           |
| Total expenses  | 3,921,764                             | 3,908,632 | 165,878                     | 192,210 | 4,087,642                | 4,100,842 | -0.32%          |
| Increase(Decrease) in net position                      | 53,065                                | 119,869   | 22,539                      | (6,315) | 75,604                   | 113,554   | -33.42%         |
| Net position beginning of year                          | 3,785,130                             | 3,665,261 | 43,388                      | 49,703  | 3,828,518                | 3,714,964 | 3.06%           |
| Net position end of year                                | \$ 3,838,195                          | 3,785,130 | 65,927                      | 43,388  | 3,904,122                | 3,828,518 | 1.97%           |

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 79.21% of the revenue from governmental activities while charges for services and operating grants and contributions and account for 99.88% of the revenue from business type activities.

The District's total revenues were approximately \$4.16 million of which approximately \$3.97 million was for governmental activities and approximately \$0.19 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.21% decrease in revenues and a 0.32% decrease in expenses. The decrease in expenses is primarily related to decreased capital outlays when compared to the prior year.

### Governmental Activities

Revenues for governmental activities were \$3,974,829 and expenses were \$3,921,764 for the year ended June 30, 2013.

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

|                            | Total Cost of Services |           |                   | Net Cost of Services |           |                   |
|----------------------------|------------------------|-----------|-------------------|----------------------|-----------|-------------------|
|                            | 2013                   | 2012      | Change<br>2012-13 | 2013                 | 2012      | Change<br>2012-13 |
| Instruction                | \$ 2,546,175           | 2,485,490 | 2.44%             | 1,886,508            | 1,656,604 | 13.88%            |
| Support services           | 1,164,426              | 1,217,407 | -4.35%            | 1,164,426            | 1,191,956 | -2.31%            |
| Non-instructional programs | 1,409                  | 1,221     | 15.40%            | 1,409                | 1,221     | 15.40%            |
| Other expenses             | 209,754                | 204,514   | 2.56%             | 87,031               | 80,649    | 7.91%             |
| Totals                     | \$ 3,921,764           | 3,908,632 | 0.34%             | 3,139,374            | 2,930,430 | 7.13%             |

- The cost financed by users of the District's programs was \$434,300.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$348,090.
- The net cost of governmental activities was financed with \$1,337,062 in property tax, \$162,577 in income surtax, \$267,248 in statewide sales, services and use tax, \$1,381,508 in unrestricted state grants, \$7,119 in interest income and \$36,925 in other general revenues.

### **Business-Type Activities**

Revenues of the District's business type activities were \$188,417 and expenses were \$165,878. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,856,702, which is less than last year's ending fund balances of \$2,127,123. This decrease is primarily a result of the decrease in the fund balance of the General Fund during the year.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$1,144,759 to \$956,856, due in part to the increase in negotiated salaries and benefits paid during the year.
- The Management Levy Fund balance increased from \$333,447 at June 30, 2012 to \$396,280 at June 30, 2013. This increase was primarily due to an increase in local tax revenue received during the year.
- The Capital Projects Fund balance decreased from \$597,417 to \$459,260. This decrease was primarily due to the District's increase in capital outlay expenditures during the year associated with the District's music room addition project.

---

## Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$43,388 at June 30, 2012 to \$65,927 at June 30, 2013, representing an increase of 51.95%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$380,723 less than budgeted revenues, a variance of 8.40%. The most significant variance resulted from the District receiving less in state 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.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had invested \$2.78 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 5.86% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$159,690.

The original cost of the District's capital assets was approximately \$5.81 million. Governmental funds account for approximately \$5.78 million with the remainder of approximately \$0.03 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2013, compared to \$664,786 reported at June 30, 2012. This significant decrease resulted from the District finishing work on its music room addition project during the year, and the District capitalizing the music room as part of its capital asset listing.

|                          | Governmental Activities |           | Business Type Activities |       | Total School District |           | Total Change |
|--------------------------|-------------------------|-----------|--------------------------|-------|-----------------------|-----------|--------------|
|                          | 2013                    | 2012      | 2013                     | 2012  | 2013                  | 2012      | 2012-13      |
| Land                     | \$ 1,247                | 1,247     | -                        | -     | 1,247                 | 1,247     | 0.00%        |
| Construction in progress | -                       | 644,786   | -                        | -     | -                     | 644,786   | -100.00%     |
| Buildings                | 2,010,346               | 1,213,308 | -                        | -     | 2,010,346             | 1,213,308 | 65.69%       |
| Land improvements        | 488,917                 | 440,539   | -                        | -     | 488,917               | 440,539   | 10.98%       |
| Machinery and equipment  | 259,511                 | 324,371   | 19,350                   | 1,305 | 278,861               | 325,676   | -14.37%      |
| Total                    | \$ 2,760,021            | 2,624,251 | 19,350                   | 1,305 | 2,779,371             | 2,625,556 | 5.86%        |

## Long-Term Debt

At June 30, 2013, the District had \$909,896 in revenue bond and other long-term debt outstanding. This represents a decrease of 16.28% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding revenue bond indebtedness at June 30, 2013 of \$735,000 payable from the Capital Projects: Statewide Sales, Service and Use Tax Fund.

The District had total outstanding capital lease indebtedness at June 30, 2013 of \$78,982, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding termination benefits payable from the Special Revenue - Management Levy Fund of \$69,692 at June 30, 2013.

The District had outstanding Net OPEB liability at June 30, 2013 of \$26,222. The Governmental Activities accounted for \$26,150 of this total while Business Type Activities accounted for \$72.

|                      | Governmental Activities |           | Business Type Activities |      | Total School District |           | Total Change |
|----------------------|-------------------------|-----------|--------------------------|------|-----------------------|-----------|--------------|
|                      | 2013                    | 2012      | 2013                     | 2012 | 2013                  | 2012      | 2012-13      |
| Revenue Bonds        | \$ 735,000              | 800,000   | -                        | -    | 735,000               | 800,000   | -8.13%       |
| Capital Lease        | 78,982                  | 154,623   | -                        | -    | 78,982                | 154,623   | -48.92%      |
| Termination Benefits | 69,692                  | 112,834   | -                        | -    | 69,692                | 112,834   | -38.23%      |
| Net OPEB liability   | 26,150                  | 19,420    | 72                       | -    | 26,222                | 19,420    | 35.03%       |
| Totals               | \$ 909,824              | 1,086,877 | 72                       | -    | 909,896               | 1,086,877 | -16.28%      |

## 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:

- The District's unspent balance is declining and with projected enrollment declines, the district will need to pursue cost savings measures in the General Fund. These changes can occur through attrition and some realignment of staff.
- Increased numbers of Open Enrolled Out students will impact the district's ability to provide programs and declining enrollment in future years will have a major impact on the financial condition of the district.
- The District has entered into sharing agreements in the operation sharing avenue in an effort to cut costs and expand services.
- The District continues to upgrade its facilities and equipment in order to provide a safe and positive learning environment.

---

## **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 Rollie Webers, Superintendent, Charter Oak-Ute Community School District, 321 Main Street, Charter Oak, IA 51439.

