

DELWOOD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Delwood Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Carmen Gerlach	President	2015
Sarah Tubbs	Vice President	2013
Jody Holtz	Board Member	2013
Ron Filloon	Board Member	2015
Rhonda Denger	Board Member	2015
School Officials		
Sue Goodwall	Superintendent	2013
Jane Goodenow	District Secretary/Treasurer	2013
Ahlers & Cooney, P.C.	Attorney	2013

DELWOOD COMMUNITY SCHOOLS

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 Delwood Community School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Delwood Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2012 and another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2014 on our consideration of Delwood Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Delwood Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,498,236 in fiscal 2012 to \$2,517,859 in fiscal 2013, and General Fund expenditures decreased from \$2,467,555 in fiscal 2012 to \$2,341,325 in fiscal 2013. The District's General Fund balance increased from \$904,341 in fiscal 2012 to a balance of \$1,080,875 in fiscal 2013, an increase of 19.52% over the prior year.
- The increase in General Fund revenues was largely attributable to an increase in tuition revenue received during the year ended June 30, 2013. The decrease in expenditures was due primarily to a decrease in tuition out students in the instruction expenditures.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Delwood 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 Delwood 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 Delwood Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

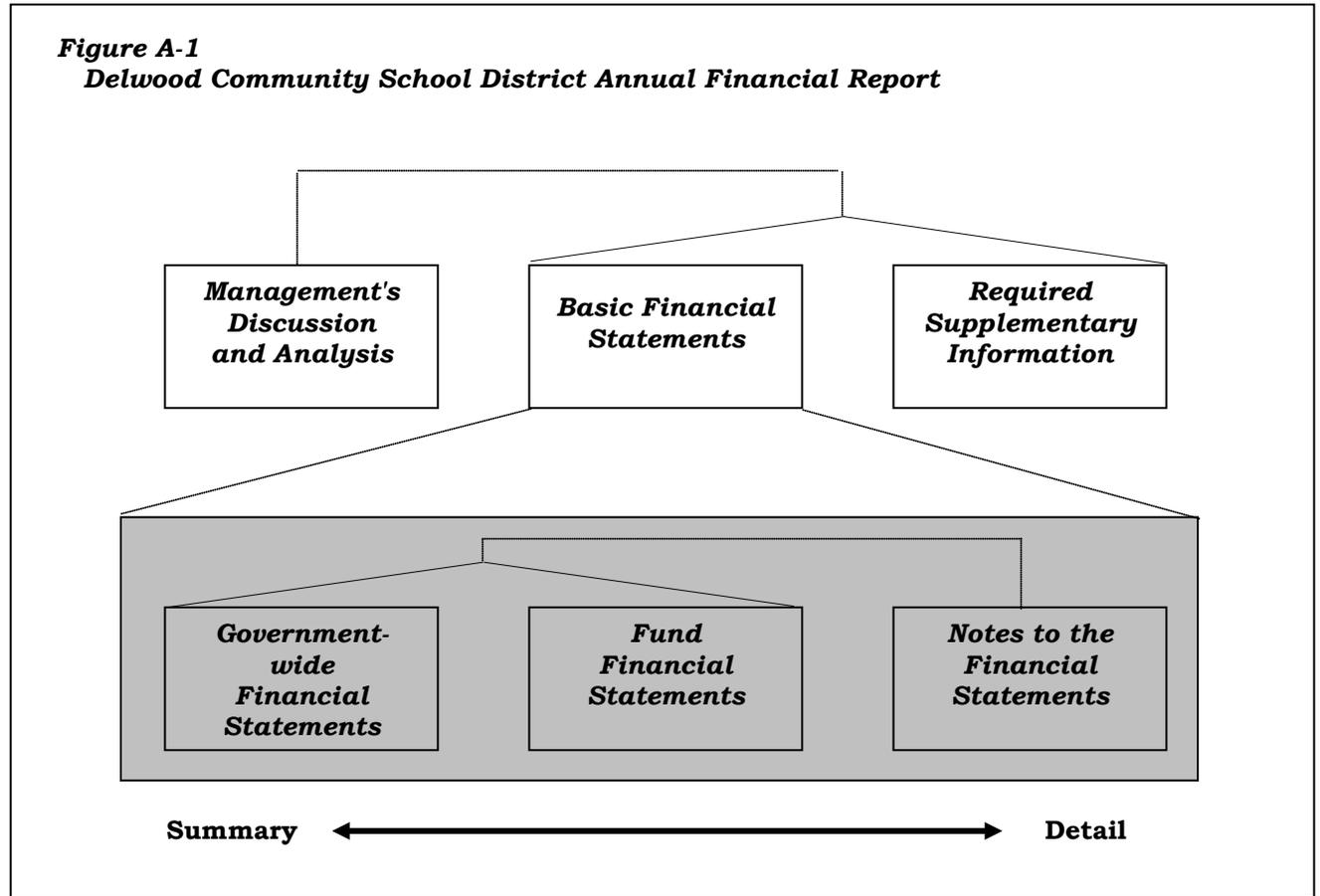


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 3,016,627	2,811,502	15,250	5,063	3,031,877	2,816,565	7.64%
Capital assets	1,236,231	1,190,321	3,970	5,011	1,240,201	1,195,332	3.75%
Total assets	<u>4,252,858</u>	<u>4,001,823</u>	<u>19,220</u>	<u>10,074</u>	<u>4,272,078</u>	<u>4,011,897</u>	<u>6.49%</u>
Long-term obligations	22,094	16,239	-	-	22,094	16,239	36.06%
Other liabilities	978,623	953,607	977	979	979,600	954,586	2.62%
Total liabilities	<u>1,000,717</u>	<u>969,846</u>	<u>977</u>	<u>979</u>	<u>1,001,694</u>	<u>970,825</u>	<u>3.18%</u>
Net position:							
Invested in capital assets	1,236,231	1,190,321	3,970	5,011	1,240,201	1,195,332	3.75%
Restricted	948,008	940,776	-	-	948,008	940,776	0.77%
Unrestricted	1,067,902	900,880	14,273	4,084	1,082,175	904,964	19.58%
Total net position	<u>\$ 3,252,141</u>	<u>3,031,977</u>	<u>18,243</u>	<u>9,095</u>	<u>3,270,384</u>	<u>3,041,072</u>	<u>7.54%</u>

The District's combined net position increased by 7.54%, or \$229,312, over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 0.77% or \$7,232 from the prior year. This increase was primarily due to the increase in the Capital Projects: Statewide Sales, Services and Use Tax Fund balance.

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 – increased 19.58% or \$177,211. The primary reason for the increase in unrestricted net position is the increase in the fund balance of the General Fund.

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

	Figure A-4						
	Changes of Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
2013	2012	2013	2012	2013	2012	2012-13	
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 318,250	240,934	29,772	28,797	348,022	269,731	29.03%
Operating grants, contributions and restricted interest	230,346	385,495	49,022	45,974	279,368	431,469	-35.25%
General revenues:							
Property tax	826,572	829,613	-	-	826,572	829,613	-0.37%
Income surtax	91,718	95,335	-	-	91,718	95,335	-3.79%
Statewide sales, services and use tax	169,112	190,102	-	-	169,112	190,102	-11.04%
