

EAST CENTRAL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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**East Central Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Jon Wall	President	2013
Mollie Galusha	Vice President	2013
Mike Rickords	Board Member	2015
Ryan Jargo	Board Member	2015
Roger Kilburg	Board Member	2015
<b>School Officials</b>		
Neil Grey	Superintendent	2013
Tori Creger	District Secretary and Treasurer	2013
Ahlers & Cooney, P.C.	Attorney	2013

**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 East Central 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 East Central Community School District, Miles, 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 East Central Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 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 East Central Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2014 on our consideration of East Central 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 East Central Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 20, 2014

**EAST CENTRAL COMMUNITY SCHOOL DISTRICT**

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

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

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$3,576,486 in fiscal 2012 to \$3,502,648 in fiscal 2013, while General Fund expenditures increased from \$3,421,188 in fiscal 2012 to \$3,530,604 in fiscal 2013. This resulted in a decrease in the District's General Fund balance from a deficit \$97,503 in fiscal 2012 to a deficit \$125,459 in fiscal 2013, a 28.67% decrease from the prior year.
- The decrease in General Fund revenues was attributable to reduced state and federal revenue sources in fiscal 2013. The increase in expenditures occurred in the instruction and support services functional areas.

### **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 East Central 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 East Central 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 East Central Community School District acts solely as an agent or custodial for the benefit of those outside of the 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 presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major funds.

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

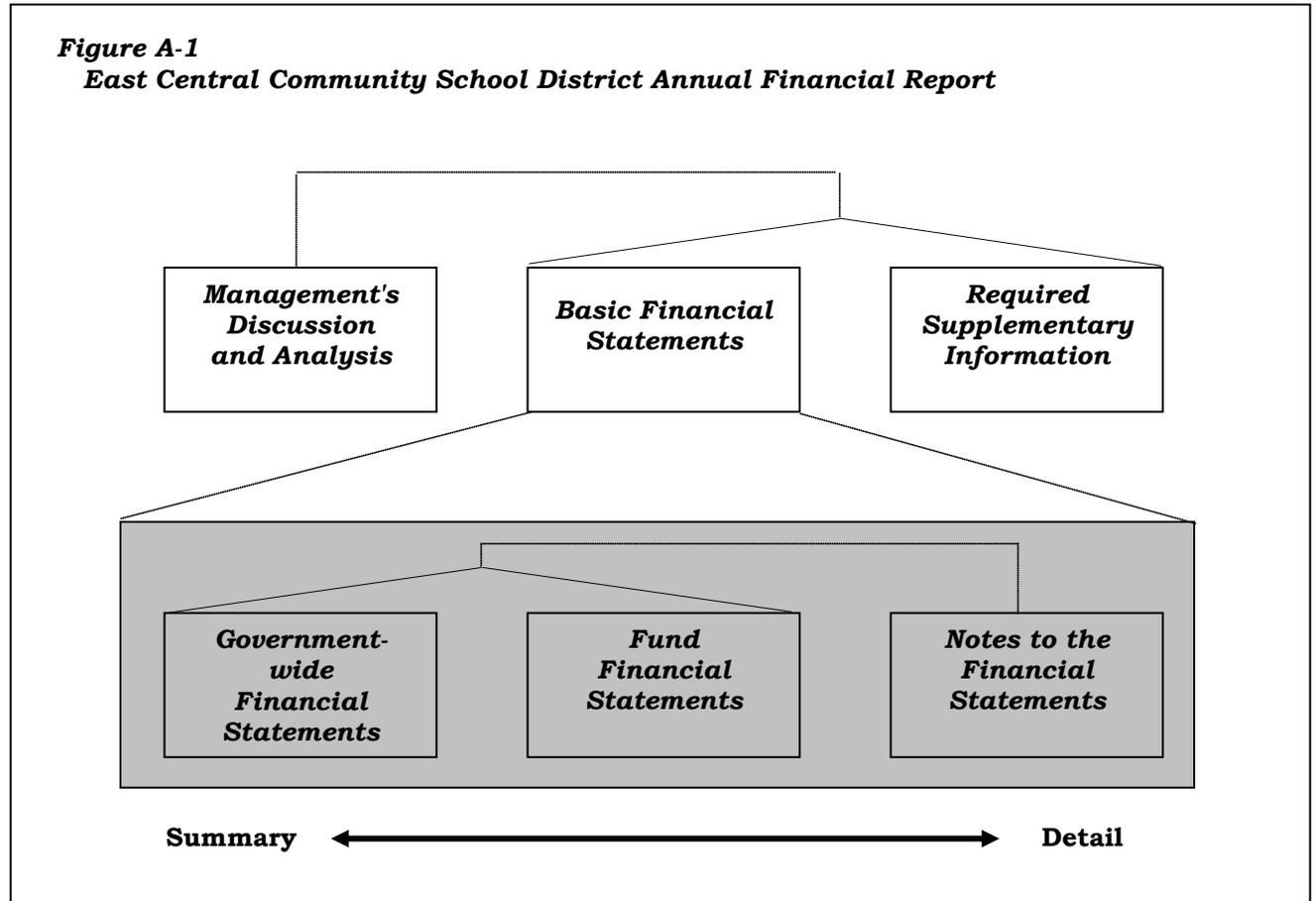


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

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

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

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The two government-wide financial statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial 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 and daycare programs are 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, Debt Service Fund, 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 two enterprise funds, the School Nutrition Fund and the Day Care Fund.

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

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

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

The District is responsible for ensuring 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.