# **Basic Financial Statements**

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

|   | Governmental<br>Activities | Business Type<br>Activities | Total            |
|---|----------------------------|-----------------------------|------------------|
| <b>ASSETS</b>                                   |                            |                             |                  |
| Cash and pooled investments                     | \$ 2,020,277               | 48,154                      | 2,068,431        |
| Receivables:                                    |                            |                             |                  |
| Property tax:                                   |                            |                             |                  |
| Delinquent                                      | 20,419                     | -                           | 20,419           |
| Succeeding year                                 | 1,355,149                  | -                           | 1,355,149        |
| Income surtax                                   | 140,554                    | -                           | 140,554          |
| Accounts  | -                          | -                           | -                |
| Due from other governments                      | 148,401                    | -                           | 148,401          |
| Inventories                                     | 14,361                     | 1,784                       | 16,145           |
| Capital assets, net of accumulated depreciation | 2,760,021                  | 19,350                      | 2,779,371        |
| <b>TOTAL ASSETS</b>                             | <b>6,459,182</b>           | <b>69,288</b>               | <b>6,528,470</b> |
| <b>LIABILITIES</b>                              |                            |                             |                  |
| Accounts payable                                | 35,118                     | -                           | 35,118           |
| Salaries and benefits payable                   | 311,638                    | -                           | 311,638          |
| Accrued interest payable                        | 9,258                      | -                           | 9,258            |
| Deferred revenue:                               |                            |                             |                  |
| Succeeding year property tax                    | 1,355,149                  | -                           | 1,355,149        |
| Unearned revenue                                | -                          | 3,289                       | 3,289            |
| Long-term liabilities:                          |                            |                             |                  |
| Portion due within one year:                    |                            |                             |                  |
| Revenue bonds                                   | 70,000                     | -                           | 70,000           |
| Computer lease payable                          | 78,982                     | -                           | 78,982           |
| Termination benefits                            | 13,067                     | -                           | 13,067           |
| Portion due after one year:                     |                            |                             |                  |
| Revenue bonds                                   | 665,000                    | -                           | 665,000          |
| Termination benefits                            | 56,625                     | -                           | 56,625           |
| Net OPEB liability                              | 26,150                     | 72                          | 26,222           |
| <b>TOTAL LIABILITIES</b>                        | <b>2,620,987</b>           | <b>3,361</b>                | <b>2,624,348</b> |
| <b>NET POSITION</b>                             |                            |                             |                  |
| Invested in capital assets, net of related debt | 1,946,039                  | 19,350                      | 1,965,389        |
| Restricted for:                                 |                            |                             |                  |
| Categorical funding                             | 23,292                     | -                           | 23,292           |
| School infrastructure                           | 304,925                    | -                           | 304,925          |
| Physical plant and equipment                    | 74,335                     | -                           | 74,335           |
| Debt service                                    | 70,742                     | -                           | 70,742           |
| Management levy purposes                        | 326,588                    | -                           | 326,588          |
| Student activities                              | 44,306                     | -                           | 44,306           |
| Unrestricted                                    | 1,047,968                  | 46,577                      | 1,094,545        |
| <b>TOTAL NET POSITION</b>                       | <b>\$ 3,838,195</b>        | <b>65,927</b>               | <b>3,904,122</b> |

SEE NOTES TO FINANCIAL STATEMENTS.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

|                                       | Program Revenues    |                         |  | Net (Expense) Revenue<br>and Changes in Net Position |                             | Total              |
|---------------------------------------|---------------------|-------------------------|--|--|-----------------------------|--------------------|
|                                       | Expenses            | Charges for<br>Services | Operating Grants,<br>Contributions<br>and Restricted<br>Interest | Governmental<br>Activities                           | Business Type<br>Activities |                    |
| <b>Functions/Programs:</b>            |                     |                         |  |  |                             |                    |
| Governmental activities:              |                     |                         |  |  |                             |                    |
| Instruction:                          |                     |                         |  |  |                             |                    |
| Regular                               | \$ 1,605,966        | 261,882                 | 43,001   | (1,301,083)  | -                           | (1,301,083)        |
| Special                               | 381,213             | 31,329                  | 17,074   | (332,810)  | -                           | (332,810)          |
| Other                                 | 558,996             | 141,089                 | 165,292  | (252,615)  | -                           | (252,615)          |
|                                       | <u>2,546,175</u>    | <u>434,300</u>          | <u>225,367</u>   | <u>(1,886,508)</u>                                   | <u>-</u>                    | <u>(1,886,508)</u> |
| Support services:                     |                     |                         |  |  |                             |                    |
| Student                               | 83,182              | -                       | -  | (83,182)   | -                           | (83,182)           |
| Instructional staff                   | 19,129              | -                       | -  | (19,129)   | -                           | (19,129)           |
| Administration                        | 430,012             | -                       | -  | (430,012)  | -                           | (430,012)          |
| Operation and maintenance of plant    | 433,456             | -                       | -  | (433,456)  | -                           | (433,456)          |
| Transportation                        | 198,647             | -                       | -  | (198,647)  | -                           | (198,647)          |
|                                       | <u>1,164,426</u>    | <u>-</u>                | <u>-</u>   | <u>(1,164,426)</u>                                   | <u>-</u>                    | <u>(1,164,426)</u> |
| Non-instructional programs:           |                     |                         |  |  |                             |                    |
| Food service operations               | 1,409               | -                       | -  | (1,409)  | -                           | (1,409)            |
| Long-term debt interest               | 23,736              | -                       | -  | (23,736)   | -                           | (23,736)           |
| Other expenditures:                   |                     |                         |  |  |                             |                    |
| AEA flowthrough                       | 122,723             | -                       | 122,723  | -  | -                           | -                  |
| Depreciation(unallocated)*            | 63,295              | -                       | -  | (63,295)   | -                           | (63,295)           |
|                                       | <u>186,018</u>      | <u>-</u>                | <u>122,723</u>   | <u>(63,295)</u>                                      | <u>-</u>                    | <u>(63,295)</u>    |
| Total governmental activities         | <u>3,921,764</u>    | <u>434,300</u>          | <u>348,090</u>   | <u>(3,139,374)</u>                                   | <u>-</u>                    | <u>(3,139,374)</u> |
| Business type activities:             |                     |                         |  |  |                             |                    |
| Non-instructional programs:           |                     |                         |  |  |                             |                    |
| Food service operations               | 165,878             | 81,267                  | 106,930  | -  | 22,319                      | 22,319             |
| Total                                 | <u>\$ 4,087,642</u> | <u>515,567</u>          | <u>455,020</u>   | <u>(3,139,374)</u>                                   | <u>22,319</u>               | <u>(3,117,055)</u> |
| <b>General Revenues:</b>              |                     |                         |  |  |                             |                    |
| Property tax levied for:              |                     |                         |  |  |                             |                    |
| General purposes                      |                     |                         |  | \$ 1,276,417   | -                           | 1,276,417          |
| Capital outlay                        |                     |                         |  | 60,645   | -                           | 60,645             |
| Income surtax                         |                     |                         |  | 162,577  | -                           | 162,577            |
| Statewide sales, services and use tax |                     |                         |  | 267,248  | -                           | 267,248            |
| Unrestricted state grants             |                     |                         |  | 1,381,508  | -                           | 1,381,508          |
| Unrestricted investment earnings      |                     |                         |  | 7,119  | 220                         | 7,339              |
| Other general revenues                |                     |                         |  | 36,925   | -                           | 36,925             |
| Total general revenues                |                     |                         |  | <u>3,192,439</u>                                     | <u>220</u>                  | <u>3,192,659</u>   |
| Change in net position                |                     |                         |  | 53,065   | 22,539                      | 75,604             |
| Net position beginning of year        |                     |                         |  | <u>3,785,130</u>                                     | <u>43,388</u>               | <u>3,828,518</u>   |
| Net position end of year              |                     |                         |  | <u>\$ 3,838,195</u>                                  | <u>65,927</u>               | <u>3,904,122</u>   |