Unrestricted state grants	1,071,552	961,189	-	-	1,071,552	961,189	11.48%
Nonspecific program federal grants	-	770	-	-	-	770	-100.00%
Unrestricted investment earnings	6,410	6,870	10	14	6,420	6,884	-6.74%
Other	8,133	17,099	300	-	8,433	17,099	-50.68%
Transfers	-	270	-	(270)	-	-	0.00%
Total revenues and transfers	<u>2,722,093</u>	<u>2,727,677</u>	<u>79,104</u>	<u>74,515</u>	<u>2,801,197</u>	<u>2,802,192</u>	<u>-0.04%</u>
Program expenses:							
Governmental activities:							
Instructional	1,676,504	1,827,561	-	-	1,676,504	1,827,561	-8.27%
Support services	636,048	603,137	219	6,831	636,267	609,968	4.31%
Non-instructional programs	37,333	42,877	69,737	73,059	107,070	115,936	-7.65%
Other expenses	116,044	115,840	-	-	116,044	115,840	0.18%
Total expenses	<u>2,465,929</u>	<u>2,589,415</u>	<u>69,956</u>	<u>79,890</u>	<u>2,535,885</u>	<u>2,669,305</u>	<u>-5.00%</u>
Change in net position before special item	256,164	138,262	9,148	(5,375)	265,312	132,887	99.65%
Special item(Note 11)	(36,000)	(83,510)	-	-	(36,000)	(83,510)	-56.89%
Change in net position	220,164	54,752	9,148	(5,375)	229,312	49,377	364.41%
Net position beginning of year	<u>3,031,977</u>	<u>2,977,225</u>	<u>9,095</u>	<u>14,470</u>	<u>3,041,072</u>	<u>2,991,695</u>	<u>1.65%</u>
Net position end of year	<u>\$ 3,252,141</u>	<u>3,031,977</u>	<u>18,243</u>	<u>9,095</u>	<u>3,270,384</u>	<u>3,041,072</u>	<u>7.54%</u>

In fiscal 2013, property tax and unrestricted state grants accounted for 69.73% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.61% of the revenue from business type activities.

The District's total revenues were approximately \$2.80 million, of which approximately \$2.72 million was for governmental activities and \$0.08 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.04% decrease in revenues and a 5.00% decrease in expenses. The decrease in revenues can be attributed to a decrease in District enrollment in the fall of 2011 which generated the funding for property tax, state aide, sales tax and operating grants. There was also reduced revenue in fundraisers and restricted interest. The decrease in expenses can be attributed to a reduction in tuition out students in the instruction area and fundraiser costs in the non-instructional program area.

Governmental Activities

Revenues for governmental activities were \$2,722,093 and expenses were \$2,465,929.

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

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 1,676,504	1,827,561	-8.27%	1,226,517	1,291,357	-5.02%
Support services	636,048	603,137	5.46%	634,965	602,474	5.39%
Non-instructional programs	37,333	42,877	-12.93%	27,962	42,877	-34.79%
Other expenses	116,044	115,840	0.18%	27,889	26,278	6.13%
Totals	<u>\$ 2,465,929</u>	<u>2,589,415</u>	<u>-4.77%</u>	<u>1,917,333</u>	<u>1,962,986</u>	<u>-2.33%</u>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$318,250.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$230,346.
- The net cost of governmental activities was financed with \$826,572 in property tax, \$91,718 in income surtax, \$169,112 in statewide sales, services and use tax, \$1,071,552 in unrestricted state grants, \$6,410 in interest income and \$8,133 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$79,104 and expenses were \$69,956. 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, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Delwood 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 \$1,948,430, above last year's ending fund balance of \$1,770,916. Increases in fund balances for the General Fund and the Capital Project: Statewide Sales, Services and Use Tax Fund led to the increase in total fund balances at the end of the year.