Figure A-3 Condensed Statement of Net Position							
	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	\$ 1,085,311	2,768,382	57,031	81,521	1,142,342	2,849,903	-59.92%
Capital assets	817,562	910,780	16,862	19,801	834,424	930,581	-10.33%
Total assets	<u>1,902,873</u>	<u>3,679,162</u>	<u>73,893</u>	<u>101,322</u>	<u>1,976,766</u>	<u>3,780,484</u>	<u>-47.71%</u>
Long-term obligations	190,617	141,625	-	-	190,617	141,625	34.59%
Other liabilities	423,921	2,205,905	-	-	423,921	2,205,905	-80.78%
Total liabilities	<u>614,538</u>	<u>2,347,530</u>	<u>-</u>	<u>-</u>	<u>614,538</u>	<u>2,347,530</u>	<u>-73.82%</u>
Net position:							
Invested in capital assets, net of related debt	817,562	899,837	16,862	19,801	834,424	919,638	-9.27%
Restricted	925,750	791,093	-	-	925,750	791,093	17.02%
Unrestricted	(454,977)	(359,298)	57,031	81,521	(397,946)	(277,777)	-43.26%
Total net position	<u>\$ 1,288,335</u>	<u>1,331,632</u>	<u>73,893</u>	<u>101,322</u>	<u>1,362,228</u>	<u>1,432,954</u>	<u>-4.94%</u>

The District's total net position decreased by 4.94%, or \$70,726, from the prior year. A large portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$134,657, or 17.02% over the prior year. The increase was primarily a result of the increase in the restricted fund balances of the Capital Projects: Statewide Sales, Services and Use Tax and Management Levy Funds.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased by \$120,169, or 43.26%. The decrease was primarily a result of the decline in fund balance in the General Fund and deteriorating net position of the School Nutrition Fund.

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

	Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2013	2012	2013	2012	2013	2012	2012-13	
Revenues:								
Program revenues:								
Charges for services	\$ 33,482	28,946	30,867	45,911	64,349	74,857	-14.04%	
Operating grants, contributions and restricted interest	317,621	280,778	34,661	48,629	352,282	329,407	6.94%	
Capital grants, contributions and restricted interest	-	10,082	-	-	-	10,082	-	
General revenues:								
Property tax	1,520,016	1,460,159	-	-	1,520,016	1,460,159	4.10%	
Statewide sales, services and use tax	286,033	284,712	-	-	286,033	284,712	0.46%	
Nonspecific program federal funding	-	56,476	-	-	-	56,476	100.00%	
Unrestricted state grants	1,747,159	1,900,388	-	-	1,747,159	1,900,388	-8.06%	
Unrestricted investment earnings	3,936	6,748	31	106	3,967	6,854	-42.12%	
Other general revenues	26,956	6,610	-	325	26,956	6,935	288.70%	
Total revenues	<u>3,935,203</u>	<u>4,034,899</u>	<u>65,559</u>	<u>94,971</u>	<u>4,000,762</u>	<u>4,129,870</u>	<u>-3.13%</u>	
Program expenses:								
Governmental activities:								
Instructional	2,839,249	2,671,868	6,559	3,593	2,845,808	2,675,461	6.37%	
Support services	950,144	842,602	-	714	950,144	843,316	12.67%	
Non-instructional programs	-	-	86,429	107,466	86,429	107,466	-19.58%	
Other expenses	189,107	191,161	-	-	189,107	191,161	-1.07%	
Total expenses	<u>3,978,500</u>	<u>3,705,631</u>	<u>92,988</u>	<u>111,773</u>	<u>4,071,488</u>	<u>3,817,404</u>	<u>6.66%</u>	
Changes in net position	(43,297)	329,268	(27,429)	(16,802)	(70,726)	312,466	-122.63%	
Net position beginning of year	<u>1,331,632</u>	<u>1,002,364</u>	<u>101,322</u>	<u>118,124</u>	<u>1,432,954</u>	<u>1,120,488</u>	<u>27.89%</u>	
Net position end of year	<u>\$ 1,288,335</u>	<u>1,331,632</u>	<u>73,893</u>	<u>101,322</u>	<u>1,362,228</u>	<u>1,432,954</u>	<u>-4.94%</u>	

In fiscal year 2013, property tax, statewide sales, services and use tax and unrestricted state grants accounted for 90.29% of governmental activities revenue while charges for service and sales and operating grants and contributions and restricted interest accounted for 99.95% of business type activities revenue.

The District's total revenues were approximately \$4.00 million of which approximately \$3.93 million was for governmental activities and approximately \$0.07 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.13% decrease in revenues and a 6.66% increase in expenses. The decrease in revenues was due in part to a reduction in unrestricted state grants. Increased spending in the instruction and support services functional areas was the main reason for the increase in expenses.

## Governmental Activities

Revenues for governmental activities were \$3,935,203 and expenses were \$3,978,500.

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

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 2,839,249	2,671,868	6.26%	2,658,549	2,503,854	6.18%
Support services	950,144	842,602	12.76%	918,581	831,975	10.41%
Other expenses	189,107	191,161	-1.07%	50,267	49,996	0.54%
Totals	<u>\$ 3,978,500</u>	<u>3,705,631</u>	<u>7.36%</u>	<u>3,627,397</u>	<u>3,385,825</u>	<u>7.13%</u>

- The cost financed by users of the District's programs was \$33,482.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$317,621.
- The net cost of governmental activities was financed with \$1,520,016 in property tax, \$286,033 in statewide sales, services and use tax, \$1,747,159 in unrestricted state grants, \$3,936 in interest income and \$26,956 in other general revenues.

## Business type Activities

Revenues of the District's business type activities were \$65,559 and expenses were \$92,988. The District's business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the East Central 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 \$660,600, compared to last year's ending fund balance of \$562,477. Improvements to the Management Levy and Capital Projects Fund balances led to the increase in combined fund balance in fiscal 2013.

## Governmental Fund Highlights

- The District's decline in General Fund financial position is the product of many factors. The decrease in state and federal revenue sources was combined with increased spending in the instruction and support services functional areas which caused the decrease in the General Fund balance.
- Management Levy Fund expenditures were approximately 50% less than the prior year leading to an increase in fund balance.

- The Capital Projects Fund Balance increased from \$530,136 at June 30, 2012, to \$618,224 at June 30, 2013. Revenues during fiscal 2013 decreased a bit when compared with the prior year, but still outpaced expenditures leading to the improvement in fund balance.

### Proprietary Fund Highlights

The combined net position of the District's business type activities decreased from \$101,322 at June 30, 2012 to \$73,893 at June 30, 2013, representing a decrease of 27.07%. The Nutrition Fund balance decreased \$24,945 to \$63,943 in fiscal 2013 as compared to \$88,888 in fiscal 2012. The District's Day Care Fund decreased only \$2,484 from \$12,434 in fiscal 2012 to \$9,950 in fiscal 2013.