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

SEE NOTES TO FINANCIAL STATEMENTS.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

|  | General             | Management<br>Levy | Capital<br>Projects | Nonmajor:<br>Student<br>Activity | Total            |
|--|---------------------|--------------------|---------------------|----------------------------------|------------------|
| <b>ASSETS</b>                              |                     |                    |                     |                                  |                  |
| Cash and pooled investments                | 1,227,300           | 393,989            | 354,682             | 44,306                           | 2,020,277        |
| Receivables:                               |                     |                    |                     |                                  |                  |
| Property tax:                              |                     |                    |                     |                                  |                  |
| Delinquent                                 | 17,202              | 2,291              | 926                 | -                                | 20,419           |
| Succeeding year                            | 1,203,959           | 90,001             | 61,189              | -                                | 1,355,149        |
| Income surtax                              | 70,277              | -                  | 70,277              | -                                | 140,554          |
| Due from other governments                 | 44,749              | -                  | 103,652             | -                                | 148,401          |
| Inventories                                | 14,361              | -                  | -                   | -                                | 14,361           |
| <b>TOTAL ASSETS</b>                        | <b>\$ 2,577,848</b> | <b>486,281</b>     | <b>590,726</b>      | <b>44,306</b>                    | <b>3,699,161</b> |
| <b>LIABILITIES AND FUND BALANCES</b>       |                     |                    |                     |                                  |                  |
| Liabilities:                               |                     |                    |                     |                                  |                  |
| Accounts payable                           | \$ 35,118           | -                  | -                   | -                                | 35,118           |
| Salaries and benefits payable              | 311,638             | -                  | -                   | -                                | 311,638          |
| Deferred revenue:                          |                     |                    |                     |                                  |                  |
| Succeeding year property tax               | 1,203,959           | 90,001             | 61,189              | -                                | 1,355,149        |
| Income surtax                              | 70,277              | -                  | 70,277              | -                                | 140,554          |
| Total liabilities                          | 1,620,992           | 90,001             | 131,466             | -                                | 1,842,459        |
| Fund balances:                             |                     |                    |                     |                                  |                  |
| Nonspendable                               | 14,361              | -                  | -                   | -                                | 14,361           |
| Restricted for:                            |                     |                    |                     |                                  |                  |
| Categorical funding                        | 23,292              | -                  | -                   | -                                | 23,292           |
| School infrastructure                      | -                   | -                  | 304,925             | -                                | 304,925          |
| Physical plant and equipment               | -                   | -                  | 74,335              | -                                | 74,335           |
| Debt service                               | -                   | -                  | 80,000              | -                                | 80,000           |
| Management levy purposes                   | -                   | 396,280            | -                   | -                                | 396,280          |
| Student activities                         | -                   | -                  | -                   | 44,306                           | 44,306           |
| Unassigned                                 | 919,203             | -                  | -                   | -                                | 919,203          |
| Total fund balances                        | 956,856             | 396,280            | 459,260             | 44,306                           | 1,856,702        |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 2,577,848</b> | <b>486,281</b>     | <b>590,726</b>      | <b>44,306</b>                    | <b>3,699,161</b> |

SEE NOTES TO FINANCIAL STATEMENTS.

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

|  |           |                                |
|--|-----------|--------------------------------|
| <b>Total fund balances of governmental funds(page 20)</b>  | \$        | 1,856,702                      |
| <br><i>Amounts reported for governmental activities in the<br/>Statement of Net Position are different because:</i>  |           |                                |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.  |           | 2,760,021                      |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.   |           | (9,258)                        |
| Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.   |           | 140,554                        |
| 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. |           | <u>(909,824)</u>               |
| <b>Net position of governmental activities(page 18)</b>  | <b>\$</b> | <b><u><u>3,838,195</u></u></b> |

SEE NOTES TO FINANCIAL STATEMENTS.

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

|  | General          | Management<br>Levy | Capital<br>Projects | Nonmajor:<br>Student<br>Activity | Nonmajor:<br>Debt<br>Service | Total            |
|--|------------------|--------------------|---------------------|----------------------------------|------------------------------|------------------|
| <b>REVENUES:</b>   |                  |                    |                     |                                  |                              |                  |
| Local sources:   |                  |                    |                     |                                  |                              |                  |
| Local tax  | \$ 1,202,660     | 150,016            | 404,151             | -                                | -                            | 1,756,827        |
| Tuition  | 293,211          | -                  | -                   | -                                | -                            | 293,211          |
| Other  | 22,257           | 2,719              | 27,545              | 132,612                          | -                            | 185,133          |
| State sources  | 1,582,870        | 38                 | 16                  | -                                | -                            | 1,582,924        |
| Federal sources  | 146,674          | -                  | -                   | -                                | -                            | 146,674          |
| <b>TOTAL REVENUES</b>                                      | <b>3,247,672</b> | <b>152,773</b>     | <b>431,712</b>      | <b>132,612</b>                   | <b>-</b>                     | <b>3,964,769</b> |
| <b>EXPENDITURES:</b>                                       |                  |                    |                     |                                  |                              |                  |
| Current:   |                  |                    |                     |                                  |                              |                  |
| Instruction:   |                  |                    |                     |                                  |                              |                  |
| Regular  | 1,544,156        | 59,153             | -                   | -                                | -                            | 1,603,309        |
| Special  | 380,526          | -                  | -                   | -                                | -                            | 380,526          |
| Other  | 418,835          | -                  | -                   | 139,806                          | -                            | 558,641          |
|  | <u>2,343,517</u> | <u>59,153</u>      | <u>-</u>            | <u>139,806</u>                   | <u>-</u>                     | <u>2,542,476</u> |
| Support services:  |                  |                    |                     |                                  |                              |                  |
| Student  | 83,177           | -                  | -                   | -                                | -                            | 83,177           |
| Instructional staff  | 19,129           | -                  | -                   | -                                | -                            | 19,129           |
| Administration   | 415,116          | 1,057              | 12,499              | -                                | -                            | 428,672          |
| Operation and maintenance of plant                         | 286,516          | 21,779             | 80,382              | -                                | -                            | 388,677          |
| Transportation   | 165,397          | 6,542              | 4,600               | -                                | -                            | 176,539          |
|  | <u>969,335</u>   | <u>29,378</u>      | <u>97,481</u>       | <u>-</u>                         | <u>-</u>                     | <u>1,096,194</u> |
| Non-instructional programs:                                |                  |                    |                     |                                  |                              |                  |
| Food service operations                                    | -                | 1,409              | -                   | -                                | -                            | 1,409            |
| Capital outlay   | -                | -                  | 307,408             | -                                | -                            | 307,408          |
| Long-term debt:  |                  |                    |                     |                                  |                              |                  |
| Principal  | -                | -                  | -                   | -                                | 140,641                      | 140,641          |
| Interest and fiscal charges                                | -                | -                  | -                   | -                                | 24,339                       | 24,339           |
|  | <u>-</u>         | <u>-</u>           | <u>-</u>            | <u>-</u>                         | <u>164,980</u>               | <u>164,980</u>   |
| Other expenditures:  |                  |                    |                     |                                  |                              |                  |
| AEA flowthrough  | 122,723          | -                  | -                   | -                                | -                            | 122,723          |
| <b>TOTAL EXPENDITURES</b>                                  | <b>3,435,575</b> | <b>89,940</b>      | <b>404,889</b>      | <b>139,806</b>                   | <b>164,980</b>               | <b>4,235,190</b> |
| Excess(Deficiency) of revenues<br>over(under) expenditures | (187,903)        | 62,833             | 26,823              | (7,194)                          | (164,980)                    | (270,421)        |
| Other financing sources(uses):                             |                  |                    |                     |                                  |                              |                  |
| Transfer in  | -                | -                  | -                   | -                                | 164,980                      | 164,980          |
| Transfer out   | -                | -                  | (164,980)           | -                                | -                            | (164,980)        |
| Total other financing sources(uses)                        | <u>-</u>         | <u>-</u>           | <u>(164,980)</u>    | <u>-</u>                         | <u>164,980</u>               | <u>-</u>         |
| Change in fund balances                                    | (187,903)        | 62,833             | (138,157)           | (7,194)                          | -                            | (270,421)        |
| Fund balances beginning of year                            | 1,144,759        | 333,447            | 597,417             | 51,500                           | -                            | 2,127,123        |
| Fund balances end of year                                  | \$ 956,856       | 396,280            | 459,260             | 44,306                           | -                            | 1,856,702        |

SEE NOTES TO FINANCIAL STATEMENTS.