Governmental Fund Highlights

- The District's General Fund balance increased from \$904,341 on June 30, 2012 to \$1,080,875 on June 30, 2013. The improvement in the District's General Fund financial position is the product of many factors. An increase in tuition revenue received during the year led to an increase in revenues. The decrease in expenditures was due to the decrease in regular and special instruction expenditures because of the reduction in tuition out students.

- The Capital Projects Accounts increased from \$818,469 at the beginning of fiscal year 2013 to \$827,948 at the end of fiscal year 2012. The increase can be attributed to the decreased amount of the District's payment to Maquoketa Community School District per the 28E sharing agreement.

Proprietary Fund Highlights

- The School Nutrition Fund net position increased from \$9,095 at June 30, 2012 to \$18,243 at June 30, 2013, representing an increase of approximately 100.58%. For fiscal 2013, the increase in net position was due primarily to a decrease in expenses of support services and non-instructional services.

BUDGETARY HIGHLIGHTS

The District's revenues were \$5,940 less than budgeted revenues, a variance of less than 1%. 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 higher than expected to allow for unexpected categorical funding, substitute expenses for long term leaves, textbooks and computers. A line-item budget with prior year's comparisons, known expenditures and allowances for unexpected expenditures during the year is created before the budget is submitted in April. The line-item budget is updated several times during the year. 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 \$1,240,201, 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 3.75% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$97,106.

The original cost of the District's capital assets was \$2,545,455. Governmental funds account for \$2,512,792 with the remainder of \$32,663 in the Proprietary, School Nutrition Fund.

The largest dollar change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$175,333 at June 30, 2013, compared to \$152,987 reported at June 30, 2012. This increase resulted from the District acquiring a new school bus and new computers.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 600	600	-	-	600	600	0.00%
Construction in progress	-	332	-	-	-	332	-100.00%
Buildings	1,046,689	1,024,955	-	-	1,046,689	1,024,955	2.12%
Land improvements	17,579	16,458	-	-	17,579	16,458	6.81%
Machinery and equipment	171,363	147,976	3,970	5,011	175,333	152,987	14.61%
Total	\$ 1,236,231	1,190,321	3,970	5,011	1,240,201	1,195,332	3.75%

Long-Term Debt

At June 30, 2013, the District had \$22,094 in long-term debt outstanding. This represents an increase of 36.06% 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 reported total net OPEB liability of \$22,094 at June 30, 2013.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total		Total
	District		Change
	June 30,		June 30,
	2013	2012	2012-13
Net OPEB liability	\$ 22,094	16,239	36.06%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has continued to maintain a healthy fund balance in the General Fund. Projected enrollment for preschool and kindergarten levels is remaining stable.
- Open enrollment students continue to help us to maintain our classroom sizes and financial stability. We will continue to offer two full classes of preschool.
- The District has continued to support a quality before and after school program with the assistance of grants and parent fees. The District feels these programs off a safe environment with additional educational opportunities.
- The District has continued to offer a morning and afternoon preschool for multi-aged 3, 4 and 5 year olds working and playing together to prepare students for the transition into kindergarten. The District offers a quality childcare for the balance of the day, to accommodate parents work schedules and offer stability for the student. The District received 50% state costs per pupil as state aid for all of the four year olds. The District views this as another step offering educational opportunities for children, while remaining economically stable. Parents pay fees for the childcare program.
- Since the 2006-07 school year, the District has combined the principal, superintendent and curriculum director positions, reducing administrative expenditures and allowing more funding for the education of Delwood students.
- Insurance costs increased for workers compensation, property, casualty and transportation. Consequently, we have increased our levy for the Management Fund. Health insurance decreased by 8.03% for the 2013-14 school year.
- In May 2013, the Delwood Community School District and the Delwood Education Association settled a two year agreement for the 2013-14 and 2014-15 school years. Each of the years will be a total package increase of 3.96%.
- The 2012-13 school year was the 26th year of a whole grade sharing agreement with Maquoketa Community School District for the 7-12 grade students.

-
- The District has remained financially stable and has projected to remain independent for years to come. While the District has one of the lowest levy rates in the state, the District has the ability to levy more due to its \$4,000,000 carryover unspent authorized budget and the Educational Improvement Program adopted by voters in 1990 that can be funded through both property tax and income surtax.
 - The District continues to offer a strong education as evidenced by student achievement data.
 - The District has a very experienced teaching staff that supports student learning and very supportive non-certified staff. Delwood offers many professional development opportunities for our instructional and administrative staff. The District has been chosen for round one of the Teacher Leadership Grant. Administration and staff are very excited about this opportunity.
 - The District maintains reliable transportation vehicles, modern equipment and technology, modern media center and retains their building in quality condition.
 - The District has also received a grant to support a summer school to maintain student learning during the summer break.