## BUDGETARY HIGHLIGHTS

Over the course of the year, East Central Community School District amended its budget one time to reflect anticipated additional expenditures in the support services functional area.

The District's revenues were \$12,248 less than budgeted revenues, a variance of 0.31%. The most significant variance resulted from the District receiving less from federal sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had invested \$834,424, 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 decrease of 10.33% from from prior year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$120,327.

The original cost of the District's capital assets was \$4,279,080. Governmental funds account for \$4,228,163 with the remainder of \$50,917 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment category totaled \$168,701 at June 30, 2013, compared to \$220,007 reported at June 30, 2012. The decrease in the machinery and equipment category was due to depreciation expense taken during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	2012-13
Land	\$ 6,827	6,827	-	-	6,827	6,827	0.00%
Buildings	409,183	430,269	-	-	409,183	430,269	-4.90%
Land improvements	249,713	273,478	-	-	249,713	273,478	-8.69%
Machinery and equipment	151,839	200,206	16,862	19,801	168,701	220,007	-23.32%
Total	\$ 817,562	910,780	16,862	19,801	834,424	930,581	-10.33%

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## Long-Term Debt

At June 30, 2013, the District had \$190,617 in other postemployment benefits and termination benefits, outstanding. This represents an increase of 34.59% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total		Total
	District		Change
	June 30,		June 30,
	2013	2012	2012-13
Revenue bonds	\$ -	10,943	-100.00%
Net OPEB liability	85,271	71,966	18.49%
Termination benefits	105,346	55,717	89.07%
Compensated absences	-	2,999	-100.00%
	<u>\$ 190,617</u>	<u>141,625</u>	<u>34.59%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Effective July 1, 2013, East Central Community School District merged with Preston Community School District creating Easton Valley Community School District. The East Central Community School District ceased operations at that time.

## 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 Adam Crigger, Business Manager, Easton Valley Community School District, 121 South Mitchell Street, Preston, Iowa, 52069.

**EAST CENTRAL COMMUNITY SCHOOL DISTRICT**

BASIC FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 931,373	52,098	983,471
Receivables:			
Property tax:			
Delinquent	24,875	-	24,875
Accounts	1,127	1,099	2,226
Due from other governments	127,936	-	127,936
Inventories	-	3,834	3,834
Capital assets, net of accumulated depreciation	817,562	16,862	834,424
<b>Total assets</b>	<b>1,902,873</b>	<b>73,893</b>	<b>1,976,766</b>
<b>Liabilities</b>			
Accounts payable	300,592	-	300,592
Salaries and benefits payable	123,329	-	123,329
Long-term liabilities:			
Portion due within one year:			
Termination benefits payable	44,314	-	44,314
Portion due after one year:			
Termination benefits payable	61,032	-	61,032
Net OPEB liability	85,271	-	85,271
<b>Total liabilities</b>	<b>614,538</b>	<b>-</b>	<b>614,538</b>
<b>Net Position</b>			
Net investment in capital assets	817,562	16,862	834,424
Restricted for:			
Categorical funding	183,492	-	183,492
Management levy	79,685	-	79,685
Student activities	44,349	-	44,349
School infrastructure	551,114	-	551,114
Physical plant and equipment	67,110	-	67,110
Unrestricted	(454,977)	57,031	(397,946)
<b>Total net position</b>	<b>\$ 1,288,335</b>	<b>73,893</b>	<b>1,362,228</b>

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL 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	Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,019,606	5,883	39,784	(1,973,939)	-	(1,973,939)
Special	701,405	19,907	17,331	(664,167)	-	(664,167)
Other	118,238	7,692	90,103	(20,443)	-	(20,443)
	<u>2,839,249</u>	<u>33,482</u>	<u>147,218</u>	<u>(2,658,549)</u>	<u>-</u>	<u>(2,658,549)</u>
Support services:						
Student	45,962	-	-	(45,962)	-	(45,962)
Instructional staff	118,247	-	-	(118,247)	-	(118,247)
Administration	293,134	-	-	(293,134)	-	(293,134)
Operation and maintenance of plant	240,234	-	31,563	(208,671)	-	(208,671)
Transportation	252,567	-	-	(252,567)	-	(252,567)
	<u>950,144</u>	<u>-</u>	<u>31,563</u>	<u>(918,581)</u>	<u>-</u>	<u>(918,581)</u>
Other expenses:						
AEA flowthrough	138,840	-	138,840	-	-	-
Depreciation(unallocated)*	50,267	-	-	(50,267)	-	(50,267)
	<u>189,107</u>	<u>-</u>	<u>138,840</u>	<u>(50,267)</u>	<u>-</u>	<u>(50,267)</u>
Total governmental activities	3,978,500	33,482	317,621	(3,627,397)	-	(3,627,397)
Business type activities:						
Instruction:						
Regular	6,559	4,075	-	-	(2,484)	(2,484)
Non-instructional programs:						
Food service operations	86,429	26,792	34,661	-	(24,976)	(24,976)
Total business type activities	<u>92,988</u>	<u>30,867</u>	<u>34,661</u>	<u>-</u>	<u>(27,460)</u>	<u>(27,460)</u>
Total	<u>\$ 4,071,488</u>	<u>64,349</u>	<u>352,282</u>	<u>(3,627,397)</u>	<u>(27,460)</u>	<u>(3,654,857)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 1,520,016	-	1,520,016
Statewide sales, services and use tax				286,033	-	286,033
Unrestricted state grants				1,747,159	-	1,747,159
Unrestricted investment earnings				3,936	31	3,967
Other general revenues				26,956	-	26,956
Total general revenues				<u>3,584,100</u>	<u>31</u>	<u>3,584,131</u>
Change in net position				(43,297)	(27,429)	(70,726)
Net position beginning of year				1,331,632	101,322	1,432,954
Net position end of year				<u>\$ 1,288,335</u>	<u>73,893</u>	<u>1,362,228</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General	Management Levy	Capital Projects	Nonmajor Student Activity	Total
<b>Assets</b>					
Cash and pooled investments	\$ 244,473	121,320	520,441	44,349	930,583
Receivables:					
Property tax:					
Delinquent	22,709	2,166	-	-	24,875
Accounts	1,127	-	-	-	1,127
Due from other governments	30,153	-	97,783	-	127,936
<b>Total assets</b>	<b>\$ 298,462</b>	<b>123,486</b>	<b>618,224</b>	<b>44,349</b>	<b>1,084,521</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 300,592	-	-	-	300,592
Salaries and benefits payable	123,329	-	-	-	123,329
Total liabilities	423,921	-	-	-	423,921
Fund balances:					
Restricted for:					
Categorical funding	183,492	-	-	-	183,492
Management levy purposes	-	123,486	-	-	123,486
Student activities	-	-	-	44,349	44,349
School infrastructure	-	-	551,114	-	551,114
Physical plant and equipment	-	-	67,110	-	67,110
Unassigned	(308,951)	-	-	-	(308,951)
Total fund balances	(125,459)	123,486	618,224	44,349	660,600
<b>Total liabilities and fund balances</b>	<b>\$ 298,462</b>	<b>123,486</b>	<b>618,224</b>	<b>44,349</b>	<b>1,084,521</b>