CHARTER OAK-UTE 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)** \$ (270,421)

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

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

|                      |                 |         |
|----------------------|-----------------|---------|
| Capital outlays      | \$ 305,080      |         |
| Depreciation expense | (157,772)       |         |
| Loss on disposal     | <u>(11,538)</u> | 135,770 |

|   |  |        |
|---|--|--------|
| Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds |  | 10,060 |
|---|--|--------|

|   |  |         |
|---|--|---------|
| Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. |  | 140,641 |
|---|--|---------|

|  |  |     |
|--|--|-----|
| 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. |  | 603 |
|--|--|-----|

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          | 43,142         |               |
| Other postemployment benefits | <u>(6,730)</u> | <u>36,412</u> |

**Changes in net position of governmental activities(page 19)** \$ 53,065

SEE NOTES TO FINANCIAL STATEMENTS.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2013

|   | Business Type Activities<br>Enterprise Fund |
|---|---|
|   | School<br>Nutrition                         |
| <u>ASSETS</u>   |   |
| Current assets:   |   |
| Cash and pooled investments                                 | \$ 48,154                                   |
| Inventories   | 1,784                                       |
| Total current assets  | 49,938                                      |
| Non-current assets:   |   |
| Capital assets:   |   |
| Machinery and equipment, net of<br>accumulated depreciation | 19,350                                      |
| TOTAL ASSETS  | 69,288                                      |
| <u>LIABILITIES</u>  |   |
| Current liabilities:  |   |
| Unearned revenue  | 3,289                                       |
| Long-term liabilities:                                      |   |
| Net OPEB liability  | 72  |
| TOTAL LIABILITIES   | 3,361                                       |
| <u>NET POSITION</u>   |   |
| Invested in capital assets                                  | 19,350                                      |
| Unrestricted  | 46,577                                      |
| TOTAL NET POSITION  | \$ 65,927                                   |

SEE NOTES TO FINANCIAL STATEMENTS.

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

|                                | Business Type Activities<br>Enterprise Fund |
|--------------------------------|---|
|                                | School<br>Nutrition                         |
| OPERATING REVENUE:             |   |
| Local sources:                 |   |
| Charges for services           | \$ 81,267                                   |
| OPERATING EXPENSES:            |   |
| Non-instructional programs:    |   |
| Salaries                       | 39,838                                      |
| Benefits                       | 6,877                                       |
| Supplies                       | 117,196                                     |
| Depreciation                   | 1,918                                       |
| Other                          | 49  |
| TOTAL OPERATING EXPENSES       | 165,878                                     |
| OPERATING LOSS                 | (84,611)                                    |
| NON-OPERATING REVENUES:        |   |
| State sources                  | 1,737                                       |
| Federal sources                | 105,193                                     |
| Interest on investments        | 220   |
| TOTAL NON-OPERATING REVENUES   | 107,150                                     |
| Change in net position         | 22,539                                      |
| Net position beginning of year | 43,388                                      |
| Net position end of year       | \$ 65,927                                   |

SEE NOTES TO FINANCIAL STATEMENTS.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
YEAR ENDED JUNE 30, 2013

|  | Business Type Activities<br>Enterprise Fund |
|--|---|
|  | School<br>Nutrition                         |
| Cash flows from operating activities:  |   |
| Cash received from sale of lunches and breakfasts                                  | \$ 84,556                                   |
| Cash payments to employees for services  | (46,643)                                    |
| Cash payments to suppliers for goods or services                                   | (104,872)                                   |
| Net cash used in operating activities  | (66,959)                                    |
| Cash flows from non-capital financing activities:                                  |   |
| State grants received  | 1,737                                       |
| Federal grants received  | 92,086                                      |
| Net cash provided by non-capital financing activities                              | 93,823                                      |
| Cash flows from capital and related financing activities:                          |   |
| Purchase of capital assets   | (19,963)                                    |
| Cash flows from investing activities:  |   |
| Interest on investments  | 220   |
| Net increase in cash and cash equivalents  | 7,121                                       |
| Cash and cash equivalents at beginning of year                                     | 41,033                                      |
| Cash and cash equivalents at end of year   | \$ 48,154                                   |
| Reconciliation of operating income(loss) to net cash used in operating activities: |   |
| Operating loss   | \$ (84,611)                                 |
| Adjustments to reconcile operating loss to net cash used in operating activities:  |   |
| Commodities consumed   | 13,107                                      |
| Depreciation   | 1,918                                       |
| Increase in inventories  | (734)                                       |
| Increase in other postemployment benefits  | 72  |
| Increase in unearned revenue   | 3,289                                       |
| Net cash used in operating activities  | \$ (66,959)                                 |

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$13,107.

SEE NOTES TO FINANCIAL STATEMENTS.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

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

The Charter Oak-Ute Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Charter Oak, Ute and Soldier, Iowa, and the agricultural territory of Crawford and Monona Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

For financial reporting purposes, Charter Oak-Ute Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board Criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but 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 Crawford and Monona County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the activities of the District, with omission of the fiduciary funds. 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 (previously referred to as net assets) presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 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 Management Levy Fund is utilized to account for the revenues and expenses of unemployment benefits, termination benefits, and insurance agreements relating to such liabilities.

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

The District also reports the following non-major proprietary fund:

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

### C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 - 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 Balances

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

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

For 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 taxes in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied.

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

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

| Asset Class                     | Amount |
|---------------------------------|--------|
| Land                            | \$ 1   |
| Buildings                       | 10,000 |
| Land improvements               | 1,000  |
| Intangibles                     | 25,000 |
| Machinery and equipment:        |        |
| School Nutrition Fund equipment | 500    |
| Other machinery and equipment   | 1,000  |

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

| Asset Class             | Estimated Useful Lives (In Years) |
|-------------------------|-----------------------------------|
| Buildings               | 50 years                          |
| Land improvements       | 20-50 years                       |
| Intangibles             | 5-10 years                        |
| Machinery and equipment | 5-15 years                        |

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

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

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

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

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

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

Nonspendable - Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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 preceding 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.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

E. Budgets and Budgetary Accounting

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

**Note 2. Cash and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. As of June 30, 2013, the District had no investments.

**Note 3. Interfund Transfers**

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

| <u>Transfer to</u> | <u>Transfer from</u>  | <u>Amount</u>     |
|--------------------|---|-------------------|
| Debt Service       | Capital Projects:<br>Statewide Sales, Services<br>and Use Tax | \$ 83,400         |
| Debt Service       | Capital Projects:<br>Statewide Sales, Services<br>and Use Tax | 81,580            |
| Total              |   | <u>\$ 164,980</u> |

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund of \$83,400 was needed for principal and interest payments on the District revenue bond indebtedness.