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 Jane L. Goodenow, District Secretary/Treasurer and Business Manager or Superintendent Sue Goodall, Delwood Community School District, 311 Delmar Avenue, P.O. Box 292, Delmar, Iowa 52037.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 1,924,198	14,316	1,938,514
Receivables:			
Property tax:			
Delinquent	12,789	-	12,789
Succeeding year	846,580	-	846,580
Income surtax	88,554	-	88,554
Interest	1,021	-	1,021
Accounts	2,516	75	2,591
Due from other governments	133,267	-	133,267
Prepaid expenses	7,702	-	7,702
Inventories	-	859	859
Capital assets, net of accumulated depreciation	1,236,231	3,970	1,240,201
TOTAL ASSETS	4,252,858	19,220	4,272,078
LIABILITIES			
Accounts payable	95	-	95
Salaries and benefits payable	131,948	-	131,948
Deferred revenue:			
Succeeding year property tax	846,580	-	846,580
Unearned revenue	-	977	977
Long-term liabilities:			
Portion due after one year:			
Net OPEB liability	22,094	-	22,094
TOTAL LIABILITIES	1,000,717	977	1,001,694
NET POSITION			
Invested in capital assets	1,236,231	3,970	1,240,201
Restricted for:			
Categorical funding	80,453	-	80,453
Management levy purposes	29,185	-	29,185
Student activities	10,422	-	10,422
School infrastructure	647,677	-	647,677
Physical plant and equipment	180,271	-	180,271
Unrestricted	1,067,902	14,273	1,082,175
TOTAL NET POSITION	\$ 3,252,141	18,243	3,270,384

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,194,992	264,207	18,709	(912,076)	-	(912,076)
Special	320,452	38,250	11,577	(270,625)	-	(270,625)
Other	161,060	6,422	110,822	(43,816)	-	(43,816)
	<u>1,676,504</u>	<u>308,879</u>	<u>141,108</u>	<u>(1,226,517)</u>	<u>-</u>	<u>(1,226,517)</u>
Support services:						
Student	25,232	-	-	(25,232)	-	(25,232)
Instructional staff	46,199	-	-	(46,199)	-	(46,199)
Administration	236,249	-	-	(236,249)	-	(236,249)
Operation and maintenance of plant	156,573	-	-	(156,573)	-	(156,573)
Transportation	171,795	-	1,083	(170,712)	-	(170,712)
	<u>636,048</u>	<u>-</u>	<u>1,083</u>	<u>(634,965)</u>	<u>-</u>	<u>(634,965)</u>
Non-instructional programs:						
Food service operations	1,602	-	-	(1,602)	-	(1,602)
Community service operations	33,537	9,371	-	(24,166)	-	(24,166)
Other enterprise operations	2,194	-	-	(2,194)	-	(2,194)
	<u>37,333</u>	<u>9,371</u>	<u>-</u>	<u>(27,962)</u>	<u>-</u>	<u>(27,962)</u>
Other expenditures:						
AEA flowthrough	88,155	-	88,155	-	-	-
Depreciation (unallocated)*	27,889	-	-	(27,889)	-	(27,889)
	<u>116,044</u>	<u>-</u>	<u>88,155</u>	<u>(27,889)</u>	<u>-</u>	<u>(27,889)</u>
Total governmental activities	<u>2,465,929</u>	<u>318,250</u>	<u>230,346</u>	<u>(1,917,333)</u>	<u>-</u>	<u>(1,917,333)</u>
Business type activities:						
Support services:						
Operation and maintenance of plant	219	-	-	-	(219)	(219)
Non-instructional programs:						
Nutrition services	69,737	29,772	49,022	-	9,057	9,057
Total business type activities	<u>69,956</u>	<u>29,772</u>	<u>49,022</u>	<u>-</u>	<u>8,838</u>	<u>8,838</u>
Total	<u>\$ 2,535,885</u>	<u>348,022</u>	<u>279,368</u>	<u>(1,917,333)</u>	<u>8,838</u>	<u>(1,908,495)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 826,572	-	826,572
Income surtax				91,718	-	91,718
Statewide sales, services and use tax				169,112	-	169,112
Unrestricted state grants				1,071,552	-	1,071,552
Unrestricted investment earnings				6,410	10	6,420
Other				8,133	300	8,433
Total general revenues				<u>2,173,497</u>	<u>310</u>	<u>2,173,807</u>
Change in net position before special item				256,164	9,148	265,312
Special item (Note 11)				(36,000)	-	(36,000)
Change in net position				220,164	9,148	229,312
Net position beginning of year				3,031,977	9,095	3,041,072
Net position end of year				<u>\$ 3,252,141</u>	<u>18,243</u>	<u>3,270,384</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Capital			
	General	Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 1,087,208	796,752	39,218	1,923,178
Receivables:				
Property tax:				
Delinquent	12,402	-	387	12,789
Succeeding year	796,580	-	50,000	846,580
Income surtax	88,554	-	-	88,554
Interest	107	912	2	1,021
Accounts	797	1,719	-	2,516
Due from other governments	104,702	28,565	-	133,267
Prepaid expenses	7,702	-	-	7,702
TOTAL ASSETS	\$ 2,098,052	827,948	89,607	3,015,607
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 95	-	-	95
Salaries and benefits payable	131,948	-	-	131,948
Deferred revenue:				
Succeeding year property tax	796,580	-	50,000	846,580
Income surtax	88,554	-	-	88,554
Total liabilities	1,017,177	-	50,000	1,067,177
Fund balances:				
Nonspendable	7,702	-	-	7,702
Restricted for:				
Categorical funding	80,453	-	-	80,453
Management levy purposes	-	-	29,185	29,185
Student activities	-	-	10,422	10,422
School infrastructure	-	647,677	-	647,677
Physical plant and equipment	-	180,271	-	180,271
Unassigned	992,720	-	-	992,720
Total fund balances	1,080,875	827,948	39,607	1,948,430
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,098,052	827,948	89,607	3,015,607