SEE NOTES TO FINANCIAL STATEMENTS

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

<b>Total fund balances of governmental funds(page 20)</b>	\$	660,600
 <b><i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i></b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		817,562
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		790
Long-term liabilities, including termination benefits payable and other postemployment benefits payable are not due and payable in the current year and, therefore, are not reported in the governmental funds.		(190,617)
		<hr style="width: 100%;"/>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>1,288,335</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Management Levy	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,387,643	132,373	286,033	-	1,806,049
Tuition	25,790	-	-	-	25,790
Other	23,538	12,571	-	2,475	38,584
State sources	1,932,876	-	-	-	1,932,876
Federal sources	131,904	-	-	-	131,904
Total revenues	<u>3,501,751</u>	<u>144,944</u>	<u>286,033</u>	<u>2,475</u>	<u>3,935,203</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,814,567	42,689	-	-	1,857,256
Special	671,219	-	-	-	671,219
Other	106,371	-	-	2,258	108,629
	<u>2,592,157</u>	<u>42,689</u>	<u>-</u>	<u>2,258</u>	<u>2,637,104</u>
Support services:					
Student	45,361	-	-	-	45,361
Instructional staff	96,561	2,210	-	-	98,771
Administration	281,281	15,451	-	-	296,732
Operation and maintenance of plant	187,511	35,882	-	-	223,393
Transportation	188,893	10,938	13,930	-	213,761
	<u>799,607</u>	<u>64,481</u>	<u>13,930</u>	<u>-</u>	<u>878,018</u>
Capital outlay	-	-	173,072	-	173,072
Long-term debt:					
Principal	-	-	-	10,943	10,943
Other expenditures:					
AEA Flowthrough	138,840	-	-	-	138,840
Total expenditures	<u>3,530,604</u>	<u>107,170</u>	<u>187,002</u>	<u>13,201</u>	<u>3,837,977</u>
Excess(deficiency) of revenues over(under) expenditures	(28,853)	37,774	99,031	(10,726)	97,226
Other financing sources(uses):					
Transfer in	-	-	-	10,943	10,943
Transfer out	-	-	(10,943)	-	(10,943)
Sale of equipment	897	-	-	-	897
Total other financing sources(uses)	<u>897</u>	<u>-</u>	<u>(10,943)</u>	<u>10,943</u>	<u>897</u>
Net change in fund balances	(27,956)	37,774	88,088	217	98,123
Fund balances beginning of year	(97,503)	85,712	530,136	44,132	562,477
Fund balances end of year	<u>\$ (125,459)</u>	<u>123,486</u>	<u>618,224</u>	<u>44,349</u>	<u>660,600</u>

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL 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) \$ 98,123

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

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

Capital outlays	\$ 25,313	
Depreciation expense	(117,388)	
Loss on disposal	(1,143)	(93,218)

Net change in Internal Service Funds charged back against expenditures made for flex contributions at an entity-wide basis. 790

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 10,943

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.

Other postemployment benefits	(13,305)	
Termination benefits	(49,629)	
Compensated absences	2,999	(59,935)

Changes in net position of governmental activities(page 19) \$ (43,297)

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013

	Business Type Activities: Enterprise Funds			Governmental Activities:
	School Nutrition	Day Care	Total	Internal Service Fund
	<b>Assets</b>			
Cash and pooled investments	\$ 42,148	9,950	52,098	790
Accounts receivable	1,099	-	1,099	-
Inventories	3,834	-	3,834	-
Capital assets, net of accumulated depreciation	16,862	-	16,862	-
<b>Total assets</b>	<b>63,943</b>	<b>9,950</b>	<b>73,893</b>	<b>790</b>
<b>Liabilities</b>	-	-	-	-
<b>Net Position</b>				
Investment in capital assets	16,862	-	16,862	-
Unrestricted	47,081	9,950	57,031	790
<b>Total net position</b>	<b>\$ 63,943</b>	<b>9,950</b>	<b>73,893</b>	<b>790</b>