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

**Note 4. Capital Assets**

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

|  | Balance<br>Beginning<br>of Year | Increases      | Decreases      | Balance<br>End<br>of Year |
|--|---------------------------------|----------------|----------------|---------------------------|
| Governmental activities:                     |                                 |                |                |                           |
| Capital assets not being depreciated:        |                                 |                |                |                           |
| Land   | \$ 1,247                        | -              | -              | 1,247                     |
| Construction in progress                     | 644,786                         | 85,988         | 730,774        | -                         |
| Total capital assets not being depreciated   | <u>646,033</u>                  | <u>85,988</u>  | <u>730,774</u> | <u>1,247</u>              |
| Capital assets being depreciated:            |                                 |                |                |                           |
| Buildings                                    | 2,131,083                       | 833,559        | 18,280         | 2,946,362                 |
| Land improvements                            | 659,871                         | 86,690         | 42,792         | 703,769                   |
| Machinery and equipment                      | 2,147,630                       | 29,617         | 48,861         | 2,128,386                 |
| Total capital assets being depreciated       | <u>4,938,584</u>                | <u>949,866</u> | <u>109,933</u> | <u>5,778,517</u>          |
| Less accumulated depreciation for:           |                                 |                |                |                           |
| Buildings                                    | 917,775                         | 36,521         | 18,280         | 936,016                   |
| Land improvements                            | 219,332                         | 26,774         | 31,254         | 214,852                   |
| Machinery and equipment                      | 1,823,259                       | 94,477         | 48,861         | 1,868,875                 |
| Total accumulated depreciation               | <u>2,960,366</u>                | <u>157,772</u> | <u>98,395</u>  | <u>3,019,743</u>          |
| Total capital assets being depreciated, net  | <u>1,978,218</u>                | <u>792,094</u> | <u>11,538</u>  | <u>2,758,774</u>          |
| Governmental activities capital assets, net  | <u>\$ 2,624,251</u>             | <u>878,082</u> | <u>742,312</u> | <u>2,760,021</u>          |
| Business type activities:                    |                                 |                |                |                           |
| Machinery and equipment                      | \$ 7,089                        | 19,963         | -              | 27,052                    |
| Less accumulated depreciation                | 5,784                           | 1,918          | -              | 7,702                     |
| Business type activities capital assets, net | <u>\$ 1,305</u>                 | <u>18,045</u>  | <u>-</u>       | <u>19,350</u>             |

Depreciation expense was charged by the District as follows:

|  |  |                   |
|--|--|-------------------|
| Governmental activities:                           |  |                   |
| Instruction:                                       |  |                   |
| Regular  |  | \$ 65,753         |
| Support services:                                  |  |                   |
| Administration                                     |  | 959               |
| Operation and maintenance of plant                 |  | 1,070             |
| Transportation                                     |  | 26,695            |
|  |  | <u>94,477</u>     |
| Unallocated depreciation                           |  | <u>63,295</u>     |
| Total governmental activities depreciation expense |  | <u>\$ 157,772</u> |
| Business type activities:                          |  |                   |
| Food services                                      |  | <u>\$ 1,918</u>   |

## Note 5. Long-Term Debt

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

|                                  | Balance<br>Beginning<br>of Year | Additions    | Deletions      | Balance<br>End of<br>Year | Due<br>Within<br>One Year |
|----------------------------------|---------------------------------|--------------|----------------|---------------------------|---------------------------|
| <u>Governmental Activities:</u>  |                                 |              |                |                           |                           |
| Revenue Bonds                    | \$ 800,000                      | -            | 65,000         | 735,000                   | 70,000                    |
| Capital Lease                    | 154,623                         | -            | 75,641         | 78,982                    | 78,982                    |
| Termination Benefits             | 112,834                         | -            | 43,142         | 69,692                    | 13,067                    |
| Net OPEB Liability               | 19,420                          | 6,730        | -              | 26,150                    | -                         |
| Total                            | <u>\$ 1,086,877</u>             | <u>6,730</u> | <u>183,783</u> | <u>909,824</u>            | <u>162,049</u>            |
| <u>Business Type Activities:</u> |                                 |              |                |                           |                           |
| Net OPEB Liability               | \$ -                            | 72           | -              | 72                        | -                         |

### Revenue Bonds

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

| Year<br>Ending<br>June 30, | Bond Issue of December 7, 2011 |                   |               |                |
|----------------------------|--------------------------------|-------------------|---------------|----------------|
|                            | Rate                           | Principal         | Interest      | Total          |
| 2014                       | 0.85 %                         | \$ 70,000         | 16,780        | 86,780         |
| 2015                       | 1.20                           | 70,000            | 16,063        | 86,063         |
| 2016                       | 1.55                           | 75,000            | 15,061        | 90,061         |
| 2017                       | 1.90                           | 80,000            | 13,720        | 93,720         |
| 2018                       | 2.25                           | 80,000            | 12,060        | 92,060         |
| 2019-2022                  | 2.60-3.50                      | 360,000           | 24,150        | 384,150        |
| Total                      |                                | <u>\$ 735,000</u> | <u>97,834</u> | <u>832,834</u> |

The District has pledged future statewide sales, services and use tax revenues to repay the \$800,000 of bonds issued on December 7, 2011. The bonds were issued for the purpose of financing a portion of the costs of an addition to the high school. 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 2022. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 32% of the statewide, sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$832,834. For the current year \$65,000 of principal and \$18,400 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$267,248.

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

- a) \$80,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the 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. The reserve account is part of the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- b) Monthly transfers from the District's Statewide Sales, Services and Use Tax Fund shall be placed in a revenue account.

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

Computer Lease

On September 21, 2010, the District entered into a lease-purchase agreement for computers. The lease is scheduled to be repaid as follows from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

| Year<br>Ending<br>June 30, | Computer Lease Issue of September 21, 2010 |           |          |        |
|----------------------------|--|-----------|----------|--------|
|                            | Rate                                       | Principal | Interest | Total  |
| 2014                       | 4.37 %                                     | \$ 78,982 | 2,598    | 81,580 |

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal year 2013. No employees submitted an application for retirement during the year. The District offered early retirement in previous years with the following requirements. Employees must have completed at least eight years of service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. Employees completing application for early retirement which must be accompanied by the employee’s written resignation. Such resignations are conditional upon acceptance by the Board.

The District will pay the monthly premiums for the single health and major medical insurance coverage. The retiree shall be notified of termination of benefits upon reaching age of sixty-five, death, or failure to make payment if participating in family plan at their option.

At June 30, 2013, the District has obligations to two participants with a total liability of \$69,692. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$43,142. The cost of early retirement payments expected to be paid are recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements.

**Note 6. Other Postemployment Benefits(OPEB)**

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Charter Oak-Ute Community School District has 18 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

|  |                         |
|--|-------------------------|
| Annual required contribution               | \$ 12,168               |
| Interest on net OPEB obligation            | 486                     |
| Adjustment to annual required contribution | (1,835)                 |
| Annual OPEB cost                           | <u>10,819</u>           |
| Contributions made                         | <u>(4,017)</u>          |
| Increase in net OPEB obligation            | 6,802                   |
| Net OPEB obligation beginning of year      | <u>19,420</u>           |
| Net OPEB obligation end of year            | <u><u>\$ 26,222</u></u> |

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

For the year ended June 30, 2013, the District contributed \$4,017 to the medical plan.