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 20)	\$ 1,948,430
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,236,231
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	1,020
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	88,554
Long-term liabilities, including other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(22,094)</u>
Net position of governmental activities (page 18)	<u>\$ 3,252,141</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Capital			Total
	General	Projects	Nonmajor	
Revenues:				
Local sources:				
Local tax	\$ 890,854	169,112	24,990	1,084,956
Tuition	300,043	-	-	300,043
Other	23,468	5,572	3,925	32,965
Intermediate sources	1,683	-	-	1,683
State sources	1,223,787	-	14	1,223,801
Federal sources	76,199	-	-	76,199
Total revenues	<u>2,516,034</u>	<u>174,684</u>	<u>28,929</u>	<u>2,719,647</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,180,908	3,479	3,294	1,187,681
Special	320,100	-	-	320,100
Other	159,659	-	1,401	161,060
	<u>1,660,667</u>	<u>3,479</u>	<u>4,695</u>	<u>1,668,841</u>
Support services:				
Student	25,232	-	-	25,232
Instructional staff	41,898	-	-	41,898
Administration	228,631	-	6,370	235,001
Operation and maintenance of plant	128,897	-	15,222	144,119
Transportation	132,483	77,749	9,164	219,396
	<u>557,141</u>	<u>77,749</u>	<u>30,756</u>	<u>665,646</u>
Non-instructional programs:				
Food service operations	-	-	1,602	1,602
Community service operations	33,168	-	125	33,293
Other enterprise operations	2,194	-	-	2,194
	<u>35,362</u>	<u>-</u>	<u>1,727</u>	<u>37,089</u>
Capital outlay	-	50,477	-	50,477
Other expenditures:				
AEA flowthrough	88,155	-	-	88,155
Total expenditures	<u>2,341,325</u>	<u>131,705</u>	<u>37,178</u>	<u>2,510,208</u>
Excess(Deficiency) of revenues over expenditures	174,709	42,979	(8,249)	209,439
Other financing sources(uses):				
Transfer in	250	-	-	250
Transfer out	-	-	(250)	(250)
Sale of equipment	-	2,500	-	2,500
Insurance proceeds	1,575	-	-	1,575
Special item(Note 11)	-	(36,000)	-	(36,000)
Total other financing sources(uses)	<u>1,825</u>	<u>(33,500)</u>	<u>(250)</u>	<u>(31,925)</u>
Change in fund balances	176,534	9,479	(8,499)	177,514
Fund balances beginning of year	904,341	818,469	48,106	1,770,916
Fund balances end of year	<u>\$ 1,080,875</u>	<u>827,948</u>	<u>39,607</u>	<u>1,948,430</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DELWOOD 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) \$ 177,514

**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 outlay and depreciation expense in the current year, are as follows:

Capital outlay	\$ 142,060	
Depreciation expense	(96,065)	
Loss on disposal of assets	<u>(85)</u>	45,910

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 2,446

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 149

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

Other postemployment benefits	<u>(5,855)</u>
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Change in net position of governmental activities (page 19) \$ 220,164

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

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
ASSETS		
Cash and cash equivalents	\$ 14,316	1,020
Accounts receivable	75	-
Inventories	859	-
Capital assets, net of accumulated depreciation	3,970	-
TOTAL ASSETS	19,220	1,020
LIABILITIES		
Unearned revenue	977	-
NET POSITION		
Invested in capital assets	3,970	-
Unrestricted	14,273	1,020
TOTAL NET POSITION	\$ 18,243	1,020

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 29,772	-
Miscellaneous	300	10,134
Total operating revenues	<u>30,072</u>	<u>10,134</u>
Operating expenses:		
Support services:		
Administration:		
Services	-	9,985
Operation and maintenance of plant:		
Services	219	-
Non-instructional programs:		
Food services operations:		
Salaries	21,010	-
Benefits	3,409	-
Services	4,044	-
Supplies	40,233	-
Depreciation	1,041	-
Total operating expenses	<u>69,737</u>	<u>-</u>
	<u>69,956</u>	<u>9,985</u>
Operating income (loss)	(39,884)	149
Non-operating revenues:		
Interest income	10	-
State sources	817	-
Federal sources	48,205	-
Total non-operating revenues	<u>49,032</u>	<u>-</u>
Change in net position	9,148	149
Net position beginning of year	<u>9,095</u>	<u>871</u>
Net position end of year	<u>\$ 18,243</u>	<u>1,020</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 30,024	-
Cash received from miscellaneous operating activities	300	10,254
Cash payments to employees for services	(24,419)	(9,985)
Cash payments to suppliers for goods or services	(38,628)	-
Net cash provided by(used in) operating activities	<u>(32,723)</u>	<u>269</u>
Cash flows from non-capital financing activities:		
State grants received	817	-
Federal grants received	42,693	-
Net cash provided by non-capital financing activities	<u>43,510</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	10	-
Net increase in cash and cash equivalents	10,797	269
Cash and cash equivalents at beginning of year	3,519	751
Cash and cash equivalents at end of year	<u>\$ 14,316</u>	<u>1,020</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (39,884)	149
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	5,512	-
Depreciation	1,041	-
Decrease in inventories	538	-
Decrease in accounts receivable	72	120
Decrease in accounts payable	(182)	-
Increase in unearned revenue	180	-
Net cash provided by(used in) operating activities	<u>\$ (32,723)</u>	<u>269</u>

Non-cash investing, capital and other financing activities:

During the year ended June 30, 2013, the District received \$5,512 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust
	Scholarships
ASSETS	
Cash and pooled investments	\$ 130,926
LIABILITIES	-
NET POSITION	
Restricted for scholarships	\$ 130,926

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest	\$ 821
	821
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	1,512
	1,512
Change in net position	(691)
Net position beginning of year	131,617
Net position end of year	\$ 130,926

SEE NOTES TO FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies

The Delwood Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through sixth. Additionally, the District operates a before and after school program for students enrolled in the District. The geographic area served includes the Cities of Delmar and Elwood, Iowa, and the predominate agricultural territory in Clinton and Jackson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Clinton and Jackson County Assessors' 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 nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports one nonmajor proprietary fund, the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District reports one other proprietary fund, the Internal Service Fund. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

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

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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 years
Machinery and equipment	5-15 years

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

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

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 legally or contractually required to be intact or are not expected to be converted to cash.