SEE NOTES TO FINANCIAL STATEMENTS

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

	Business Type Activities: Enterprise Funds			Governmental Activities:
	School Nutrition	Day Care	Total	Internal Service Fund
Operating revenues:				
Local sources:				
Charges for services	\$ 26,792	4,075	30,867	-
Miscellaneous	-	-	-	1,501
Total operating revenues	<u>26,792</u>	<u>4,075</u>	<u>30,867</u>	<u>1,501</u>
Operating expenses:				
Instruction:				
Regular:				
Salaries	-	5,639	5,639	-
Benefits	-	920	920	-
	<u>-</u>	<u>6,559</u>	<u>6,559</u>	<u>-</u>
Support services:				
Administration:				
Services	-	-	-	711
	<u>-</u>	<u>-</u>	<u>-</u>	<u>711</u>
Non-instructional programs:				
Food service operations:				
Salaries	32,284	-	32,284	-
Benefits	5,170	-	5,170	-
Services	1,445	-	1,445	-
Supplies	44,280	-	44,280	-
Other	311	-	311	-
Depreciation	2,939	-	2,939	-
	<u>86,429</u>	<u>-</u>	<u>86,429</u>	<u>-</u>
Total operating expenses	<u>86,429</u>	<u>6,559</u>	<u>92,988</u>	<u>711</u>
Operating income(loss)	(59,637)	(2,484)	(62,121)	790
Non-operating revenues:				
State sources	643	-	643	-
Federal sources	34,018	-	34,018	-
Interest on investments	31	-	31	-
Total non-operating revenues	<u>34,692</u>	<u>-</u>	<u>34,692</u>	<u>-</u>
Change in net position	(24,945)	(2,484)	(27,429)	790
Net position beginning of year	<u>88,888</u>	<u>12,434</u>	<u>101,322</u>	<u>-</u>
Net position end of year	<u>\$ 63,943</u>	<u>9,950</u>	<u>73,893</u>	<u>790</u>

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

	Business Type Activities: Enterprise Funds			Governmental Activities:
	School Nutrition	Day Care	Total	Internal Service Fund
	Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 27,405	-	27,405	-
Cash received from miscellaneous	-	4,075	4,075	1,501
Cash payments to employees for services	(37,454)	(6,559)	(44,013)	(711)
Cash payments to suppliers for goods or services	(38,515)	-	(38,515)	-
Net cash provided by(used in) operating activities	(48,564)	(2,484)	(51,048)	790
Cash flows from non-capital financing activities:				
State grants received	643	-	643	-
Federal grants received	29,473	-	29,473	-
Net cash provided by non-capital financing activities	30,116	-	30,116	-
Cash flows from investing activities:				
Interest on investments	31	-	31	-
Net increase(decrease) in cash and cash equivalents	(18,417)	(2,484)	(20,901)	790
Cash and cash equivalents at beginning of year	60,565	12,434	72,999	-
Cash and cash equivalents at end of year	\$ 42,148	9,950	52,098	790
<b>Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:</b>				
Operating income(loss)	\$ (59,637)	(2,484)	(62,121)	790
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	4,545	-	4,545	-
Depreciation	2,939	-	2,939	-
Decrease in inventories	2,976	-	2,976	-
Decrease in accounts receivable	613	-	613	-
Net cash provided by(used in) operating activities	\$ (48,564)	(2,484)	(51,048)	790

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

During the year ended June 30, 2013, the District received \$4,545 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS

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

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	\$ 42,300
<b>Liabilities</b>	<u>-</u>
<b>Net Position</b>	
Restricted for scholarships	<u>\$ 42,300</u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 5,530
Interest income	201
Total additions	5,731
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	9,881
Change in net position	(4,150)
Net position beginning of year	46,450
Net position end of year	\$ 42,300

SEE NOTES TO FINANCIAL STATEMENTS

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

The East Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Miles and Sabula, 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, East Central 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 East Central 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 Counties Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Management Levy Fund is utilized to account for the District's early retirement benefits, worker's comprehensive claims, and payments for the District's property insurance.

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

The District also reports a non-major proprietary fund. The Day Care Fund is used to account for day to day operation of the Day Care.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund is the Private Purpose Trust Fund.

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 assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned, and then unassigned fund balances.

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

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

D. Assets, Liabilities and Fund 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 three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on

January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

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

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Intangibles	50,000
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
Intangibles	2 or more years
Machinery and equipment	5-20 years

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

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:

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 Control

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 or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; 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 \$52,461 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust were rated AAA by Standard & Poor's Financial Services.

(3) **Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Capital Projects: Statewide	
Debt Service	Sales, Services & Use Tax	<u>\$ 10,943</u>

The transfer from Capital Projects: Statewide Sales, Services & Use Tax Fund to the Debt Service Fund was needed to make the payment on the District's revenue bond indebtedness.

(4) **Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 6,827	-	-	6,827
Total capital assets not being depreciated	<u>6,827</u>	<u>-</u>	<u>-</u>	<u>6,827</u>
Capital assets being depreciated:				
Buildings	1,411,732	5,416	-	1,417,148
Land improvements	659,794	-	-	659,794
Machinery and equipment	2,128,497	19,897	4,000	2,144,394
Total capital assets being depreciated	<u>4,200,023</u>	<u>25,313</u>	<u>4,000</u>	<u>4,221,336</u>
Less accumulated depreciation for:				
Buildings	981,463	26,502	-	1,007,965
Land improvements	386,316	23,765	-	410,081
Machinery and equipment	1,928,291	67,121	2,857	1,992,555
Total accumulated depreciation	<u>3,296,070</u>	<u>117,388</u>	<u>2,857</u>	<u>3,410,601</u>
Total capital assets being depreciated, net	<u>903,953</u>	<u>(92,075)</u>	<u>1,143</u>	<u>810,735</u>
Governmental activities capital assets, net	<u>\$ 910,780</u>	<u>(92,075)</u>	<u>1,143</u>	<u>817,562</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 50,917	-	-	50,917
Less accumulated depreciation	31,116	2,939	-	34,055
Business type activities capital assets, net	<u>\$ 19,801</u>	<u>(2,939)</u>	<u>-</u>	<u>16,862</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 20,835
Other	3,539
Support services:	
Instructional staff	1,095
Operation and maintenance	2,800
Transportation	38,852
	<u>67,121</u>
Unallocated depreciation	<u>50,267</u>
Total depreciation expense - governmental activities	<u>\$ 117,388</u>
Business type activities:	
Food service operations	<u>\$ 2,939</u>

(5) **Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Revenue bonds	\$ 10,943	-	10,943	-	-
Compensated absences	2,999	-	2,999	-	-
Termination benefits	55,717	91,547	41,918	105,346	44,314
Net OPEB liability	71,966	13,305	-	85,271	-
Total	<u>\$ 141,625</u>	<u>104,852</u>	<u>55,860</u>	<u>190,617</u>	<u>44,314</u>

Termination Benefits (Early Retirement)

In February 2013, the District approved a voluntary early retirement plan for employees. The plan was only offered to employees through April 2013. Eligible employees must have completed at least ten years of continuous service to the District. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits equal one-half of the employee's regular annual salary in effect during the employee's last year of employment.