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 is summarized as follows:

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------|------------------|--|---------------------|
| 2011                | \$ 8,735         | 22.0 %                                     | \$ 12,829           |
| 2012                | 8,900            | 25.9                                       | 19,420              |
| 2013                | 10,819           | 37.1                                       | 26,222              |

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 \$68,967 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$68,967. The covered payroll (annual payroll of active employees covered by the plan) was \$915,818 and the ratio of the UAAL to covered payroll was 7.53%. As of June 30, 2013, there were no trust fund assets.

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

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

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

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

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

#### **Note 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 salary and the District is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$173,695, \$110,193 and \$108,928 respectively, equal to the required contributions for each year.

#### **Note 8. Risk Management**

The District is a member in the Iowa Schools Employee 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 prescription drugs. District contributions to ISEBA for the year ended June 30, 2013 were \$154,797.

Charter Oak-Ute Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

#### **Note 9. 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 \$122,723 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **Note 10. Operating Lease Commitments**

##### **Copy Machines**

The District entered into a five year contract to lease copy machines during fiscal 2011. The remaining payments the District will make over the next three years are as follows:

| Year<br>Ending<br>June 30, | Lease<br>Payment |
|----------------------------|------------------|
| 2014                       | \$ 10,512        |
| 2015                       | 10,512           |
| 2016                       | 3,504            |
| Total                      | <u>\$ 24,528</u> |

### Trailers

The District entered into a three year contract to lease mobile trailers to be used as classrooms during fiscal 2013. The payments the District will make over the next three years are as follows:

| Year<br>Ending<br>June 30, | Lease<br>Payment |
|----------------------------|------------------|
| 2014                       | \$ 12,480        |
| 2015                       | 12,480           |
| 2016                       | 3,120            |
| Total                      | <u>\$ 28,080</u> |

### Note 11. Categorical Funding

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

| Program                           | Amount           |
|-----------------------------------|------------------|
| Teacher salary supplement         | \$ 16,789        |
| Four-year old preschool state aid | 2,720            |
| Professional development          | 671              |
| Early childhood programs grant    | 3,112            |
| Total                             | <u>\$ 23,292</u> |

### Note 12. Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is the following:

|   | Invested in<br>Capital Assets | Management<br>Levy | Debt<br>Service | Unassigned/<br>Unrestricted |
|---|-------------------------------|--------------------|-----------------|-----------------------------|
| Fund balance (Exhibit C)                        | \$ -                          | 396,280            | 80,000          | 919,203                     |
| Capital assets, net of accumulated depreciation | 2,760,021                     | -                  | -               | -                           |
| General obligation bond capitalized             |                               |                    |                 |                             |
| Revenue bond capitalized indebtedness           | (735,000)                     | -                  | -               | -                           |
| Computer lease capitalized indebtedness         | (78,982)                      | -                  | -               | -                           |
| Termination benefits                            | -                             | (69,692)           | -               | -                           |
| Accrued interest payable                        | -                             | -                  | (9,258)         | -                           |
| Income surtax receivable                        | -                             | -                  | -               | 140,554                     |
| Net OPEB liability                              | -                             | -                  | -               | (26,150)                    |
| Nonspendable fund balance                       | -                             | -                  | -               | 14,361                      |
| Net position (Exhibit A)                        | <u>\$ 1,946,039</u>           | <u>326,588</u>     | <u>70,742</u>   | <u>1,047,968</u>            |

**Charter Oak-Ute Community School District**

## **Required Supplementary Information**

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

|   | Governmental        | Proprietary    | Total<br>Actual  | Budgeted Amounts |                  | Final to         |
|---|---------------------|----------------|------------------|------------------|------------------|------------------|
|   | Funds               | Funds          |                  | Original         | Final            | Actual           |
|   | Actual              | Actual         |                  |                  |                  | Variance         |
| Revenues:   |                     |                |                  |                  |                  |                  |
| Local sources   | \$ 2,235,171        | 81,487         | 2,316,658        | 2,339,785        | 2,339,785        | (23,127)         |
| State sources   | 1,582,924           | 1,737          | 1,584,661        | 1,909,124        | 1,909,124        | (324,463)        |
| Federal sources   | 146,674             | 105,193        | 251,867          | 285,000          | 285,000          | (33,133)         |
| Total revenues  | <u>3,964,769</u>    | <u>188,417</u> | <u>4,153,186</u> | <u>4,533,909</u> | <u>4,533,909</u> | <u>(380,723)</u> |
| Expenditures/Expenses:  |                     |                |                  |                  |                  |                  |
| Instruction   | 2,542,476           | -              | 2,542,476        | 3,590,279        | 3,590,279        | 1,047,803        |
| Support services  | 1,096,194           | -              | 1,096,194        | 1,364,000        | 1,364,000        | 267,806          |
| Non-instructional programs  | 1,409               | 165,878        | 167,287          | 223,535          | 223,535          | 56,248           |
| Other expenditures  | 595,111             | -              | 595,111          | 714,020          | 714,020          | 118,909          |
| Total expenditures/expenses   | <u>4,235,190</u>    | <u>165,878</u> | <u>4,401,068</u> | <u>5,891,834</u> | <u>5,891,834</u> | <u>1,490,766</u> |
| Excess(Deficiency) of revenues over(under)<br>expenditures/expenses | (270,421)           | 22,539         | (247,882)        | (1,357,925)      | (1,357,925)      | 1,110,043        |
| Balance beginning of year   | <u>2,127,123</u>    | <u>43,388</u>  | <u>2,170,511</u> | <u>1,905,899</u> | <u>1,905,899</u> | <u>264,612</u>   |
| Balance end of year   | <u>\$ 1,856,702</u> | <u>65,927</u>  | <u>1,922,629</u> | <u>547,974</u>   | <u>547,974</u>   | <u>1,374,655</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function 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.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------|--------------------------|-------------------------------|---------------------------------------|---------------------------|--------------------|---------------------|---|
| 2010                | July 1, 2009             | \$ -                          | \$ 49,000                             | \$ 49,000                 | 0.0 %              | 2,044,000           | 2.40%   |
| 2011                | July 1, 2009             | -                             | 46,000                                | 46,000                    | 0.0                | 2,057,000           | 2.24%   |
| 2012                | July 1, 2009             | -                             | 46,000                                | 46,000                    | 0.0                | 1,921,000           | 2.39%   |
| 2013                | July 1, 2012             | -                             | 68,967                                | 68,967                    | 0.0                | 915,818             | 7.53%   |

See Note 6 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## **Supplementary Information**

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2013

|  | Capital Projects                               |  |                |
|--|--|--|----------------|
|  | Statewide<br>Sales,<br>Services and<br>Use Tax | Physical<br>Plant and<br>Equipment<br>Levy | Total          |
| <b>ASSETS</b>                              |  |  |                |
| Cash and pooled investments                | \$ 281,273                                     | 73,409                                     | 354,682        |
| Receivables:                               |  |  |                |
| Property tax:                              |  |  |                |
| Delinquent                                 | -  | 926  | 926            |
| Succeeding year                            | -  | 61,189                                     | 61,189         |
| Income surtax                              | -  | 70,277                                     | 70,277         |
| Due from other governments                 | 103,652  | -  | 103,652        |
| <b>TOTAL ASSETS</b>                        | <b>\$ 384,925</b>                              | <b>205,801</b>                             | <b>590,726</b> |
| <b>LIABILITIES AND FUND BALANCES</b>       |  |  |                |
| Liabilities:                               |  |  |                |
| Deferred revenue:                          |  |  |                |
| Succeeding year property tax               | \$ -   | 61,189                                     | 61,189         |
| Income surtax                              | -  | 70,277                                     | 70,277         |
| Total liabilities                          | -  | 131,466                                    | 131,466        |
| Fund balances:                             |  |  |                |
| Restricted for:                            |  |  |                |
| School infrastructure                      | 304,925  | -  | 304,925        |
| Physical plant and equipment               | -  | 74,335                                     | 74,335         |
| Debt service                               | 80,000   | -  | 80,000         |
| Total fund balances                        | 384,925  | 74,335                                     | 459,260        |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 384,925</b>                              | <b>205,801</b>                             | <b>590,726</b> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