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Accounting

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

(2) Cash and Pooled Investments

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

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

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$535,938 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

(3) Transfers

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Management Levy	<u>\$ 250</u>

The transfer from the Management Levy Fund to the General Fund was needed to repay a bus insurance deductible.

(4) Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 600	-	-	600
Construction in progress	332	1,389	1,721	-
Total capital assets not being depreciated	<u>932</u>	<u>1,389</u>	<u>1,721</u>	<u>600</u>
Capital assets being depreciated:				
Buildings	1,400,953	47,773	17,182	1,431,544
Land improvements	45,509	3,056	-	48,565
Machinery and equipment	1,039,746	91,563	99,226	1,032,083
Total capital assets being depreciated	<u>2,486,208</u>	<u>142,392</u>	<u>116,408</u>	<u>2,512,192</u>
Less accumulated depreciation for:				
Buildings	375,998	25,954	17,097	384,855
Land improvements	29,051	1,935	-	30,986
Machinery and equipment	891,770	68,176	99,226	860,720
Total accumulated depreciation	<u>1,296,819</u>	<u>96,065</u>	<u>116,323</u>	<u>1,276,561</u>
Total capital assets being depreciated, net	<u>1,189,389</u>	<u>46,327</u>	<u>85</u>	<u>1,235,631</u>
Governmental activities capital assets, net	<u>\$ 1,190,321</u>	<u>47,716</u>	<u>1,806</u>	<u>1,236,231</u>
Business type activities:				
Machinery and equipment	\$ 32,663	-	-	32,663
Less accumulated depreciation	27,652	1,041	-	28,693
Business type activities capital assets, net	<u>\$ 5,011</u>	<u>(1,041)</u>	<u>-</u>	<u>3,970</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Regular	\$ 17,908
Support services:	
Instructional staff	4,161
Administration	345
Operation and maintenance of plant	14,404
Transportation	<u>31,358</u>
	68,176
Unallocated depreciation	<u>27,889</u>
Total governmental activities depreciation expense	<u>\$ 96,065</u>
Business type activities:	
Food services	<u>\$ 1,041</u>

(5) Long-Term Liabilities

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

	Balance			Balance	Due
	Beginning	Additions	Deletions	End of	Within
	of Year			Year	One Year
Net OPEB liability	\$ 16,239	5,855	-	22,094	-

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$93,156, \$84,077 and \$69,682, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health plan which provides medical benefits for employees, retirees and their spouses. There are 10 active and no retired members in the plan. Participants must be age 55 or older at age of retirement.

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

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

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

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

Annual required contribution	\$ 6,206
Interest on net OPEB obligation	406
Adjustment to annual required contribution	(757)
Annual OPEB cost	<u>5,855</u>
Contributions made	<u>-</u>
Increase in net OPEB obligation	5,855
Net OPEB obligation beginning of year	<u>16,239</u>
Net OPEB obligation end of year	<u>\$ 22,094</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.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 6,426	17.60%	\$ 10,723
2012	6,922	20.31%	16,239
2013	5,855	0.00%	22,094

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 \$56,309, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$56,309. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$451,101 and the ratio of the UAAL to covered payroll was 12.48%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual health care cost trend rate is 6.00%.

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.

(8) Risk Management

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

(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 \$88,155 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.

(10) Property Lease Agreement

For the year ended June 30, 2013, the District had a rental agreement with Hanrahan Service Incorporated for the use of a building and tools for maintenance of District buses. Rental payment is \$500 per month. The rental agreement is renewed on an annual basis.

(11) Special Item

The District participates in a 28E sharing agreement with the Maquoketa Community School District. During the year ended June 30, 2013, Delwood Community School District paid Maquoketa Community School District \$36,000 of its statewide sales, services and use tax revenue received per provisions of the 28E sharing agreement. The agreement is supervised by a Facility Improvement Program Committee which includes Board members from each District.

(12) Categorical Funding

The District's ending restricted balances for categorical funding as of June, 20, 2013, are broken out by the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and Talented Programs	\$ 54,746
Four-year-old Preschool State Aid	13,511
Teacher Salary Supplement	7,973
Educator Quality, Professional Development	3,423
Empowerment Professional Development	800
Total	<u>\$ 80,453</u>