The policy requires benefits to be paid in six bi-annual installments over the next three years beginning January 1, 2014 with the final payment to be made by May 1, 2016.

At June 30, 2013, the District had obligations to six participants on this plan and three participants from a previous plan with a total liability of \$105,346. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$41,918.

(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 contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$91,250, \$98,103, and \$135,071, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 20 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and 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	\$ 22,876
Interest on net OPEB obligation	1,799
Adjustment to annual required contribution	<u>(5,920)</u>
Annual OPEB cost	18,755
Contributions made	<u>5,450</u>
Increase in net OPEB obligation	13,305
Net OPEB obligation beginning of year	<u>71,966</u>
Net OPEB obligation end of year	<u><u>\$ 85,271</u></u>

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

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 25,880	9.6%	\$ 46,982
2012	28,133	11.2	71,966
2013	18,755	29.1	85,271

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 \$171,487, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$171,487. The covered payroll (annual payroll of active employees covered by the plan) was \$923,966, and the ratio of the UAAL to covered payroll was 18.6%. As of June 30, 2013 there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2012 actuarial valuation date, the Entry Age Actuarial Cost Method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000 applied on a gender-specific basis. Annual retirement and termination probabilities were based upon the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Risk Management**

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

**(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 \$138,840 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) Deficit Net Position/Fund Balance**

The General Fund had deficit unassigned fund balance at June 30, 2013 of \$308,951 and a total deficit fund balance of \$125,459. The District also had a deficit unrestricted net position in the governmental activities of \$454,977.

**(11) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2012, is comprised of the following programs:

Program	Amount
Returning Dropouts and Dropout Prevention Programs	\$ 120,162
Four-year-old Preschool State Aid	2,629
Beginning Teacher Mentoring and Induction Program	1,310
Teacher Salary Supplement	4
Market Factor	2,890
Professional Development for Model Core Curriculum	28,479
Professional Development	25,033
Market Factor Incentives	2,985
	<hr/>
Total	<u>\$ 183,492</u>

**(12) Reorganization of Districts**

On September 11, 2012, residents of the East Central Community School District and residents from the Preston Community School District voted and passed a resolution to merge. The reorganization of the two Districts to form Easton Valley Community School District was effective July 1, 2013.

**EAST CENTRAL COMMUNITY SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE 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	Budgeted Amounts		Final to
	Fund Types	Fund Types		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 1,870,423	30,898	1,901,321	1,866,406	1,866,406	34,915
State sources	1,932,876	643	1,933,519	1,948,839	1,948,839	(15,320)
Federal sources	131,904	34,018	165,922	197,765	197,765	(31,843)
Total revenues	<u>3,935,203</u>	<u>65,559</u>	<u>4,000,762</u>	<u>4,013,010</u>	<u>4,013,010</u>	<u>(12,248)</u>
Expenditures/Expenses:						
Instruction	2,637,104	6,559	2,643,663	2,822,594	2,822,594	178,931
Support services	878,018	-	878,018	910,467	1,010,467	132,449
Non-instructional programs	-	86,429	86,429	170,646	170,646	84,217
Other expenditures	322,855	-	322,855	332,864	332,864	10,009
Total expenditures/expenses	<u>3,837,977</u>	<u>92,988</u>	<u>3,930,965</u>	<u>4,236,571</u>	<u>4,336,571</u>	<u>405,606</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	97,226	(27,429)	69,797	(223,561)	(323,561)	393,358
Other financing sources, net	897	-	897	(23,592)	(23,592)	24,489
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	98,123	(27,429)	70,694	(247,153)	(347,153)	417,847
Balances beginning of year	562,477	101,322	663,799	518,203	518,203	145,596
Balances end of year	<u>\$ 660,600</u>	<u>73,893</u>	<u>734,493</u>	<u>271,050</u>	<u>171,050</u>	<u>563,443</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$100,000.

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	July 1, 2009	-	\$ 232,673	232,673	0.0%	\$ 1,672,553	13.9%
2012	July 1, 2009	-	225,559	225,559	0.0	919,817	24.5
2013	July 1, 2012	-	171,487	171,487	0.0	923,966	18.6

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

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

	Special Revenue: Student Activity
<b>Assets</b>	
Cash and pooled investments	\$ 44,349
<b>Liabilities and Fund Balances</b>	
Liabilities	\$ -
Fund balance:	
Restricted for:	
Student activities	44,349
<b>Total liabilities and fund balance</b>	\$ 44,349

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Special Revenue: Student Activity	Debt Service	Total Nonmajor
Revenues:			
Local sources:			
Other	\$ 2,475	-	2,475
Expenditures:			
Current:			
Instruction:			
Other	2,258	-	2,258
Long-term debt:			
Principal	-	10,943	10,943
Total expenditures	2,258	10,943	13,201
Excess(deficiency) of revenues over(under)expenditures	217	(10,943)	(10,726)
Other financing sources:			
Transfer in	-	10,943	10,943
Net change in fund balances	217	-	217
Fund balances beginning of year	44,132	-	44,132
Fund balances end of year	\$ 44,349	-	44,349

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 453,331	67,110	520,441
Due from other governments	97,783	-	97,783
<b>Total assets</b>	<b>\$ 551,114</b>	<b>67,110</b>	<b>618,224</b>
<b>Liabilities and Fund Balances</b>			
Liabilities	-	-	-
Fund balances:			
Restricted for:			
School infrastructure	551,114	-	551,114
Physical plant and equipment	-	67,110	67,110
<b>Total liabilities and fund balances</b>	<b>\$ 551,114</b>	<b>67,110</b>	<b>618,224</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT 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	\$ 286,033	-	286,033
Expenditures:			
Current:			
Support services:			
Transportation	13,930	-	13,930
Capital outlay	173,072	-	173,072
Total expenditures	187,002	-	187,002
Excess of revenues over expenditures	99,031	-	99,031
Other financing uses:			
Transfer out	(10,943)	-	(10,943)
Net change in fund balances	88,088	-	88,088
Fund balances beginning of year	463,026	67,110	530,136
Fund balances end of year	\$ 551,114	67,110	618,224