|                                       | Capital Projects                               |  |                |
|---------------------------------------|--|--|----------------|
|                                       | Statewide<br>Sales,<br>Services and<br>Use Tax | Physical<br>Plant and<br>Equipment<br>Levy | Total          |
| REVENUES:                             |  |  |                |
| Local sources:                        |  |  |                |
| Local tax                             | \$ 267,248                                     | 136,903                                    | 404,151        |
| Other                                 | 27,424   | 121  | 27,545         |
| State sources                         | -  | 16   | 16             |
| <b>TOTAL REVENUES</b>                 | <b>294,672</b>                                 | <b>137,040</b>                             | <b>431,712</b> |
| EXPENDITURES:                         |  |  |                |
| Current:                              |  |  |                |
| Support services:                     |  |  |                |
| Administration                        | -  | 12,499                                     | 12,499         |
| Operation and maintenance of plant    | 80,382   | -  | 80,382         |
| Transportation                        | -  | 4,600                                      | 4,600          |
| Capital outlay                        | 211,687  | 95,721                                     | 307,408        |
| <b>TOTAL EXPENDITURES</b>             | <b>292,069</b>                                 | <b>112,820</b>                             | <b>404,889</b> |
| Excesss of revenues over expenditures | 2,603  | 24,220                                     | 26,823         |
| Other financing uses:                 |  |  |                |
| Transfer out                          | (164,980)                                      | -  | (164,980)      |
| Change in fund balances               | (162,377)                                      | 24,220                                     | (138,157)      |
| Fund balances beginning of year       | 547,302  | 50,115                                     | 597,417        |
| Fund balances end of year             | \$ 384,925                                     | 74,335                                     | 459,260        |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

| Account                            | Balance<br>Beginning<br>of Year | Revenues | Expenditures | Intrafund<br>Transfers | Balance<br>End<br>of Year |
|------------------------------------|---------------------------------|----------|--------------|------------------------|---------------------------|
| DRAMA CLUB                         | \$ 5,892                        | 1,535    | 1,291        | -                      | 6,136                     |
| BAND                               | 11,401                          | 19,295   | 27,264       | -                      | 3,432                     |
| VENDING MACHIINE/POP - CHARTER OAK | 305                             | 1,179    | 1,484        | -                      | -                         |
| ELEMENTARY STAND                   | 9,467                           | 2,240    | 4,071        | -                      | 7,636                     |
| VENDING MACHINE/POP - UTE          | 32                              | 737      | 769          | -                      | -                         |
| BASKETBALL                         | 1,009                           | 9,912    | 9,632        | -                      | 1,289                     |
| TRACK BOYS/GIRLS                   | -                               | 1,411    | 1,411        | -                      | -                         |
| FOOTBALL                           | 333                             | 9,441    | 8,761        | -                      | 1,013                     |
| VOLLEYBALL                         | 280                             | 3,744    | 3,835        | -                      | 189                       |
| SOFTBALL                           | 959                             | 9,876    | 10,835       | -                      | -                         |
| SCIENCE CLUB                       | 271                             | 740      | 952          | -                      | 59                        |
| NATIONAL HONOR SOCIETY             | -                               | 959      | -            | -                      | 959                       |
| ANNUAL                             | 1,851                           | 5,562    | 7,413        | -                      | -                         |
| NEWSPAPER                          | 12                              | 300      | 225          | -                      | 87                        |
| SPANISH CLUB                       | 375                             | 220      | 595          | -                      | -                         |
| PEP CLUB                           | 579                             | 462      | 488          | -                      | 553                       |
| FFA NATIONAL CONVENTION            | 2,234                           | 2,449    | 2,521        | -                      | 2,162                     |
| FFA FUND                           | 4,355                           | 31,726   | 27,493       | -                      | 8,588                     |
| STUDENT COUNCIL SR HIGH            | 2,359                           | 4,562    | 5,524        | -                      | 1,397                     |
| CLASS OF 2012                      | 2                               | -        | -            | (2)                    | -                         |
| CLASS OF 2013                      | 4,033                           | 225      | 4,504        | 246                    | -                         |
| CLASS OF 2014                      | 1,963                           | 23,044   | 18,767       | (467)                  | 5,773                     |
| CLASS OF 2015                      | 1,312                           | -        | -            | -                      | 1,312                     |
| CLASS OF 2016                      | 1,040                           | -        | -            | -                      | 1,040                     |
| CLASS OF 2017                      | 1,190                           | 690      | 420          | -                      | 1,460                     |
| CLASS OF 2018                      | 246                             | 509      | 344          | 223                    | 634                       |
| CLASS OF 2019                      | -                               | 1,787    | 1,200        | -                      | 587                       |
| INTEREST                           | -                               | 7        | 7            | -                      | -                         |
| TOTALS                             | \$ 51,500                       | 132,612  | 139,806      | -                      | 44,306                    |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE LAST TEN YEARS**