DELWOOD COMMUNITY SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 1,417,964	30,082	1,448,046	1,415,011	1,415,011	33,035
Intermediate sources	1,683	-	1,683	2,320	2,320	(637)
State sources	1,223,801	817	1,224,618	1,262,560	1,262,560	(37,942)
Federal sources	76,199	48,205	124,404	124,800	124,800	(396)
Total revenues	<u>2,719,647</u>	<u>79,104</u>	<u>2,798,751</u>	<u>2,804,691</u>	<u>2,804,691</u>	<u>(5,940)</u>
Expenditures/Expenses:						
Instruction	1,668,841	-	1,668,841	2,022,585	2,022,585	353,744
Support services	665,646	219	665,865	740,497	740,497	74,632
Non-instructional programs	37,089	69,737	106,826	130,022	130,022	23,196
Other expenditures	138,632	-	138,632	193,944	193,944	55,312
Total expenditures/expenses	<u>2,510,208</u>	<u>69,956</u>	<u>2,580,164</u>	<u>3,087,048</u>	<u>3,087,048</u>	<u>506,884</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	209,439	9,148	218,587	(282,357)	(282,357)	500,944
Other financing sources(uses), net	<u>(31,925)</u>	<u>-</u>	<u>(31,925)</u>	<u>(129,800)</u>	<u>(129,800)</u>	<u>97,875</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	177,514	9,148	186,662	(412,157)	(412,157)	598,819
Balances beginning of year	<u>1,770,916</u>	<u>9,095</u>	<u>1,780,011</u>	<u>1,557,577</u>	<u>1,557,577</u>	<u>222,434</u>
Balances end of year	<u>\$ 1,948,430</u>	<u>18,243</u>	<u>1,966,673</u>	<u>1,145,420</u>	<u>1,145,420</u>	<u>821,253</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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 or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

DELWOOD 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		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 49,969	49,969	0.00%	\$ 367,988	13.58%
2011	July 1, 2009	-	49,969	49,969	0.00%	374,094	13.36%
2012	July 1, 2009	-	49,969	49,969	0.00%	391,095	12.78%
2013	July 1, 2012	-	56,309	56,309	0.00%	451,101	12.48%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 28,798	10,420	39,218
Receivables:			
Property tax:			
Delinquent	387	-	387
Succeeding year	50,000	-	50,000
Interest	-	2	2
TOTAL ASSETS	\$ 79,185	10,422	89,607
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 50,000	-	50,000
Total liabilities	50,000	-	50,000
Fund balances:			
Restricted for:			
Management levy purposes	29,185	-	29,185
Student activities	-	10,422	10,422
Total fund balances	29,185	10,422	39,607
TOTAL LIABILITIES AND FUND BALANCES	\$ 79,185	10,422	89,607

Note: Student Activity Fund consists of two accounts, 5th/6th Grade Trip and Student Council. Their respective balances are \$9,990 and \$432.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 24,990	-	24,990
Other	1,398	2,527	3,925
State sources	14	-	14
Total revenues	<u>26,402</u>	<u>2,527</u>	<u>28,929</u>
Expenditures:			
Current:			
Instruction:			
Regular	3,294	-	3,294
Other	-	1,401	1,401
Support services:			
Administration	6,370	-	6,370
Operation and maintenance of plant	15,222	-	15,222
Transportation	9,164		9,164
Non-instructional programs:			
Food service operations	1,602	-	1,602
Community service operations	125	-	125
Total expenditures	<u>35,777</u>	<u>1,401</u>	<u>37,178</u>
Excess(Deficiency) of revenues over(under) expenditures	(9,375)	1,126	(8,249)
Other financing uses:			
Transfer out	(250)	-	(250)
Change in fund balances	(9,625)	1,126	(8,499)
Fund balances beginning of year	<u>38,810</u>	<u>9,296</u>	<u>48,106</u>
Fund balances end of year	<u>\$ 29,185</u>	<u>10,422</u>	<u>39,607</u>

Note: Student Activity Fund consists of two accounts, 5th/6th Grade Trip and Student Council.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DELWOOD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statwide Sales, Service and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 618,590	178,162	796,752
Receivables:			
Accounts	-	1,719	1,719
Interest	522	390	912
Due from other governments	28,565	-	28,565
TOTAL ASSETS	\$ 647,677	180,271	827,948
LIABILITIES AND FUND BALANCES			
Liabilities:	\$ -	-	-
Fund balances:			
Restricted for:			
School infrastructure	647,677	-	647,677
Physical plant and equipment	-	180,271	180,271
Total fund balances	647,677	180,271	827,948
TOTAL LIABILITIES AND FUND BALANCES	\$ 647,677	180,271	827,948