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Speech and Drama	\$ 3,196	-	-	-	3,196
Boys BB Camp	515	-	-	-	515
Football Camp	701	-	-	-	701
Girls Basketball Camp	1,205	-	-	-	1,205
Volleyball Camp	423	-	-	-	423
Softball	638	-	-	-	638
Athletic	9,425	1,593	820	(1)	10,197
Activity Interest	5,088	13	-	-	5,101
Project Graduation	2,078	-	-	2,271	4,349
Class of 2010	1,292	-	-	(1,292)	-
Class of 2011	978	-	-	(978)	-
General Activities	12,866	869	1,438	-	12,297
Student of the Month	132	-	-	-	132
Career Day	261	-	-	-	261
Student Council	1,314	-	-	-	1,314
Middle School Student Council	3,414	-	-	-	3,414
German	380	-	-	-	380
Stand Chapter	226	-	-	-	226
Total	\$ 44,132	2,475	2,258	-	44,349

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST  
 JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund				
	Johnson/Faur Scholarship	Nelson Scholarship	Wiese Scholarship	Wosoba Scholarship	Total
<b>Assets</b>					
Cash and pooled investments	\$ 26,388	6,790	1,890	7,232	42,300
<b>Liabilities</b>					
	-	-	-	-	-
<b>Net Position</b>					
Restricted for scholarships	\$ 26,388	6,790	1,890	7,232	42,300

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF  
 CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST  
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund							Total
	Wilcke-Treloar Scholarship	Johnson/Faur Scholarship	Wilcke Scholarship	Nelson Scholarship	Wiese Scholarship	Wosoba Scholarship	Pearson Scholarship	
Additions:								
Local sources:								
Gifts and contributions	\$ -	3,500	30	-	-	-	2,000	5,530
Interest income	17	85	28	25	20	26	-	201
Total additions	17	3,585	58	25	20	26	2,000	5,731
Deductions:								
Instruction:								
Regular:								
Scholarships awarded	2,665	500	4,316	200	-	200	2,000	9,881
Change in net position	(2,648)	3,085	(4,258)	(175)	20	(174)	-	(4,150)
Net position beginning of year	2,648	23,303	4,258	6,965	1,870	7,406	-	46,450
Net position end of year	\$ -	26,388	-	6,790	1,890	7,232	-	42,300

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EAST CENTRAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUNDS  
 FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 1,806,049	1,744,871	1,691,405	1,596,069	1,522,985	1,416,743	1,472,155	1,517,353	1,477,448	1,522,638
Tuition	25,790	15,260	104,601	124,082	112,406	105,609	92,634	137,127	119,026	146,690
Other	38,584	37,401	144,931	117,217	164,732	174,974	160,646	190,271	153,067	190,189
Intermediate sources	-	425	-	-	-	-	-	-	-	91
State sources	1,932,876	2,085,676	2,083,821	1,889,853	2,140,190	2,158,533	1,877,872	1,826,581	1,777,127	1,791,963
Federal sources	131,904	151,266	264,229	368,091	172,879	136,378	135,501	133,826	152,006	295,677
<b>Total</b>	<b>\$ 3,935,203</b>	<b>4,034,899</b>	<b>4,288,987</b>	<b>4,095,312</b>	<b>4,113,192</b>	<b>3,992,237</b>	<b>3,738,808</b>	<b>3,805,158</b>	<b>3,678,674</b>	<b>3,947,248</b>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,857,256	1,872,698	1,871,711	2,007,383	1,984,501	1,722,375	1,562,016	1,506,438	1,510,285	1,457,712
Special	671,219	655,272	527,712	473,979	536,025	578,575	588,486	485,542	508,382	525,033
Other	108,629	126,464	260,860	351,531	373,025	347,889	317,434	342,872	295,904	297,170
Support services:										
Student	45,361	44,463	76,788	112,455	103,987	93,086	124,014	97,315	97,504	94,974
Instructional staff	98,771	66,150	192,718	199,723	152,727	151,035	181,098	107,433	59,575	97,051
Administration	296,732	268,275	407,997	445,428	431,963	398,550	371,727	355,897	332,769	307,041
Operation and maintenance of plant	223,393	221,193	238,752	275,798	285,009	271,840	275,276	482,825	262,212	233,996
Transportation	213,761	190,494	197,404	312,341	215,427	213,864	273,480	198,077	181,373	202,919
Non-instructional programs	-	-	-	-	-	-	-	3,758	-	-
Capital outlay	173,072	136,721	81,594	146,860	240,328	114,222	333,115	36,306	253,025	107,064
Long-term debt:										
Principal	10,943	17,268	23,592	23,592	23,592	12,648	6,324	-	-	-
Other expenditures:										
AEA flow-through	138,840	141,165	158,864	157,730	139,648	137,212	125,402	122,030	120,862	123,726
<b>Total</b>	<b>\$ 3,837,977</b>	<b>3,740,163</b>	<b>4,037,992</b>	<b>4,506,820</b>	<b>4,486,232</b>	<b>4,041,296</b>	<b>4,158,372</b>	<b>3,738,493</b>	<b>3,621,891</b>	<b>3,446,686</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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**Certified Public Accountants**  
**(a professional corporation)**  
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Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
East Central 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 East Central Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 20, 2014.

Internal Control Over Financial Reporting

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

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Central 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.

## East Central Community School District's Responses to Findings

East Central Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. East Central 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 East Central Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

January 20, 2014

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

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-13 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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

Response - The District will continue to evaluate internal controls, and maintain the highest level of segregation of duties as possible.

Conclusion - Response accepted.

I-B-13 Negative Lunch Account Balances - We noted during our audit that the Nutrition Fund is carrying numerous excessive negative student lunch account balances on the books.

Recommendation - The District should review their procedures and policies regarding negative student lunch account balances and implement practices designed to prevent account balances from becoming negative. Additionally, the District should try various collection techniques to collect the outstanding balances from the families.