|                                    | Modified Accrual Basis |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|------------------------------------|------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                    | Years Ended June 30,   |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|                                    | 2013                   | 2012             | 2011             | 2010             | 2009             | 2008             | 2007             | 2006             | 2005             | 2004             |
| <b>Revenues:</b>                   |                        |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Local sources:</b>              |                        |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Local tax                          | \$ 1,756,827           | 1,845,615        | 1,784,636        | 1,718,477        | 1,597,974        | 1,500,384        | 1,450,792        | 1,389,813        | 1,303,133        | 1,174,964        |
| Tuition                            | 293,211                | 264,401          | 248,485          | 252,090          | 170,565          | 141,325          | 129,725          | 162,155          | 134,976          | 259,892          |
| Other                              | 185,133                | 209,285          | 254,752          | 194,892          | 206,375          | 212,299          | 219,753          | 188,467          | 171,112          | 154,238          |
| State sources                      | 1,582,924              | 1,629,113        | 1,632,944        | 1,349,712        | 1,655,583        | 1,607,944        | 1,552,952        | 1,472,765        | 1,568,214        | 1,107,579        |
| Federal sources                    | 146,674                | 138,655          | 299,745          | 322,558          | 167,724          | 129,054          | 225,805          | 212,189          | 255,760          | 291,153          |
| <b>Total</b>                       | <b>\$ 3,964,769</b>    | <b>4,087,069</b> | <b>4,220,562</b> | <b>3,837,729</b> | <b>3,798,221</b> | <b>3,591,006</b> | <b>3,579,027</b> | <b>3,425,389</b> | <b>3,433,195</b> | <b>2,987,826</b> |
| <b>Expenditures:</b>               |                        |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Instruction:</b>                |                        |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Regular                            | \$ 1,603,309           | 1,456,356        | 1,726,506        | 1,353,636        | 1,414,974        | 1,405,177        | 1,456,838        | 1,415,674        | 1,515,234        | 1,261,549        |
| Special                            | 380,526                | 368,470          | 335,721          | 345,162          | 375,132          | 361,681          | 306,329          | 322,355          | 438,354          | 324,963          |
| Other                              | 558,641                | 510,211          | 571,522          | 446,599          | 431,189          | 459,088          | 466,225          | 490,775          | 330,519          | 404,626          |
| <b>Support services:</b>           |                        |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Student                            | 83,177                 | 70,219           | 65,606           | 71,650           | 59,147           | 44,659           | 42,454           | 59,723           | 61,109           | 49,418           |
| Instructional staff                | 19,129                 | 41,196           | 50,915           | 47,739           | 60,886           | 77,754           | 109,602          | 49,777           | 1,334            | 3,078            |
| Administration                     | 428,672                | 468,923          | 439,172          | 397,923          | 380,269          | 398,239          | 356,759          | 306,131          | 314,724          | 293,964          |
| Operation and maintenance of plant | 388,677                | 369,902          | 333,938          | 297,719          | 311,394          | 324,472          | 282,827          | 267,784          | 263,323          | 267,961          |
| Transportation                     | 176,539                | 259,237          | 248,795          | 250,517          | 167,392          | 168,647          | 159,096          | 220,079          | 221,796          | 235,912          |
| Non-instructional programs         | 1,409                  | 1,221            | 222              | 1,087            | 1,166            | 3,397            | 2,038            | 2,448            | 1,856            | 11,001           |
| Capital outlay                     | 307,408                | 738,538          | 165,948          | 16,501           | 46,659           | 738,398          | 104,796          | 127,918          | 142,516          | 50,346           |
| <b>Long-term debt:</b>             |                        |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Principal                          | 140,641                | 267,440          | 135,853          | 60,000           | 130,000          | 55,000           | -                | -                | 6,364            | 2,000            |
| Interest and fiscal charges        | 24,339                 | 13,510           | 16,487           | 13,417           | 18,624           | 9,371            | -                | -                | -                | -                |
| <b>Other expenditures:</b>         |                        |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| AEA flow-through                   | 122,723                | 121,896          | 136,948          | 130,790          | 121,409          | 114,358          | 110,135          | 106,094          | 106,466          | 85,829           |
| <b>Total</b>                       | <b>\$ 4,235,190</b>    | <b>4,687,119</b> | <b>4,227,633</b> | <b>3,432,740</b> | <b>3,518,241</b> | <b>4,160,241</b> | <b>3,397,099</b> | <b>3,368,758</b> | <b>3,403,595</b> | <b>2,990,647</b> |

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  
Charter Oak-Ute Community School District:

We have audited 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Charter Oak-Ute Community School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 11, 2014.

#### Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency or 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 deficiency described in Part I of the accompanying Schedule of Findings as item I-B-13 to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charter Oak-Ute 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

**Members American Institute & Iowa Society of Certified Public Accountants**

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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Charter Oak-Ute Community School District's Responses to Findings

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

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls 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 Charter Oak-Ute Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2014  
Newton, Iowa

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

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

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

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

Response - We are always looking for ways to improve our internal controls. The District knows that segregation of duties will always be an issue for a small school district and will try to segregate duties where possible.

Conclusion - Response accepted.

I-B-13 Checks Written as Bearer Paper - We noted during our audit that the District is writing checks to the bank which are later cashed at that bank for start-up money at District events.

Recommendation - The District writes various checks throughout the year for change boxes for startup cash at the gate for District events. It was noted that these checks were being written to the bank instead of the custodian/sponsor for these events and the bank. Checks made out to the bank alone are bearer paper and in the event the check would be lost or stolen, anyone could cash the check. In the future the District should write the check payable to the custodian/sponsor as well as the bank.

Response - The District has reviewed its procedures and will not issue checks written only to the bank. Instead, they will write checks out to the sponsor and the bank.

Conclusion - Response accepted.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District disbursements for the year ended June 30, 2013 did not exceed the amounts budgeted.

II-B-13 Questionable Disbursements - During our audit we noted the following items as questionable disbursements. More specific examples of those instances of questioned items and recommendations are as follows:

**Fundraiser Prizes:** We noted during our audit a disbursement for magazine fundraiser prizes being awarded. Giving prizes for a fundraiser does not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

Response - The District has reviewed its procedures and will no longer give prizes as an incentive for fundraisers. Prizes will be given to the students directly by the fundraising company.

Conclusion - Response accepted.

**Student Activity Fund:** During the audit it was noted the District makes numerous purchases of sports apparel through the Student Activity Fund for fundraising purposes. In one instance the requisition indicated that the T-shirts purchased were for coaches. We were unable to determine that these were paid for by individuals receiving the clothing. Buying personal clothing for employees does not meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from purchasing clothing for coaches, staff, or as gifts since it would not meet the requirement of public purpose.

Response - The District will no longer purchase clothing for coaches without being reimbursed by the coaches.

Conclusion - Response accepted.

We also noted during our audit that pop and donuts were purchased for the teacher's lounge as well as for an open house for the new high school addition, from the Student Activity Fund. These expenditures do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - Expenses for teacher's lounge and open house refreshments are not extracurricular or co-curricular in nature and therefore are inappropriate expenditures from the Student Activity Fund. These expenditures would be more appropriately handled in the General Fund if they meet public purpose.

Response - The District will no longer purchase refreshments from the Student Activity Fund. If expenditures of this type are warranted they will be taken out of the proper General Fund account.

Conclusion - Response accepted.

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

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

| Name, Title and Business Connection                            | Transaction Description | Amount   |
|--|-------------------------|----------|
| Jim Ewoldt, Board Member<br>Owns Peak Performance              | Purchased Services      | \$675    |
| John Jepsen, Head of Maintenance<br>Brother Owns Jepsen Repair | Purchased Services      | \$10,726 |
| Chris Wood, Teacher<br>Owner DJ Services                       | Purchased Services      | \$600    |

In accordance with the Chapter 279.7A of the Code of Iowa, the above transactions with the Board Member does not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the brother of John Jepsen does not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the teacher do not appear to present a conflict of interest.

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

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

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

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

II-I-13 Deposits and Investments - 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 were noted

II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted not significant deficiencies in the amounts reported.

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

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

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

|                                    |                             |                          |
|------------------------------------|-----------------------------|--------------------------|
| Beginning Balance                  |                             | \$ 547,302               |
| Revenues:                          |                             |                          |
| Sales tax revenues                 | \$ 267,248                  |                          |
| Other local revenues               | 27,424                      | 294,672                  |
| Total revenues                     | <u>                    </u> | <u>841,974</u>           |
| Expenditures:                      |                             |                          |
| School infrastructure construction | 211,687                     |                          |
| Equipment                          | 80,382                      |                          |
| Transfers to other funds:          |                             |                          |
| Debt service fund                  | <u>164,980</u>              | <u>457,049</u>           |
| Ending balance                     |                             | <u><u>\$ 384,925</u></u> |

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

II-M-13 Student Activity Fund - During our audit issues arose about the properness of certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from. More specific examples of these instances of questioned items and recommendations are as follows:

We noted during our audit that Lifetouch Picture commissions were being receipted to the High School Renaissance activity account in 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, Lifetouch commissions would be more appropriately receipted into the General Fund.

Response - Lifetouch Picture commissions will be deposited into the General Fund.

Conclusion - Response accepted.

**Box Tops for Education:** We noted the District recorded revenue from Box Tops for Education in the Activity Fund. Donations to a school should be expended according to donor request. According to information contained on the website for Box Tops, the donation can be used for items such as books, computers or playground equipment.

Recommendation - Since the items listed for purchase appear to be more instructional in nature, the most logical place to record these donations would be the General Fund.

Response - Donations from Box Tops for Education will be deposited into the General Fund.

Conclusion - Response accepted.