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DELWOOD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 169,112	-	169,112
Other	2,419	3,153	5,572
Total revenues	<u>171,531</u>	<u>3,153</u>	<u>174,684</u>
Expenditures:			
Instruction:			
Regular	2,498	981	3,479
Support services:			
Transportation	-	77,749	77,749
Capital outlay	50,152	325	50,477
Total expenditures	<u>52,650</u>	<u>79,055</u>	<u>131,705</u>
Excess (Deficiency) of revenues over (under) expenditures	118,881	(75,902)	42,979
Other financing sources (uses):			
Sale of equipment	-	2,500	2,500
Special item (Note 11)	(36,000)	-	(36,000)
Total other financing sources (uses)	<u>(36,000)</u>	<u>2,500</u>	<u>(33,500)</u>
Change in fund balances	82,881	(73,402)	9,479
Fund balances beginning of year	<u>564,796</u>	<u>253,673</u>	<u>818,469</u>
Fund balances end of year	<u>\$ 647,677</u>	<u>180,271</u>	<u>827,948</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 1,084,956	1,108,298	1,058,243	1,003,820	986,686	964,425	978,434	853,716	951,294	985,164
Tuition	300,043	225,985	253,472	175,787	163,233	110,758	109,445	85,099	119,719	87,935
Other	32,965	39,956	42,580	50,455	61,877	95,783	116,591	147,000	77,472	94,632
Intermediate sources	1,683	2,658	840	13,645	53,884	-	-	-	-	-
State sources	1,223,801	1,265,837	1,434,652	1,198,707	1,230,235	1,414,762	1,140,186	1,251,350	1,048,176	1,089,315
Federal sources	76,199	77,865	178,876	218,030	75,143	67,504	62,198	76,866	83,296	79,661
Total	\$ 2,719,647	2,720,599	2,968,663	2,660,444	2,571,058	2,653,232	2,406,854	2,414,031	2,279,957	2,336,707
Expenditures:										
Instruction:										
Regular	\$ 1,187,681	1,280,774	1,217,941	1,163,098	1,310,955	1,129,347	1,048,161	995,246	972,818	1,174,642
Special	320,100	372,299	469,183	457,989	505,550	365,641	448,685	427,745	421,871	142,863
Other	161,060	156,337	150,367	165,015	998	96,809	77,582	2,637	35,532	6,082
Support services:										
Student	25,232	26,277	23,927	23,644	24,427	21,463	17,766	24,034	29,342	68,414
Instructional staff	41,898	34,468	37,130	30,427	43,539	42,737	42,876	96,775	104,658	78,877
Administration	235,001	218,628	211,897	215,748	210,107	201,347	187,222	240,482	226,621	209,030
Operation and maintenance of plant	144,119	141,575	142,713	135,041	155,143	134,315	135,942	140,984	155,101	131,227
Transportation	219,396	148,955	137,581	215,020	156,910	234,964	150,036	133,769	137,182	100,440
Non-instructional programs	37,089	42,577	34,492	36,864	33,070	30,951	29,535	25,236	30,369	5,883
Capital outlay	50,477	20,292	36,485	22,807	73,334	142,429	118,679	79,766	297,230	557,670
Long-term debt:										
Principal	-	-	-	-	205,000	65,000	60,000	60,000	55,000	55,000
Interest and other charges	-	-	-	-	9,247	12,510	15,810	19,110	22,135	18,870
Other expenditures:										
AEA flow-through	88,155	89,562	100,895	95,940	89,534	89,062	80,430	79,033	76,804	79,308
Total	\$ 2,510,208	2,531,744	2,562,611	2,561,593	2,817,814	2,566,575	2,412,724	2,324,817	2,564,663	2,628,306

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 Delwood Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Delwood Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Delwood 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 Delwood Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Delwood Community School District's internal control.

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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph in this section 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. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

Compliance and Other Matters

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

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

Delwood Community School District's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Delwood 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 21, 2014
Newton, Iowa

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

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

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

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

Response - The administration team including the superintendent/principal, superintendent/building secretary, business coordinator/board secretary, and the Delwood School Board continue to review the accounting system procedures to reveal any discrepancies and implement changes to improve the internal control as necessary. Due to the size of the District, the District does not have enough staff to split the duties as they should be, but are comfortable assuming each other's positions in their absence and feel by constantly cross-training and checking of each other's entries, it would reveal errors or omissions.

Conclusion - Response accepted.

DELWOOD 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 expenditures for the year ended June 30, 2013, did not exceed the amount budgeted.
- II-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 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; however we noted the following during our audit:
- II-D-13 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dean DeHaven, Bus Driver/Mechanic Owns Hanrahan Service, Inc.	Building rent Repair	\$6,000 \$117
Kevin Flenker, Teacher Owns R&K Lawn Service	Services	\$297

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

- II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-13 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-13 Supplementary Weighting - We noted a variance in the supplemental weighting information certified to the Iowa Department of Education. Concurrent enrollment was understated by 0.143 students.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and the Department of Management to resolve this matter.

Conclusion - Response accepted.

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

- II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding - No instances were noted of categorical funding being 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.3 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		\$ 564,796
Revenues:		
Sales tax revenues	\$ 169,112	
Other local revenues	2,419	171,531
	<u> </u>	<u>736,327</u>
Expenditures/transfers out:		
School infrastructure	\$ 50,152	
Equipment	2,498	
28E agreement payment	36,000	88,650
	<u> </u>	<u> </u>
Ending balance		<u><u>\$ 647,677</u></u>

For the year ended June 30, 2013, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Physical plant and equipment levy	<u>\$ 1.00000</u>	<u>\$ 70,214</u>

- II-M-13 Bus Sale Proceeds - We noted during our audit that the District recorded a transaction of \$2,500 from the proceeds of the sale of a bus to the Capital Projects: Physical Plant and Equipment Levy Fund.

Chapter 297.22 1(b) of the Code of Iowa states in part, "Proceeds from the sale or disposition of property other than real property shall be placed in the General Fund". Furthermore, a bus is not considered real property as defined by the following, "real property is any property that is attached directly to land as well as the land itself". Therefore, pursuant to Chapter 297.22 1(b) of the Code of Iowa and the previously mentioned definition of real property, the proceeds from the sale of the bus would not be allowable in the Capital Projects: Physical Plant and Equipment Levy Fund.

Recommendation - The District needs to have the Board of Directors approve a corrective transfer of \$2,500 from the Capital Projects: Physical Plant and Equipment Levy Fund to the General Fund as a result of the bus sale proceeds being receipted to the incorrect fund.

Response - On March 17, 2014, the District Board of Education approved a \$2,500 transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the General Fund at the recommendation of the audit team findings. In the future, bus sale proceeds will be deposited into the General Fund.

Conclusion - Response accepted.