Response - The District will continue to pursue collection of negative lunch account balances. We have also developed a plan to limit the amount of money an account can be negative.

Conclusion - Response accepted.

**OTHER MATTERS:**

I-C-13 Student Activity Fund - We noted during our audit that interest earned within the Student Activity Fund during the year was not allocated to individual Student Activity Fund accounts.

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

Response - Interest will be allocated so all of the accounts in the Activity Fund get their share of the interest.

Conclusion - Response accepted.

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

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

II-A-13 **Certified Budget** - Expenditures for the year ended June 30, 2013, did not exceed the amounts budgeted in any of the functional areas.

II-B-13 **Questionable Disbursements** -

**Accrued Compensated Absences** - We noted during our audit that unused vacation was paid to employees in June 2013. However, the payment made to Mr. Neil Gray, the Superintendent/Elementary Principal for unused vacation does not appear to be supported by District records. Mr. Gray was employed by the District in this capacity beginning August 1, 2010. He received 3 weeks of vacation for the 2010-2011 contract year and had annual contracts for both fiscal years 2012 and 2013 which indicated that he earned 4 weeks of vacation for each of those. Therefore, a maximum of 55 days earned over the 3-year period. Administrative attendance records maintained by the District indicate that Mr. Gray took 10.5 days in fiscal 2011, 24 days in fiscal 2012 and 4 days in fiscal 2013 for a total of 38.5 days used during that same period, leaving at most 16.5 days of unused vacation at June 30, 2013. However, the District paid him for 41 days. We were unable to determine how that amount was calculated. The overpayment of 24.5 days at a daily rate of \$376.92 results in a questioned cost of \$9,234.54. The District also erroneously included the entire amount as social security taxable when Mr. Gray had already capped the 2013 social security amount of \$113,700.00. The District portion of payroll taxes related to this overpayment resulted in an additional questioned cost of \$1,092.03. In addition, upon review of the fiscal 2013 records, it appears that 5 days were initially identified as vacation and then later 'whited out' and changed to personal. We were unable to determine who made the change or why the change was made, but we did note that vacation, not personal time was taken during that same time frame in previous years.

**Recommendation** - The District should request a refund of the overpayment from Mr. Gray and the payroll records should be amended to record the correct amounts.

**Response** - We have met with Mr. Gray and have asked for the money to be returned to the District. We have consulted with legal counsel regarding the matter as well.

**Conclusion** - Response accepted.

**Separation Agreement** - We also noted that the District entered into a separation agreement with Mr. Neil Gray. This agreement, approved by the Board at the April 15, 2013 board meeting, signed and dated by both Mr. Gray and the Board President Mr. Jon Wall on May 6, 2013, indicates 'Mr. Gray has a continuing contract of employment with the District, and Mr. Gray has offered to resign from his employment, and the Board is willing to accept Mr. Gray's offer'. His contract that was available indicated it was completed as of June 30, 2013. Chapter 279.24 of the Code of Iowa indicates that an administrator's contract shall automatically continue until the contract is terminated. No contract for the fiscal year 2013-2014 was noted; therefore, since the contract would have ended June 30, 2013 the Board could have provided intent to terminate the contract in a timely manner and would not have had any liability beyond the original contract. This appears to raise the question as to why the District would use taxpayer monies to provide a monetary separation package to Mr. Gray. The Board was fully aware that they did not need a superintendent for the next year since they were merging. We believe that the District would not have had any continuing liability, had they notified Mr. Gray of the District's intent to not renew the contract in accordance with Chapter 279.24. Therefore the District should not have spent taxpayer monies unnecessarily on a separation

agreement. It was noted that the District paid Mr. Gray through the year ended June 30, 2013 and his resignation identified in the agreement would be at the completion of the fiscal year ended June 30, 2013. The amount questioned is the entire separation agreement amount of \$75,000 that was paid to Mr. Gray, as well as District paid payroll taxes of \$5,137.76. It appears that the District could have mitigated the liability to the District if they had made the timely termination of the contract and therefore we question the use of public taxpayer funds to pay this contract.

Recommendation - The District should consult legal counsel to determine options available to the District.

Response - We have consulted legal counsel on the best way to handle this situation.

Conclusion - Response accepted.

- II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-13 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-13 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-13 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$	463,026
Sales tax revenues			<u>286,033</u>
			749,059
Expenditures/transfer out:			
School infrastructure construction	\$	33,835	
Equipment		47,209	
Other		105,958	
Transfer to other funds:			
Debt service fund		<u>10,943</u>	<u>197,945</u>
Ending balance		\$	<u><u>551,114</u></u>

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

II-M-13 Financial Condition - The District's General Fund had a deficit unassigned fund balance of \$308,951, a total deficit fund balance of \$125,459 and a deficit unrestricted net position in the governmental activities of \$454,977.

Recommendation - The District should continue to monitor these deficit balances and investigate alternatives to eliminate the deficits.

Response - The District will work to correct deficits and move forward as new District with healthy finances

Conclusion - Response accepted.

II-N-13 Teacher's Contracts - We noted during our audit that the District received Teacher Salary Supplement(TSS) moneys pursuant to sections 257.10 of the Code of Iowa. We noted the District distributed the TSS in three lump sum payments rather than evenly throughout the year. In addition we noted that the TSS payments were not included in the District salary schedule and therefore not included on individual employee contracts. Chapter 284.3A(2)(a) requires school districts to combine payments made to teachers under section 257.10 with regular wages and create one salary system. Furthermore, if a school district uses a salary schedule, one salary schedule shall be used for regular wages and for distribution of payments under section 257.10. Chapter 284.3A(1)(c) of the Code of Iowa requires that the amount determined to be paid to an individual teacher shall be divided evenly by the appropriate number of pay periods and paid in each pay period of the fiscal year.

Recommendation - The District should review procedures to ensure that TSS moneys are combined with regular wages to create one salary system or salary schedule and the total amount should be documented on the employee contracts. The payment of the TSS funding should be distributed evenly throughout the year in compliance with Chapter 284.3A of the Code of Iowa.

Response - TSS funds are stated on the new District's contracts and paid out evenly over the course of the fiscal year.

Conclusion - Response accepted.